Report of the Comptroller and Auditor General of India for the year ended March 2022

Performance Audit on Financial and Energy Management by Power Department

Government of Sikkim

Report No. 2 of 2024

TABLE OF CONTENTS

PREFACE

This Report of the Comptroller and Auditor General of India containing the results of the Performance Audit on Financial and Energy Management by Power Department of Government of Sikkim for the period 2017-18 to 2021-22 has been prepared for submission to the Governor of Sikkim under Article 151 of the Constitution of India.

The Power Department is required to keep proper accounts of its receipts and expenditure to fulfil accountability and regulatory requirements that govern financial control, which are essential for determining the path of fiscal policies. Further, the Department is also required to show due diligence and prudence in energy management in the State. The focus of the audit is to assess the efficiency of the Power Department in Financial as well as Energy Management in Sikkim.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

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About the Report:

The Report contains results of Performance Audit of Financial and Energy Management of Power Department of Government of Sikkim for the period from 2017-18 to 2021-22.

This Audit Report has been prepared in four chapters. Chapter I gives the overview and introduction of Power Department of Sikkim (PDS). PDS routes only part of its income and expenditure through the Consolidated Fund of State (CFS). The receipts reflected in the CFS are discussed in Chapter II and audit observations related to the remaining revenue and expenditure are discussed in Chapter III. Further, audit observations about energy management by PDS are discussed in Chapter IV.

The audit examination included an analysis of the data of the Eastern Region Load Despatch Centre (ERLDC), Bank Statements of PDS, data obtained from Independent Power Producers (IPPs), information obtained from energy Exchange Broker *i.e.*, Arunachal Pradesh Power Corporation Private Limited (APPCL) and data from trading cell of PDS.

What has been covered in this audit?

In this Performance Audit, we have analysed revenue and expenditure of PDS with respect to energy purchase, serving of loan, *etc*. Audit analysed the sources of revenue for PDS like revenue from domestic sales, trading revenue and royalty revenue from IPPs. The direct utilisation of this revenue was analysed in terms of the provisions contained in the Constitution of India and the Financial Rules and regulations of the State. Further, we have also assessed the energy management policies of the Department, with a focus on energy security as well as economy of operations.

What have we found?

Unlike other states, Government of Sikkim (GoS) had not unbundled the Power Sector. PDS is looking after generation, transmission and Distribution of power as a government department under the control of GoS. Being a government department, PDS receives budgetary support for meeting its revenue and capital expenditure. Apart from budgetary support, PDS receives revenue from domestic sales, royalty revenue from Independent Power Producers (IPPs) and trading revenue. The revenue collected from domestic sales (fully) and royalty revenue from IPPs (partially) was remitted to the Consolidated Fund of State (CFS). The revenue from trading activities was not remitted to CFS and was directly utilised by PDS without any Legislative approval.

Audit observations relating to the Performance Audit on Financial and Energy Management by Power Department of Government of Sikkim for the period 2017-22 are as discussed below:

Chapter I: Introduction

- PDS does not have any sanctioned strength for its employees. Due to absence of the sanctioned strength, the adequacy of manpower employed could not be evaluated.

(Paragraph 1.3)

- A total of ₹ 3,410.08 crore has been earned by PDS during the period from 2017-18 to 2021-22. Out of this, only ₹ 1,488.92 crore has been remitted into Government Account which was only 44 *per cent*. During 2021-22, out of the total collection of ₹ 822.67 crore, PDS remitted only ₹ 305.42 crore (37.12 *per cent*) to the Government Account.

(Paragraph 1.4)

Recommendation

- *PDS/GoS should prepare sanctioned strength of its employees to maintain assessed requirement of employees for effective functioning.*

Chapter II: Revenue from domestic sales

- Undue benefit to the firm M/s *Akshay Ispat* and *Ferroy Alloys* Private Limited.

(Paragraph 2.3.1)

- Failure to recover outstanding energy charges of ₹ 6.55 crore from closed companies.

(Paragraph 2.3.2)

- Undue benefit to Sikkim Manipal University due to wrong classification of the category of consumers and non-review of the status of consumers it resulted in extending undue benefit to a private commercial entity amounting to ₹ 2.69 crore.

(Paragraph 2.4.1)

- Loss of ₹ 1.50 crore due to non-levy of demand charges under High Tension Industrial Supply (HTIS) category.

(Paragraph 2.4.2)

- Non-adherence of the provision contained in Sikkim State Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2012 resulted in loss of ₹ 0.63 crore.

(Paragraph 2.4.3)

- PDS had suffered a loss of ₹ 25.37 lakh, due to wrong charging of the minimum monthly charges and short assessment of electricity charges.

(Paragraph 2.4.4)

- Delayed remittances/non-remittances of revenue collected by SISCO to Government Account, in contravention of the agreed terms.

(Paragraph 2.5)

Recommendations

- *PDS should frame a Standard Operating Procedure (SOP) to initiate timely legal proceedings under Sikkim Public Demands Recovery (SPDR), Act 2006 for recovery of its outstanding dues.*
- *PDS should raise arrear bills at the earliest and recover the same as per provision contained in Sikkim State Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2012.*
- *PDS should frame a SOP to raise arrear bills and recover the outstanding amount.*
- *PDS should incorporate a penal provision in the agreement for non-remittance/delay in remittance of Government revenue.*

Chapter III: Off-budget financial resources and its utilisation

- Out of the total revenue of ₹ 3,410.08 crore earned by the PDS as revenue receipts during the period 2017-18 to 2021-22, ₹ 1,925.55 crore were not remitted into CFS in violation of Article 266 (1) of the Constitution of India.

(Paragraph 3.2)

- Investment through off-budget loans and diversion of ₹ 927.86 crore of royalty revenue.

(Paragraph 3.3.1)

- Violation of agreement leading to repayment of loans without Legislative approval.

(Paragraph 3.3.2)

- PDS had availed loan amounting to ₹ 225.07 crore to meet the trading shortfall at an interest rate of 12 *per cent*, without Legislative approval.

(Paragraph 3.3.3)

- Off-budget diversion of royalty revenue towards repayment of Power Finance Corporation (PFC) loan relating to Chuzachen Hydro Electric Project (HEP).

(Paragraph 3.3.4)

- Diversion of royalty revenue amounting to ₹ 11 crore for infructuous expenditure on restructuring of loan.

(Paragraph 3.4.1)

- PDS was required to account for the trading proceeds in the CFS and expenditure made from the budgetary support. However, in contravention to this, PDS had kept government revenue and incurred expenditure towards the purchase of energy without Legislative approval.

(Paragraph 3.5)

- PDS has not verified the royalty payments, resulting non-realisation of royalty from Chuzachen, Dikchu and Tashiding HEPs.

(Paragraph 3.6.1)

- Due to non-monitoring of the royalty revenue and consumption of power in excess of the limits prescribed by CERC led to short realisation of royalty from Rongnichu HEP.

(Paragraph 3.6.2)

- Government of Sikkim had provided a revolving guarantees of ₹ 225 crore for the loan availed (₹ 2700.39 crore) from PFC for equity infusion in SUL and ₹ 375 crore for the loan availed by SUL from Rural Electrification Corporation and PFC amounting to ₹ 9,595.68 crore in Violation of Sikkim Government Guarantee Act, 2000.

(Paragraph 3.7)

- Non-maintenance of proper books of accounts leading to non-accountal of ₹ 92.27 crore.

(Paragraph 3.8)

Recommendations

- *PDS should route all the receipts and expenditure through the Consolidated Fund of the State.*
- *The State Government needs to ensure that all royalty received from IPPs are deposited in the CFS in compliance to the provision of the constitution.*
- *The State Government needs to provide an institutional mechanism to ensure that funds are readily available with PDS for power trading activities without any hindrance and delay.*
- *The State Government needs to take immediate steps to account the royalty in the CFS and provide budgetary support as per the agreement in a manner so as to avoid any adverse impact on servicing of the loan.*
- *In the aftermath of Glacial Lake Outburst Flood on 04 October 2023 which had completely damaged Teesta III HEP, Government of Sikkim should plan on priority for servicing the loan liability committed being the guarantor against the loan taken for the HEP and also explore funding options for restoration of the project.*
- *PDS should frame SOP for accurate assessment and prompt realisation of revenue due from IPPs as well as recovery of outstanding dues if any.*
- *PDS should fix the responsibility against the concerned officials for non-realisation of royalty revenue due and outstanding since long.*
- *PDS should maintain proper books of accounts and reconcile its revenue account timely and maintain accuracy.*

- *PDS should immediately verify the royalty received from various IPPs and recover the balance royalty due.*

Chapter IV: Energy Management

- Signing of PPA without proper assessment of requirement resulted huge surplus power from PPAs which PDS had to sell in the power exchange at loss.

(Paragraph 4.1.1.1)

Recommendations

The Power Department should

- *assess its energy requirement scientifically and economically taking into consideration the free energy available from IPPs.*
- *explore the possibility of surrendering available surplus energy as was done with National Thermal Power Corporation (NTPC) in March 2021 and opt for Real Time Market/ Indian Energy Exchange purchases to meet the shortfall, if any.*
- *take necessary action to surrender yet to be operationalised Power Purchase Agreements (PPAs) or approach Ministry of Power (MoP)/generators to reduce the demand to nominal allocation in view of the existing surplus.*
- *explore the power banking option with other utilities to meet up its requirement during the peak season (November to March).*
- *prepare its budgetary demand realistically to avoid availing loan from outside agencies.*
- *ensure availability of adequate power in the State in view of the destruction at Teesta-III, Teesta-V and Dikchu HEPs due to Glacial Lake Outburst Flood (GLOF).*

CHAPTER I
INTRODUCTION AND AUDIT FRAMEWORK

Chapter I: Introduction and Audit Framework

1.1 Introduction

The Power Department of Sikkim (PDS) is the only deemed licensee in State of Sikkim under Section 14 of the Electricity Act, 2003 enacted by Government of India. It takes care of generation, transmission and distribution of electricity in the State. Although most states in the country have unbundled their State Electricity Boards and created separate Companies for generation, transmission and distribution in the lines of Electricity Act of 2003, Sikkim has not carried out unbundling till date and all the activities relating to purchase, generation, transmission, distribution and revenue collection are managed by PDS.

Sikkim boasts of a remarkable electricity sector that plays a vital role in meeting the energy needs of its residents and fostering economic development in the State. There has been phenomenal growth in the power sector since the year 1994 with the commissioning of different hydroelectric projects through Independent Power Producers (IPPs) and Joint Ventures (JVs). Sikkim's power generation primarily relies on hydropower, harnessing the energy potential of its numerous rivers and mountainous terrain. The State's abundant water resources have facilitated development of hydroelectric power projects, making Sikkim one of the largest producers of the hydel power in India and the largest power producer in Eastern Region with installed capacity of 2,295 Megawatts (MW) as of March 2022.

An overview of the power sector of Sikkim is given in the table below.

Table: 1.1 Sikkim's Power Sector at a Glance

<table>
<tr><th>Aspect</th><th>Key Highlights</th></tr>
<tr><td>Energy requirement and availability</td><td>The energy requirement and availability during FY 2021-22 is tabulated below:
<table>
<tr><th>Parameters</th><th>In Million units (MU)</th></tr>
<tr><td>Energy requirement</td><td>495.37</td></tr>
<tr><td>Energy availability</td><td>1,022.43</td></tr>
<tr><td>Excess (+)/shortage (-)</td><td>527.06 (106.40%)</td></tr>
</table></td></tr>
<tr><td>Generation</td><td>The total installed power generation capacity available to the State at the end of 2021-22 was 2295 Mega Watt (MW) as detailed below:
<table>
<tr><th>Mode</th><th>Installed capacity (MW)</th></tr>
<tr><td>State</td><td>1,213</td></tr>
<tr><td>Private</td><td>512</td></tr>
<tr><td>Central[1]</td><td>570</td></tr>
</table>
Capacity addition of hydro power during 2017-18 to 2021-22 (in MW)
<table>
<tr><th>Particulars</th><th>2017-18</th><th>2018-19</th><th>2019-20</th><th>2020-21</th><th>2021-22</th></tr>
<tr><td>Hydro</td><td>193[2]</td><td>0</td><td>0</td><td>0</td><td>113[3]</td></tr>
</table></td></tr>
<tr><td>Transmission</td><td>PDS is responsible for intra-State transmission of electricity and the Central Transmission Utility (CTU), Power Grid Corporation of India Limited (PGCIL) manages the inter-state transmission of power. The total inter and intra-state transmission capacities in the State are as follows:</td></tr>
</table>

[1] *National Hydro Power Corporation- Teesta V – 510 MW and Rangit IV – 60 MW*

[2] *Dikchu HEP:-96 MW (April 2017) and Tashiding HEP:-97 MW (November 2017)*

[3] *Rongnichu HEP:-113 MW (July 2021)*

<table>
<tr><th>Aspect</th><th>Key Highlights</th></tr>
<tr><td></td><td>
<table>
<tr><th>Category</th><th>No. of Extra High Voltage sub-stations</th></tr>
<tr><td rowspan="2">Sub Stations</td><td>132/66 Kilo Volts (KV) – 2</td></tr>
<tr><td>66/11 KV – 19</td></tr>
<tr><td rowspan="2">Extra High Tension</td><td>132 KV – 14.80 Circuit KM (ckt km)</td></tr>
<tr><td>66 and below – 514.47 ckt km</td></tr>
</table>
</td></tr>
<tr><td>Distribution</td><td>PDS is responsible for distribution of power in the State (March 2022)
<table>
<tr><th>Licensee</th><th>License area</th><th>Consumers served</th></tr>
<tr><td>PDS</td><td>Entire State</td><td>1,23,805</td></tr>
</table>
</td></tr>
</table>

(Source: PDS data)

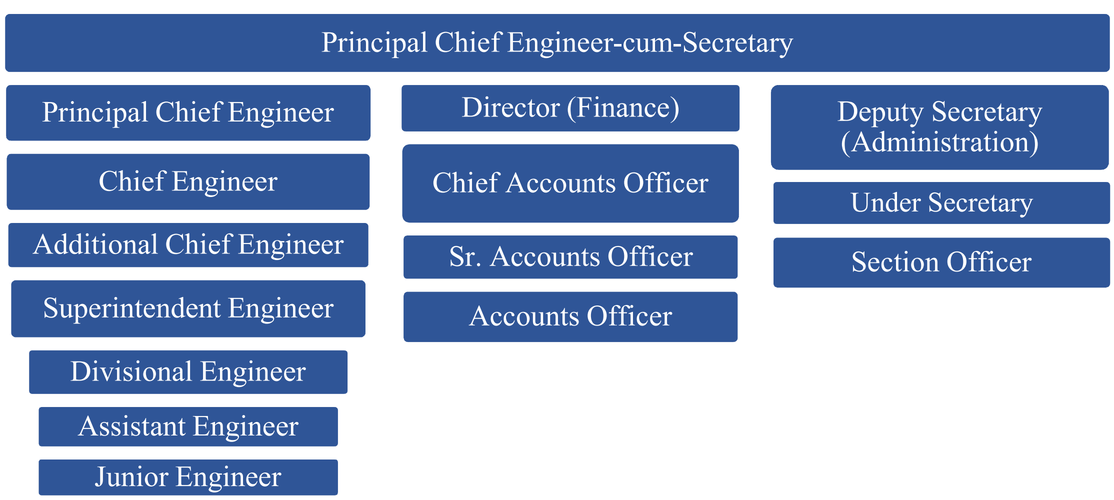
As PDS is a Government Department, all the rules and regulations regarding treatment of revenue and expenditure on government accounts apply to it. Article 266(1) of the Constitution of India states that "*all revenues received by the Government of a State, all loans raised by that Government and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State*". Similarly, Article 293 of the Constitution that "*the executive power of a State extends to borrowing within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by the Legislature of such State by law and to the giving of guarantees within such limits, if any, as may be so fixed*". Further, Rule 4 (1) of Sikkim Financial Rules, 1979 points out that "*all moneys received by or on behalf of the Government shall be brought into the Government Account without delay*".

Audit examined the compliance to these rules and regulations for the period from 2017-18 to 2021-22 by PDS.

1.2 Organisational Set-up

The PDS is headed by the Principal Chief Engineer-cum-Secretary (PCE-cum-Secretary) who is assisted by PCEs, Director, Chief Engineers (CEs) and Additional CEs, *etc.* as shown in **Chart-1**:

Chart-1: Organisational set-up of the PDS



(Source: PDS data)

There are four State Public Sector Enterprises (SPSEs) under the administrative control of PDS as detailed in the Table below.

