सत्यमेव जयते

Performance Report of the Comptroller and Auditor General of India on Performance of DISCOMs pre and post Ujwal DISCOM Assurance Yojana (UDAY)

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Madhya Pradesh

Report No. 5 of the year 2022

Report of the
Comptroller and Auditor General of India

Performance Audit on
Performance of DISCOMs pre and post Ujwal DISCOM Assurance Yojana (UDAY)
for the year ended 31 March 2021

Government of Madhya Pradesh

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ending 31 March 2021 has been prepared for submission to the Governor of Madhya Pradesh under Article 151 of the Constitution of India, for being laid before the Legislature of the State.

The Report contains significant results of Performance Audit of 'Performance of DISCOMs pre and post Ujwal DISCOM Assurance Yojana (UDAY)', covering the period 2016-17 to 2020-21 (implementation period of the scheme).

The instances mentioned in this Report are among those which came to notice in the course of test audit.

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

Executive Summary

Executive Summary

The Indian power sector value chain is segmented into Generation, Transmission, and Distribution sectors. Power emanating from different generating sources is transmitted to the periphery of Power Distribution Companies (DISCOMs). Thereafter, it is routed through various stages of stepping down to reach different categories of end consumers.

In Madhya Pradesh, the holding Company of the DISCOMs[1] i.e. the Madhya Pradesh Power Management Company (MPPMCL), is responsible for the purchase of power for DISCOMs from power generators. Thereafter, the power is sold by the DISCOMs to the consumers of various categories at the rates approved by the Madhya Pradesh Electricity Regulatory Commission (MPERC) in the tariff orders issued from time to time. When the revenue generated by the DISCOMs from their operations is not sufficient to pay off their dues and power purchase bills, the DISCOMs resort to borrowing from various sources, mainly from Government of Madhya Pradesh (GoMP), Power Finance Corporation Limited, Rural Electrification Corporation Limited, etc.

Since, the DISCOMs are at the grass-root level of the power hierarchy, dealing with the immediate end-consumers of the power sector, they are the most critical link in terms of financial and operational sustainability. The DISCOMs are reeling under tremendous operational and financial inefficiencies due to multiple reasons, some of which are discussed in this report.

The Ujwal DISCOM Assurance Yojana (UDAY) scheme was devised to overhaul the DISCOMs by incentivizing and improving their financial and operational health. The Memorandum of Understanding (MoU) for the UDAY scheme was signed on 10 August 2016 amongst the Ministry of Power, (Government of India), the Energy Department, (Government of Madhya Pradesh) and the Madhya Pradesh Power Management Company Limited, on behalf of the three DISCOMs.

This report, while analysing the performance of UDAY scheme, largely deals with two aspects, i.e. Financial and Operational performances, of the DISCOMs.

The UDAY scheme envisages the financial turnaround of the DISCOMs by minimising/ eliminating the accumulated losses and debts of DISCOMs, so that, the DISCOMs can reach sustainable financial position by the end of the scheme period.

Prior to the commencement of UDAY scheme, the DISCOMs were reeling under the pressure of outstanding debt and a significant portion of their expenditure was spent towards servicing of debt. The outstanding debt of the DISCOMs Pre UDAY (September 2015) was ₹ 34,739 crore.

Through the UDAY scheme, it was therefore envisaged that the burden of existing losses/ debts would be shelved off from the DISCOMs. It was presumed that once the losses/ debts were minimized, they would be able to start afresh and attain self-sustainability. Hence, as per the UDAY Scheme Guidelines, the GoMP was required to take over 75 *per cent* of the outstanding debts of the DISCOMs, which amounted to ₹ 26,055 crore, as on 30.09.2015, along with existing and future losses in a graded manner.

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[1] Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL), Bhopal, Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL), Jabalpur and Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL), Indore.

This debt take-over, which was touted to be an important feature of financial restructuring under UDAY Scheme, was severely under-achieved in Madhya Pradesh. The GoMP was able to be take over debt amounting to only ₹ 12,690 crore, out of the total outstanding debt of ₹ 26,055 crore to be taken over as per MoU. Thus, the incomplete debt take-over could not help the DISCOMs in improving their debt position post UDAY scheme.

The GoMP apart from being the owner is also one of the major consumers of the DISCOMs. It was observed that the GoMP was irregular in its electricity payments as a consumer of DISCOMs. The electricity dues recoverable from GoMP alone were ₹ 1,606.23 crore.

The GoMP also utilizes the DISCOMs as means for its socio-economic interventions by subsidizing the electricity dues to some specific categories of consumers from time-to-time. Depending on the nature of the scheme, the subsidies are to be borne by GoMP or by the DISCOMs and sometimes both. The part of the subsidy borne by the DISCOMs directly affects their revenue realization (for example as in Bijli Bill Maafi Yojana launched by GoMP), as it reduces the trade receivables of the DISCOMs. The portion of the subsidy borne by GoMP has to be recouped by the DISCOMs by raising necessary bills. The non-recoupment of subsidy from the GoMP worsened the financial position of the DISCOMs. The dues recoverable from GoMP alone (₹ 2,453.85 crore[2]) formed seven *per cent* of the total Debt (₹ 34,727.04 crore) of the DISCOMs as at the end of March 2020. As there was a shortfall in realizing claims of subsidy and electricity dues from GoMP and also due to other functions performed with poor efficiency, the DISCOMs had to avail additional loans amounting to ₹ 11,200 crore during the period of implementation of UDAY. This increased the interest burden of the DISCOMs leading to a cost push situation.

The Madhya Pradesh Electricity Regulatory Commission, through its tariff orders and dis-allowance of a few expenses, ensures that the common citizens are not burdened by such inefficiencies of the DISCOMs. However, a major part of the increased cost due to increased borrowings does not translate into increased revenue for DISCOMs. This creates a vicious circle, which, year over year, widens the gap between cost and revenue, leading to year-on-year losses, further leading up to a piling up of the accumulated losses.

The DISCOMs have an opportunity to recover some of their costs through true-up petitions. The rates of electricity which are fixed in the Annual Tariff, as determined by the MPERC, are not sufficient to cover the entire actual expenditure of the DISCOMs every year. Such gap in cost and revenue, is bridged to an extent by way of true-up petitions filed by DISCOMs before the MPERC. It was observed, however, that the DISCOMs were lethargic in filling true-up petitions, sometimes deferring the potential revenue realization even upto three years.

Thus, with insufficient takeover of debts, coupled with outstanding Departmental dues/ unpaid subsidy claims and the delayed true-up petition filing, the overall outstanding debt of DISCOMs decreased by only ₹ 12 crore, even after the GoMP taking over debts to the tune ₹ 12,690 crore during the scheme period.

[2] ₹ 1606.23 crore electricity bill dues and ₹ 847.62 crore subsidy dues.

The UDAY scheme envisions operational turnaround of DISCOMs. The following were the expected operational outcomes of the DISCOMs at the end of completion of UDAY scheme in 2020:

- Reduction of Aggregate Technical and Commercial (AT&C) losses to 15 *per cent* by 2019-20, and
- Elimination of gap between Average Cost of Supply (ACS)[3] and Average Realisable Revenue (ARR)[4] by 2019-20.

In order to achieve the above, the Energy Department, GoMP and the DISCOMs were required to follow the timelines of specified targeted activities.

The AT&C loss is an actual measure of the performances of the DISCOMs as it includes both technical losses and commercial losses. We observed that the calculation of the AT&C loss was not as per the approved methodology prescribed by MoP, GoI. Thus, the projected targets in the MoU were understated and the DISCOMs fell short by a big margin in achieving the targets.

The commercial losses which contribute significantly to the AT&C losses could not be reduced during the UDAY scheme period. The commercial losses continue to remain high as the Billing and Collection Efficiency of the DISCOMs did not improve during the period. In fact, the Collection Efficiency of the DISCOMs reduced from 97 *per cent* to 86 *per cent* during the period, whereas the Billing Efficiency barely improved from 77 *per cent* to 80 *per cent*.

