

## **CHAPTER IV: ELECTRICITY & SAFETY**

### **4.1 Results of audit**

Test check of the records of Electricity and Safety Department conducted during the year 2008-09 indicated non/short realisation of electricity duty and cess and non-realisation of duty due to irregular exemption amounting to Rs. 49.86 crore in 16 cases which could be classified under the following categories.

**(Rupees in crore)**

<b>Sl. no.</b>	<b>Category</b>	<b>Number of cases</b>	<b>Amount</b>
1	Short/non-realisation of electricity duty and interest by CSEB <sup>1</sup> and other captive power producers	07	45.69
2	Non-realisation of duty due to irregular exemption to private electricity producers	03	2.15
3	Non-levy of energy development cess and interest on single point connection	03	1.63
4	Other irregularities	03	0.39
<b>Total</b>		<b>16</b>	<b>49.86</b>

During the year 2008-09, the department accepted deficiencies involving Rs. 30 lakh in four cases.

After issue of the draft paragraphs, the department recovered Rs. 11.96 lakh in full in one case.

A few illustrative audit observations involving Rs. 23.68 crore are mentioned in the succeeding paragraphs.

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<sup>1</sup> Chhattisgarh State Electricity Board

## **4.2 Audit observations**

*Scrutiny of the records of the Chief Electrical Inspector/Divisional Electrical Inspector indicated cases of non-observance of the provisions of the Madhya Pradesh Electricity Duty Act, 1949, Madhya Pradesh Upkar Adhiniyam, 1981 (as adopted in Chhattisgarh) and Chhattisgarh Upkar Sanshodhan Adhiniyam, 2004 as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on the test check carried out in audit. Such omissions are pointed repeatedly, but irregularities still persist. There is need for the Government to improve the internal control system.*

## **4.3 Non-compliance of provisions of the Act/Rules**

*The provisions of Madhya Pradesh Electricity Duty Act, Madhya Pradesh Upkar Adhiniyam, 1981 (as adopted in Chhattisgarh) and Chhattisgarh Upkar Sanshodhan Adhiniyam, 2004 provide for levy and collection of electricity duty, energy development cess and interest for delayed payment of duty and cess. Electricity producers/distributors did not observe the above provisions and prescribed procedures for payment of electricity duty and energy development cess in cases as mentioned in paragraphs 4.4 to 4.6.*

## **4.4 Short-realisation of electricity duty and cess**

Under the provision of Section 3 of the Madhya Pradesh Electricity Duty Act, every distributor and every producer of electrical energy shall pay electricity duty on or before the stipulated date every month. In case of failure to pay the duty within the prescribed date, the distributors/producers of electricity are required to pay interest, under Section 5 of the Act, at the rate prescribed vide notification dated 22 July 1975.

Test check of the records of the Chief Electrical Inspector, Raipur (October 2008) indicated that the Chhattisgarh State Electricity Board (CSEB), sold 10,613.21 million units of electricity to consumers during April 2007 to March 2008 for which duty and cess of Rs. 350.84 crore was payable. The CSEB paid Rs. 334.81 crore which resulted in short realisation of duty and cess amounting to Rs. 16.03 crore and interest of Rs. 3.04 crore.

The matter was reported to the Department and the Government (May 2009). The department stated (July 2009) that CSEB has not paid the balance of Rs. 19.07 crore and the matter has been referred to the Government. Reply from the Government has not been received (November 2009).

## **4.5 Non-realisation of cess and interest on single point connection**

According to Rule 3 of Madhya Pradesh Upkar Adhiniyam, 1981 read with Chhattisgarh Upkar (Sanshodhan) Adhiniyam 2004, every distributor of electrical energy shall pay, in addition to the electricity duty, an energy development cess at the rate of one *paisa* per unit till August 2004 and thereafter at the rate of five *paise* per unit on the total units of electrical energy sold or supplied to a consumer or consumed by himself or his employees. Further, as per Rule 5(1) of the Act, the unpaid cess shall carry interest at the rates prescribed vide notification dated 22 July 1975.

Test check of the records (September 2008) of the Divisional Electrical Inspector, Bilaspur indicated that the CSEB distributed/sold 34,58,15,713 units of electricity to consumers under single point connection scheme but did not pay the cess of Rs. 1.63 crore. The department also did not raise demand notice for realisation of the cess. This has resulted in non-realisation of cess of Rs. 1.63 crore and interest thereon of Rs. 80.94 lakh.

After this was pointed out (April 2009), the department stated (June 2009) that requests were made to CSEB from time to time for payment of cess. It was further stated that the cess of Rs. 2.41 lakh in respect of Raigarh division was not payable as it was computed by audit at the rate of five *paise* per unit instead of one *paise* applicable for the period up to August 2004.

The second part of the reply is not correct as audit has computed the cess at the rate of one *paise* per unit up to August 2004 and not at the rate of five *paise* per unit as stated by the department. Further reply has not been received.

The matter was reported to the Government (April 2009); their reply has not been received (November 2009).

#### **4.6 Non-levy of duty due to irregular exemption**

According to Section 3 of the Madhya Pradesh Electricity Duty Act 1949 (as adopted by Chhattisgarh), every distributor of electrical energy and every producer shall pay each month to the State Government within the prescribed date and in the prescribed manner, a duty calculated on the electrical energy sold/supplied/consumed at the specified rate. Neither the Act nor any instructions of Government provide for any deduction on account of transit loss.

**Audit scrutiny revealed that the Government has also not prescribed norms for computing transit loss. In some cases it has been allowed while in other cases no loss was allowed.**

Test check of the records of the Chief Electrical Inspector, Raipur in October 2008 indicated that three<sup>2</sup> captive power producers, during the period April 2007 to March 2008, claimed exemption from the payment of electricity duty on account of loss in transit calculated at three *per cent*. This resulted in non-realisation of revenue of Rs. 2.17 crore.

After the cases were pointed out (March 2009), the Government stated (June 2009) that the practice for allowing rebate on line loss was prevailing since Madhya Pradesh regime and the same practice was being followed. It also stated that as per the letter of the Electrical Advisor and Chief Electrical Inspector, Government of Madhya Pradesh, Bhopal, issued in November 1984, three *per cent* transit loss was allowed.

The reply is not in consonance with the provisions of the Electricity Duty Act 1949, which does not provide for any transit loss. The authority of 1984 quoted by Government is a letter of the CEI and not a decision/order of the Government. It was also observed in the case of Prakash Industries, Champa (another captive power producer), that no rebate had been allowed for line

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<sup>2</sup> Bhilai Steel Plant (BSP), Bharat Aluminium Corporation Ltd (BALCO), Korba and Electric Supply Company Pvt. Ltd. (ESC), Bhilai.

loss/transit loss. It was, therefore, evident that the department was not following a uniform policy for allowing transit loss. Although this issue was raised earlier in paragraph 5.4 of AR 2007-08 of Government of Chhattisgarh, the Government has not issued any orders/norms relating to transit loss.

**The department may frame clear guidelines for measuring/assessing the transit loss and make a provision in the act for exemption on account of transit loss.**