Table 1.2: Details of SPSEs under the control of the PDS

Company	Date of incorporation	Area of activity	Equity (in crore)	GoS share in equity (in per cent)	Loan (in crore)
Sikkim Power Development Corporation	15.12.1998	Electric power generation	77.33	51	40
Sikkim Power Investment Corporation Limited (SPICL)	06.02.2012	Business of financing and support financial services for power sector	0.01	100	3,291.24
Sikkim Urja Limited (SUL)	11.03.2005	Generation	3,205.39	60.08[4]	9,512.33
Teestavalley Power Transmission Limited	10.08.2006	Transmission	388.45	69.08[5]	788.44

(Source: Financial Statements of respective PSUs)

1.3 Human Resources

The details relating to the human resources position of PDS during the period 2018-19 to 2021-22 are given in **Table 1.3**:

Table 1.3 Human Resources' status

Category of employees	No. of employees			
	2018-19	2019-20	2020-21	2021-22
Group A	91	98	105	108
Group B	84	77	70	76
Group C	1,251	1,640	1,682	1,781
Group D	1,120	1,115	1,198	1,092
Total	**2,546**	**2,930**	**3,055**	**3,057**

(Source: PDS data)

PDS does not have any sanctioned strength for its employees. Due to absence of the sanctioned strength, the adequacy of manpower employed could not be evaluated.

1.4 Receipts and Expenditure of PDS/ sources and application

PDS receives revenue in the form of domestic sale of power and royalties from IPPs. A total of ₹ 3,410.08 crore has been earned by PDS during the period from 2017-18 to 2021-22. Out of this, only ₹ 1,488.92 crore has been remitted into Government Account as shown in the following table.

Table 1.4: Budget Estimates *vis-à-vis* Actual Receipts

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Budget estimates	160.10	190.10	320.10	372.38	380.00	1,422.68
Actual receipts	539.04	663.70	643.76	740.91	822.67	3,410.08
Receipts deposited into Government Account	310.26	269.44	256.40	346.05	306.77	1,488.92

(Source: SFAR for the year 2021-22)

[4] *SPICL, a wholly owned GoS Company having total equity worth ₹ one lakh only, had majority stake (60.08 per cent) in SUL. This anomaly has been discussed in detail in paragraph* 3.3.1.

[5] *Teestavalley Power Transmission Limited is a subsidiary of SUL (69.08 per cent stake) and* PGCIL.

As could be seen from **Table 1.4**, the actual receipts were more than budget estimates (BEs) during 2017-18 to 2021-22. The reason for huge deviation in the estimates and actuals during 2017-18 was due to commissioning and realisation of royalty revenue from two new HEPs[6]. Further, the PDS did not deposit the royalty revenue in the Government Account, in full, in all these years. The royalty revenue deposited into the Government Account ranged between 18.22 *per cent (2018-19)* and 54.48 *per cent (2017-18)* except for 2019-20 and 2021-22 where no royalty was remitted into Government Account as detailed in **Table 3.2**. Further, there was a difference of ₹ 4.39 crore between figures depicted in Finance Accounts of GoS and PDS data which is under reconciliation.

PDS receives budgetary support from GoS to meet its expenditure relating to salary, operation and maintenance, administrative expenses and purchase of power. The details of budgetary provisions relating to expenditure during the period 2017-18 to 2021-22 are depicted in the Table below:

Table 1.5: Budget Estimates *vis-à-vis* Actual Expenditure

(₹ in crore)

Year	Head	BEs	Supplementary	Total Grant	Expenditure	Savings/Excess
2017-18	Revenue	230.64	2.62	233.26	210.93	22.33
	Capital	118.74	30.02	148.76	75.79	72.97
2018-19	Revenue	210.03	5.07	215.11	206.24	8.87
	Capital	74.77	10.57	85.34	63.58	21.76
2019-20	Revenue	273.97	7.48	281.45	285.88	-4.43
	Capital	42.35	4.83	47.18	20.41	26.77
2020-21	Revenue	286.48	35.99	322.48	313.53	8.95
	Capital	83.09	95.83	178.92	161.90	17.02
2021-22	Revenue	295.16	0	295.16	287.56	7.59
	Capital	28.68	76.34	105.02	102.64	2.38

(Source: Appropriation Accounts)

1.5 Audit Objectives

The Performance Audit (PA) on Financial and Energy Management by Power Department was taken up to get a reasonable assurance that the:

a. PDS is following financial norms in collection and utilisation of revenue from different sources, borrowings and servicing of loans; and

b. Assessment of energy requirements was worked out properly regarding State's fluctuating demand.

1.6 Audit criteria

The audit criteria adopted for conducting the PA are as detailed below:

1. Constitution of India;
2. Sikkim Financial Rules, 1979;
3. Agreements and correspondences with Power Producers;
4. Sikkim State Electricity Regulatory Commission's Tariff orders for 2017-22;

[6] *Dikchu HEP and Tashiding HEP*

5. Power Purchase Agreements;
6. Sikkim Government Guarantee Act, 2000;
7. Various loan agreements entered by PDS/SPICL; and
8. White paper on expenditure commitments, borrowings and Revenue potential submitted (July 2019) to Sikkim Legislative Assembly.

1.7 Scope of Audit

The Performance Audit commenced with an Entry meeting with the Departmental Officers on 11 February 2020 wherein audit objectives and criteria were discussed. The PA covered the transactions of revenue receipts in the form of royalties from IPPs, power trading outside the State and domestic sales and its utilisation by PDS for the period from 2017 to 2022. The audit was undertaken at the Head office of PDS by reviewing the bank statements, data obtained from Eastern Regional Load Dispatch Centre, trading record, power purchase agreements (PPAs) and correspondences with IPPs. Exit meeting was held on 11 December 2020 (through Video conferencing) and on 21 August 2023 with the officials of the Department.

1.8 Audit Findings

Apart from the Introductory Chapter, the report contains three chapters:

Chapter-II- Budgeted Financial Resources: Audit findings on the revenue receipts reflected in the Consolidated Fund of the State (CFS) are discussed in this chapter.

Chapter-III- Off-Budget Financial Resources and their utilisation: Audit findings on Revenue and expenditure which was not routed through CFS are discussed here.

Chapter-IV- Energy Management: The energy requirement of the State and PPAs entered into by GoS have been discussed in this Chapter.

1.9 Acknowledgement

Principal Accountant General (Audit), Sikkim, Gangtok acknowledges the cooperation and assistance extended by the officials of the PDS, GoS and the Sikkim Power Investment Corporation Limited (SPICL) and its Subsidiary Companies during the conduct of the Performance Audit.

Recommendation:

- *PDS/GoS should prepare sanctioned strength of its employees to maintain assessed requirement of employees for effective functioning.*

CHAPTER II
BUDGETED FINANCIAL RESOURCES

Chapter II: Budgeted Financial Resources

2.1 Sources of revenue

The Power Department of Sikkim (PDS) generates revenue from three different sources:

(i) ***Revenue from Sales within State*** –PDS earns revenue from distribution of electricity to various consumers within the State.

(ii) ***Royalty from Hydro Electric Projects (HEPs)*** – Eight HEPs[7] had entered into agreements with PDS for generation of electricity in Sikkim. The HEPs have to supply 12 *per cent*[8] of the total power generated by them to PDS or cash equivalent as royalty (called free power). Out of the eight HEPs, Sikkim Urja Limited (SUL) (erstwhile *Teesta Urja* Limited), *Chuzachen* HEP and *Rongnichu* HEP remit the money equivalent of 12 *per cent* free power to PDS. Five HEPs[9] transfer free power directly to PDS which is being utilised by the State for its own consumption. The remaining power generated (88 *per cent*) by the HEPs were sold in open market by the Power Producers except for NHPC with whom the State Government had entered into a Power Purchase Agreement (PPA) for purchase of 75.27 MW[10] of electricity.

(iii) ***Revenue from Inter-State Sales of energy***– The energy purchased/ received as royalty was utilised for consumption within the State and the surplus energy was traded in power exchange.

Audit observations regarding revenue received and its remission to the consolidated fund of the State are discussed in the subsequent paragraphs.

2.2 Overview of sale within State

PDS provides electricity to various consumers in the State. Based on the supply of electricity, PDS collects revenue from the consumers within the State which is remitted into the CFS. The details of various categories of consumers in the State during the period from 2017-18 to 2021-22 are given in **Table 2.1**.

Table 2.1: Category-wise number of consumers

Category of consumer	2017-18	2018-19	2019-20	2020-21	2021-22
Domestic	97,002	99,313	1,01,673	1,04,134	1,08,313
Commercial	11,356	11,581	11,827	12,156	12,466
Low Tension	576	631	645	636	616
High Tension	552	594	514	534	560
Bulk supply	1,816	1,863	1,819	1,706	1,803
Public Lighting	36	34	30	37	47
Total	**1,11,338**	**1,14,016**	**1,16,508**	**1,19,203**	**1,23,805**

(Source: PDS data)

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7 *Chuzachen HEP, Tashiding HEP, Jorethang Loop HEP, Dikchu HEP, Teesta III HEP, Rongnichu HEP, Rangit IV HEP and Teesta V HEP*

8 *Chuzachen {12% royalty and 2% wheeling charges (the fees paid on account of transmission of electricity)} and Tashiding HEP (12% royalty and 1% Local Area Development)*

9 *Jorethang Loop HEP, Dikchu HEP, Tashiding HEP (IPPs) and Rangit IV HEP and Teesta V HEP (NHPC owned)*

10 *Rangit HEP:-8 MW and Teesta-V HEP:-67.27 MW*

As could be seen from **Table 2.1**, the number of electricity consumers in the State is showing an increasing trend during the last five years. With the increase in the number of consumers, revenue collection of the PDS from domestic sales has also increased as shown in **Table2.2**.

Table 2.2: Details of revenue collected from sales within State.

(₹ in crore)

Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue from sale of power to consumers	194.70	215.74	255.46	291.04	304.59
Revenue from other/ Misc. sources	0.27	0.85	0.01	0.82	0.83
Total	**194.97**	**216.59**	**255.47**	**291.86**	**305.42**

(Source-PDS data)

2.3 Deficiencies in realisation of electricity dues

The electricity bills of consumers are raised based on the monthly meter reading. PDS gives 10 days for the consumers to make the payment. If a consumer makes the payment within 10 days of the invoice date, a rebate of five *per cent* is allowed. Further, a surcharge is levied if there is any outstanding bill pending as on 31 March every year. Section 56 (Disconnection of supply in default of payment) of Electricity Act, 2003 read with Section XXVII of the Sikkim State Electricity Regulatory Commission (SSERC) tariff schedule stipulates that PDS has the right to disconnect the power supply after 15 days' notice to the defaulting consumers.

The detailed position of outstanding electricity bills from consumers within the State during the period 2017-18 to 2021-22 is given in **Table 2.3**.

Table 2.3: Assessment and realisation of electricity dues

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Opening Balance	277.07	307.42	289.45	317.50	315.86
2	Surcharge levied	33.72	28.27	32.21	35.20	36.50
3	Total of opening balance and surcharge	310.79	335.69	321.66	352.70	352.36
4	During the year assessment	194.96	226.18	255.83	259.71	303.79
5	Rebate allowed	3.64	3.89	4.54	4.70	6.04
6	**Net assessment**	**191.32**	**222.29**	**251.29**	**255.01**	**297.75**
7	Realisation	194.69	268.53	255.45	291.85	305.42
8	Outstanding Balance	307.42	289.45	317.50	315.86	344.69

(Source: PDS)

As could be seen from the table above, ₹ 344.69 crore was due from various consumers of PDS.

Audit observations pertaining to outstanding revenue are detailed in the succeeding paragraphs.

2.3.1 Undue benefit to the firm M/s Akshay Ispat and *Ferroy Alloys Private Limited*

The PDS had entered into an agreement (August 1997) with *Akshay Ispat* and *Ferroy Alloys* Private Limited (Company) to provide service connection with a sanctioned load of 7,500 Kilovolt Amperes (KVA). As per schedule I of the agreement, the energy charges were ₹ 1/unit and demand charges were ₹ 80/KVA/month. Further, clause 16 of the agreement stipulates that this agreement was valid for a period of five years from the date of providing 66 or 11 KV service connection to the Company. The Company started its commercial operation from December 2003 and closed its operation in July 2009 and power supply was finally disconnected in April 2011.

Due to funds constraint, PDS could not provide the 66 KV service connection to the Company on time, *i.e.*, during the year 1997 as per the agreement. At the same time, the Company also could not complete construction of their unit on time. Finally, Company started drawing 66 KV power from December 2003 more than six years after signing of agreement. Since the power scenario and tariffs have changed from 1997 when the agreement was drawn up, PDS started charging electricity charge @ ₹ 1.61/unit and demand charges @ ₹ 88/KVA/month from December 2003 from the Company. As seen from the records, Company stated that they were paying at this rate under protest. In 2005, GoS directed the PDS to charge energy charges @ ₹ 2.50/ unit and demand charges @ ₹ 100/KVA/month since PDS was purchasing power from Central Public Sector Enterprises (CPSEs) at much higher rate. The Company, aggrieved by this decision, filed (April 2005) a writ petition in the Hon'ble High Court (HC) against PDS.

The Hon'ble HC nullified (April 2008) the PDS's claim that the agreement has got over in 2003 and suggested that the existing rate of energy charges of ₹ 1.61/unit and demand charges of ₹ 88/KVA/month may continue till the end of agreement *i.e.*, December 2008.

Meanwhile, the Company had also approached (2007) PDS for settlement of power rate dispute out of court with the proposal that the Company would pay the energy charges @ ₹ 1.61/ unit and demand charges @ ₹ 88/ KVA/ month subject to the condition that originally agreed rates of ₹ 1/unit of energy charges and ₹ 80/KVA/ month of demand charges would be charged by PDS for a period of five years once Teesta-V project is commissioned. As per the available records, this proposal was not considered by PDS.

However, Power Department suddenly accepted all claims of the Company as mentioned in the original agreement and signed an addendum agreement (January 2010) and agreed that the Company was eligible for a refund of ₹ 0.32 crore. Even though PDS had adjusted the outstanding electricity dues as per the addendum agreement and decided to refund an amount of ₹ 0.32 crore to the Company, it had not made the requisite entry in the Demand Register of the concerned Division leading to accumulation of surcharge on the outstanding amount over the years. This has resulted in accumulation of outstanding dues to ₹ 376.94 crore as on 31 March 2023 which may not reflect the accurate status of dues.

Thus, the Power Department had not showed due diligence while entering into the addendum agreement as it did not take into account the higher rates offered by the Company in 2007, thereby providing undue benefit to the Company.

2.3.2 Failure to recover outstanding energy charges of ₹ 6.55 crore from closed companies

Clause 14 (1) of the standard electricity supply agreement between PDS and the consumer stipulates that "*if the consumers fails/ failed to pay the amount of any bill under the agreement within the due date of bill referred to, the government shall give the consumers 15 days' notice of its intention to discontinue the supply of electrical energy and at the expiry of such period, if payment has not been received in the meantime, may forthwith disconnect the supply until full payments for all obligations pending including charge for the work of disconnection and reconnection has been made*". Further, Clause 15 of the Agreement stipulates that "*The consumers shall on being so required by the Government provide a security deposit equivalent to the anticipated billing amount to be levied for two months against the connected load of the premises after considering its load factor*". Clause 9.3 (c) of SSERC electricity code states that "*If the disconnection was on account of non-payment of bill, and in case the consumer requests for reconnection within a period of six months after disconnection, the connection shall be reconnected within five days on an application by the consumer accompanied with a copy of the receipt for payment of dues and reconnection charges".* Section 4 (1) of Sikkim Public Demands Recovery (SPDR) Act, 2006 states that *"when a Certificate Officer is satisfied on an application made to him or otherwise that any public demand is due, he may sign a certificate in such form as may be prescribed, stating that the demand is due, and shall cause the certificate to be filed in his office"*

During audit, it was observed that in many cases, PDS failed to invoke enabling provisions under the agreement entered upon, resulting in losses to the government as discussed below.

a) PDS had entered into a contract agreement with two private companies namely *Lanco* (January 2012) and *Jal Power Corporation Limited* (JPCL) (October 2009) for supply of electricity. As per the agreement, PDS was to supply 8,130 KVA of electricity to the two parties for the construction of power projects at different locations.