The main reasons attributable for shortfall in the Billing Efficiency targets were higher distribution losses on account of non-installation of Smart meters and Distribution Transformer (DT) meters, high incidence of provisional billing, and deficiencies in billing, like application of incorrect tariff category, etc. The Collection Efficiency was low due to non-recovery of revenue arrears, accumulation of arrears in case of defaulting consumers, non-follow up of recovery from permanently disconnected consumers, etc.

Thus, the AT&C losses of DISCOMs, which should have been brought down to the targeted 15 *per cent*, remained at 33.08 *per cent* during 2019-20, as against 23.45 *per cent* during 2015-16.

Another important criteria for ensuring the operational turnaround is the reduction of ACS-ARR gap to zero. The ACS-ARR gap is a core indicator of the operational turnaround, as it stands for the commercial viability of the DISCOMs. Since it measures the difference between the average cost of purchase of power and the average realisable revenue, the lower the former and the higher the latter, the more commercially viable are the DISCOMs.

As in the case of AT&C loss target, even the ACS-ARR gap projection was incorrectly arrived at. We noticed that the power purchase cost, employees' cost and interest and finance cost were understated, leading to understatement of projected ACS-ARR gap during 2015-16 to 2019-20 in the MoU. In addition, it was noticed that the DISCOMs did not calculate ACS-ARR gap as per the approved methodology. Thus, the incorrect projections painted a rosy picture in the MoU, but in reality, none of the DISCOMs could eliminate the ACS-ARR gap during the scheme period.

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[3] Average Cost of Supply (ACS) means total expenditure incurred divided by the total input of energy during a specific period.

[4] Average Realisable Revenue (ARR) means total revenue (including subsidy on receipt basis and all other incomes) divided by the total input of energy during a specific period.

The Average Realisable Revenue (ARR) is the sum of the total revenue earned by charging consumers at specified tariffs for the energy supplied and subsidy received from the State Government, divided by the total input units of DISCOMs. The DISCOMs could not realise the targeted ARR as per the MoU. One of the main reasons for the same was the delayed filing of the true-up petitions, as a result of which the allowable expenditure through Tariff could not be recovered.

Multiple cases of deficient billing of consumers were noticed, wherein application of incorrect tariff category to its consumers proved disadvantageous to the DISCOMs as they ended up realizing lesser revenue than their entitlement. Another reason for lower realization is the failure in realisation of arrears/ subsidy claims.

The fund deficit deprived the DISCOMs from making much-needed investment in infrastructure such as in smart metering, Feeder/ DT metering, feeder segregation, etc. This led to continuous periods of inefficient operations leading to lower revenue realization. The lower revenue realization lead to fund deficit, thereby creating and perpetuating the vicious circle, which the UDAY scheme was intended to break. With an increase in costs on one hand and decrease in revenue on the other, the ACS-ARR gap kept on widening, thus preventing the DISCOMs from becoming self-sustainable. The ACS-ARR gap of DISCOMs, which should have been brought down to 'Zero', remained at ₹ (0.83) per unit during 2019-20.

The operational turnaround, like the financial turnaround, could not be achieved during the period of implementation of UDAY, as the DISCOMs could neither eliminate the ACS-ARR gap nor reduce the AT&C losses to the target level. Thus, the twin objectives of UDAY scheme remained mostly on paper. Overall, the DISCOMs performed sub-optimally on nearly all the fronts.

Chapter-1

Chapter-1

Introduction

1.1 Introduction

The Indian power sector value chain is segmented into generation, transmission, and distribution sectors. The distribution sector consists of Power Distribution Companies responsible for the purchase and sale of power to the consumers of various categories at rates approved by the State Electricity Regulatory Commission (SERC) and Central Electricity Regulatory Commission (CERC) in the tariff orders issued from time to time. This sector is the weakest link in terms of financial and operational sustainability. In Madhya Pradesh, the State Government formulated (30 September 2003) the Madhya Pradesh Power Sector Reforms Transfer Scheme, 2003 (MPPSRT Scheme 2003) for unbundling of Madhya Pradesh State Electricity Board to five power sector Companies (*viz. Madhya Pradesh Power Generating Company Limited (MPPGCL), Madhya Pradesh Power Transmission Company Limited (MPPTCL), Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL)*) with effect from November 2001.The State owned DISCOMs in Madhya Pradesh (MP) were trapped in a vicious cycle with operational losses being funded by debt.

The Central and State Governments had launched various schemes and initiatives from time to time aimed at improving the operational and financial health of the DISCOMs, which attained limited success and the DISCOMs continue to be a resource drain on the economy.

During November 2015, the Ministry of Power (MoP), Government of India (GoI) launched the Ujwal DISCOM Assurance Yojana (UDAY, hereafter referred to as Scheme) with the twin objective of financial turnaround and improving operational efficiency of State-owned DISCOMs[1]. The Scheme was envisaged as a path-breaking reform for realising the vision of affordable and accessible 24x7 Power for All.

1.2 Implementation of Scheme in Madhya Pradesh

The Scheme Guidelines (Guidelines) required that an agreement be signed amongst the respective State Governments, DISCOMs and Ministry of Power (MoP), Government of India (Gol) stipulating responsibilities of the State Governments, DISCOMs and MoP, GoI for achieving the Financial and Operational milestones, as described in the Scheme.

Accordingly, the Memorandum of Understanding (MoU) was signed on 10 August 2016 amongst the MoP, GoI, the Energy Department, Government of Madhya Pradesh (GoMP) and the Madhya Pradesh Power Management Company Limited (MPPMCL, the holding Company of MP DISCOMs) on behalf of the three DISCOMs.

The Scheme envisaged the following financial and operational outcomes:

- **Financial outcomes**: Reduction in outstanding debts of the DISCOMs and reduction in financial losses of the DISCOMs;

[1] DISCOMs for the purpose of Scheme included combined Generation, Transmission and Distribution Undertakings.

- **Operational outcomes**: Reduction of AT&C losses to 15 *per cent* by 2019-20 and elimination of gap between Average Cost of Supply (ACS)[2] and Average Realisable Revenue (ARR)[3] by 2019-20.

To achieve the above outcomes of financial and operational turnaround, the MoU provided for the following targeted activities:

- **Financial activities**: GoMP was required to take-over debt of DISCOMs of ₹ 26,055 crore (75 *per cent* of total debt of ₹ 34,739 crore outstanding as on 30.09.2015) till 30 September 2020, take over future losses of the DISCOMs for the years 2017-18 to 2020-21 in a graded manner, provide support to the DISCOMs till they achieve operational and financial turnaround, issue/ guarantee the Bonds for meeting the current losses, etc.

- **Operational activities**: The DISCOMs were required to install Smart meters for all the consumers consuming above 200 units/ month by 31.12.2019, to install meters at all the Feeders and Distribution Transformers (DTs) by 31.12.2018, achieve feeder segregation by 30.06.2018, undertake measures for Demand Side Management and Energy Efficiency, reduce the power purchase cost, etc. to reduce AT&C losses to 15 *per cent* and eliminate ACS-ARR Gap by 2019-20.

1.3 Audit Objectives

The Performance Audit of Scheme was conducted with an objective to assess whether:

- The directives pertaining to financial parameters envisaged under Scheme and the MoU have been adhered to and the overall objective of financial turnaround of the DISCOMs was achieved; and
- The activities targeted at improving operational efficiency were implemented and intended outcomes were achieved as envisaged in the tripartite MoU and Scheme.

1.4 Audit Criteria

Audit findings were benchmarked against the criteria sourced from the following:

- Provisions of the Guidelines of the Scheme (Guidelines) issued by MoP, GoI;
- Terms and Conditions of the tripartite Memorandum of Understanding (MoU) signed between MoP, GoI, GoMP and MPPMCL (on behalf of DISCOMs);
- Directions/instructions issued by MoP, GoI and GoMP from time to time;
- The Electricity Act, 2003 and State Electricity Supply Code (Supply Code) and other instructions issued by the State Electricity Regulatory Commission;
- Agenda and Minutes of Meetings of Board of Directors (BoD) of the DISCOMs and their holding Company; and
- Terms of lending agreements of the DISCOMs under Scheme.

1.5 Audit Scope and Methodology

The Performance Audit was conducted with a view to assess the effectiveness and efficiency in implementation of the Scheme vis-à-vis performance of the DISCOMs, pre and post

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2 Average Cost of Supply (ACS) means total expenditure incurred divided by the total input of energy during a specific period.

