Chapter II

2 Reviews relating to Government companies

2.1 Fuel Management in Rajasthan Rajya Vidyut Utpadan Nigam Limited

Highlights

Rajasthan Rajya Vidyut Utpadan Nigam Limited has two coal based thermal power stations at Kota (capacity 850 mega watts) and Suratgarh (capacity 1000 mega watts), one gas turbine power project at Jaisalmer (capacity 76 mega watts) and eight hydel power stations (capacity 164 mega watts) at different locations as on 31 March 2003. Average cost of coal, oil and gas constituted 95.6, 1.99 and 2.41 *per cent* respectively of total fuel cost of the Company.

(Paragraph 2.1.1)

Transit shortage of coal, received from South Eastern Coalfields Limited (Korea Rewa) sharply increased up to 5.09 *per cent* at Kota Thermal Power Station and 5.60 *per cent* at Suratgarh Thermal Power Station during 2002-03 resulting in loss of Rs.24.57 crore.

(Paragraph 2.1.6)

Against the norms prescribed by Central Electricity Authority, excess heat consumption during 1998-2003 in both the thermal power stations worked out to 42.49 lakh million kilo calories heat equivalent of 9.45 lakh metric tones of coal valued at Rs.157.39 crore.

(Paragraph 2.1.7)

Non drawing of minimum guaranteed quantity of gas from Gas Authority of India Limited resulted in infructuous expenditure of Rs.3.57 crore during 1998-2003.

(Paragraph 2.1.14)

Non–maintaining the credit balance with railway resulted in avoidable payment of Rs.4.81 crore towards freight surcharge.

(Paragraph 2.1.16)

Non inclusion of clause in current agreement with Coal India Limited for grade slippage in wagon to wagon adjustment resulted in loss of Rs.24.90 crore.

(Paragraph 2.1.22)

Introduction

2.1.1 On unbundling of Rajasthan State Electricity Board (Board) with effect from 19 July 2000 into five electricity companies, the power generation activities of the Board were transferred to Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company). The Company has two coal based thermal power stations (TPSs) *viz*. Kota Thermal Power Station (KTPS) at Kota (capacity 850 MW) and Suratgarh Thermal Power Station (STPS) at Suratgarh (capacity 1000 MW), one Gas Turbine Power Project (GTPP) at Jaisalmer (capacity 76 MW) and eight hydel power stations at various locations (capacity 164 MW) in the State.

As such the power stations require coal, gas, light diesel oil (LDO) and high speed diesel oil (HSD) to heat the boilers producing steam for operation of turbines and generators. The average cost of coal, oil and gas constitute 95.6, 1.99 and 2.41 *per cent* respectively of total fuel cost of the Company.

The Company receives coal from subsidiaries of Coal India Limited (CIL), natural gas from Gas Authority of India Limited (GAIL) and HSD/LDO from oil companies, all Public Sector Undertakings of Government of India.

Organisational set up

2.1.2 The procurement, storage and consumption of each type of fuel is controlled by Additional Chief Engineer, Dy. Chief Engineer and Superintending Engineer at Jaisalmer, Kota and Suratgarh power station respectively.

Scope of Audit

2.1.3 A review on procurement of coal by Kota Thermal Power Station (KTPS) covering the period 1989-94 featured in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1993-94. The review was discussed (January 1997) by the Committee on Public Undertakings (COPU). Recommendations of COPU are awaited.

The present review covers the procedure relating to procurement, transportation, storage and efficiency in consumption of fuel in STPS, KTPS and GTPP during five years period ended March 2003. Records of all the three power stations were test checked during October 2003 to March 2004.

The audit findings were reported to the Government/management in July 2004 with a request to attend the meeting of Audit Review Committee for Public Sector Enterprises (ARCPSE) so that the viewpoints of the Government/ management could be taken into account before finalising the review. The meeting was held on 3 August 2004 where Chief Engineers of the power stations represented management. The review was finalised after considering views of the management. The Government viewpoint, however, could not be taken into account due to non-participation of the Government representative in the ARCPSE meeting.

The audit findings as a result of test check are discussed in the succeeding paragraphs.