   Scrutiny of the records revealed that the PDS continued supply of electricity to both the companies' in spite of huge outstanding arrears of electricity till the date of their disconnection (May 2016 and March 2016). PDS neither initiated any action in this regard nor sent any notice as per the provisions of agreement for disconnection of the supply nor did they initiate recovery proceedings for the dues under the SPDR Act, 2006. Both *Lanco* and JPCL had an outstanding arrears of ₹ 1.03 crore and ₹ 2.84 crore respectively as on the date of disconnection of power supply.

   Both the companies had undergone financial distress and the project had come to a standstill and was abandoned. Subsequently, both the companies went into liquidation under National Company Law Tribunal (NCLT), and the projects were taken over by National Hydro Power Corporation (NHPC).

While the liquidation was under process, PDS had not submitted any claim to NCLT for electricity dues of *Lanco* against an outstanding dues of ₹ 1.03 crore. The reason for not submitting the claim was not available in records of PDS. In respect of JPCL, the PDS submitted its claim for dues to NCLT amounting to ₹ 4.55 crore adding surcharge till March 2019, but the claim was not entertained by NCLT.

Thus, laxity on the part of the PDS in invoking penal provisions contained under SPDR Act, 2006 led to accumulation of dues and a loss of ₹ 5.58 crore to the State exchequer.

b) *Rangpo* Division of PDS had provided service connection to M/s Sikkim Breweries Limited (Company) based on the agreement signed (26.03.2011) between the two parties. As per the agreement, a load of 500 KVA was sanctioned which was reduced (June 2014) to 380 KVA.

Scrutiny of records revealed that the Company was irregular in payment of its dues since the beginning as a disconnection notice was sent to the Company as early as November 2011. Due to irregularity in repayment of the electricity dues, the Department had sent three notices (November 2015 and February 2016) for payment of arrears and three legal notices (March 2016, April 2016 and August 2018) under 56 (1) of Electricity Act, 2003.

The Company made their last electricity payment in July 2014 and thereafter no payment was made. Audit observed that the division had sent notices in November 2015, *i.e*., 16 months after the last payment. The service connection was disconnected on 28 November 2015 by the Division only to be reconnected on 03 December 2015 on the verbal instructions of the PCE cum Secretary, PDS despite no payment being made. PDS supplied electricity till February 2016, when the line was finally disconnected. As on the date of disconnection, there was an outstanding electricity dues of ₹ 51.84 lakh. It was also further observed that even though the Company had closed its operation and the power was disconnected since February 2016, PDS had not filed any recovery suit in the court of Certificate Officer for recovery of the outstanding dues (August 2023).

Thus, in contravention to the provisions of the agreement, PDS started resupplying electricity to the Company despite it not settling the dues and had also not filed any recovery suit till date. This has resulted in loss of ₹ 51.84 lakh to the government exchequer.

c) The Pakyong Division of PDS had provided service connections (May 2011 and June 2016) to Gati Infrastructure, Bhasmey Hydel Projects (Power House and Dam site) and Simplex Infrastructures Limited (contractor of a hydel project belonging to Gati) with a sanction load of 1,500 KVA (three connections @ 500 KVA each) for construction of power project respectively. During March 2016, M/s Gati Infrastructure in a communication for supply of new connection to M/s Simplex stated that in case the latter fails to pay the electricity dues then it will take the responsibility to clear the electricity dues on behalf of M/s Simplex. However, the project was discontinued due to contractual dispute between the two parties and both the companies requested PDS to disconnect the lines (M/s Simplex on 01 December 2016 and M/s Gati for dam site and Powerhouse on 15 May 2017). Based on the request, PDS disconnected the power supply to the project.

M/s Gati Infrastructure had made their last electricity payments on September 2016 (Power House), October 2018 (Dam site) and M/s Simplex had not paid any electricity dues since the date of drawing of power (March 2016) as per available records. As on the date of disconnection, there is an outstanding amount of ₹ 16.91 lakh (Gati, Power house), ₹ 16.99 lakh (Gati, Dam site) and ₹ 7.89 lakh (Simplex).

Due to non-recovery of the outstanding dues, PDS filed (April 2018) a civil suit in the court of Certificate Officer/East district for recovery of the outstanding electricity dues (₹ 45.45 lakh). The court directed (June 2018) Gati Infrastructure to pay ₹ 50,000 within a month and the remaining to be paid subsequently. In respect of M/s Simplex, the Court directed the Company to submit its reply within 15 days from the date of hearing (13 June 2018) failing which the machines and other equipment will be auctioned as per rules.

However, as per available records, no payment has been made by M/s Gati so far (August 2023) nor did PDS pursue the matter of M/s Simplex for seizure of machines and auction the same.

Thus, failure of the PDS in ensuring that outstanding dues are settled, led to a loss of ₹ 45.45 lakh was incurred by the State exchequer.

Thus, due to laxity of the PDS in non-invoking of clause 14 (1) of the agreement and recovery proceedings initiated as contained under SPDR Act, 2006 in time and in providing continuous power supply, PDS had to suffer a loss of ₹ 6.55 crore.

The Secretary, Power Department of Sikkim stated during the exit conference (August 2023) that it will recover the dues. However, the fact remains that M/s *Lanco*, JPCL and M/s Sikkim Breweries Ltd had closed down their operations in Sikkim and the chances for any recovery is now remote due to failure of the Department in taking timely action.

2.4 Deficiencies in Assessment of revenue

SSERC, the regulatory body, notifies the electricity tariff for various categories of consumers every year. Audit noticed the following issues in categorisation of consumer and assessment of revenue:

2.4.1 Undue benefit to Sikkim Manipal University

PDS uses six different categorisations for its domestic consumer's *viz*., Domestic, Commercial, Bulk supply, Low Tension Industrial Supply (LTIS), High Tension Industrial Supply (HTIS) and Public Lighting. As per section V of the Sikkim State Electricity Regulatory Commission Tariff Schedule (SSERCTS) for 2017-18 to 2021-22, Bulk Supply or Non-Commercial supply shall be available to Military Establishments, Borders Roads, Sikkim Armed Police Complex (SAP), Electric Vehicle Charging Station, all Government Non-residential buildings, Hospitals, Aerodromes and other similar establishments as identified as such supply by the Concerned Executive Engineer.

Further, the Executive Engineer should sanction the demand in the *Requisition and Agreement form* of the PDS before the service connection is issued based on the availability of quantum of Power. The demand sanctioned by the Executive Engineer will be considered as the *contract demand*.

In case of the HTIS category, a minimum demand charge plus energy charge based on the energy consumed is to be levied whereas under Bulk Supply, energy charge based on the units consumed and minimum monthly charge is levied. PDS provides two types of High Tension supply *i.e.*, Bulk supply HTIS and HTIS.

PDS supplied electricity to Sikkim Manipal University (SMU) and installed a 1,250 KVA transformer in the premises of SMU for the purpose. Scrutiny of the records revealed that the PDS had categorised SMU under Bulk Supply HTIS category instead of the regular HTIS category. A comparative statement of the energy assessed under Bulk supply HTIS and regular HTIS along with loss due to wrong classification of the category is given in **Table 2.4**.

Table 2.4: Energy charges assessment of Sikkim Manipal University (1250 KVA)

(₹ in lakh)

Year	Units consumed	Amount assessed and realised by PDS in Bulk supply HTIS			Amount calculated by Audit in regular HTIS			Loss
		Energy charges	Meter rent	Total	Energy charges	Fixed charges	Total	
2017-18	39,26,337	257.96	0.01	**257.97**	194.75	82.50	**277.25**	**19.28**
2018-19	43,28,139	285.66	0.01	**285.67**	220.74	83.25	**303.99**	**18.32**
2019-20	41,51,119	273.97	0.01	**273.98**	228.31	84.00	**312.31**	**38.33**
2020-21	32,19,593	225.37	0.01	**225.38**	209.27	83.25	**292.52**	**67.14**
2021-22	34,57,067	190.14	0.01	**190.15**	231.62	84.00	**315.62**	**125.48**
				1,233.15			**1,501.69**	**268.54**

As could be seen from the table above, the PDS had assessed energy charge of ₹ 12.33 crore on bulk supply HTIS category instead of ₹ 15.02 crore under the regular HTIS category during the period from 2017-18 to 2021-22 resulting in under assessment of ₹ 2.69 crore.

Thus, due to wrong classification of the category of consumers and non-review of the status of consumers it resulted in extending undue benefit to a private commercial entity amounting to ₹ 2.69 crore.

PDS in its reply (August 2023) stated that SMU is an educational institute set up under an Act of the State Legislature and is running a teaching hospital. The reply of PDS is not acceptable as Sikkim *Manipal* University of Health, Medical and Technology Science Act, 1995 does not provide any relaxation on account of electricity. Moreover, Sikkim Manipal Institute of Technology (under the same management as of SMU) and Shri Ramasamy Memorial University which were also established under State Act are correctly categorised under HTIS.

2.4.2 Loss of ₹ 1.50 crore due to non-levy of demand charges under HTIS category

PDS supplied (2001) electricity with connected load of 500 KVA later increased to 1500 KVA to National Hydro Electric Power Corporation (NHPC) for construction and operation and maintenance of Teesta-V HEP at *Balutar* under *Topakhani* Division. The unit was categorised under HTIS category by the Division. As per the tariff schedule under HTIS category, energy is assessed based on the demand charges applicable plus the energy charges. The tariff under section IV of the Sikkim State Electricity Regulatory Commission, Tariff Schedule for the year 2018-19 & 2019-20 under HTIS category is detailed in **Table 2.5**.

Table 2.5: Tariff order

Year	Category	Concerned slab	Rate
2018-19	HTIS	Above 500 kVA Demand Charge Plus Energy Charge	₹ 555/kVA/Month
2019-20	HTIS		₹ 560/kVA/Month

(Source: SSERC Tariff schedule)

Scrutiny of records revealed that *Topakhani* Division of PDS had not assessed and charged the demand charges in respect of NHPC for the period April 2018 to September 2019 as stipulated in SSERC tariff under HTIS category. Instead, the Division raised the demand charges only from October 2019 onwards and subsequently, NHPC started paying the demand charges. However, the Division had not taken any action to recover the demand charges prior to October 2019.

Thus, due to non-levy of demand charges, the PDS had suffered a loss of ₹ 1.50 crore[11] for the period from April 2018 to September 2019.

While accepting the observation during the exit conference (August 2023), Secretary, Power Department of Sikkim stated that it will furnish a detailed reply to Audit. In its reply (30 August 2023), PDS stated that the electricity supply to NHPC was also utilised by the public hence, no demand charges were levied for that period. However, after installation of a new station by PDS at *Khamdong*, the public load was utilised from the new station and PDS raised the demand charges to NHPC.

The reply of PDS is not relevant as the Audit observation pertains to different service connection for which reply was not furnished.

2.4.3 Non-adherence of the provision contained in Sikkim State Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2012 resulted in loss of ₹ 0.63 crore.

Clause 7.3 (1) of "*Sikkim State Electricity Regulatory Commission (SSERC) Electricity Supply Code (ESC) Regulations, 2012" states that "the Licensee shall supply the meter and metering equipment, cut-out/ MCB/ CB to consumers at the time of serving new service connection or at any other time as may be required. The Licensee shall keep the meter in proper working condition and the consumer shall pay the monthly rent, if any, for the meter and metering equipment at the rate approved by the Commission. If the Licensee fails to keep the meter or metering equipment in proper working*

[11] *2018-19= 1500kVA*555*12 = 9990000; 2019-20=1500*560*6=5040000*

condition, the consumer shall not be liable to pay the meter rent for the period the meter remains defective". Further, Clause 7.5(2) of the Regulations, 2012 stipulates that "*the prescribed time for replacement of defective meters as 30 days (for testing) and 15 days (for replacement after testing)*". Clause 7.5(3) of SSERC (ESC) Regulations, 2012 stipulates that "*where the meter was defective / stopped working and where average consumption could not be computed or where it was not possible to determine the consumption of the preceding six months, the quantity of electricity supplied should be assessed based on the connected load and hours of usage of electricity. The consumption, so calculated, would be regarded as final and binding on the consumer. The monthly energy consumption would be worked out as 720 (hrs) x CL[12] (KW) x LF[13] (Load Factor) as has been specified in the clause depending on the category of service*".

As per the above provision, the licensee (PDS) needs to install meter at the premises of every consumer falling under its jurisdiction at the time of providing new connection. Further, it is also the responsibility of PDS to replace/rectify the meter in case of any defect. **Table 2.6** presents the details of different category of power consumers and the status of metering during the period 2017-18 to 2021-22.

Table 2.6: Metering Status

Category of consumer	2017-18	2018-19	2019-20	2020-21	2021-22
Domestic	97,002	99,313	1,01,673	1,04,134	1,08,313
Commercial	11,356	11,581	11,827	12,156	12,466
Low Tension	576	631	645	636	616
High Tension	552	594	514	534	560
Bulk supply	1,816	1,863	1,819	1,706	1,803
Public Lighting	36	34	30	37	47
Total	1,11,338	1,14,016	1,16,508	1,19,203	1,23,805
Metering status (in *per cent*)	86.67	90.17	93.86	93.76	95.81[14]

(Source: PDS)

As could be seen from the table above, percentage of metering during the period from 2017-18 to 2021-22 increased from 86.67 *per cent* to 95.81 *per cent*. The percentage coverage of metering in the State had shown an increasing trend during the five-year period under review. The energy consumed by those consumers where no meter is installed, is not accounted and are billed on fixed/average billing.

Audit observed that in respect of 17 (2018-19) to 28 (2019-20) high tension category consumers pertaining to Divisions, though meters were defective for a long period, PDS did not replace the meters within the prescribed time limits. Further, the Divisions were assessing these HTIS consumer erroneously instead of following the methodology prescribed by the ESC regulations. This has led to a loss of revenue of ₹ 0.63 crore during the period April 2018 to March 2022 as detailed in ***Appendix-1.***

[12] *Connected load (CL)*

[13] *Load Factor for high tension consumers equals to 0.375*

[14] *Metered status in 2021-22-Domestic (95.89%), Commercial (97.82%), HTIS (97.06%), LTIS (96.82%), Bulk Supply (93.48%), PL (31.91%)*

Thus, due to non-replacement of the defective meters and failure to assess the energy as stipulated in clause 7.5(3) of the SSERC (ESC) Regulations 2012 resulted in short assessment of energy charges amounting to ₹ 0.63 crore.

PDS in its reply stated that the load demanded by the telecom companies are usually 5 KW to 8 KW and sanctioned load given by the Department is also the same and presently all the defective meters were replaced. Further, it also stated that in case of these category of consumers, the Department is taking into consideration for usage of electricity based on eight hours consumption in a day. The reply of PDS is not acceptable as the demand charges are levied based on the sanctioned load which is agreed as per the contract agreement which is 25 KVA for all the mobile towers. The criteria for calculating the loss was based on the criteria laid down under the SSERC (ESC) 2012.

2.4.4 Short assessment of energy charges amounting to ₹ 25.37 lakh

Sikkim State Electricity Regulatory Commission (SSERC), the regulatory body for power tariff approves the tariff petition filed by PDS and revises the tariff on a yearly basis. PDS in turn notified the tariff approved by SSERC and charged the various categories of consumers based on the revised tariff. The notified/revised rate as approved by SSERC for the year 2020-21 under HTIS and Bulk supply category is detailed in **Table 2.7**.

Table 2.7: Rate notified under the tariff order for HTIS and Bulk supply

Category	Concerned slab	Rate
HTIS	Up to 100 kVA Demand Charge Plus Energy Charge	500 Paisa/Unit
Bulk Supply	For all	700 Paisa/Unit
Minimum monthly charges for Bulk supply		₹ 2000/month

(Source: SSERC Tariff schedule)

Scrutiny of records revealed that *Ravangla* circle, PDS had assessed electricity charges @ ₹ 4.25/unit for the HTIS category and ₹ 6.50/unit for Bulk supply category instead of ₹ 5.00/unit for HTIS category and ₹ 7.00/unit for Bulk supply category as stipulated in the notified tariff for the year 2020-21. The differential amount/loss due to wrong charging of the tariff is detailed in **Table 2.8**.