3 Average Realisable Revenue (ARR) means total revenue (including subsidy on receipt basis and all other incomes) divided by the total input of energy during a specific period.

implementation of Scheme. Since the implementation period of the Scheme was from 2016-17 to 2020-21 (September 2020) and year-wise financial and operational parameters were fixed in the MoU, audit covered the period from 2016-17 up to 2020-21 (September 2020).

In order to assess the efforts against the obligations of the State Government and DISCOMs as envisaged in the Office Memorandum (OM) of the Scheme and MoU, the records of the Energy Department of GoMP, the MPPMCL and headquarters of the three DISCOMs were examined.

To examine the operational achievements, we scrutinised the relevant records of 12[4] out of total 52 field units (Circle Offices, including their implementing units), which were selected on the basis of Circle Office having high and low AT&C losses and quantum of increase/ decrease in their AT&C losses during Scheme period.

Entry Conference was held on 02 November 2020 wherein the audit objectives, scope and methodology were discussed with the Department/Management. Exit Conference was held on 02 December 2021 to discuss the findings with the Department/ Management. The replies received from GoMP (January 2022) have been appropriately incorporated in the report.

1.6 Acknowledgement

We acknowledge the co-operation and assistance extended by the officials of the Energy Department, GoMP and the DISCOMs and its holding Company during conduct of the Performance Audit.

[4] Under MPMKVVCL, Bhopal: Bhopal (O&M), Vidisha, Rajgarh, Hoshangabad; under MPPaKVVCL, Indore: Indore (O&M), Ujjain, Khandwa, Mandsaur; under MPPoKVVCL, Jabalpur: Jabalpur (O&M), Seoni, Narsinghpur, Rewa.

Chapter-2

Chapter-2

Activities related to financial turnaround of DISCOMs

Summary

We examined the records relating to financial activities undertaken by the GoMP/ DISCOMs within the framework of the Scheme Guidelines/ provisions of the MoU for financial turnaround of the DISCOMs. Our examination revealed that the Scheme Guidelines/ provisions of the MoU were not followed effectively by the GoMP/ DISCOMs.

The DISCOMs erred in determination of eligible debts while finalizing the MoU. The GoMP/ DISCOMs, in contravention of the MoU, included ineligible R-APDRP loans/ debt amounting to ₹ 1,509.85 crore (REC loan ₹ 906 crore and PFC loan ₹ 603.85 crore) in total outstanding debts in the MoU for retirement under the Scheme. The DISCOMs also included ₹ 500 crore, being the GoMP Perpetual Loans pertaining to the period beyond the cut-off date of 30 September 2015, in the total outstanding debts. Further, working capital loan of ₹ 352.48 crore availed by Madhya Pradesh Power Management Company Limited (MPPMCL) which should have been considered while calculating the total outstanding debts for inclusion in the MoU were not included. The GoMP failed to honour their commitment in taking over the debts during the implementation period of the Scheme (2016-17 to 2020-21), and took over only debts amounting to ₹ 12,690 crore out of total debt of ₹ 26,055 crore to be taken over as per MoU.

Further, the DISCOMs failed to issue the bonds for funding the losses prescribed in the MoU. Instead, the DISCOMs availed the loans at higher rate, which resulted in additional burden to the DISCOMs during the Scheme implementation period.

The GoMP also did not provide adequate support to the DISCOMs as the State Government launched the Scheme of waiver of dues and burden of loss was imposed on the DISCOMs without subsidy. In addition, the regular tariff subsidy and electricity dues against various departments were pending to be released to the DISCOMs during the implementation period of the Scheme. Therefore, to meet their operational requirement, DISCOMs had to bear the additional and avoidable burden of costlier working capital loans.

Thus, due to failure in taking over of debts and additional burden of the working capital loans, the outstanding debt positions of the DISCOMs marginally reduced after the completion of Scheme (as on 31 March 2020) to ₹ 34,727.04 crore as compared to the pre UDAY position of ₹ 34,739 crore.

Further, the imposition of waiver of dues of the DISCOMs and the interest cost of the debts which could not be taken over and interest on additonal burden of working capital loan led to the increase in accumulated losses. As a result, the accumulated losses increased from ₹ 35,676.36 crore as on 31 March 2016 to ₹ 52,978.39 crore as on 31 March 2020.

Thus, due to failure in fulfilling its obligations/ commitments by the GoMP and failure of the DISCOMs in issuing the Bonds, the financial turnaround, as envisaged in the Scheme, could not be achieved.

2.1 The objective of the financial activities in UDAY Scheme

The main objective of financial activities in the Scheme was to reduce the debt burden of the DISCOMs and minimise the financial losses so as to avoid further increase in accumulated losses of the DISCOMs during the implementation period of the Scheme (2016-17 to

2020-21). By this way, the financial turnaround of the DISCOMs was intended to be achieved.

2.2 Implementation of the financial activities in UDAY Scheme

The Scheme Guidelines/ MoU stipulate financial and operational efficiency parameters to be monitored for time bound improvement. The targeted activities under the financial parameters along with the targeted benefits as per the Scheme are detailed in **Table 2.1** below:

Table 2.1: Financial parameters under the Scheme and targeted benefits

Sl. No.	Financial Parameters	Purpose/intended benefits
	DISCOMs' Obligations/commitments of GoMP	
1.	Taking over 75 *per cent* of DISCOM's debts (as on 30 September 2015) during five years i.e. 2016-17 to 2020-21 (September 2020) by the State Government.	Financial support for reducing debts and interest burden of the DISCOMs.
2.	Conversion of 25 *per cent* of the debts of the DISCOMs into loan or Bonds.	Financial support for reducing debts and interest burden of the DISCOMs.
3.	Taking over of future financial losses of the DISCOMs for the year 2017-18 to 2020-21 in a graded manner.	Improving financial health and liquidity position for operation of the DISCOMs.
4.	Release outstanding dues of the State Government Departments to the DISCOMs expeditiously.	Improving cash flow of the DISCOMs.
5.	Issue of Bonds by GoMP or guarantee the Bonds issued by DISCOMs for meeting the current losses and endeavour for ensuring appropriate tariff hikes.	Financial support for reducing debts and interest burden of the DISCOMs.
6.	Facilitate the DISCOMs in financing of working capital[1] by banks/ FIs.	Financial support for increasing liquidity for operational activities of DISCOMs.

To examine the implementation of the Scheme, we analysed the pre UDAY financial position, targets of financial activities in UDAY and its achievements.

2.3 Pre and post UDAY Financial position with targets and achievement

The pre UDAY financial position in terms of total outstanding debts and accumulated losses of DISCOMs and the targets to be achieved along with achievement and shortfall is detailed in **Table 2.2** below:

Table 2.2: Status of Pre and Post UDAY Financial Position of DISCOMs

Financial Position	Pre-UDAY	Targets	Achievements	Shortfall
Total outstanding debts of DISCOMs	₹ 34,739 crore (as on 30.09.2015)	₹ 26,055 crore (to be taken over till 2020-21)	₹ 12,690 crore (taken over)	₹ 13,365 crore
Accumulated Losses of DISCOMs	₹ 35,676.36 crore (as on 31.03.2016)	₹ 38,479.36 crore (till 31.03.2020)	₹ 52,978.39 crore	Higher losses of ₹ 14,499.03 crore against the targets of ₹ 38,479.36 crore.

In view of the above, we examined the determination of targets of taking over of debts of MoU, process of taking over of debts, shortfall in taking over of debts and other associated activities related to taking over of debts i.e. issuance of bonds and repayment of debts. The deficiencies and shortfall in this regard are discussed in the succeeding *Paragraphs 2.4.1* to *2.4.4*.

[1] Working Capital is the capital of a business which is used in day-to-day trading operations, also known as the excess of current assets over current liabilities.

Further, the shortfall against the targets of minimising accumulated losses and the reasons are discussed in the succeeding *Paragraphs 2.5.1* to *2.5.5*.

2.4 Audit Finding related to financial activities

We noticed the following deficiencies and shortfall in the implementation of the financial activities for taking over of debts in UDAY Scheme.