Procurement of coal

Procedure for purchase of coal

2.1.4 The Central Electricity Authority (CEA) fixes power generation targets for TPSs considering capacity of plant, average plant load factor, and past performance. The Company works out coal requirement on the basis of targets so fixed, and past coal consumption trend of its two TPSs. The coal requirement so assessed is conveyed to a Standing Linkage Committee (SLC), of the Ministry of Energy (MOE), Government of India, which decides source and quantity of coal supply to TPSs on quarterly basis. Coal is received at KTPS and STPS by rail from South Eastern Coalfields Limited (SECL), Northern Coalfields Limited (NCL), Central Coalfields Limited (CCL) and Bharat Coking Coal Limited (BCCL).

The Company executed (May 1999) agreements with SECL and NCL for supply of coal to both TPSs for three years valid upto May 2002. The TPSs continued (2003) to obtain supply of coal according to terms and conditions of the said agreements without executing new agreements with coal companies, due to non-finalisation of terms and conditions of new agreements. The Government stated (August 2004) that new agreement was under finalisation.

2.1.5 Coal is purchased from coal companies against proforma invoice. Once grade of coal is determined by a third party agency jointly appointed by both the TPSs and coal companies, a final bill or grade slippage claim is raised for final settlement of coal cost.

The year-wise data of coal linkage and actual receipts of coal there against during 1998-2003 are given in the **Annexure - 8**. It would be seen from the Annexure that against total linkage of 343.40 lakh MT, the actual coal receipt was 290.80 lakh MT (85 *per cent)* during five years ending March 2003.

Transit loss of coal

2.1.6 Transit loss of coal represents difference between the billed and actual quantity of coal received at power station. Sale of coal is deemed to have been finalised at pithead. Coal is transported by Railways at consignee’s risk. Therefore, neither the collieries nor the railways reimburse the transit loss. Colliery wise details of coal shortage are given in **Annexure - 9**.

Shortage of coal increased up to 5.09 *per cent* at KTPS and 5.60 *per cent* at STPS, resulting in loss of Rs.24.57 crore.

Audit observed that during 2000-02, shortage of coal received from SECL (Korea Rewa) ranged from 3.61 - 3.45 *per cent* at KTPS and 2.23 - 3.50 *per cent* at STPS. The shortage of coal increased sharply upto 5.09 *per cent* at KTPS and 5.60 *per cent* at STPS during 2002-03 for no reasons on record. Increase in the transit shortage of coal resulted in loss of Rs.24.57 crore. The Government stated (August 2004) that transit shortages should be calculated in totality, which were 3.9 *per cent* at KTPS and 3.21 *per cent* at STPS during 2002-03. The Government's reply is not to the point as major portion of coal was being procured from SECL (Korea Rewa), therefore sharp increase in transit shortage from SECL should have been analysed/investigated.

Consumption of coal

Actual heat rate was in excess of station heat rate norms. Thus heat equivalent of 9.45 lakh MT coal valuing Rs.157.39 crore was consumed in excess.

2.1.7 Audit analysed the consumption of coal *vis-a-vis* units generated for the last five years ending March 2003 of both the TPSs and observed that actual heat rate was in excess of required heat rate, ranging between 10 and 364 Kcal per unit of electricity as per station heat rate norms prescribed by Central Electricity Authority (CEA). Excess heat consumed during 1998-2003 in both the TPSs worked out to 42.49 lakh MK cal heat equivalent to 9.45 lakh MT of coal valued at Rs.157.39 crore.

The Government stated (August 2004) that deviation of heat rate was attributed to low availability of water of Kota barrage since 2000-01 and factors affecting the heat rate were beyond the control of the management. Further for STPS, ideal ambient condition for stacking of coal could never be achieved and Gross Calorific Value of coal was adversely affected due to sprinkling of water. The reply is not tenable because the excess consumption of coal was worked out on the basis of calorific value in coal consumed and the norms prescribed by CEA for station heat rate for coal based station.

Non-availment of benefit of beneficiated coal

2.1.8 The Ministry of Environment and Forest (MOEF) issued (September 1997) instructions to use beneficiated (washed) coal with ash content not exceeding 34 *per cent* with effect from 1 June 2001. In order to comply with MOEF's instructions, the Company initiated (May 2001) steps for awarding the contract for beneficiation of coal after analysing monetary benefit. The work order was issued (October 2002) for the period of two years for washing 24 lakh MT coal per annum for KTPS and STPS. The contractor commenced work from December 2002. The Company started using beneficiated coal from April 2003.

Non use of beneficiated coal at KTPS deprived the Company from saving of Rs.3.90 crore.