Table 2.8: Revenue Assessment

Electricity charges assessment by *Ravangla* circle, PDS for the year 2020-21				
	Amount assessed by PDS as per the old rate @ 4.25/unit for HTIS and @ 6.50/unit for Bulk supply		Amount to be assessed as per the revised/notified rate @5/unit for HTIS and @7/unit for Bulk supply	
Category	**Unit consumed**	**Energy charges**	**Energy charges**	**Loss**
HTIS	8,00,815	34,03,463.75	40,04,075	6,00,611
Bulk supply	3,02,824	19,68,356.00	21,19,768	1,51,412
		53,71,819.75	**61,23,843**	**7,52,023**

As could be seen from the table above, *Ravangla* circle of PDS had short assessed its revenue due to adoption of the old rates for the period 2020-21 leading to a revenue loss of ₹ 7.52 lakh.

Further, *Pakyong* circle had assessed minimum monthly charges from 73 bulk consumers @ ₹ 200 per month instead of ₹ 2,000 per month as notified by SSERC tariff order for the year 2020-21. Therefore, due to wrong charging of the minimum monthly charge there was a short assessment of revenue to the tune of ₹ 15.77 lakh[15]. Further, it was also observed in *Ravangla* circle that in respect of 16 bulk supply consumers, PDS had not charged the minimum demand charges as prescribed by SSERCTS for the year 2020-21 resulting in short assessment of ₹ 2.08 lakh as detailed in ***Appendix- 2***.

Thus, due to short assessment of electricity charges and demand charges, PDS had suffered a loss of ₹ 25.37 lakh.

During the exit conference (August 2023), Secretary, Power Department of Sikkim accepted the observation and stated that the concerned circle/division had been directed to raise the arrear bills in respect of the cases as pointed by Audit.

2.5 Delayed remittance of collections to Government Accounts

PDS collects domestic sales revenue through online means as well as in cash. The cash payments are received by State Bank of Sikkim (SBS), whereas online payments were collected by Sikkim State Cooperative Bank (SISCO) as SBS does not provide online banking facilities.

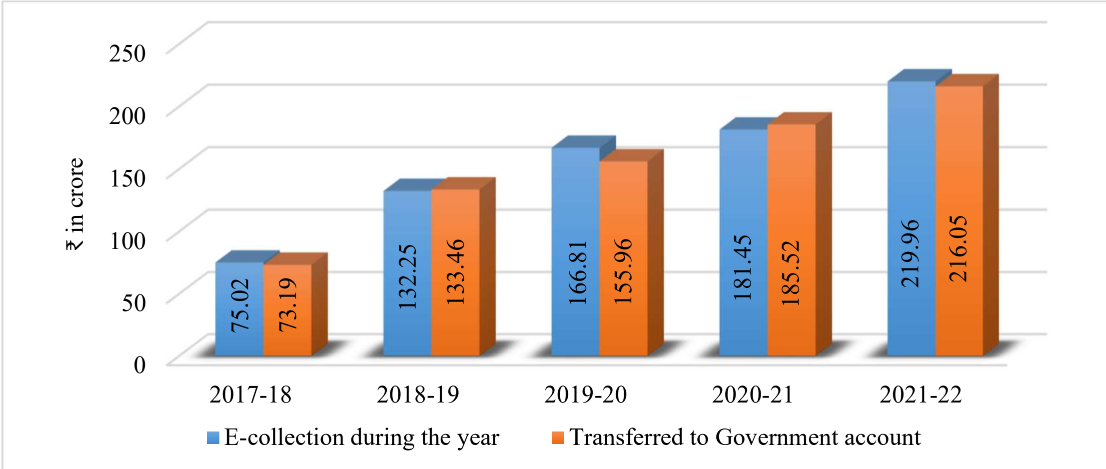
Rule 4 (1) of Sikkim Financial Rules, 1979 provides that "*all moneys received by or on behalf of the Government shall be brought into the Government Account without delay*". Audit has observed that the revenue collected through online mode by SISCO was not remitted promptly into the government account and were retained by SISCO. PDS had entered into an agreement only in October 2020, wherein the government revenue was to be remitted on T+3 day retrospectively and T+1 day after signing of agreement. Hence, the online revenue collection was collected by SISCO from the period 22 May 2015 to October 2020 without entering into any formal agreement.

Further, as per clause 3 of the agreement (October 2020), SISCO shall deposit revenue received every day under the appropriate revenue head after the expiry of T+3 days from 15.05.2019 retrospectively to the effective date of the agreement October 2020 and T+1 day from date of signing of an agreement to 14.05.2021, where 'T' is the date of transaction. However, clause 3 of the Agreement *i.e.*, deposit of revenue after the expiry of T+3 days from 15.05.2019 retrospectively is not practicable.

The status of revenue collected by the SISCO and remitted in the Government Account during the five years ending 31 March 2022 is depicted in **Chart 2.1**.

[15] *73* ₹1800*12= ₹ 15,76,800*

Chart 2.1: E-collection of revenue and transfer to Government Account



(Source: SISCO Statement)

Audit scrutiny of the bank accounts maintained by SISCO revealed that the revenue collected was not being deposited by SISCO as agreed and as on 31 March 2022, ₹ 11.68 crore was yet to be remitted into the Government Account. Instead of depositing the revenue as prescribed, SISCO was depositing the revenue in bunches. The details of the test check of bank statements regarding the number of transactions taken place and remitted into government treasury are given in **Table 2.9**:

Table 2.9: Details of number of transaction and remittances in treasury

Month	Number of transactions during the month	Number of remittances into treasury
January 2022	19	4
February 2022	21	5
March 2022	23	5

Transaction of receipts had taken place on 19 days, 21 days, and 23 days in a month respectively, shown in **Table 2.9**. However, SISCO had deposited the receipts into the Government Account only four times in January and five times in February and March. Thus, SISCO was retaining government revenue with it in contravention of the agreed terms. Further, in the absence of penalty clause for delayed remittances/non-remittances of revenue realised in the bank, an undue benefit was passed on to SISCO.

While accepting the audit observation during the exit conference (August 2023), the Secretary, Power Department of Sikkim stated that it will switch its account from SISCO bank to HDFC bank and ensure maintaining the T+1 timeline.

2.6 Conclusion

Audit observed deficiencies in the assessment activities of the PDS. Further, 4.19 *per cent* of the energy consumers and many HTIS consumers in the State remained unmetered and provisional billing was resorted to. This poses a risk of revenue loss to the State as PDS was unable to ascertain the actual usage of power of these customers. PDS provided undue advantage to firms. Although PDS had the mandate to disconnect supplies of defaulting consumers, these were rarely used resulting in supply of power to consumers who have not paid their dues. In some cases, large consumers have either closed their operation in the State or had gone bankrupt/ liquidated. Chances of recovery in these cases remain remote. PDS failed to enforce the agreed conditions for transfer of funds collected from consumers to the Government Account.

2.7 Recommendations

- *PDS should frame a Standard Operating Procedure (SOP) to initiate timely legal proceedings under SPDR, Act 2006 for recovery of its outstanding dues.*
- *PDS should raise arrear bills at the earliest and recover the same as per provision contained in Sikkim State Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2012.*
- *PDS should frame a SOP to raise arrear bills and recover the outstanding amount.*
- *PDS should incorporate a penal provision in the agreement for non-remittance/ delay in remittance of Government revenue.*

CHAPTER III
OFF-BUDGET FINANCIAL RESOURCES AND THEIR UTILISATION

Chapter III: Off-Budget Financial Resources and their utilisation

3.1 Financial activities outside the budget

Article 266 (1) of the Constitution of India states *"all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State"* and Article 266 (3) states *" No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in this Constitution"*. Further, Rule 4 (1) of Sikkim Financial Rules (SFR), 1979 provides that "*all moneys received by or on behalf of the Government shall be brought into the Government Account without delay*". Article 293 (1) of the constitution states that "*the executive power of a State extends to borrowing within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by the Legislature of such State by law and to the giving of guarantees within such limits, if any, as may be so fixed*".

PDS is a Government Department and as such all the above provisions are to be followed by PDS.

Audit observed that in violation of the above articles, PDS remitted only a portion of the total revenue collected from various sources like royalty from IPPs, trading receipts and user charges into Consolidated Fund of the State (CFS). As part of the implementation agreements with IPPs, 12 *per cent* of their net power generation or its money equivalent was to be paid to Government of Sikkim as royalty. However, it was noticed that part of the royalty generated from the IPPs was kept in bank accounts maintained by PDS and was used directly for repayment of loan, purchase of power, miscellaneous expenditure, *etc*. Further, PDS also resorted to off budget borrowing by pledging the revenue from IPP's which were due to the State exchequer. These activities have escaped legislative scrutiny as envisaged by Constitutional provisions under Article 266 (1) and 293 (1). The details of various HEPs operating in the State, Mode of payment of royalty and the treatment of such royalty are shown in **Table 3.1**:

Table 3.1: Details of HEPs and mode of payment of royalty as of March 2022

Sl. No.	Name of HEP	Operated by	Developer	Capacity (MU)	Date of Commercial Operation	Royalty in the form of	Amount of royalty credited in
1	*Rangit* Stage III	CPSU	NHPC	60	February 2000	Free power	Used for domestic consumption
2	*Teesta* Stage V	CPSU	NHPC	510	March 2008	Free power	
3	*Chuzachen*	IPP	GATI	110	May 2013	Cash[16]	Ban*k of India account maintained by SPICL*

[16] *The royalty revenue from Chuzachen (12%+2% wheeling charges) is remitted into the account at BOI and the loan availed from Power Finance Corporation (PFC) for construction of transmission line is repaid from the same. The balance amount is retained by SPICL.*

Sl. No.	Name of HEP	Operated by	Developer	Capacity (MU)	Date of Commercial Operation	Royalty in the form of	Amount of royalty credited in
4	*Jorethang Loop*	IPP	Dans Energy	97	September 2015	Free power[17]	PDS account at IDBI
5	*Teesta* Stage III	SPSU	Sikkim Urja Limited	1200	February 2017	Cash	Paid to PFC directly as loan repayment
6	*Dikchu*	IPP	Sneha Kinetic	96	April 2017	Free power[18]	PDS account at IDBI
7	*Tashiding*	IPP	Shiga Energy	97	October 2017		
8	*Rongnichu*	IPP	Madhya Bharat Power Corporation Limited	113	June 2021	Cash	₹ three crore received and retained by Power Department

Audit studied the rationale and implications of keeping such huge transactions outside of Government Account. Observations in this regard are discussed in the ensuing paragraphs.

3.2 Non- remittance of revenue into CFS

Out of the total revenue of ₹ 3,410.08 crore earned by the PDS as revenue receipts during the period 2017-18 to 2021-22, audit observed that ₹ 1,925.55 crore were not remitted into CFS in violation of Article 266 (1) of the Constitution of India, as shown in **Table 3.2**.

Table 3.2: Revenue earned and remitted/not remitted into CFS by PDS during 2017-22

(₹ in crore)

Sl. No	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	Total Revenue Earned						
1	Domestic sales	194.70	215.74	255.46	291.04	304.59	1,261.53
2	Revenue from other/ Misc. sources	0.27	0.85	0.01	0.82	0.83	2.78
3	Trading outside the State	134.66	162.10	103.69	236.93	182.70	820.08
4	Royalty Revenue	209.41	285.01	284.60	212.12	334.55	1,325.69
	Total	**539.04**	**663.7**	**643.76**	**740.91**	**822.67**	**3,410.08**
	Revenue remitted into CFS						
1	Domestic sales	194.70	215.74	255.46	291.04	304.59	1,261.53
2	Revenue from other/ Misc. sources	0.27	0.85	0.01	0.82	0.83	2.78
3	Royalty Revenue	114.10	51.94	0	54.18	0	220.22
	Total	**309.07**	**268.53**	**255.47**	**346.04**	**305.42**	**1,484.53**
	Revenue not remitted into CFS						
1	Trading outside State	134.66	162.10	103.69	236.93	182.70	820.08
2	Royalty Revenue	95.31	233.07	284.60	157.94	334.55	1,105.47
	Total	**229.97**	**395.17**	**388.29**	**394.87**	**517.25**	**1,925.55**

(Source: PDS data)

[17] *Royalty from the project was drawn in the shape of free power and traded in the power exchange till 2020-21 and thereafter it was consumed within the State.*

[18] *Royalty from the project was drawn in the shape of free power and traded in the power exchange till 2020-21 and thereafter it was consumed within the State.*

As could be seen from **Table 3.2**, the royalty revenue for the years 2019-20 and 2021-22 was not deposited into CFS. Further, the entire revenue of ₹ 820.08 crore earned from trading outside the State was not remitted into CFS during the period 2017-18 to 2021-22. However, given the fact that instant payment are required for power trading, the State Government should explore the possibility of creating a mechanism to ensure that funds are available to the Department through budgetary means for the purpose.

While accepting the observation of audit, the Secretary, PDS, during the exit conference (August 2023) stated that they are exploring the possibility of routing the same through the State budget.

3.3 Off Budget Borrowing

SPICL borrowed ₹ 2905.02 crore (till March 2022) for the purpose of investment in two HEPs, construction of transmission lines, repayment of Power Finance Corporation (PFC) loan. In addition, PDS borrowed ₹ 225.07 crore for trading activities. The total outstanding balance of these borrowings as on 31 March 2022 was ₹ 3,419.68 crore. These loans are being serviced directly by the royalty revenue due to the State Government. The details of borrowings by PDS/ SPICL are given in **Table 3.3**:

Table 3.3: Details of borrowings

(₹ in crore)

Sl. No.	Purpose	Financial institution	Availed by	Total loan amount	Outstanding as on 31.03.2022
1	Investment in HEPs	PFC	SPICL	2,700.47	2,943.96
2	Construction of transmission line		SPICL	72.55	45.21
3	Repayment of PFC loan	SBS	SPICL	132	180.09
4	Trading	SBS	PDS	225.07	250.42
Total				**3,130.09**	**3,419.68**

(Source: SPICL annual accounts, PDS data)

Out of this, ₹ 225.07 crore borrowing does not have necessary approval of Legislature as mandated by the constitutional provisions and the rules applicable to PDS. Audit observations regarding these transactions are detailed in the following paragraphs.

3.3.1 Investment through off-budget loans and diversion of ₹ 927.86 crore of royalty revenue

State Government entered into an agreement with TUL (18 July 2005) {major stake holder was held by Athena Power Projects Private Limited (APPL) (74 *per cent*)} and another agreement with *Jal Power Corporation Limited* (JPCL) (09 December 2005) and allotted 1,200 MW Teesta Stage III HEP and 120 MW *Rangit* IV HEP to these companies, respectively.

As part of the agreement, it was decided that the State Government will infuse 26 *per cent* of the equity in both these companies. GoS, however, requested (July 2005) APPL to infuse the said amount on behalf of GoS in TUL. APPL infused ₹ 161.98 crore in 11 tranches from March 2008 to December 2011 on behalf of GoS. Later, as the project was stalled due to shortage of funds and other reasons, Ministry of Power, GoI suggested that GoS take over the project. Accordingly, GoS took over (2015) TUL and increased its equity share [19] to become the major shareholder in the project. GoS decided (2015) to borrow funds from market for this purpose.

As per the conditions set by Power Finance Corporation (PFC) prior to lending, GoS was required to set up a special purpose vehicle (SPV) and for creation of escrow mechanism for repayment of loan. Accordingly, GoS incorporated (February 2012) SPICL as an SPV to fulfil the condition laid down by PFC. PFC extended a loan of ₹ 1,930.85 crore to SPICL which was invested in TUL (₹ 1,880.85 crore from March 2008 to January 2017) and in JPCL (₹ 50 crore till 2014 in two tranches).

As per the conditions of PFC, a quadripartite agreement (December 2018) was entered into amongst GoS through PDS, Sikkim Urja Limited (SUL) (erstwhile TUL), SPICL and PFC which unconditionally authorised SUL to release all payments in respect of royalty revenue directly to the escrow account for repayment of the loan.

As mandated by Article 266 (1) of Constitution of India and Rule 4 of SFR, the royalty revenue or free power must be credited to the CFS of the State. However, the quadripartite agreement diverted the royalty revenue for repayment of loans without routing it through CFS. The repayments of these loans have therefore escaped Legislative scrutiny. Royalty revenue amounting to ₹ 922.74 crore was thus diverted for repayment of the PFC loan and it escaped Legislative scrutiny.