2.4.1 Incorrect determination of eligible amount of debts for inclusion in the MoU

As per Para 7.1 of the OM (November 2015), GoMP was to take over 75 *per cent* of the debts of the DISCOMs as on 30 September 2015 for financial turnaround of the DISCOMs.

Accordingly, loans amounting to ₹ 26,055 crore out of total outstanding debts of ₹ 34,739 crore as of 30 September 2015 were ascertained by the DISCOMs for taking over by GoMP and included in Para 1.2 (a) of the MoU. The details of the loans considered for taking over are given in ***Appendix 1***.

The DISCOMs erred in calculating the eligible amount of total debts included in the MoU for take-over by the GoMP as discussed below:

a. As per OM dated 18 April 2016 issued by MoP, GoI, (and clarified by MoP[2]) loans taken under Restructured- Accelerated Power Development and Reforms Programme (R-APDRP) i.e. Government of India loans and counterpart funding under R-APDRP were not to be considered for taking over under the Scheme.

The GoMP/ DISCOMs, in contravention of the same, included ineligible R-APDRP loans/ debt amounting to ₹ 1,509.85 crore (REC loan ₹ 906 crore and PFC loan ₹ 603.85 crore) in total outstanding debts in the MoU for retirement under the Scheme.

b. The DISCOMs also included ₹ 500 crore, being the GoMP Perpetual Loans pertaining to the period beyond the cut-off date of 30 September 2015, in the total outstanding debts.

c. As per Clause 7.1.1 of Bulk Supply Agreement[3] executed (October 2006) between MPPMCL and the DISCOMs, all costs as well as establishment expenses of the former were to be passed on to the latter on actual basis. This is also substantiated by Clause 8 (ii) of Extraordinary Gazette no. 141 dated 29.03.2012. Accordingly, MPPMCL's liabilities/ debts[4], should have been treated as DISCOMs' liabilities for arriving at the outstanding debts of the latter as on 30 September 2015 and the working capital loan of ₹ 352.48 crore[5] availed by MPPMCL should have been considered while calculating the total outstanding debts for inclusion in the MoU.

Thus, MoU included debts amounting to ₹ 1,243 crore for take-over by the GoMP in violation of the Scheme Guidelines as detailed below in **Table 2.3**:

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2 Further clarified by MoP, GoI vide its OM dated 27 July 2016 wherein it was categorically mentioned that R-APDRP loans are out of Scheme and other capex loans can also be considered for exclusion if tariff pass-through of the same is available to DISCOMs.

3 The agreement amongst MPPMCL and three DISCOMs through which function of bulk purchase of power by MPPMCL and bulk supply of power to DISCOMs are performed.

4 Whose interest liability will eventually be passed on to the DISCOMs.

5 Asian Development Bank loans of ₹ 17.51 crore and other long-term liabilities of National Hydroelectric Development Corporation Limited of ₹ 334.97 crore (As per Annual Accounts for the year ended 31 March 2015).

Table 2.3: Details of excess Debt considered for taking over in MoU

Debts of DISCOMs as on 30.09.2015 (as per MoU)		Ineligible Debts considered for taking over	Eligible Debts not considered for taking over	Actual Debts as on 30.09.2015 to be considered in MoU		Excess Debts considered for taking over in MoU
Total outstanding Debts	75 *per cent* to be taken over			Total outstanding Debts	75 *per cent* to be taken over	
(a)	(b)=(a)x75 %	(c)	(d)	(e)	(f)=(e)x75 %	(g)=(b)-(f)
34,739	26,055	2,009.85	352.48	33,081.63	24,812	1,243

Due to retirement of the excess debts, interest liability to the extent of ₹ 137.93 crore[6] per annum was saved but this attracted avoidable payment of pre-payment charges to the Financial Institutions (FIs).

Government stated (January 2022) that the MoU of UDAY has been prepared by the UDAY Cell, the Consultant and the REC (Nodal agency). Since, OM of UDAY has not been provided to the DISCOMs, the DISCOMs have provided all the balances of loans to the UDAY Cell including R-APDRP loans. Further, the DISCOMs have included GoMP Working Capital loan of ₹ 500 crore which was not GoMP Perpetual loan. Moreover, the working capital loan of MPPMCL has not been informed to the DISCOMs, hence, the same has not been included in the debt balance for UDAY.

The reply is not acceptable as the officials of all DISCOMs were involved while preparing the MoU of UDAY and the copy of OM of UDAY had been forwarded to all the DISCOMs for compliance. Further, the loan of working capital had been taken by the MPPMCL for making payments towards power purchase etc., and was intimated to all the DISCOMs.

2.4.2 Shortfall in taking over of debts as per obligation in MoU

As per Clause 7.1 of the OM (November 2015), the GoMP was to take over 75 *per cent* of the debts of the DISCOMs as on 30 September 2015 over two years, i.e. 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17[7]. As the State of Madhya Pradesh joined the Scheme late (August 2016), under Clause 1.2 (a) of MoU, the Energy Department, GoMP was required to take over debt of DISCOMs of ₹ 26,055 crore (75 *per cent* of the total debt of ₹ 34,739 crore) from 2016-17 according to the following obligations made by GoMP:

- ₹ 7,568 crore (21.80 *per cent* of the total outstanding debt) shall be transferred to DISCOMs in the form of equity during 2016-17.
- ₹ 4,622 crore (13.30 *per cent* of the outstanding debts) shall be transferred to the DISCOMs in the form of grant each year from 2017-18 to 2020-21.

Against the above obligations, the status of take-over of debts, as on 30 September 2020, i.e. completion of the implementation period of Scheme is depicted in **Table 2.4** below:

[6] Ineligible Loan: ₹ 1,507.39 crore (75 *per cent* of ₹ 2,009.85 crore) x Minimum Interest Rate on Loans: 9.15 *per cent*.

[7] The transfer to the DISCOMs by the State in 2015-16 and 2016-17 was to be in the form of grant and can be spread over three years i.e. 2015-16, 2016-17 and 2017-18. For States with very high DISCOM debt, this period can be relaxed by two years in consultation with MoP, GoI.

Table 2.4: Status of takeover of debts

(₹ in crore)

Year	For taking over 75 *per cent* of the debts[8]					
	Equity		Loan		Grant	
	As per MOU	Actual takeover/ transfer	As per MOU	Actual takeover /transfer	As per MOU	Actual takeover /transfer
2015-16	-	-	-	-	-	-
2016-17	7,568[9]	3,557	-	-	-	4,011
2017-18	-	4,011	-	-	4,622	611
2018-19	-	-	-	-	4,622	500
2019-20	-	-	-	-	4,622	-
2020-21	-	-	-	-	4,621	-
Total	**7,568**	**7,568**	**-**	**-**	**18,487**	**5,122**

It may be seen from above that during the implementation period of the Scheme (2016-17 to 2020-21), GoMP took over debts amounting to ₹ 12,690 crore but did not maintain the equity and grant ratio as per the MoU. In addition to the shortfall in taking over of debt by the GoMP, the following deficiencies in taking over of debts were noticed:

As per Clause 7.1 (h)[10] of the Scheme Guidelines, for taking over of debts, the State Government should provide 25 *per cent* as Equity support and 75 *per cent* as Grant. However, in the MoU, equity support was 29.05 *per cent* (₹ 7,568 crore) of total take-over subject to conversion of 4.05 *per cent* into Grant within five years in compliance to the Scheme Guidelines. In this regard, we noticed that the GoMP provided Equity support of ₹ 7,568 crore to DISCOMs, out of which ₹ 1,054.25 crore[11] (that is the additional 4.05 *per cent* which was to be converted into grant) was pending for conversion (December 2021).

Thus, non-compliance to the provisions of the Scheme guidelines/ MoU resulted in corresponding deficit of revenue in the form of Grant[12] to the DISCOMs by ₹ 1,054.25 crore during the period 2016-17 and 2017-18.

Government accepted (January 2022) that there was shortfall in taking over of debts by the GoMP. Further, it was stated that conversion of excess equity support of 4.05 *per cent* into Grant was still pending (December 2021).

2.4.3 Deficiencies noticed in repayment of debts

As per the provisions of the MoU, the repayment of debts pertaining to period prior to 30 September 2015 was required to be done by the DISCOMs through the support of GoMP and also through issuance of Bonds by the DISCOMs.