Audit observed that the Company did not avail benefit of beneficiated coal at KTPS, as specified by MOEF. There was saving of Rs.180.12 per MT on the use of beneficiated coal on account of reduction in transportation cost as well as increase in Gross Calorific Value (GCV). Thus non-use of 2.16 lakh MT beneficiated coal during December 2002 to March 2003 at KTPS, deprived the Company from saving of Rs.3.90 crore.

The Government stated (August 2004) that capacity of supply of beneficiated coal was very limited. It was more beneficial to avail supply of beneficiated coal at power station situated far away to obtain optimum saving in transportation cost. The reply is not tenable as the contract for beneficiation of two lakh MT per month was entered for both TPSs but the Company failed to supply coal for beneficiation upto the contracted quantity.

Delay in awarding contracts

2.1.9 The management awarded the contract (March 1999) to a private firm to minimise shortages of coal despatches to KTPS and STPS for a period of two years upto 31 March 2001. The management initiated (December 2000) to extend the contract period for 12 months but did not initiate invitation of fresh tenders simultaneously. The case for extension was submitted (March 2001) to the Chairman and Managing Director at the fag end of the contract. While granting extension for four months (April to July 2001), the CMD viewed that responsibility be fixed for submission of case at the nick of time and for non-floating of tender in time.

Audit observed that previous contract was also extended twice without initiating for fresh tenders which was taken (March 1998) seriously by the Member (F&A) and advised to ensure floating of tenders always before expiry of contract. Fresh tenders were invited (April 2001) but could not be finalised (July 2001) and further extension of one month had to be granted with price fall clause. The contract was awarded (September 2001) at the rate lower than the existing rates, without fixing the responsibility as desired by the CMD.

Thus an avoidable expenditure of Rs.30.24 lakh was incurred (April to July 2001) due to non-floating of tender in time and granting extension without price fall clause. The Government stated (August 2004) that rates in new tender were not assessable. The reply is not tenable as the Company had not made any efforts to float the fresh tender well in time and ignored the prevailing market trend while granting extensions.

Procurement of oil

2.1.10 Oil is purchased through limited tenders invited from the oil companies. Supply order is placed on the lowest tenderer. Payment is made against the supply of oil. During 1998-99 both the TPSs consumed 608.62 lakh litre oil.

Extra expenditure on purchase of furnace oil

2.1.11 In response to offers invited (December 2001) for purchase of furnace oil (FO) the rate of Rs.8,111.23 per KL FOR* Suratgarh, with special discount of Rs.2,000 Per KL quoted by Bharat Petroleum Corporation Limited (BPCL) was the lowest subject to placing firm orders by 15 January 2002. STPS faxed (January 2002) letter of intent for supply of 4,500 KL and directed BPCL to despatch one rake (approximately 1,500 KL FO) immediately.

* Free on Rail

Clause 23.9 of Purchase Manual prescribed that the detailed purchase order was to be issued by registered post. However, detailed purchase order was faxed on 10 January 2002. BPCL supplied (January 2002) 1,507.27 KL FO. STPS further issued (February 2002) despatch instruction for supply of 1,500 KL FO. BPCL refused to supply balance quantity, on the pretext that STPS had not placed firm supply order by due date.

Audit noticed that owing to refusal of BPCL to supply the balance quantity, the Company had to purchase it from Indian Oil Corporation at an extra cost of Rs.32.20 lakh. Had the Company followed the codal provisions while placing the purchase order, BPCL could have been forced to supply the balance quantity and STPS could have saved extra cost.

The Government stated (August 2004) that BPCL offered big discount, which could not be maintained by the supplier. Reply is not tenable as the management should have resolved the issue by following the instructions issued (29 March 1989) by Government of India, Ministry of Industry, Department of Public Enterprises.

Procurement of gas

2.1.12 For procurement of gas, erstwhile Board entered into an agreement (November 1993) with GAIL valid upto 31 December 2007. As per terms of agreement, GAIL agreed to supply gas to GTPP as per its requirement subject to maximum of 5,50,000 standard cubic meters (SCM) per day from 1 April 1996.

Non recovery of interest

2.1.13 Erstwhile Board/Company deposited Rs.1.40 crore with GAIL as security deposit between February 1992 and September 1993 against supply of gas for power plant I & II (stage I). As per the agreement the erstwhile Board/Company was to recover simple interest at the rate of 10 *per cent* per annum on security deposit amount from fortnightly bills of GAIL for supply of gas after opening an irrevocable stand by letter of credit. Audit noticed that neither such recovery was made by GTPP from the bills of GAIL nor was monitored by Head Office of the Company. The total amount not recovered worked out to Rs. 1.35 crore.