> As discussed in the paragraph, in term of Quadripartite Agreement, the repayment of loan availed from PFC was being serviced through the revenue generated from Teesta-III HEP. However, in the same agreement it was also provided that the State Government shall provide adequate budget provision in the State budget each year in case of shortfall.
>
> On 04 October 2023, there was a Glacial Lake Outburst Flood (GLOF) in the Teesta basin (at North Sikkim, upstream of the Teesta III project) which had damaged the infrastructure (dam) of Sikkim Urja Limited. As the dam of the Teesta III project was completely destroyed, the revenue generated (please refer for details in *Appendix 3*) from the project which ranged from ₹ 163.98 crore (2017-18) to ₹ 305.08 crore (2021-22) during the five year will no longer be available for servicing the loan in the immediate future. Under these circumstances, PDS has to plan for alternate sources of funds for repayment of loans as well as for restoration of the damaged HEP. In this regard, the Department and GoS was requested as to how the above fund requirement would be sourced.
>
> PD in its reply (November 2023) stated that GoS is in the process of constituting a High Level Committee to look into the matter of damaged project. Further, numerous meetings were held with lenders for future course of action. PDS had sought information from SPICL/ SUL regarding servicing of loans and information from companies is still awaited.

While accepting the audit observation during the exit conference (August 2023), the Secretary, PDS stated that a reply would be obtained from SPICL and forwarded to audit. However, in respect of diversion of ₹ 922.74 crore, PDS did not furnish any

[19] *GoS took over the project and increased its stake to 51 per cent (2015) through SPICL*

reply.

- Further scrutiny showed that while repaying the loans availed from APPL (for the 26 *per cent* equity infusion in SUL on behalf of GoS) amounting to ₹ 161.98 crore[20], GoS failed to repay the agreed upon interest which stood at of ₹ 26.68 crore (@ 10.65 per *annum*) as of March 2013. This amount further accumulated to ₹ 46.54 crore as of October 2016, which was agreed to be paid. Audit noticed that SPICL borrowed (December 2017) an amount of ₹ 46.80 crore from PFC towards "interest claim of APPL" and made the payment of ₹ 46.54 crore to APPL in December 2017. The Department did not approach the Government for payment of interest during 2013 itself, despite the Revenue Surplus and available cash balance of the Government (excluding earmarked fund and investment) of ₹ 65.36 crore. Further, the available cash balance of the Government (excluding earmarked fund and investment) ranged from ₹ 65.36 crore to ₹ 597.16 crore during 2013-14 to 2017-18 which could have been used for pre-payment of loans. Thus, due to the delay in the payment of interest, PDS incurred an avoidable expenditure of ₹ 19.86 crore towards interest repayment.

During the exit conference (August 2023), Secretary, PDS and his reply (30 August 2023) stated that there was no extra payments made to APPL and if the payment was made timely to APPL similar interest would have been paid to the lender. The reply of PDS is factually incorrect as the interest accumulated as on the date of payment of principal amount (2013) was ₹ 26.68 crore which further accumulated to ₹ 46.54 crore as on October 2016.

- APPL was developing a 1,750 MW Demwe project in Arunachal Pradesh. Due to statutory clearances, funding and other issues, the project could not be completed and APPL went to NCLT for liquidation. As per the order of the NCLT, Resolution Professional engaged for the process invited (11 January 2018) Expression of Interest (EOI) for submission of Resolution plans from interested parties for the project. PDS (January 2018) decided to take part in the process through SPICL and paid ₹ 5.12 crore towards (June/October 2018) Earnest Money Deposit (EMD) by diverting royalty payment of TUL.

  Thus, decision of PDS to take over an under-liquidation project in *Arunachal Pradesh* led to diversion of royalty revenue of ₹ 5.12 crore.

The Power Department of Sikkim in their reply (30 August 2023) stated that the approval of the Government was obtained while investing in the liquidated project. The reply of PDS is not acceptable as the expenditure was incurred out of the royalty revenue which was due to the Government, rather than out of the budget of PDS where there was a saving of ₹ 72.97 crore in capital head.

Further, it is pertinent to mention that the ratio of outstanding debt to Gross State Domestic Product (GSDP) of Government of Sikkim had breached the Sikkim Fiscal responsibility and Budget Management targets by 1 to 5 percentage points during 2017-18

[20] *Availed between 31 March 2008 and 08 December 2011 in 14 tranches*

to 2021-22. If the off-budget borrowings and interest paid thereupon are taken into consideration, the fiscal imbalance (Revenue Surplus/Deficit as well as Debt-GSDP ratio) of the State Government will further turn adverse.

3.3.1.1 Aftermath of Glacial Lake Outburst Flood

In the aftermath of Glacial Lake Outburst Flood (GLOF) in the Teesta basin on 04 October 2023 which completely destroyed the dam of the Teesta III project, the royalty revenue, which was used for servicing of the loan availed for construction of the HEP, will no longer be available for servicing the loan in the immediate future. As such, PDS has to arrange for alternate sources of funds for repayment of loans as well as for restoration of the damaged HEP.

3.3.2 Violation of agreement leading to repayment of loans without Legislative approval

As discussed in the preceding paragraph (Paragraph 3.3.1), SPICL had availed loan amounting to ₹ 1,930.85 crore for investment in two HEPs[21]. As per the Quadripartite agreement (December 2018), GoS was to provide budgetary support every year for repayment of the loan throughout the currency of the loan period in addition to revolving guarantee, letter of comfort, pledging of shares, *etc*. The repayment of the loan commenced from 2018-19, however, no budgetary support was provided by GoS for the repayment and the repayment was made from the royalty revenue of Teesta-III HEP. As the royalty revenue received from SUL was not sufficient for servicing the loan liability, SPICL had to avail a further loan of ₹ 132 crore from State Bank of Sikkim for repayment of PFC loan.

Table 3.4: Borrowing for repayment of loans

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Loan availed by SPICL for repayment of PFC loan	0	62	50	20	0	132

However, in violation of the quadripartite agreement, no provision for budgetary support was made for the repayment of loan and interest and instead, the obligation was again met out of the royalty revenue which should have accrued to the CFS. As such, the entire transaction escaped Legislative scrutiny. The servicing the debt obligation through budget was the responsibility of GoS as per the agreement, which was also bypassed.

The Secretary, Power Department of Sikkim while accepting the observation during the exit conference (August 2023) stated that it will obtain detailed reply from SPICL and furnish it to Audit.

Thus, the royalty revenue was diverted for meeting the debt obligations which were to be serviced through the budget.

3.3.3 Borrowing for trading activities without Legislative approval

PDS had purchased power from different CPSUs/SPSUs at higher cost based on Power

[21] *Teesta III and Rangit IV*

Purchase Agreement (PPA) entered with generators. Since PDS sold its surplus power at lower cost than the purchase cost budgetary support was not sufficient, PDS resorted to availing loans from State Bank of Sikkim (SBS) to meet the trading deficit as detailed in the table below:

Table 3.5: Borrowing for trading activities.

(₹ in crore)

Particulars	Before 2017-18	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Loan availed by Power Department	85.38	17.59	62.10	0	60	60	225.07
Fixed Deposit available	NA	NA	NA	NA	186.50	122.69	--

As could be seen from **Table 3.5**, PDS had availed loan amounting to ₹ 225.07 crore to meet the trading shortfall at an interest rate of 12 *per cent*. In this regard, audit could not ascertain the reason for availing loan on such higher rate especially when PDS had ₹ 122.69 crore in fixed Deposit/cash balance in different bank accounts as on 31 March 2022 where PDS was earning interest at the rate of seven *per cent* (maximum).

Further, these borrowings were kept out of Government Account and were also not disclosed in the Finance Accounts of the State as these loans were availed without legislative approval.

During the exit conference (August 2023), Secretary, Power Department of Sikkim accepted the audit observation and stated that approval of the Legislative will be obtained and the same will be routed through the CFS.

3.3.4 Off-budget diversion of royalty revenue towards repayment of PFC loan relating to Chuzachen HEP

On the direction of the Government, SPICL availed (January 2015) a loan of ₹ 72.55 crore from PFC on behalf of the State Government/PDS to meet the cost of construction of a Transmission Line for *Chuzachen* HEP. To facilitate repayment of PFC loan, PDS and SPICL entered (27 May 2015) into a 'share subscription agreement' whereby the PDS agreed to subscribe towards the equity shares of SPICL and the funds so contributed by GoS was to be utilised for repayment of the PFC loan.

Audit observed that during 2017-18 to 2021-22, SPICL, on behalf of GoS, collected the Royalty of ₹ 102.01 crore from IPP against the power generated from *Chuzachen* HEP. Contrary to the applicable Rules, however, SPICL irregularly booked the entire Royalty so collected as SPICL's own income in its books of accounts instead of remitting the same to the CFS.

Further, based on the funding arrangements arrived at for repayment of PFC loan, Royalty revenue collected by SPICL on behalf of GoS was being utilised for repayment of PFC loan without routing through the State's Budget. During the five years (2017-22), out of total Royalty revenue of ₹ 102.01 crore collected by SPICL, ₹ 54.65 crore was utilised for repayment of PFC loan while the balance amount of ₹ 47.36 crore was kept by SPICL as its own income.

Audit observed that since the Royalty revenue (₹ 102.01 crore) collected by SPICL on behalf of GoS was not remitted to the CFS, the said Royalty remained out of the State's Budget. Further, off-budget investment (₹ 54.65 crore) by GoS in the equity capital of SPICL had no approval of the State Legislature and these investments were not depicted in the State Finance Accounts. Besides, the unutilised portion (₹ 47.36 crore) of the Royalty revenue collected on behalf of GoS and kept by SPICL as its own revenue was irregular.

Thus, PDS facilitated off-budget diversion of Government revenue worth ₹ 102.01 crore in violation of Article 266(1) as well as Rule 4 of SFR and the royalty revenue was utilised and retained without approval of the Legislature in violation of Article 266 (3) of the Constitution.

While accepting the observation, CGM, SPICL, during the exit conference (August 2023), stated that the loan availed for construction of the transmission line was cleared during 2022-23 and the account maintained for this purpose by SPICL was transferred to GoS/PDS. However, no records relating to transfer of the bank account to PDS was made available.

3.4 Irregularities in utilisation of royalty revenue

A major part of the revenue kept outside CFS pertains to royalty revenue from IPP. The IPPs have entered into an agreement with PDS wherein 12 *per cent* of the power generated are to be supplied to PDS free of cost/cash equivalent their against as royalty for 15 years and thereafter 15 *per cent* of the power generated is to be supplied to PDS till the 35th year. PDS had received royalty revenue of ₹ 1,325.69 crore during the period from 2017-18 to 2021-22. Diversion of royalty revenue for repayment of loans has already been discussed in the preceding paragraphs (3.3.1 and 3.3.4). Apart from these, other irregularities noticed during audit with respect to the utilisation of this revenue are discussed in the subsequent paragraphs.

3.4.1 Diversion of royalty revenue amounting to ₹ 11 crore for infructuous expenditure on restructuring of loan

SPICL had floated (16 March 2020) Expression of Interest (EoI) for exploring the possibilities of refinancing of SPICL loan. Accordingly, five firms participated in EoI and the mandate letter was issued (30 March 2020) to L1 firm[22]. While the firm was undergoing the exercise of the loan restructuring, SPICL engaged another firm (SIBIN), (17.09.2020) without termination of contract of earlier firm for the same work. Audit observed that the hiring of SIBIN was based on an application dated 14 September 2020 of SIBIN, wherein there is a reference of an Expression of Interest of SPICL dated 16 March 2020. The last date for submission of EoI was 26 March 2020 *i.e.*, six months before the application of SIBIN. Hence, no proper procedures were adopted before hiring SIBIN as the additional consultant.

Further scrutiny showed that GoS and SPICL had been corresponding (May 2020 to January 2021) separately with Ministry of Power (GoI)/ PFC seeking reduction

[22] *M/s Pravin K Agarwal and co*

in rate of interest citing financial constraints SPICL was facing. Finally, citing the letter written by the Managing Director, SPICL (January 2021), PFC agreed to modify its sanction terms vide letter dated 16 March 2021 with conditional reduction of interest rate to 10.90 *per cent* from the existing rate of 11.66 *per cent.* However, SPICL did not avail any interest relief from PFC in terms of letter dated 16 March 2021 ibid as the actual rate of interest paid by SPICL ranged from 11.15 *per cent* to 11.66 *per cent* from March 2021 to September 2022 including late payment penalty of ₹ 74 lakh.

Meanwhile, SIBIN stated (18 March 2021) that it had negotiated with PFC and reduced the interest rate from 11.66 *per cent* to 10.90 *per cent* and claimed its success fee of ₹ 31.60 crore. Based on the claim made by the consultant, PDS had prepared a Cabinet Note (May 2021) for approval wherein it was stated that an annual savings of ₹ 20.97 crore will be made after restructuring and approval for ₹ 31.60 crore was sought as success fee of SIBIN.

Accordingly, the State Cabinet in its meeting held on 31.07.2021 approved the payment of ₹ 31.60 crore to SIBIN. It further approved to pay ₹ 11 crore as part payment by the SPICL and the balance amount to be allotted in the State budget. Based on the approval of the Cabinet, SPICL transferred ₹ 11 crore to PDS from the royalty revenue due from SUL. The royalty amount was released (March 2022) by PDS without obtaining the approval of the Legislature in contravention to Article 266 (3) of the Constitution of India. Audit further observed that clause 3 (ii) of Addendum 4 (December 2018) of the agreement, had already provided that if the loan instalments are paid timely, the applicable rate of interest would be 10.90 *per cent*.

In view of the facts stated above, Audit is of the opinion that the Cabinet Note prepared by PDS was factually incorrect as there was no projected annual savings of ₹ 20.97 crore as a result of so-called negotiations by SIBIN with PFC. Hence, the approval for payment of ₹ 31.60 crore to SIBIN was obtained by PDS keeping the Cabinet in the dark of the full facts.

Thus, irregular appointment of SIBIN as the consultant and accepting their claims of success fee for reduction of the interest rate from 11.66 *per cent* to 10.90 *per cent* without verification of records, as in the agreement dated December 2018, PFC had already provided for conditional rate of interest at 10.90 *per cent* indicated lack of due diligence on part of PDS. Besides, the firm had not provided any evidence of its contribution for claiming success fee of ₹ 31.60 crore reducing the interest rate on the loans. Thus, part payment of ₹ 11 crore and committed liability of ₹ 20.60 crore to SIBIN was based on fraudulent facts.

During the exit conference (August 2023), Secretary, Power Department of Sikkim stated that the issue relating to restructuring of loan was finalised by SPICL, hence, detailed the reply will be obtained from SPICL and submitted to Audit accordingly. The PDS in its reply stated that the contract agreement with the first firm was construed as terminated as the firm could not complete the assignment within the time allotted and till date it has not raised any objection in this regard. PDS further stated that the firm (SIBIN) had analysed all the data relating to the loan documents and the correspondences with PFC/MOP was also prepared by the firm on the basis of which PFC had reduced the rate of interest from 11.66 *per cent* to 10.90 *per cent*.

The reply of PDS is not acceptable as the entire Cabinet Note leading to approval of payment of ₹ 31.60 crore to SIBIN was based on unsubstantiated facts. Moreover, the appointment of SIBIN was irregular. Also, the actual rate paid by SPICL from March 2021 to September 2022 ranged between 11.50 *per cent* and 11.60 *per cent* and not 10.90 *per cent*, hence there was no saving as claimed by PDS.

3.5 Expenditure incurred on power purchase without Legislative approval

PDS incurred an expenditure of ₹ 1,186.86 crore for payment towards energy purchases during the period from 2017-18 to 2021-22. During the corresponding period, it received ₹ 384 crore as budgetary support from the Government, ₹ 820.08 crore was earned from sale of power which was also used for the purchase of energy and the remaining amount was obtained from borrowings which is discussed in paragraph 3.3.2 and 4.1.1.2 (b). Thus, instead of crediting the trading proceeds into the Government Account, ₹ 802.86 crore (₹1,186.86 crore - ₹ 384 crore) was spent without obtaining the approval of the State Legislature and this amount is not reflected in the Finance Accounts of the State Government.

As per the Rule 4(1) of SFR, 1979 PDS was required to account for the trading proceeds in the CFS and expenditure made from the budgetary support. However, in contravention to this, PDS had kept government revenue and incurred expenditure towards the purchase of energy.

During the exit conference (August 2023), Secretary, PDS accepted the audit observation and stated that approval of the Legislative will be obtained and the same will be routed through the CFS.