Finance and Energy Department, GoMP issued (March 2017) Non-Statutory Liquidity Ratio (Non-SLR) UDAY Bonds amounting to ₹ 7,360 crore through Reserve Bank of India (RBI) to retire the debts of banks and FIs. The RBI deposited (23 March 2017) the proceeds of Bonds issued (₹ 7,360 crore) directly in the bank accounts of respective Bank/ FIs, on the basis of balance of debt intimated (March 2017) by the respective DISCOM.

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[8] Against total 75 *per cent* of debts i.e. ₹ 26,055 crore, the GoMP took over only ₹ 12,690 crore (₹ 7,568 crore + ₹ 5,122 crore) of debts.

[9] 29.05 *per cent* of the total takeover of ₹ 26,055 crore.

[10] As per Clause 7.1 (h) of the Scheme Guidelines, equity support should not be more than 25 *per cent* of the total eligible amount of loan to be taken over.

[11] ₹ 7,568 crore – (₹ 26,055 crore x 25 *per cent*).

[12] Grant given by GoMP for taking over of debts was the revenue in the Financial Statements of the DISCOMs.

However, prior to discharge, the DISCOMs failed to reconcile the balance due to the FIs and as a result, PFC was paid (March 2017) ₹ 236.23 crore in excess, whereas REC and HUDCO were short paid by corresponding amount. It was only at the instance of Banks and FIs (May 2017) that the DISCOMs reconciled the outstanding dues. The excess amount was received back from PFC and transferred (May 2017) to HUDCO (₹ 22.29 crore) and REC (₹ 213.94 crore) with an avoidable delay of 42 days[13]. For this period of delay, the DISCOMs had to pay interest of ₹ 2.73 crore[14] to HUDCO and REC. Thus, due to negligence in repayment and delayed adjustment of excess fund of ₹ 236.23 crore, the DISCOMs had to suffer avoidable loss of interest of ₹ 2.73 crore.

Government stated (January 2022) that the matter of direct deposit of Bonds proceed had not been intimated to the DISCOMs by Nodal Officer (UDAY), due to which outstanding dues could not be reconciled timely.

The reply is not acceptable as prior to issue of Bonds, the amount of outstanding dues should have been reconciled by the DISCOMs to discharge the liability of correct amount of outstanding dues.

2.4.4 Deficiencies noticed in issuance of Bonds

As per Clause 1.2 (d) of the MoU, GoMP may issue Non-SLR Bonds to raise funds for taking over of 75 *per cent* of total debts. Further, as per Clause 1.3 (a) of the MoU, for 25 *per cent* of the remaining debts, DISCOMs were to issue Government guaranteed Bonds. Deficiencies noticed in respect of issuance of Bonds are discussed below:

a. Out of total debts of ₹ 34,739 crore, debts amounting to ₹ 30,200 crore were due to GoMP and ₹ 4,539 crore were pertaining to Banks/ FIs, as detailed in ***Appendix 1***. The repayment/ discharge of the debts of GoMP could have been effected by providing Equity or Grant of equivalent amount to DISCOMs in accordance with the Scheme Guidelines/ MoU. Thus, the GoMP was required to issue Bonds up to 75 *per cent* of ₹ 4,539 crore pertaining to Banks/ FIs, and the DISCOMs were required to issue Bonds up to 25 *per cent* of ₹ 4,539 crore.

In deviation from the provisions of issuance of Bonds as per the MoU, the GoMP/ DISCOMs issued the Bonds as detailed in **Table 2.5** below:

Table 2.5: Details of Bonds issued by GoMP and DISCOMs

(₹ in crore)

Total debt of Banks and FIs	Issue of Bonds by GoMP			Issue of Bonds by DISCOMs		
	Bonds to be issued[15]	Actual Bonds issued	Excess Bonds issued	Bonds to be issued[16]	Actual Bonds issued	Short Issue of Bonds
4,539	3,404.25	7,360	3,955.75	1,134.75	Nil	1,134.75

Thus, GoMP issued (March 2017) Bonds amounting to ₹ 3,955.75 crore more than the limit prescribed in MoU. The DISCOMs on the other hand did not issue Bonds of ₹ 1,134.75 crore as required under the MoU. Instead, the DISCOMs availed Working Capital loans at higher interest rates than that of Bonds during 2017-18 to 2020-21.

b. Further, as per Clause 1.2 (l) of the MoU, GoMP was to guarantee the Bonds issued by DISCOMs or to issue Bonds itself to meet the current losses of DISCOMs after 1 October 2015, if any, within the limits of the loss trajectory as per Annexure-C of the MoU, as detailed in **Table 2.6** below:

13 From the date of excess payment to PFC (23 March 2017) to date of adjustment (04 May 2017) = 42 days.
14 HUDCO: ₹ 0.27 crore and REC: ₹ 2.46 crore.
15 75 *per cent* of the total debt of Banks and FIs.
16 25 *per cent* of the total debt of Banks and FIs.

Table 2.6: Limits of loss trajectory as per MoU

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Projected loss as per MoU	4,238	2,278	1,188	225	Not Applicable	**7,929**

We noticed that GoMP neither financed the projected losses of DISCOMs by issuing Bonds nor the DISCOMs made any efforts to issue Bonds with the Guarantee of GoMP, despite the fact that the actual losses[17] were higher than the loss trajectory projected in MoU. Instead, the DISCOMs availed working capital loan of ₹ 11,200 crore[18] during 2016-17 to 2018-19 to finance their losses. Due to non-issuance of Bonds, the GoMP and the DISCOMs not only violated the provisions of MoU and guidelines but also had to incur extra expenditure of at least ₹ 234.52[19] crore upto 2020-21 arising on account of the costlier working capital loans[20] availed to meet their requirement of funds.

Government stated (January 2022) that the working capital loans had been taken as per instructions of MPPMCL, who manages the Cash Flow Mechanism (CFM) of DISCOMs.

The reply is not acceptable as the Bonds were required to be issued to meet the current losses within the limits of loss trajectory of the MoU to avoid the costlier working capital loans keeping in view the objective of financial turnaround of the DISCOMs.

On the basis of the observations discussed in the above *Paragraphs 2.4.1* to *2.4.4*, it may be concluded that the financial activities of taking over of debts could not be performed as intended in the MoU and Scheme guidelines.

2.5 Financial activities for minimising losses

Against accumulated losses of ₹ 35,676.36 crore as of 31 March 2016, the targeted accumulated losses at the end of March 2020 was ₹ 38,479.36 crore with a minimal growth of ₹ 2,803 crore during 2016-17 to 2019-20. However, the accumulated losses mounted up to ₹ 52,978.39 crore at the end of March 2020, which showed the excess growth of losses of ₹ 14,499.03 crore during 2016-17 to 2019-20.

The reasons of excess growth were analysed and it was observed that the main reasons were the burden of waiver of dues imposed on the DISCOMs by GoMP as discussed in succeeding *Paragraph 2.5.1*, interest cost of debts not taken over as discussed in preceding *Paragraph 2.4.2*, interest cost of additional burden arising due to non-providing adequate support by State Government in terms of subsidy, non-payment of dues by the State Government Departments and non-providing Government guarantee against loans of ₹ 6,387.53 crore as discussed in succeeding *Paragraphs 2.5.2, 2.5.3* and *2.5.4* and issues in taking over of losses by the GoMP as discussed in *Paragraph 2.5.5*.

[17] Actual losses during 2015-16: ₹ 5,598.65 crore, 2016-17: ₹ 1,469.66 crore, 2017-18: ₹ 5,064.25 crore and 2018-19: ₹ 7,299.45 crore.

[18] 2016-17: ₹ 3,900 crore, 2017-18: ₹ 2,400 crore and 2018-19: ₹ 4,900 crore.

[19] Being the difference of highest rate of interest of Bonds (8.25 *per* cent) and lowest rate of financing through Banks/ FIs (9.15 *per cent*) calculated as on Bonds eligible for issue i.e.₹ 7,929 crore, instead Working Capital Loans of ₹ 3,900 crore, ₹ 2,400 crore and ₹ 1,629 crore were availed during 2016-17, 2017-18 and 2018-19 respectively.