The Government stated (August 2004) that GAIL did not allow adjustment due to the reason that the letter of credit opened was not in accordance with the terms and condition of the agreement. The reply was not tenable, as the management should have worked out modality to avail the benefit.

Infructuous expenditure due to less drawing of gas

Failure to draw minimum guaranteed quantity of gas caused infructuous expenditure of Rs.3.57 crore.

2.1.14 In terms of Article 5.02 of the agreement, the erstwhile Board was required to make payment for monthly minimum guaranteed off take fixed at 80 *per cent* of the monthly contracted quantity or actual quantity of gas supplied, whichever was higher. Audit observed that the plant failed to draw even the minimum off take due to improper planning, lack of preventive maintenance and unplanned shutdown. Consequently infructuous expenditure of Rs.3.57 crore was incurred on 344.86 lakh SCM gas not drawn during 1998-2003. The Government stated (August 2004) that reasons of less drawing of gas were major breakdown of the plant. The reply is not tenable, as amount of less drawal during major breakdown period has been excluded in audit while calculating Rs.3.57 crore.

Loss of power generation due to receipt of low calorific value of gas

2.1.15 As per specifications laid by the manufacturer of gas turbine, gas having calorific value ranging between 4,408 - 4,950 Kcal/cum* was required for unit II (35.5 MW) of stage I of GTPP. It was observed that there was no such clause for specified calorific value in the agreement and the actual gas received ranged between 3,979.50 - 4,229.02 kcal/cum. As a result of receipt of low calorific value of gas, unit II suffered potential loss of power generation of 1,381.316 lakh units valuing Rs.28.03 crore during 2000-03.

The Government stated that there was no direct loss to the Company, as cost of gas is being reduced upto actual calorific value. The reply is not tenable, because the Company in its monthly/annual performance reports had attributed loss of generation due to low calorific value of gas. Further, plea regarding charging lesser price for gas of lower calorific value is also not acceptable, as consumption of gas increased with reduction in calorific value of gas because the plant had to mix HSD with gas to enhance the low calorific value of gas. During 2002-03, the plant purchased 9,472.229 KL HSD oil amounting to Rs.13.93 crore for enhancement of low calorific value of gas.

Transportation of fuel

Avoidable payment of ‘To pay freight surcharge’

2.1.16 Railway allowed (1 May 1998) the erstwhile Board to avail benefit of exemption of ‘To pay freight surcharge’ as applicable at STPS on advance payment equal to one month amount of freight (Rs. two crore). Subsequently, Railway clarified (February 2001) that according to correct interpretation of the scheme the erstwhile Board/Company was required to maintain credit balance in the advance deposit account.

Audit observed that due to non raising of timely demand of funds by TPS from head office of the Company, it could not maintain the credit balance with

* Kilo calories per cubic meter

Railway during July, August and December 1999 which resulted in avoidable payment of Rs.4.81 crore towards 'To pay freight surcharge'.

The Government while accepting the audit observation stated (August 2004) that correct interpretation of advance payment scheme in those days was not clear.

Defective agreement with GAIL

Failure to safeguard its interest caused idle freight payment of Rs.1.95 crore.

2.1.17 As per clause 4.03 of agreement, in addition to price of gas, the plant was to pay monthly transportation charges at the rate of Rs.70.60 lakh per month effective from April 1996 with the annual increase of three *per cent* irrespective of the quantity drawn by the plant. The above rate was approved on the basis of maximum quantity of 5,50,000 SCM per day to be supplied by the GAIL. Erstwhile Board, however, did not safeguard its interest when GAIL failed to supply the gas or under force majeure clause, transportation charges would be reduced proportionately to the extent of gas not supplied. Audit observed that during five years ended March 2003, GAIL short supplied 3.87 crore SCM gas. Had the erstwhile Board safeguarded its interest at the time of execution of agreement, the payment of freight of Rs.1.95 crore for short supply of gas by GAIL could have been saved.

Settlement of claims

Claims against coal companies

2.1.18 The coal supply agreement envisages following types of recoveries from coal companies:

- under loading/overloading of wagons,
- grade difference,
- stones & shale's and other extraneous matter, and
- short receipt of coal at unloading end in case of wagons not weighed at loading end.

Discrepancies noticed in lodging claims and recovery/ adjustments of claims are enumerated below.