3.6 Realisation of royalty revenue

Rule 50 (1) of Sikkim Financial Rules (SFR) 1979 states that *"The head of every department shall be responsible to ensure that all revenue, receipts or other sums due to Government are regularly and promptly assessed, realised and credited to Government Account"*. Further, Rule 50 (2) of SFR 1979, envisaged that *"The departmental receipts accounts should be compiled monthly from the original documents received in proof of the amount having been credited to Government Account. Their correctness should be verified from the statements received from the State Bank of Sikkim."*

Government of Sikkim (Through Power Department) had entered into Implementation Agreement with M/s Gati Infrastructure Pvt Ltd (December 2005), M/s Sneha Kinetic Energy Pvt Ltd (March 2006), M/s Shiga Energy Pvt Ltd (September 2008) and *Madhya Bharat Power Corporation Ltd* (March 2006) for development of *Chuzachen* HEP, *Dikchu* HEP, *Tashiding* HEP and *Rongnichu* HEP respectively. As per clause 4.2.1 of the agreement, the HEPs were to pay royalty in the shape of free power or cash equivalent at the rate of 12 *per cent* of the deliverable energy (generation measured at the inter connection point) and other charges at prescribed rate. The above four developers had completed the construction of the project and started their commercial operation during May 2013, April 2017, October 2017, and July 2021, respectively.

In this regard, audit noticed the following:

3.6.1 Non-realisation of royalty from *Chuzachen*, *Dikchu* and *Tashiding* HEPs

Royalty being received in cash from the HEPs was credited into the bank accounts maintained with IDBI and BOI in the name of PDS. During scrutiny of the records, bank statements were cross-verified with the records/information furnished by PDS which revealed that HEPs had not credited the royalty as depicted in **Table 3.6**.

Table 3.6: Non-credit of revenue

(₹ in crore)

Name of HEPs	Period	Total Generation (in MU)	Share of royalty (in Units)	Royalty paid to GoS out of column 4	Short credit of Revenue		
					Amount payable by IPPs on units mentioned at (4* ₹ 2.10)	Interest Computed on (6) @12%[23] till 31.03.2022	Total Amount payable {(6)+(7)}
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Chuzachen	December 2017 - February 2018	24.97	34,95,800[24]	0	0.73	0.36	1.09
Dikchu	April 2017 - May 2017	26.50	31,80,000	0	0.67	0.33	1.00
Tashiding	October 2017 - January 2018	71.37	92,78,100[25]	0	1.95	0.96	2.91
Total					**3.35**	**1.65**	**5.00**

(Source: ERLDC generation data and PDS data)

As could be seen from **Table 3.6**, PDS had not verified the royalty payments resulting in non-remittance of royalty amounting to ₹ 3.35 crore against the actual dues of three HEPs as of March 2022 with a consequential loss of interest of ₹ 1.65 crore to the exchequer. Non reconciliation/ verification of royalty payments with the generation by IPPs contrary to the stipulation of Rule 50 (2) of the SFR, 1979 led to a loss of ₹ 5.00 crore.

3.6.2 Short realisation of royalty from *Rongnichu* HEP

Government of Sikkim through Power Department had allotted the 97 MW (later enhanced to 115 MW) *Rongnichu* HEP to Madhya Bharat Power Corporation (MBPC)

[23] *The rate of interest was calculated based on interest charged by State Bank of Sikkim to PDS.*
[24] *Royalty charged @ (12+2) % on account of transmission charges.*
[25] *Royalty charged @ 12 % and 1 % as Local area development fund*

based on the Implementation Agreement (01 March 2006) signed between the two parties. As per clause 4.2.1 of the agreement, the royalty in the shape of free power shall be levied @ 12 *per cent* of the deliverable energy of the project or money equivalent. Later on the request of MBPC and consequent to the approval of the Cabinet, an additional/supplementary agreement was signed (25 January 2021) between Power Department and MBPC whereby nine *per cent* of the royalty revenue was deferred for a period of 10 years and the GoS will receive money in lieu of the balance three *per cent* free power from the project during these 10 years. The project was commissioned on July 2021.

Scrutiny of records revealed that even after allowing deferment of nine *per cent*, Department failed to realise three *per cent* royalty in full due to non-monitoring of the royalty revenue by the Department. As a result, an amount of ₹ 0.64 crore[26] remains outstanding from MBPC.

Further, as per paragraph 50 (c) the Central Electricity Regulatory Commission (CERC) Regulations, 2019, the maximum limit for Auxiliary Energy Consumption[27] (AEC) for HEPs having installed capacity up to 200 MW has been set for 1.20 *per cent* of the gross electricity production.

Audit scrutiny showed that the auxiliary power utilised by MBPC at the project during 2021-22 and 2022-23 was way more than the limits of 1.20 *per cent* prescribed by the CERC as detailed in **Table 3.7**.

Table 3.7: Details of Auxiliary Energy Consumption at Rongnichu HEP

(in MU)

Period	Gross generation	Actual consumed	AEC allowed	Details of royalty	
				To be received {(2-4)*3%}	Actually received {(2-3)*3%}
1	2	3	4	5	6
July 2021 to March 2022	295.90	9.86	3.56	8.77	8.58
April 2022 to March 2023	406.95	13.73	4.88	12.06	11.79
Total	**702.85**	**23.59**	**8.44**	**20.83**	**20.37**

Since the royalty revenue is calculated on the net power generated i.e., after deducting the power utilised by the generating plant, consumption of power in excess of the limits prescribed by CERC led to short payment of royalty amount to ₹ 18.07 lakh.[28]

During the exit conference (August 2023), Secretary, PDS stated that it will reconcile the accounts with the IPPs and will recover the non-realised amount.

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26 *8.58117279 (MUs)*1000000*₹ 4.24 (Average rate of sale for the year 2021-22) = ₹ 36384172- ₹ 30000000 (paid)= ₹ 6384172 (Balance)*

27 *Quantum of energy consumed by auxiliary equipment of the generating station.*

28 *2021-22:-0.19 MUs*1000000*₹ 4.24 per unit (Average rate of sale for the year 2021-22) = ₹ 8,05,600*
*2022-23:- 0.27 MUs*1000000*₹ 3.71 per unit (Average rate of sale for the year 2022-23) = ₹ 10,01,700.*
Total :- ₹ 18,07,300

3.7 Violation of Sikkim Government Guarantee Act, 2000

The Sikkim Government Guarantees Act, 2000, stipulates that "the total outstanding Government guarantee as on the 1st day of April of any year shall not exceed thrice the State's Tax receipts of the second preceding year". Audit observed that GoS has provided guarantee for loans taken by PDS through SPICL for activities related to SUL. Observations in this regard are discussed below.

The Teesta Stage III Project, which was implemented by SUL, was commissioned at a cost of ₹ 14,000 crore. The Project cost was financed in the ratio of 26 *per cent* Government of Sikkim equity, infused through Sikkim Power Investment Corporation Limited (SPICL) and 74 *per cent* as debt. The debt portion was initially provided by a consortium of banks and was later taken over by Rural Electrification Corporation Limited (REC) and PFC, both Central Public Sector Undertakings. Outstanding amount towards the loan stood at ₹ 9,397.33 crore as of March 2022.

Against the outstanding loan, Government of Sikkim had given a continuing guarantee of ₹375 crore till the expiry of the loan period of ₹9,397.33 crore.

Government of Sikkim had provided a revolving guarantee of ₹ 225 crore for the loan availed (₹ 2700.39 crore) from PFC for equity infusion in SUL. Further, GoS had also provided a continuing guarantee of ₹ 375 crore for the loan availed by Sikkim Urja limited from Rural Electrification Corporation and PFC amounting to ₹ 9,595.68 crore.

On 04 October 2023, there was a Glacial Lake Outburst Flood (GLOF) in the Teesta basin (at North Sikkim, upstream of the Teesta III project) which had damaged the infrastructure (dam) of Sikkim Urja Limited and the revenue generated from this project will no longer be available for servicing the loan. Under the circumstances, GoS would have to meet its guarantee obligation through the budgetary support or explore other options to tide over the current situation.

In this regard, the outstanding liabilities of SUL and SPICL, as of 31st March 2023, is as follows.

Liabilities and Guarantee of SPICL and SUL

Company	Liability (as on 31/03/2023)	Creditor	Purpose	Guarantee
SPICL	₹ 3,237.46 crore	PFC/ SBS	26 *per cent* equity portion of the project	₹ 225 crore Revolving guarantee.
SUL	₹ 7,725.27 crore	PFC/ REC	74 *per cent* debt portion of the project	₹ 375 Crore Continuing* guarantee.

Audit enquired SUL about its ability for repayment of the liabilities with respect to the debt portion of SUL. The company stated that the repayments in the near future will be made from the funds available (₹850 crore) with the company. For the remaining amount, the company has sought a moratorium (April 2024) and concessional rates from the lenders. In the absence of any such concession, State Government, having provided a continuing guarantee of ₹375 crore until the loan is completely repaid, is likely to bear the burden of repayment.

In the case of SPICL, an analysis of the books of accounts for the year 2022-23 revealed that the company does not hold any reserves and surplus of its own for the repayment of the loan it has taken on behalf of the State Government. Therefore, the entire burden of repayment of the remaining outstanding liability amount of ₹3237.46 crore is likely to fall on the State Government, who had provided a revolving guarantee of ₹ 225 crore until the loan is repaid.

*Section 129 in the India Contract Act, 1872 states 'Continuing guarantee' as a guarantee which extends to a series of transaction.

However, the State Government did not disclose this guarantee in the information furnished for the purpose of Finance Accounts 2021-22. This has resulted in understatement of the outstanding guarantee given by the State Government to the extent of ₹9,397.33 crore.

This matter has been reported in the State Finance Audit Report (SFAR) for the year 2021-22 {Paragraph No 2.8.1 (a)}.

3.8 Non-maintenance of proper books of accounts leading to non-accountal of ₹ 92.27 crore

PDS had earned ₹ 1,325.69 crore as royalty revenue from various IPPs, out of which, ₹ 1,105.47 crore was used or retained by PDS as detailed in ***Appendix-3*** and commented upon in paragraph 3.2 *ante*. In the absence of proper books of accounts maintained by PDS, audit could not ascertain the utilisation or existence of ₹ 92.27 crore as detailed in **Table 3.8**:

Table 3.8: Details of Royalty revenue collected from IPPs and their utilisation as on 31 March 2022

(₹ in crore)

Particulars		Amount
Total Revenue collected as royalty from IPPs		1,325.69
Utilisation		
Remitted into CFS		220.22
Loan Repayment		977.39
Payment to SIBIN		11
Payment to DEMWE		5.12
Retained by PDS (in FD)	IDBI	8.10
	Bank of India	3.38
Retained by PDS (in Bank balance)	IDBI	8.18
	Bank of India	0.03
Balance amount which could not traced by audit		**92.27**

PDS had not followed the established procedures for maintaining the records of receipts and expenditure. Therefore, in the absence of IIPs wise records of receipts, expenditure, cash book and vouchers, an amount of ₹ 92.27 crore was not traceable.

During the exit conference (August 2023), Secretary, Power Department of Sikkim accepted the audit observation and stated that it has engaged a Chartered Accountant for reconciling the books of accounts.

3.9 Conclusion

PDS had violated the financial norms mandated by the Constitution of India as well as the financial rules and regulations of the State Government regarding treatment of Government revenues. PDS had diverted the royalty revenue due to State exchequer towards various activities such as repayment of loans and other miscellaneous expenditures. This was done by keeping such royalty revenues outside the Government Account. Further, PDS has borrowed ₹ 3,130.09 crore without the approval of Legislature. This has led to irregularity in many cases such as suspicious payment of ₹ 11 crore to a consultant for restructuring a loan, investing in a under liquidation project in Arunachal Pradesh, *etc*.

Apart from this, PDS did not maintain proper books of accounts for these transactions and the integrity of the data maintained by the department was found doubtful, which prevented audit from making a conclusive understanding on the revenues of the department in many cases.

3.10 Recommendations

- *PDS should route all the receipts and expenditure through the Consolidated Fund of the State.*
- *The State Government needs to ensure that all royalty received from IPPs are deposited in the CFS in compliance to the provision of the constitution.*
- *The State Government needs to provide an institutional mechanism to ensure that funds are readily available with PDS for power trading activities without any hindrance and delay.*
- *The State Government needs to take immediate steps to account the royalty in the CFS and provide budgetary support as per the agreement in a manner so as to avoid any adverse impact on servicing of the loan.*
- *In the aftermath of Glacial Lake Outburst Flood on 04 October 2023 which had completely damaged Teesta III HEP, Government of Sikkim should plan on priority for servicing the loan liability committed being the guarantor against the loan taken for the HEP and also explore funding options for restoration of the project.*
- *PDS should frame SOP for accurate assessment and prompt realisation of revenue due from IPPs as well as recovery of outstanding dues if any.*
- *PDS should fix the responsibility against the concerned officials for non-realisation of royalty revenue due and outstanding since long.*
- *PDS should maintain proper books of accounts and reconcile its revenue account timely and maintain accuracy.*
- *PDS should immediately verify the royalty received from various IPPs and recover the balance royalty due.*

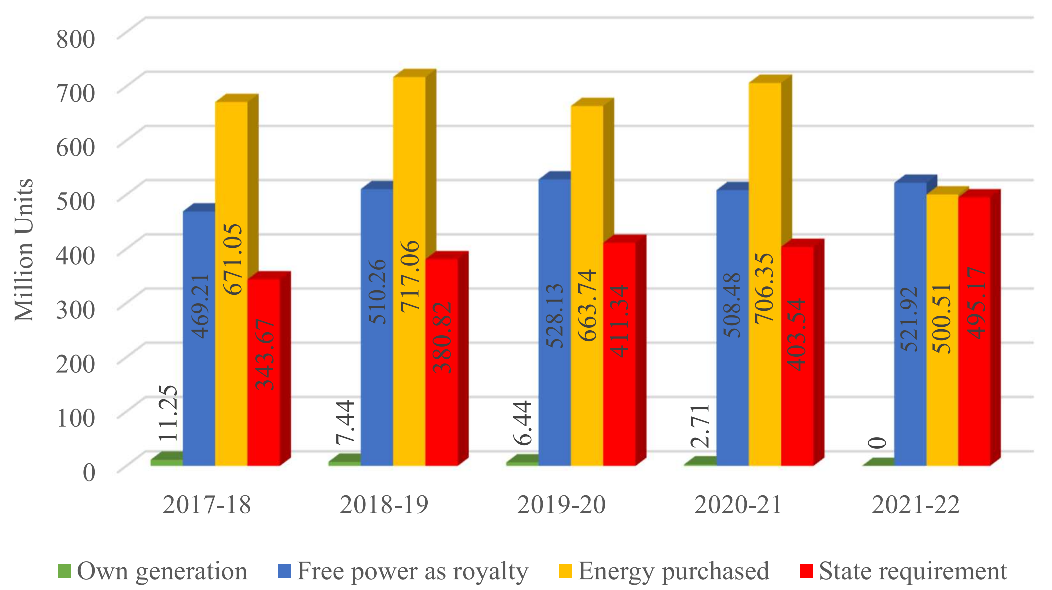
CHAPTER IV
ENERGY MANAGEMENT

Chapter IV: Energy Management

4.1 Energy Scenario in the State

Sikkim generates electricity through the small hydel projects operated by Power Department and Sikkim Power Development Corporation (an SPSE). The big hydel projects are operated through Independent Power Producers. The energy produced through the small hydel projects and the energy produced from two IPPs owned by NHPC is consumed within the State. The energy from the remaining commissioned projects is sold outside the State. Besides, PDS procures energy from CPSUs/other generators outside the State for domestic consumption and the surplus energy purchased is traded in the power exchange. The energy scenario of the State concerning availability, purchase from outside the State and consumption during the last five years is given in **Chart 4.1.**

Chart 4.1: Energy scenario of the State



(Source: PDS data)

As could be seen from **Chart 4.1**, the annual energy requirement of the State ranged from 343.67 MU to 495.17 MU during the last five years. During the corresponding period, free power in the form of royalty from the commissioned IPPs was available ranging from 469.21 MU to 528.13 MU. Power Department had additionally purchased energy from outside the State ranging from 500.51 MU to 717.06 MU. The audit findings about the purchase of energy, planning and assessment are discussed in the subsequent paragraphs:

4.1.1 Improper planning and forecasting of energy requirement

PDS procures energy from the CPSUs/ other generators in the Eastern region based on Power Purchase Agreements (PPA). PDS had entered into Power Purchase Agreement (PPA) with 19 power generators[29] from the year 2000 to 2013 (NTPC-15, NHPC-2, and SPSU-2). Out of which, two PPAs[30] with an allocation of 18.96 MW were surrendered in March 2021. As per records made available, PDS was drawing energy from six power stations[31] comprising of 109.94 MW as on March 2022 in addition to 15.99 MW[32] for which PPAs were entered prior to year 2000 and were still in force, as detailed in ***Appendix-4***. This energy was purchased for consumption within the State. Besides, the purchase from CPSEs/other generators, free power was available from five IPPs as royalty as detailed in **Table 4.1.**

Table 4.1: Details of HEPs from which free power was available from 2017-18 to 2021-22

Sl. No.	Name of HEP	Developer	Capacity (MU)	Date of Commercial Operation	Royalty in the form of
1	Rangit Stage III	NHPC	60	February 2000	Free power
2	Teesta Stage V	NHPC	510	March 2008	Free power
3	Jorethang Loop	Dans Energy	97	September 2015	Free power[33]
4	Dikchu	Sneha Kinetic	96	April 2017	
5	Tashiding	Shiga Energy	97	October 2017	

The details of monthly energy requirements and free power available during the period 2019-20 to 2021-22 are given in **Table 4.2.**

Table 4.2: Monthly energy requirement and free power available from royalty

(In Million Units)

Month	2019-20			2020-21			2021-22		
	Internal consumption	Total free power available as royalty	Surplus/ Deficit	Internal consumption	Total free power available as royalty	Surplus/ Deficit	Internal consumption	Total free power available as royalty	Surplus/ Deficit
April	33.93	35.64	1.71	24.69	28.09	3.40	31.32	24.82	-6.50
May	30.56	58.56	28.00	26.84	51.31	24.47	34.62	48.27	13.65
June	29.9	61.38	31.48	37.06	67.98	30.92	35.92	56.01	20.09
July	34.33	73.14	38.81	22.12	75.48	53.36	39.26	75.60	36.34
August	34.7	72.47	37.77	32.55	70.62	38.07	39.67	78.78	39.11
Sept	34.71	73.96	39.25	30.85	70.17	39.32	43.54	74.09	30.55
Oct	32.99	62.60	29.61	32.57	55.78	23.21	39.84	60.95	21.11

[29] *In addition, 5 PPAs were entered prior to 2000 out of which 3 PPAs were surrendered in March 2021*
[30] *Kahalgaon-II (4.95 MW) Darlipalli Super Thermal Power Station (STPS) (14.01 MW)*
[31] *SPDC (10 MW), Barh STPS (20 MW), Rangit-IV NHPC (8 MW), Teesta-V NHPC (67.27 MW), Nabinagar TPS (3.60 MW), Katwa STPS (1.07 MW)*
[32] *Chukha PTC (5.99 MW) and Rammam (10 MW)*
[33] *Royalty from the project was drawn in the shape of free power and traded in the power exchange till 2020-21 and thereafter it was consumed within the* State.

Month	2019-20			2020-21			2021-22		
	Internal consumption	Total free power available as royalty	Surplus/ Deficit	Internal consumption	Total free power available as royalty	Surplus/ Deficit	Internal consumption	Total free power available as royalty	Surplus/ Deficit
Nov	35.61	29.08	-6.53	36.67	26.13	-10.54	41.52	36.07	-5.45
Dec	36.16	17.41	-18.75	33.34	18.75	-14.59	51.34	19.39	-31.95
Jan	37	14.59	-22.41	37.92	14.61	-23.31	44.34	13.30	-31.04
Feb	36.15	11.99	-24.16	45.56	12.87	-32.69	47.21	11.24	-35.97
Mar	35.3	17.31	-17.99	43.37	16.69	-26.68	46.59	23.40	-23.19
Total	**411.34**	**528.13**	**116.79**	**403.54**	**508.48**	**104.94**	**495.17**	**521.92**	**26.75**

(Source: PDS)

As could be seen from **Table 4.2**, monthly shortage of energy for consumption within the State beyond available free power as Royalty ranged between 5.45 MU and 35.97 MU during November to March each year. The peak demand for electricity in the State ranged from 33.34 MU (December 2020) to 51.34 MU (December 2021) which occurred during the month of November-March every year and for the remaining period, Sikkim is an energy surplus State. However, PDS purchased 663.74 MUs, 706.35 MUs and 500.51 MUs energy from CPSUs/others during the years 2019-20, 2020-21 and 2021-22 respectively. In all the three years, the purchase of power from PSU's/others exceeded the total annual consumption of the State, even before adjusting for the free power available. Out the 14 power projects for which PPA has been drawn after 2006, one PPA was surrendered[34] at the instance of Audit and four are operational as on March 2022[35] drawing 89.94 MW per annum. The remaining PPAs will become operational in the near future, further adding to the surplus power available with the State.

As discussed in the paragraph, the royalty in the shape of free power was taken into consideration for arriving at the total energy available in the State from the IPPs. As per the analysis, out of eight commissioned projects in the State, only five projects were taken into consideration where free power was drawn by the Department. The royalty from the remaining three projects (Teesta III, Chuzachen and Rongnichu) were received in the form of cash and hence, these projects have not been included in the analysis at Table 4.2.

PDS stated that (November 2023) in addition to SUL, two HEPs (Dikchu and Teesta-V) from where GoS was drawing free power as royalty to meet up the state requirement, had closed their operations after the Glacial Lake Outburst Flood (GLOF) of October 2023. Accordingly, to meet up the shortfall, MoP had allocated 77 MW of power from Farakka I and II for a period of one year.

[34] *Darlipalli Super Thermal Power station-I (14.01 MW) in March 2021*

[35] *Rangit -IV NHPC (8 MW), Teesta-IV NHPC (67.27 MW), Nabinagar Thermal Power Station (3.60 MW) and Katwa Super Thermal Power Station (1.07 MW)*

There was 528.13 MUs, 508.48 MUs and 521.92 MUs energy available as free power from state HEPs/ IPPs against state requirement of 411.34 MUs, 403.54 MUs and 495.17 MUs in the year 2019-20, 2020-21 and 2021-22 respectively. As such, purchase of power much beyond the State's requirement through PPAs was not required. Audit observations regarding the rationale and implications of entering into such PPA's are discussed in the succeeding paragraphs.

4.1.1.1 Signing of PPA without proper assessment of requirement

Audit scrutiny of the records showed that 10 PPAs for a duration of 20 to 25 years (except Teesta-V and Rangit-IV, where the initial agreement was for 5 years subject to renewal, if not renewed the existing agreement shall continue till its renewal) were entered with before 2007 which ensured the availability of 114 MW[36] of power for the State. This was sufficient to cater to power shortage (maximum of 35.97 MU in 2021-22 during winter season *i.e.*, November to March). Further, in 2005, the implementation agreement, giving free power of 144 MW to State, with SUL (earlier TUL) (1200 MW) was signed followed by the other major power projects in the State such as *Chuzachen* (110 MW, commissioned 2013), *Tashiding* (96 MW, commissioned October 2017), *etc*. Thus, PDS, which was responsible for the implementation agreements, was aware that the State is investing heavily in generation capacity, which would offset any addition in consumption requirement, hence there was no rationale for entering into PPAs of such long duration of 20 to 25 years.

PDS entered into 14 more PPAs after 2007 and is drawing an additional 89.94 MW of energy from four power stations[37] which were commissioned. All the PPA's were entered upon for a period of 20 to 25 years and have penal provisions for exiting the agreement mid-way. As a result, PDS was left with huge surplus power from PPAs which PDS had to sell in the power exchange at a loss.

Further, on 03 December 2010, PDS entered into an agreement with Arunachal Pradesh Power Corporation Pvt Limited (APPCL), a power exchange trader for the sale of surplus energy in the power exchange. This agreement holds significance as it indicated that surplus energy was available with PDS as early as December 2010. Despite this, four more PPAs[38] have been signed with various power producers after December 2010 clearly indicating that PDS did not do the expected due diligence of reviewing its energy requirements before entering into long-term new PPAs. Audit scrutiny also showed that the average per unit purchase cost of electricity during 2014-21 was higher than the average sale price of ₹ 2.93 per unit in the power exchange market.

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[36] *MU=114 MW*24*365*0.5/1000= 449.32 MU, where PLF=50% or 0.5.*

[37] *Darlipalli- 14.01 MW, Rangit- 8 MW, Katwa- 1.07 MW and Teesta V- 67.27 MW*

[38] *Darlipalli Super thermal, Gajmara, Katwa and Nabinagar*

Thus, there was a clear lack of due diligence, planning and foresight in deciding to sign long term PPA's which has resulted in loss to Government of Sikkim as discussed in the succeeding paragraphs.

4.1.1.2 Loss of ₹ 266.64 crore on trading of electricity

As could be seen from **Table 4.1,** 2,538 MU of energy was available with PDS from 2017-18 to 2021-22 from free power received as royalty. Out of 2,538 MU available, PDS had utilised 2,034.54 MU for domestic consumption leaving a surplus of 503.46 MU. However, due to the 24 PPAs entered into as discussed in paragraph 4.1.1, PDS purchased energy (3,161.67 MU) from different power generators over and above its requirement and then was forced to sell the surplus power through Power Exchange resulting in loss, as discussed below:

(a) Excess purchase of power

During the period from 2017-18 to 2021-22, the energy requirement within the State was 2,034.54 MUs. The energy requirement works out to 2,543.18 MUs after allowing 25 *per cent* beyond the State requirement. During the corresponding period, the free power available from the royalty was 2,538 MUs. Therefore, it was evident that the available free power was sufficient to cater the State requirement except in the year 2021-22 even after adding 25 *per cent* beyond the actual requirement in each year separately as detailed in **Table 4.3**:

Table 4.3: Statement showing the energy requirement *vis-à-vis* purchase requirement

(in MUs)

Year	Internal requirement	Requirement after adding 25 *per cent* beyond actual	Free power available	Energy purchased	Purchase required	Excess energy purchased (5-6)
1	2	3	4	5	6	7
2017-18	343.67	429.59	469.21	671.05	0	671.05
2018-19	380.82	476.03	510.26	717.06	0	717.06
2019-20	411.34	514.18	528.13	663.74	0	663.74
2020-21	403.54	504.43	508.48	706.35	0	706.35
2021-22	495.17	618.96	521.92	500.51	97.04	403.47
Total	**2034.54**	**2543.18**	**2538.00**	**3258.71**	**97.04**	**3161.67**

(Source: PDS)

As could be seen from table above, there is no requirement for purchase of energy from outside sources except for 2021-22. However, due to the PPAs, PDS paid for 3,161.67 MU unrequired energy from various power producers. Since power cannot be stored, PDS resorted to selling the same in power exchange. The average purchase and selling rate at the exchange is given in **Table 4.4**.

Table 4.4: Loss on purchase and sale of power

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
The average rate of power purchase (in ₹ per unit)	3.52	3.40	3.95	2.96	4.71
The average rate of sales (in ₹ per unit)	2.10	2.13	2.28	3.90	4.24
Loss in trading of power (in ₹ per unit)	1.42	1.27	1.67	(+) 0.94	0.47
Excess power traded (out of purchases) (MUs)	671.05	717.06	663.74	706.35	403.47
Total Loss in trading (₹ in crore)	**95.29**	**91.06**	**110.84**	**(+) 66.39**	**18.96**

(Source: PDS)

Thus, sale per unit at the power exchange, led to PDS incurring losses ranging between ₹ 0.47 and ₹ 1.67 per unit except in 2020-21. Thus, PDS incurred a loss of ₹ 249.76 crore during the period from 2017-18 to 2021-22 on trading of the power purchased more than the requirement. Since the entire transaction (purchase as well as sale of electricity) was kept outside the Government Accounts, the resultant loss was not reflected in the Government Accounts and thereby escaped legislative scrutiny.

(b) Interest payments

PDS had purchased energy from the CPSUs/other generators through the allocation from the State budget. As the budget allocation and revenue from the sale of surplus power were not sufficient to meet up the high purchase cost, it resorted to borrowings from the State Bank of Sikkim (SBS) to meet up the shortfall. During the five years ending 2021-22, PDS availed an overdraft facility from SBS to the tune of ₹ 225.07 crore. Further, during the same period, PDS serviced the loans by paying interest to the tune of ₹ 8.32 crore. As on 31 March 2022, the loan account had an outstanding balance of ₹ 250.42 crore. Not taking any action to rectifying the gap in the budgetary requirement of the PDS, led to this avoidable interest payment of ₹ 8.32 crore.

(c) Brokerage

As per the agreement entered (December 2010) between PDS and APPCL, the charges/ commission for trade of power through the power exchange shall be 0.75 *per cent* of the total transaction amount on a particular day. During the period from 2017-18 to 2019-20, PDS traded energy in the power exchange through APPCL to the tune of ₹ 1,142.24[39] crore. As per the agreement, the commission for the above transaction works out to ₹ 8.56 crore. Thus, due to unrealistic assessment of requirement and the purchase of energy in excess of its requirement, PDS was forced to sell the surplus energy at a loss, for which it paid a commission of ₹ 8.56 crore to APPCL.

(d) Lack of Power Banking Arrangement, etc.

PDS had maximum surplus energy during the period May to October ranging from 13.65 MUs to 39.11 MUs whereas the maximum shortfall was 35.97 MUs during

[39] *Total transaction=₹ 741.79 crore (purchase) +₹ 400.45 crore (sale)= ₹ 1,142.24 crore*

February 2022. Audit noticed that there was no record of efforts by PDS to examine the possibilities of entering into Power Banking arrangement wherein two Utilities/ States trade power to match the seasonal variations in surplus and deficit situations with other utilities/ states. Examples of such power banking or swap arrangements are available in almost all Power utilities in India since long including the earliest in Tamil Nadu in 1986. Also despite the awareness of the free power State would receive from the State HEPs/ IPPs, which were to be commissioned between 2000 and 2021, the decision of PDS for entering into PPAs of 20 to 25 years duration was financially imprudent. PDS did not explore the possibility of plan for short/ Medium term PPAs with suitable exit clauses (with sufficient notice to the Power producers) to take into account the prospective commissioning of the HEPs in the state. PDS has not considered stopping the process of entering into new PPAs which are in pipeline and also not examined the issue of approaching the Ministry of Power (MoP) to reduce to zero the allocation of power in the 11 PPAs which are non-operational as on date thereby mitigating any future losses due to extra power purchase.

➢ During the exit conference (August 2023), Secretary, PDS stated that as hydro power is not reliable and during the lean season there is almost nil generation from hydro power projects, the base load needs to be maintained from the thermal power. Due to this, it had entered into PPA with thermal generators based on the prevailing situation. The Secretary further stated that power sector being a complex subject, it has not conducted any forecasting/study to assess the future load as there is no clear cut methodology by which accurate forecasting can be done. Further, it was also stated that based on the observation of audit, it had surrendered (March 2021) 82.06 MW of thermal power to National Thermal Power Corporation and any shortfall in energy availability is being managed/ compensated by procuring power from Real Time Market (RTM)/ Indian Energy Exchange (IEX).

The reply of PDS is not acceptable as it had entered into PPAs for purchase of power which was 17 times the peak requirement/ deficit during the three years period from 2019-20 to 2021-22. Further, the reply is also silent on how the PDS plans to deal with the fact that besides these operational PPAs, there are 11 more PPAs with producers whose plants are yet to be operationalised. Once operationalised, these PPAs will further increase the energy surplus and increase the loss to the State in trading the surplus energy in the exchange. PDS reply is also silent on the reasons why no action was taken to work on other options such as Electricity Banking facility, bilateral arrangements with other entities, *etc*. to resolve the issue. Such options have been working in other states for last several years.

4.1.1.3 Aftermath of Glacial Lake Outburst Flood

In the aftermath of Glacial Lake Outburst Flood (October 2023) and major destruction at Teesta-III, Audit enquired about change in the energy availability scenario in the State and plan of action devised by the State Government for restoration of the damaged Project. PDS stated that due to GLOF, there was a deficit/ shortfall of 79 MW of Power and the same was demanded from MoP. MoP has allocated 77 MW of power from Farakka I & II of NTPC Limited. The Department further added that it has stated managing the power scenario through banking mode for the period from November 2023 to April 2024 as suggested by Audit.

4.2 Conclusion

There was a clear lack of planning and proper assessment of energy requirement by PDS, and agreements were entered into with CPSUs/others for the purchase of excess energy beyond its requirement for a long-term period. The surplus energy thus procured was traded in the power exchange through brokers and losses of ₹ 249.76 crore during the period from 2017-18 to 2021-22 were incurred as the rate of sale was lesser than the rate of purchase, in addition to payment of interest and brokerage.