[20] Working capital loans attracted a minimum rate of interest of 9.15 *per cent* which is higher than the interest rate (between 7.68 *per cent* and 8.25 *per cent)* of UDAY Bonds.

2.5.1 Waiver of dues without providing support of subsidy

As per Clause 1.2 (i) of MoU, GoMP was required to provide financial support to the DISCOMs and timely payment of subsidy due to the DISCOMs, till the time the DISCOMs achieve operational and financial turnaround.

GoMP launched (June 2018) the "Saral Bijli Scheme (SARAL)" and "Mukhyamantri Bakaya Bijli Mafi Scheme[21] (MBBMY), 2018" for registered labourers' families and Below Poverty Line consumers, so that consumers get financial assistance on their dues/ surcharge as per eligibility. The claims of the DISCOMs for the subsidy extended under the GoMP Schemes were entitled for advance release in accordance with the provisions of the Electricity Act, 2003[22] (Act)/ MPERC Regulations[23].

We noticed that the waiver of dues by DISCOMs without receipt of subsidy was not in line with the provisions of the Act and MPERC Regulations. The burden of waived-off full surcharge amount and 50 *per cent* of principal amount of arrear was to be borne by DISCOMs, remaining 50 *per cent* of principal amount of arrear was to be borne by GoMP by releasing subsidy to the DISCOMs in three instalments during 2018-19, 2019-20 and 2020-21. The details of the burden borne by the DISCOMs in SARAL and MBBMY Schemes are given in **Table 2.7** below:

Table 2.7: **Details of burden borne by DISCOMs in SARAL and MBBMY Schemes**

(₹ in crore)

DISCOM	Waiver of dues borne by DISCOMs		Waiver of dues borne by GoMP		Total claim from GoMP	Subsidy received from GoMP till Feb. 2021	Subsidy to be released by GoMP
	Principal	Surcharge	Principal	Civil liability against theft cases			
(a)	(b)	(c)	(d)	(e)	(f) =(d)+(e)	(g)	(h) =(f)-(g)
MPMKVVCL	1,136.26	1,104.22	1,136.26	174.87	1,311.13	764.70	546.43
MPPoKVVCL	493.98	277.39	493.98	41.27	535.25	367.66	167.59
MPPaKVVCL	495.87	213.47	495.87	88.92	584.79	451.19	133.60
Total	**2,126.11**	**1,595.08**	**2,126.11**	**305.06**	**2,431.17**	**1,583.55**	**847.62**

The financial resources of the DISCOMs were strained to the extent of waiver of dues borne by them amounting to ₹ 3,721.19 crore (₹ 2,126.11 crore *plus* ₹ 1,595.08 crore) during implementation period of the UDAY Scheme. This waiver of dues without support of subsidy was not only in violation of the provisions of Act and regulations but also not in line with the provisions of providing required support by GoMP as desired in the MoU.

Government accepted (January 2022) the audit observation and stated that the DISCOMs had waived off the dues of the poor consumers as per GoMP subsidy schemes.

2.5.2 Non-release of the subsidy by GoMP

As per Clause 1.2 (i) of MoU, GoMP was required to provide support to the DISCOMs till the time the DISCOMs achieved operational and financial turnaround. Further, as per

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21 Energy Department launched (June 2018) the MBBMY, under which total outstanding arrears (as on June 2018) including surcharge for all domestic connections of registered labours and BPL families, were to be waived off.

22 As per Clause 65 of the Electricity Act, 2003 if the State Government requires the grant of any subsidy to any class of consumers, the State Government shall pay the same in advance.

23 As per Clause 5 of MPERC (Manner of Payment of subsidy by State Government) Regulation, 2007, the subsidy shall be payable by the State Government in advance every quarter to the person affected by the grant of subsidy.

Clause 65 of the Electricity Act, 2003 if the State Government requires the grant of any subsidy to any class of consumers, the State Government shall pay the same in advance.

We noticed that many subsidy schemes[24] launched by the GoMP were in progress during implementation period of the Scheme. Against these schemes, the subsidy was required to be released to the DISCOMs by GoMP. We analysed the status of subsidy claimed, received and balance subsidy in respect of such schemes during the period 2015-16 to 2020-21 for all the DISCOMs as detailed in **Table 2.8** below:

Table 2.8: Position of arrears of subsidy amount from GoMP

(₹ in crore)

Year	Opening Balance	Subsidy Claimed in the current year	Total Subsidy Claimed	Subsidy received during the year	Short/Excess (-) against current year claim	Short against progressive claim
2015-16	997.64	6,394.86	7,392.50	6,835.91	-441.05	556.59
2016-17	556.59	7,917.86	8,474.45	8,383.32	-465.46	91.13
2017-18	91.13	9,434.78	9,525.91	9,483.52	-48.74	42.39
2018-19	42.39	12,410.55	12,452.94	9,430.65	2,979.90	3,022.29
2019-20	3,022.29	17,511.05	20,533.34	13,870.00	3,641.05	6,663.34
2020-21	6,663.34	20,100.38	26,763.72	9,823.99	10,276.39	16,939.73

It may be seen from above that GoMP never released the full claim of subsidy during the entire period**.** By the end of the Scheme implementation period, subsidy claims amounting to ₹ 16,939.73 crore[25] were pending for release from GoMP impacting the revenue deficit severely and imposing additional burden on the DISCOMs.

As GoMP failed to extend due support to DISCOMs under the provisions of the MoU, in order to meet the fund deficit, the DISCOMs availed working capital loan of ₹ 11,200 crore[26] during 2016-17 to 2018-19 from FIs, at a minimum rate of interest of 9.15 *per cent* per annum. This resulted in avoidable payment interest of at least ₹ 2,982.90 crore upto 31 March 2021.

Government accepted (January 2022) the audit observation and stated that despite making regular claims, full amount of subsidy was not released by the GoMP which led to fund deficit due to which working capital loans have been taken by the DISCOMs.

2.5.3 Non-recovery of State Government dues

As per Clause 1.2 (j) of the MoU, all outstanding dues from the State Government Departments payable to MP DISCOMs for supply of electricity were to be paid expeditiously.

We noticed that the Energy Department, GoMP failed to effectively pursue the expeditious payment of the outstanding dues. The State Government Departments did not clear the arrears and defaulted in payment of current dues during 2015-16 to 2020-21. The arrears due from the Government departments increased to ₹ 1,606.23 crore till 31 August 2020[27] against ₹ 536.56 crore as on 31 March 2016.

[24] Free Electricity Scheme, Tariff Subsidy Scheme, Kishan Samridhi Yojna, Deen Bandhu Yojna, Saral Scheme, Indira Gandhi Grih Jyoti Yojna, Mukhyamantri Bakaya Bijli Bill Mafi Yojna, and Subsidy for Power Looms connections etc.

[25] MPPoKVVCL, Jabalpur: ₹ 4,696.43 crore, MPMKVVCL, Bhopal: ₹ 5,515.44 crore and MPPaKVVCL, Indore: ₹ 6,727.84 crore.

[26] 2016-17: ₹ 3,900 crore, 2017-18: ₹ 2,400 crore and 2018-19: ₹ 4,900 crore.

[27] Details of outstanding dues as on 31 March 2021 is still awaited (July 2021).

The DISCOM-wise outstanding amounts from Government Departments for the period from 2015-16 to 2020-21 is given in ***Appendix 2***. The revenue deficit thus created was met out by availing working capital loans from FIs at higher rates as discussed in previous *Paragraph 2.4.4,* thereby defeating the Scheme objective of financial turnaround of the DISCOMs.

Government accepted (January 2022) the Audit observation and stated that despite the regular persuasion, recovery of outstanding dues could not be expedited.

2.5.4 Avoidable penal interest due to failure in providing Government Guarantee

As per Madhya Pradesh State Government Guarantee Rules, 2009, the GoMP stands guarantee for repayment of loans and interest thereon under Article 293 of the Constitution of India. As per its Rule (4), Guarantee Fee as per the rates and in the manner and within the time period prescribed by the Government from time to time shall be charged from the borrowing institution.