Delay in preferring claims

2.1.19 As per clause 6.1 and 6.2 of the agreement, sampling and quality analysis of coal was to be carried out at both ends *i.e.* loading and unloading, by an independent third party. In case results of both samples varied by more than five *per cent* of average Useful Heat Value and also change in the grade of coal then analysis of quality was to be carried out by a referee and results of referee were to be treated as final for the purpose of payment of that rake.

Audit observed that although report of referee on samples of unloading ends were available with power stations for want of loading end reports, claims of

Rs.3.86 crore including CST* (Rs.14 lakh) could not be lodged for one to three years as detailed below:

Year	No. of samples		Quantity (MT)		Minimum rate difference (Rupees)	Amount (Rupees)	
	KTPS	STPS	KTPS	STPS		KTPS	STPS
2000-01	-	4	-	4,876.44	60	-	2,92,586
2001-02	1	7	3,613.28	14,867.67	60	2,16,797	8,92,060
2002-03	34	193	1,21,115.13	4,74,823.79	60	72,66,908	2,84,89,427
Total	**35**	**204**				**74,83,705**	**2,96,74,073**

The Government admitted the fact of delay in lodging the claims at KTPS. For STPS, it stated (August 2004) that all the testing results of the period upto March 2003 had been received and claims had been lodged with SECL. However, on verification in audit only 39 out of 204 claims were found lodged, leaving 161 claims valued at Rs.2.40 crore.

Claims on account of grade difference

2.1.20 In case receipt of lower grade coal is reported in referee/third party reports, then grade slippage claims are lodged with concerned coal companies. TPS wise position of claims lodged during 1998-2003 and amount adjusted / outstanding, is given below:

(Rupees in lakh)

Station	Claims to SECL during 1998-2003			
	Claims lodged	Claims accepted/ credit note received	Claims rejected	Claims recoverable
KTPS	9032.31	4169.05	-	4863.26
STPS	3217.19	1204.73	1387.63	624.83
Total	**12249.50**	**5373.78**	**1387.63**	**5488.09**

Thus, out of total claims of Rs.122.50 crore, claims of Rs.13.88 crore were rejected by SECL as pointed out in para 3A.7.1 of Report of Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2002. Out of remaining claims of Rs.108.62 crore, claims of Rs.53.74 crore were recovered/adjusted and claims of Rs.54.88 crore pertaining to 1998-2003 remained to be recovered from SECL.

The erstwhile Board and the SECL jointly appointed (March 1999) Export Inspection Council of India (EIC), as third party sampling agency for one year period (1 May1999 to 30 April 2000) to take samples at both ends, i.e. loading

* Central Sales Tax

and unloading, and submit its results to erstwhile Board and SECL. EIC, however, commenced work from 10 September 1999. SECL and erstwhile Board jointly assessed (March 2000) the performance of EIC in presence of their representatives and extended the contract period for six months from 1 May 2000 on the same rates. EIC which refused (May 2000) to continue on same rates, later, accepted (June 2000) to work on same rates with the condition that no extension would be accepted after 31 October 2000.

The erstwhile Board conducted sampling unilaterally at KTPS/STPS from April - August 1999 and May - June 2000. Based on unilateral sampling, the erstwhile Board lodged grade difference claims of Rs.28.42 crore for April - August 1999 pertaining to KTPS and claims of Rs.4.59 crore and Rs.1.37 crore for May - June 2000 for KTPS and STPS respectively to SECL. The SECL initially did not accept claims on the ground that these were not based on sample testing by third party. However, on persuasion, SECL agreed (November 2003) to reimburse Rs.5.94 crore and Rs.1.44 crore against claim of Rs.28.42 crore and Rs.4.59 crore for KTPS after taking average of 6.36 *per cent* of basic coal cost. The matter relating to STPS claims is yet to be decided.

Thus, the Company was deprived of claim of Rs.25.63[*] crore due to non sampling by EIC and also suffered loss of interest of Rs.2.81 crore due to delay in settlement of claims of Rs.7.38 crore (interest at the rate of 10 *per cent*).

Disallowance of differences in Sales Tax

2.1.21 Claims of Rs.24.99 lakh pertaining to 2000-03 on account of difference in the amount of CST arising due to decrease in cost of coal because of grade slippage were not reimbursed by SECL on the ground that debit notes of a particular financial year were not submitted during the same financial year.

Had both the TPSs been vigilant in submitting such claims in time, SECL would not have refused to reimburse Rs.24.99 lakh. The Government stated (August 2004) that at KTPS, coal companies allowed the difference of coal cost but CST was not reimbursed on the ground that this had already been deposited with sales tax department. For STPS it stated (August 2004) that vigorous efforts were being made to get the refund of Sales Tax from SECL.