4.3 Recommendations

The Power Department should

- *assess its energy requirement scientifically and economically taking into consideration the free energy available from IPPs.*
- *explore the possibility of surrendering available surplus energy as was done with NTPC in March 2021 and opt for Real Time Market/ Indian Energy Exchange purchases to meet the shortfall, if any.*
- *take necessary action to surrender yet to be operationalised PPAs or approach MoP/ generators to reduce the demand to nominal allocation in view of the existing surplus.*
- *explore the power banking option with other utilities to meet up its requirement during the peak season (November to March).*
- *prepare its budgetary demand realistically to avoid availing loan from outside agencies.*

- *ensure availability of adequate power in the State in view of the destruction at Teesta-III, Teesta-V and Dikchu HEPs due to GLOF.*

Gangtok **(NARMADHA R.)**
The 18 October 2024 **Accountant General (Audit), Sikkim**

Countersigned

New Delhi **(GIRISH CHANDRA MURMU)**
The 25 October 2024 **Comptroller and Auditor General of India**

APPENDICES

Appendix-1

(Ref: Paragraph 2.4.3)

List of mobile towers where average billing was charged

Sl. No	Name of the consumer	Sanctioned Load		Units billed per month	Amount billed (in ₹)	Energy consumption as per formula in units	No. of Months of average billing	Per unit charges (in ₹)	Energy consumption charges as per SSERC code (in ₹)	Total Short assessment (in ₹)	Division
		in KVA	in KW								
2018-19											
1	Vodafone II Ravangla	25	20	2,000	84,000	5,400	6	3.5	1,13,400	29,400	Ravangla Division
2	Vion Network, Ravangla	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
3	Vodafone Kewzing	25	20	1,859	78,078	5,400	6	3.5	1,13,400	35,322	
4	Airtel Mangbru	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
5	Airtel Yangyang	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
6	Vodafone 14th mile, Ravangla	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
7	Vodafone, Tingmoo	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
8	ATC Vodafone, Alley	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
9	Vodafone, Phamtam	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
10	Airtel, Tinkitam/Sanganath	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
11	Vodafone, Deythang	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
12	Vodafone, Ralang	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
13	Vodafone, Rangit Nagar	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
14	Quipo Tower, Yangyang	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
15	BSNL, Kewzing	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
16	Vodafone, Li Borong	25	20	1,500	63,000	5,400	6	3.5	1,13,400	50,400	
17	Reliance Mobile Tower, Mamring	25	20	2,090	87,780	5,400	6	3.5	1,13,400	25,620	Rangpo
										7,95,942	
2019-20											
1	Vodafone II	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	Ravangla Division
2	Vodafone, Kewzing	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
3	Airtel, Mungbrue	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
4	Airtel, Yangyang	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
5	Vodafone, Tingmoo	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
6	ATC Vodafone, Alley	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
7	Vodafone, Phamtam	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	

Sl. No	Name of the consumer	Sanctioned Load		Units billed per month	Amount billed (in ₹)	Energy consumption as per formula in units	No. of Months of average billing	Per unit charges (in ₹)	Energy consumption charges as per SSERC code (in ₹)	Total Short assessment (in ₹)	Division
		in KVA	in KW								
8	Airtel, Tinkitam	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
9	Vodafone, Deythang	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
10	Vodafone, Rangit Nagar	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
11	Quipo Tower, Yangyang	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
12	Vodafone, Borong	25	20	4,000	1,92,000	5,400	12	4	2,59,200	67,200	
13	Vodafone Tower, Majhitar	25	20	3,684	88,416	5,400	6	4	1,29,600	41,184	Rangpo
14	Reliance, Mamring	25	20	2,090	1,00,320	5,400	12	4	2,59,200	1,58,880	
15	Airtel mamring	25	20	1,667	40,008	5,400	6	4	1,29,600	89,592	
16	Airtel, Sawney	25	20	1,560	37,440	5,400	6	4	1,29,600	92,160	Topakhani
17	Chennai Network, Chisopani	25	20	780	18,720	5,400	6	4	1,29,600	1,10,880	
18	Airtel, Khamdong	25	20	3,335	80,040	5,400	6	4	1,29,600	49,560	
19	Reliance Jio, Rumtek	25	20	1,250	30,000	5,400	6	4	1,29,600	99,600	LLHP
20	Reliance Jio, Radang	25	20	3,000	72,000	5,400	6	4	1,29,600	57,600	
21	Hutchinson, Namli	25	20	5,200	1,24,800	5,400	6	4	1,29,600	4,800	
22	Indus Tower, Amba	25	20	4,800	1,15,200	5,400	6	4	1,29,600	14,400	Pakyong
23	Vodafone, Lal Turning	25	20	4,800	1,15,200	5,400	6	4	1,29,600	14,400	
24	Indus Tower, Kartok	25	20	4,800	1,15,200	5,400	6	4	1,29,600	14,400	
25	Aircell, Bhasmey	25	20	4,800	1,15,200	5,400	6	4	1,29,600	14,400	
26	Indus tower, Barapating	25	20	4,800	1,15,200	5,400	6	4	1,29,600	14,400	
27	Indus Tower, Pastinga	25	20	4,800	1,15,200	5,400	6	4	1,29,600	14,400	
28	Indus Tower, Upper Amba	25	20	4,800	1,15,200	5,400	6	4	1,29,600	14,400	
										16,11,456	
2020-21											
1	BSNL, Ravangla	25	20	4,000	1,20,000	5,400	6	5	1,62,000	42,000	Ravangla Division
2	Vodafone II Ravangla	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	
3	Vodafone, Kewzing	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	
4	Airtel, Mangbrue	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	
5	Vodafone, Tingmoo	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	
6	Vodafone, Phamtam	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	
7	Vodafone, Deythang	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	
8	Vodafone, Ralang	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	
9	Vodafone, Borong	25	20	4,000	2,40,000	5,400	12	5	3,24,000	84,000	

Sl. No	Name of the consumer	Sanctioned Load		Units billed per month	Amount billed (in ₹)	Energy consumption as per formula in units	No. of Months of average billing	Per unit charges (in ₹)	Energy consumption charges as per SSERC code (in ₹)	Total Short assessment (in ₹)	Division
		in KVA	in KW								
10	Vodafone Tower, Majhitar	25	20	3,684	2,21,040	5,400	12	5	3,24,000	1,02,960	Rangpo
11	Airtel Sawney	25	20	1,560	93,600	5,400	12	5	3,24,000	2,30,400	Topakhani
12	Reliance, Kokaly	25	20	90	2,700	5,400	6	5	1,62,000	1,59,300	
13	Reliance Jio, Rumtek	25	20	2,250	1,35,000	5,400	12	5	3,24,000	1,89,000	LLHP
14	Reliance Jio, Mendong Dara	25	20	3,000	90,000	5,400	6	5	1,62,000	72,000	
15	Reliance Jio, Radang	25	20	3,000	1,80,000	5,400	12	5	3,24,000	1,44,000	
16	Indus Tower, Lal Turning	25	20	4,800	2,88,000	5,400	12	5	3,24,000	36,000	Pakyong
17	Indus Tower, Kartok	25	20	4,800	2,88,000	5,400	12	5	3,24,000	36,000	
18	Aircell, Bhasmey	25	20	4,800	2,88,000	5,400	12	5	3,24,000	36,000	
19	Indus tower, Barapathing	25	20	4,800	2,88,000	5,400	12	5	3,24,000	36,000	
20	Indus Tower, Pachey	25	20	4,800	1,44,000	5,400	6	5	1,62,000	18,000	
										17,73,660	
2021-22											
1	BSNL Ravangla	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	Ravangla Division
2	Vodafone II Ravangla	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
3	Vodafone Kewzing	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
4	Airtel Mangbrue	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
5	Vodafone Tingmoo	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
6	Vodafone, Phamtam	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
7	Vodafone, Deythang	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
8	Vodafone, Ralang	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
9	Vodafone, Borong	25	20	4,000	2,49,600	5,400	12	5.2	3,36,960	87,360	
10	Vodafone, Majhitar	25	20	3,686	2,30,006.4	5,400	12	5.2	3,36,960	1,06,953.6	Rangpo
11	Airtel, Sawney	25	20	1,560	97,344	5,400	12	5.2	3,36,960	2,39,616	Topakhani
12	ATC Telecom, Singtam	25	20	1,872	58,406.4	5,400	6	5.2	1,68,480	1,10,073.6	
13	Vodafone, Lower Samdong	25	20	2,808	87,609.6	5,400	6	5.2	1,68,480	80,870.4	
14	Airtel , Khamdong	25	20	3,468	1,08,201.6	5,400	6	5.2	1,68,480	60,278.4	

Sl. No	Name of the consumer	Sanctioned Load		Units billed per month	Amount billed (in ₹)	Energy consumption as per formula in units	No. of Months of average billing	Per unit charges (in ₹)	Energy consumption charges as per SSERC code (in ₹)	Total Short assessment (in ₹)	Division
		in KVA	in KW								
15	BSNL, Ranipool	25	20	2,080	64,896	5,400	6	5.2	1,68,480	1,03,584	LLHP
16	Bharati Cellular Company, Kayathang	25	20	5,000	1,56,000	5,400	6	5.2	1,68,480	12,480	
17	Reliance, Rumtek	25	20	3,500	2,18,400	5,400	12	5.2	3,36,960	1,18,560	
18	Reliance Jio, Rumtek	25	20	3,500	2,18,400	5,400	12	5.2	3,36,960	1,18,560	
19	Reliance Jio, Radang	25	20	3,500	2,18,400	5,400	12	5.2	3,36,960	1,18,560	
20	Indus Tower, Upper Amba	25	20	4,800	2,99,520	5,400	12	5.2	3,36,960	37,440	Pakyong
21	Indus Tower, Lal Turning	25	20	4,800	2,99,520	5,400	12	5.2	3,36,960	37,440	
22	Indus Tower, Pakyong	25	20	4,800	1,49,760	5,400	6	5.2	1,68,480	18,720	
23	Aircell Bhasmey	25	20	4,800	2,99,520	5,400	12	5.2	3,36,960	37,440	
24	Indus Tower, Barapathing	25	20	4,800	2,99,520	5,400	12	5.2	3,36,960	37,440	
25	Indus Tower, Pachey	25	20	4,800	2,99,520	5,400	12	5.2	3,36,960	37,440	
26	Indus Tower, Pastinga	25	20	4,800	2,99,520	5,400	12	5.2	3,36,960	37,440	
										20,99,136	

Appendix-2

(Ref: Paragraph 2.4.4.)

Short demand from bulk consumers

Appendix showing short demand from bulk consumer for the year 2020-21					
SI No.	**Name of Consumer**	**Minimum charges raised**	**Months**	**Minimum charges as per SSERCTS**	**Loss**
1	Police Station, Ravangla	7,800	12	24,000	16,200
2	Sikkim Police, Communication	3,861	12	24,000	20,139
3	Dak Bungalow	4,680	12	24,000	19,320
4	Office Incharge, Food Godown	7,800	12	24,000	16,200
5	Primary Health Centre I	15,600	12	24,000	8,400
6	Primary Health Centre II	15,600	12	24,000	8,400
7	Primary Health Centre III	8,235	8	16,000	7,765
8	Irrigation Office	12,463	10	20,000	7,537
9	HRDD	7,800	12	24,000	16,200
10	ADC, Development	15,600	12	24,000	8,400
11	BDO, Ravangla	6,547	8	16,000	9,453
12	SDPO Ravangla	7,400	12	24,000	16,600
13	Co-operation, Ravangla	11,700	12	24,000	12,300
14	AE, RDD	11,700	12	24,000	12,300
15	SBI, Yangyang	4,044	12	24,000	19,956
16	CO, Vikas	15,600	12	24,000	8,400
					2,07,570

Appendix-3

(Ref: Paragraph 3.8)

Royalty from IPPs

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	
A. Chuzachen Project						
Income from project	13.99	23.06	23.06	15.43	26.47	
Amount remitted to Government Account pertaining to prior period	0	0	0	0	0	
Amount not remitted to Government Account	*13.99*	*23.06*	*23.06*	*15.43*	*26.47*	
B. Teesta III						
Income from project	163.98	205.73	215.91	162.30	305.08	
Amount remitted to Government account	83.09	0.00	0.00	0	0	
Amount not remitted to Government Account	*80.89*	*205.73*	*215.91*	*162.30*	*305.08*	
C. Jorethang Project						
Income from project	17.10	17.95	14.30	11.10	0	
Amount remitted to Government Account	16.60	16.91	0.00	NA	0	
Amount not remitted to Government Account	*0.50*	*1.04*	*14.30*	NA	*0*	
D. Tashiding project						
Income from project	2.64	19.33	15.40	10.90	0	
Amount remitted to Government Account	1.93	17.03	0.00	NA	0	
Amount not remitted to Government Account	*0.71*	*2.30*	*15.40*	NA	*0*	
E. Dikchu project						
Income from project	11.70	18.94	15.93	12.39	0	
Amount remitted to Government Account	12.48	18.00	0.00	NA	0	
Amount not remitted to Government Account	*-0.78*	*0.94*	*15.93*	NA	*0*	
F. Rongnichu Project						
Income from project	NA	NA	NA	NA	3	
Amount remitted to Government Account	NA	NA	NA	NA	0	
Amount not remitted to Government Account	NA	NA	NA	NA	3	
Amount not remitted to Government Account						
						Total
Total income from projects	209.41	285.01	284.60	212.12	334.55	1,325.69
Total amount remitted to Government Account	114.10	51.94	0.00	54.18[40]	0	220.22
Total amount not remitted into Government Account	*95.31*	*233.07*	*284.60*	*157.94*	*334.55*	*1,105.47*

[40] *An amount of ₹ 54.18 crore was remitted to GoS from the project income of Jorethang, Tashiding and Dikchu HEP during 2020-21. Remittances to GoS on project wise is not available, hence it is clubbed under one head.*

Appendix-4

(Ref: Paragraph 4.1.1)

List of Power Purchase Agreements entered by PDS

Date of signing	Name of power station	Company	Capacity (in MW)	Duration (from date of COD)	Status	Allocation capacity (in MW)	Remarks
	Operational projects						
1986	Chukha (Bhutan)	Power Trading Corporation	336	NA	operational	5.99	
25-05-1993	Farakka I & II	NTPC	1,600	25	operational	26.06	surrendered
25-05-1993	Kahalgaon I	NTPC	840	25	operational	13	surrendered
25-05-1993	Talcher I	NTPC	1,000	25	operational	24	surrendered
1995	Rammam	WB electricity Board	51	NA	operational	10	
27.12.2005	Sikkim Power Development Corporation	SPDC	10	20	operational	10	
18-07-2006	Barh Super Thermal Power Station	NTPC	1,980	25	operational	20	
18-07-2006	Kahalgaon II	NTPC	1,500	25	operational	4.95	surrendered
08-01-2008	Rangit	NHPC	60	5*	operational	8	
March 2008	Teesta Stage V	NHPC	510	5*	operational	67.27	
28-09-2010	Nabinagar	NTPC	1,980	25	operational	3.60	
21-10-2010	Darlipali Super Thermal Power Station I	NTPC	1,600	25	operational	14.01	surrendered
04-01-2011	Katwa Super Thermal Power Station	NTPC	1,600	25	operational	1.07	
Total						**207.95**	
Surrendered						**82.02**	
Drawing as on March 2022						**125.93**	
	Project yet to be operationalized						
18-07-2006	Barh	NTPC	1,980	25			
18-07-2006	North Karanpura	NTPC	1,980	25			
25-09-2007	Barh Super Thermal Power Station-II	NTPC	2X660	25			
21-10-2010	Gajmara Super Thermal Power Station I	NTPC	1,600	25			
28-12-2010	Farakka III	NTPC	500	25			
28-12-2010	Muzaffarpur Thermal Power Station II	KBUN/ NTPC	2X195	25			
28-12-2010	TALCHER III	NTPC	1,320	25			
04-01-2011	Darlipali Super Thermal Power Project	NTPC	3,200	25			

04-01-2011	Gajmara Super Thermal Power Station I & II	NTPC	3,200	25			
17-04-2013	Nabinagar II (Supplementary)	NTPC	1,980	25			
03.07.2013	Sikkim Power Development Corporation (Chatten)	SPDC	32				

** The agreement is still in force as the initial agreement was not renewed*