As per the terms and conditions of the loan agreements executed with REC and PFC, the loan was to be guaranteed by GoMP by executing Guarantee Deed. If the borrower, i.e. the DISCOMs, fail to obtain Guarantees within the approved timeline, an additional interest of specified rate (which ranged between 0.25 *per cent* to 1.00 *per cent* per annum) was to be levied prospectively till the obtaining of Guarantees.

We noticed that though the DISCOMs/ Energy Department approached the Finance Department to obtain Guarantee for loans, it was pending for approval[28] in case of nine loans (₹ 6,387.53 crore) and extension was pending in case of two loans (₹ 2,400 crore). However, in case of three loans (₹ 1,800 crore), Guarantee was obtained but with delays ranging from 90 days to 199 days. The reasons for pendency and delayed approval were not available on records. As a result, the DISCOMs had to bear the extra burden of interest as shown in **Table 2.9** below:

Table 2.9: Extra burden of interest on DISCOMs due to not providing/ delay in obtaining Guarantee during 2016-17 to 2019-20

(₹ in crore)

DISCOM	Loan for which Guarantee not granted/ extended	Loan for which Guarantee obtained with delay	Extra burden of interest
MPPaKVVCL, Indore	1,572.83	NIL	8.99
MPPoKVVCL, Jabalpur	2,700.00	1,800.00	19.34
MPMKVVVCL, Bhopal	2,114.70	NIL	8.55
TOTAL	**6,387.53**	**1,800.00**	**36.88**

The failure in obtaining Guarantee for the above loans from GoMP imposed additional burden of interest of ₹ 36.88 crore further straining the financial position of DISCOMs. Thus, the objective of Scheme to achieve financial turnaround by DISCOMs was also compromised to that extent.

Government accepted (January 2022) the audit observation and stated that the DISCOMs had duly submitted the proposals for obtaining the Government Guarantee but the same could not be provided, which led to payment of avoidable interest.

[28] DISCOMs submitted (14 March 2019 to 18 July 2020) proposals for availing and extending Guarantee of their loans to Energy Department, GoMP, which were forwarded to Finance Department, GoMP. However, the same was not accorded by Finance Department, GoMP, for which reasons were not available on record.

2.5.5 Issues related to taking over of future losses

As per Clause 1.2 (h) of the MoU, the GoMP was required to take over the future losses of the DISCOMs in a graded manner[29]. Further, as per provisions of MoU, support on reimbursement of losses was to be worked out on the basis of book losses without including the revenue from Grant released by GoMP to DISCOMs in lieu of taking over of debts.

Accordingly, the GoMP took over the book losses of the DISCOMs during 2018-19 to 2020-21, as per details given in **Table 2.10** below:

Table 2.10: Actual Takeover of losses of DISCOMs by GoMP

(₹ in crore)

DISCOM	2018-19		2019-20		2020-21	
	Loss during 2017-18	Loss taken over	Loss during 2018-19	Loss taken over	Loss during 2019-20	Loss taken over
MPMKVVCL, Bhopal	2,716.79	135.84	3,837.52	383.75	1,275.16	318.79
MPPaKVVCL, Indore	157.00	7.85	565.25	56.53	Not Applicable[30]	Not Applicable
MPPoKVVCL, Jabalpur	2,190.46	109.52	2,896.68	289.67	1,571.34	392.84
Total	**5,064.25**	**253.21**	**7,299.45**	**729.95**	**2,846.50**	**711.63**

We noticed that while taking over the book losses of DISCOMs, the DISCOMs and GoMP considered losses of DISCOMs after including the revenue from Grant of ₹ 1,111 crore[31] released by GoMP to DISCOMs in lieu of taking over of debts during 2017-18 and 2018-19 as detailed in **Table 2.11** below:

Table 2.11: Details of short take-over of losses of DISCOMs by GoMP

(₹ in crore)

DISCOM	2018-19		2019-20		2020-21	
	Book Loss deflated due to inclusion of Grant	Short Take-over of loss	Book Loss deflated due to inclusion of Grant	Short Take-over of loss	Book Loss deflated due to inclusion of Grant[32]	Short Take-over of loss
MPMKVVCL, Bhopal	205.66	10.28	177.70	17.77	Not Applicable	Not Applicable
MPPaKVVCL, Indore	188.40	9.42	145.55	14.55	Not Applicable	Not Applicable
MPPoKVVCL, Jabalpur	216.94	10.85	176.75	17.68	Not Applicable	Not Applicable
Total	**611.00**	**30.55**	**500.00**	**50.00**	Not Applicable	Not Applicable

Thus, inclusion of Grant received under the Scheme as income of DISCOMs for calculating support on re-imbursement of losses was in violation of the MoU, which resulted in short taking over of losses of ₹ 80.55 crore (₹ 30.55 crore + ₹ 50.00 crore) during the year 2018-19 and 2019-20.

Government stated (January 2022) that there was no specific guideline in the UDAY scheme/ the MoU regarding non-considering the grant received under the scheme in the revenue.

29 5 *per cent* of the loss of 2017-18 in 2018-19, 10 *per cent* of loss of 2018-19 in 2019-20, 25 *per cent* of loss of 2019-20 in 2020-21 and 50 *per cent* of loss of 2020-21 in 2021-22.

30 MPPaKVVCL, Indore booked profit during 2019-20, hence, take-over of loss was not due.

31 Grants amounting to ₹ 611 crore and ₹ 500 crore were received during 2017-18 and 2018-19 respectively.

32 During 2019-20, no grant was received, hence, loss deflated due to inclusion of Grant was not applicable.

The reply is not acceptable because as per Annexure-C of the MoU the support on reimbursement of losses were worked out on the basis of book losses without including the revenue from Grant released by GoMP to DISCOMs in lieu of taking over of debts.

2.6 Post UDAY financial position of DISCOMs

The Scheme was formulated with the main objective of financial turnaround of the DISCOMs and provided a framework under which the debts of the DISCOMs would be taken over by GoMP in a graded manner. Further, GoMP was required to provide support to MP DISCOMs during the implementation period of the Scheme. It was envisaged that there would be a financial turnaround by way of reduction in the finance and interest cost and decrease in the revenue deficit of the DISCOMs.

However, the GoMP and DISCOMs could only partially implement the provisions of the Scheme Guidelines as well as the MoU effectively. As there was shortfall in taking over the debts of DISCOMs by GoMP and in performing other associated activities with taking over of debts i.e. issuance of bonds and repayment of debts as desired in MoU, the DISCOMs had to continue with the existing burden of debts of ₹ 13,365 crore. Further, failure of GoMP in providing adequate support in terms of release of subsidy and Government Department dues forced the DISCOMs to bear the additional burden of fresh working capital loans of ₹ 11,200 crore[33] for funding losses and meeting operational expenditure. As a result, the position of debts of the DISCOMs reduced only marginally[34] even after partial taking over of debts by GoMP and their accumulated losses actually increased by 48.50 *per cent*[35] during 2015-16 to 2019-20.

Non-reduction in debts of the DISCOMs, as envisaged in the MoU, also contributed to increase in interest expenditure of the DISCOMs during the Scheme period. During 2015-16 to 2019-20, the DISCOMs incurred total interest expenditure of ₹ 12,536.44 crore, which was more than the total interest expenditure of ₹ 9,395 crore as projected in the MoU.

GoMP/ DISCOMs implemented the provisions of the Scheme Guidelines as well as the MoU partially. Therefore, the objective of financial turnaround could not be achieved by the DISCOMs even after implementation of Scheme. The position of the major indicators of financial health, i.e. debts position and accumulated losses pre and post UDAY are discussed in details in *Chapter-4*.

[33] DISCOMs availed working capital loan of ₹ 11,200 crore from REC/PFC during 2016-17 to 2018-19 to make payment of their power purchase dues and to finance their losses.

[34] ₹ 34,739.00 crore as on 30.09.2015 and ₹ 34,727.04 crore as on 31.03.2020.

[35] ₹ 17,302.03 crore/ ₹ 35,676.36 crore x 100.

Chapter-3

Chapter-3

Activities related to operational turnaround of DISCOMs

Summary

Technical and Commercial losses together comprise Aggregate Technical and Commercial (AT&C) losses, hence it is imperative to improve Billing and Collection efficiency to contain both type of losses, thereby reducing the AT&C losses.