Loss in settlement of claims for missing coal wagons

Non inclusion of clause in current agreement with CIL for grade slippage in wagon to wagon adjustment resulted in loss of Rs.24.90 crore.

2.1.22 A reference is invited to para 3A.5 of Report of the Comptroller and Auditor General of India (Commercial) for the year ended March 1994 wherein matter relating to diversion of coal rake of one consignee to other by Railway was pointed out. Mention was also made in para that in terms of agreement with CIL, the erstwhile Board/Company could raise bills arising out of grade slippage in wagon to wagon adjustment after verification with the original consignee to which its rakes were diverted. Audit observed that no such clause was inserted in the current fuel supply agreement for missing

[*] Total claim Rs.33.01 crore minus claim accepted Rs.7.38 crore = Rs.25.63 crore.

wagons (May 1999), which resulted in loss of Rs.24.90 crore towards grade slippage/coal shortage on account of adjustment of diverted coal wagons against missing coal wagons.

The Government stated (August 2004) that diversion of rakes was done by Railway for their own constraints for movement of coal on wagon to wagon basis. It was further narrated that diversion at STPS/KTPS had been reduced to large extent after pursuing matter at higher level of Railways, with effect from July and September 2001 respectively. However, the fact remains that the Company suffered loss as mentioned above.

Claims against Railway

2.1.23 The erstwhile Board, considering the fact of unawareness of policy changes, notifications/circulars/guidelines and incorrect interpretation of instructions relating to railway claims, appointed (May 1998) a consultant to scrutinise the old claims of excess amount charged by Railways. On the advice of the consultant, the Company lodged claims of Rs.2.30 crore for wrong charging of railway siding charges for the period 1987 to 1997 and claims of Rs.15.60 lakh for wrong billing of damages and deficiencies in wagons during 1995 to 1999 at KTPS. However, the Railway is yet to accept the claims of Rs.2.46 crore. Besides, the erstwhile Board/Company lodged claims of Rs.27.28 lakh (KTPS) in December 1990 and Rs.72.53 lakh (STPS) during 1999-2003 on account of excess charging of rail freight, excess charging due to error in weight *etc.*, which are yet to be decided.

Management of both TPSs stated (August 2004) that they are pursuing the matter directly as well as through the consultant for early settlement of these claims.

Claims of missing oil tank wagons

2.1.24 The oil for thermal power station is mainly transported through railway. During June 1992 to December 1999, the total number of claims raised by both the TPSs and claims pending there against are given in table below:

Sl. No.	**Name of TPS**	**Period of claims**	**No. of wagons**	**Amount (Rs. in lakh)**	**Reasons for pendancy**
1.	KTPS	June 92-Feb 97	26	32.81	Oil tank wagons were decanted by HPCL, Kota, however, the claims are yet to be settled.
2.	KTPS	June 92-July 97	13	16.68	Claims are pending with the Railways.
3.	KTPS	Oct.95–Oct. 97	2	2.51	Due to dispute regarding delivery (Railways is saying that these wagons were delivered whereas KTPS denied it).
4.	STPS	Jan. 99-Dec. 99	5	9.64	Pending without any reasons.
	Total		**46**	**61.64**	

In respect of decanted oil tank wagons, railway advised KTPS to recover claim from HPCL, which was accepted by the Company and accordingly the Company pursued claims with HPCL. However, HPCL refused to honour the claims. Against claims of Rs.16.68 lakh pending with railway, claims of Rs.10.90 lakh were time barred hence chances of recovery were bleak. Thus due to non initiating effective action for speedy settlement of missing oil tank wagons, Rs.61.64 lakh has been locked.

The Government stated (August 2004) that matter regarding claims of missing oil tank wagons was being pursued with Railways for settlement.

Conclusion

The main fuel for the thermal power station is coal. There were persistent defects in procurement, consumption and measurement of heat value of coal. Further, the Company's efforts to use beneficiated coal were also not as per contacted capacity. Pending claims against Railway were not settled due to delay in preferring claims. At gas turbine project, the Company failed to draw the minimum off take level.

Improvements in procurement and consumption of coal and use of beneficiated coal are needed to reduce the cost of generation. Efforts should be made for early settlement of pending claims against Railways and to improve off take level of gas for optimum benefit of fixed cost of transportation charges.