Various financial and operational activities as envisaged in the Scheme aimed at reduction of AT&C losses to 15 *per cent* by 2019-20 and elimination of gap between Average Cost of Supply (ACS) and Average Realisable Revenue (ARR) by 2019-20 of the DISCOMs.

We noticed that though the Billing Efficiency has improved marginally from 76.55 *per cent* in 2015-16 to 79.59 *per cent* in 2019-20, the Collection Efficiency has deteriorated from 97.08 *per cent* to 85.78 *per cent* during the same period.

At the end of the Scheme period, the DISCOMs could not achieve the targeted ACS-ARR Gap, which kept on hovering in the range of ₹ (1.93) to ₹ (0.16) per unit. The ACS-ARR Gap targets were incorrectly drawn in the MoU and their reporting by DISCOMs was incorrect. The main reasons of unfavourable ACS-ARR Gap were increase in power purchase cost, employee cost and interest and finance cost.

Timely filing of Tariff Petitions expedites the recovery of incurred costs and factoring in bad debts written off while determining the ensuing tariff. We noticed that the true-up petitions were filed by the DISCOMS with the MPERC with delays upto three years.

The DISCOMs failed to adopt a pragmatic approach to achieve the intended objectives of cost reduction and revenue realisation. The unrealised arrears rose from ₹ 5,705.27 crore in 2015-16 to ₹ 9,367.88 crore in 2019-20.

The DISCOMs could have improved their efficiency by improving the infrastructure which catalyses revenue realisation, i.e. installation of Smart Meters, Energy Audits, Feeder/ Distribution Transformer (DT) Metering, Segregating Feeders, etc. which were envisaged in the Action Plan formulated (July 2018) by the Energy Department, GoMP. However, the performance of the DISCOMs in these areas was far from satisfactory.

3.1 The objective of the operational activities in UDAY Scheme

The intended objective of the operational activities in the Scheme was to improve operational efficiency of the DISCOMs. The improvement in operational efficiency was to be measured through operational performance indicators, which were reduction in AT&C losses and elimination of gap between ACS and ARR.

3.2 The implementation of the operational activities in UDAY Scheme

For the efficient and effective implementation of the operational activities, the GoMP and DISCOMs were required to execute an MoU with Ministry of Power, GoI and also to undertake activities as per the provisions envisaged in the Scheme guidelines. After successful execution of Financial and Operational activities by DISCOMs under the Scheme, the following outcomes were expected:

- Reduction of AT&C losses to 15 *per cent* by 2019-20, and

- Elimination of gap between Average Cost of Supply (ACS)[1] and Average Realisable Revenue (ARR)[2] by 2019-20.

To achieve the above, the MoU enumerated the major obligations/ commitments of GoMP and the DISCOMs aimed at key targeted areas to achieve the intended outcome of the Scheme as detailed in **Table 3.1** below:

Table 3.1: Operational parameters under the Scheme and targeted benefits

Sl. No.	Operational Parameters	Purpose/intended benefits
1.	Reduce Aggregate Technical and Commercial (AT&C) losses to the targeted level of 15 *per cent* by 2019-20	Reduction in financial losses and improvement in financial position of DISCOMs.
2.	Reduction in the difference between Average Cost of Supply (ACS) and Average Realisable Revenue (ARR) to "Zero" by 2018-19.	Reduction in financial losses and improvement in financial position of DISCOMs.
3.	Undertaking tariff measures for timely and adequate tariff revision.	Periodic tariff revisions would be easier to implement and can be absorbed by consumers.
4.	Smart metering of all consumers consuming above 500 units/month by 31.12.2017 and 200-500 units/month by 31.12.2019.	Installations of Smart Meter help in recording energy consumption remotely and communicating the same to utilities for effective monitoring and billing.
5.	Compulsory Feeder and Distribution Transformer (DT)[3] metering by 31.12.2018.	Feeder and Distribution Transformer metering helps in identifying and reducing the losses caused by thefts by undertaking energy audit up to 11 kV level and facilitates the utilities in taking corrective action.
6.	Feeder segregation by 30.06.2018.	Separation of feeders for agricultural and non-agricultural consumers ensures better load management and increased power supply to rural consumers.
7.	Undertaking measures for Demand Side Management and Energy Efficiency.	Reduce peak load and energy consumption.
8.	Procure power through transparent competitive bidding by DISCOMs to reduce the power purchase cost	Reduction in cost of power and consequent reduction in Average Cost of Supply.
9.	Devise Key Performance Indicators for each officer-in-charge in the field units for AT&C loss reduction and monitor the performance of DISCOMs on a monthly basis	Reduction in AT&C loss.

To examine the implementation of the Scheme, we analysed the pre UDAY operational position, targets of operational activities in UDAY and its achievements.

3.3 Pre and post UDAY Operational position with targets and achievement

The pre UDAY operational position of MP DISCOMs in terms of AT&C loss and Gap between Average Cost of Supply (ACS) and Average Realisable Revenue (ARR) is detailed in **Table 3.2** below:

1 Average Cost of Supply (ACS) means total expenditure incurred divided by the total input of energy during a specific period.
2 Average Realisable Revenue (ARR) means total revenue (including subsidy on receipt basis and all other incomes) divided by the total input of energy during a specific period.
3 A Distribution Transformer is a final voltage transformation in the electric power distribution system to step down the voltage to the level used by the customer.

Table 3.2: Status of pre and post UDAY position of DISCOMs against operational parameters

Operational Position	Pre UDAY (as on 31 March 2016)	Target	Achievement (up to 2019-20)	Shortfall
AT&C loss	23.45 *per cent*	15 *per cent* by March 2020.	33.08 *per cent*	18.08 *per cent*
ACS-ARR Gap	₹ (0.92) per unit	₹ 0 per unit by March 2020.	₹ (0.83) per unit	₹ 0.83 per unit

In view of the above, we examined the reasons for non-reduction of AT&C loss and non-elimination of gap between ACS and ARR and noticed that the main reasons for non-achievement of targeted levels of AT&C losses were lower billing and collection efficiency, not carrying out targeted operational activities for reduction of AT&C losses viz. non-installation of Smart Meters, non-installation of meters at DTs, delay in metering of feeders, non-segregation of mixed Feeders, etc.

Similarly, the gap between ACS-ARR could not be eliminated due to increased interest burden, failure in reduction of power purchase cost, delayed filing of the true-up petitions, deficient billing of consumers, failure in realisation of arrears/ subsidy claims, etc.

The deficiencies and short fall in this regard are discussed in the succeeding paragraphs.

3.4 Audit Findings related to Operational Activities

We noticed the following deficiencies and shortfall in the implementation of the operational activities during implementation of UDAY Scheme:

3.4.1 Non-achievement of targets of reduction in AT&C losses

The AT&C loss is an actual measure of performance of DISCOMs as it includes both technical losses[4] and commercial losses[5]. It shows the loss of input energy into the system with reference to the energy for which the payment is collected. As per MoU, the AT&C losses were to be reduced to 15 *per cent* by the year 2019-20 by all the DISCOMs. The approved methodology by MoP, GoI for calculation of AT&C losses is given below:

A	**Net Input Energy**	**Gross Energy Purchased — (Inter State Sales and Transmission Losses)**
B	Revenue from sale of Energy	Revenue from sale of Energy (including subsidy booked) but excluding Revenue from Inter-State sales
C	Adjusted Revenue from sale of Power (subsidy received basis)	Revenue from sale of energy (same as B above) minus subsidy booked plus subsidy received against subsidy booked during the year
D	Opening Debtors for sale of Energy	Opening debtors (without provisions for doubtful debtors). Unbilled revenue shall not be considered as debtors
E	Adjusted Closing Debtors for sale of Energy	Closing debtors (without provisions for doubtful debtors). Unbilled revenue shall not be considered as debtors + Any amount written off during the year.
F	**Collection Efficiency (in *per cent*)**	**(C+D-E)/B*100**
G	**Units Unrealised**	**Net Input Energy – (Energy Sold*Collection Efficiency).**
H	**AT&C Losses (in *per cent*)**	**Units Unrealised/ Net Input Energy x 100**

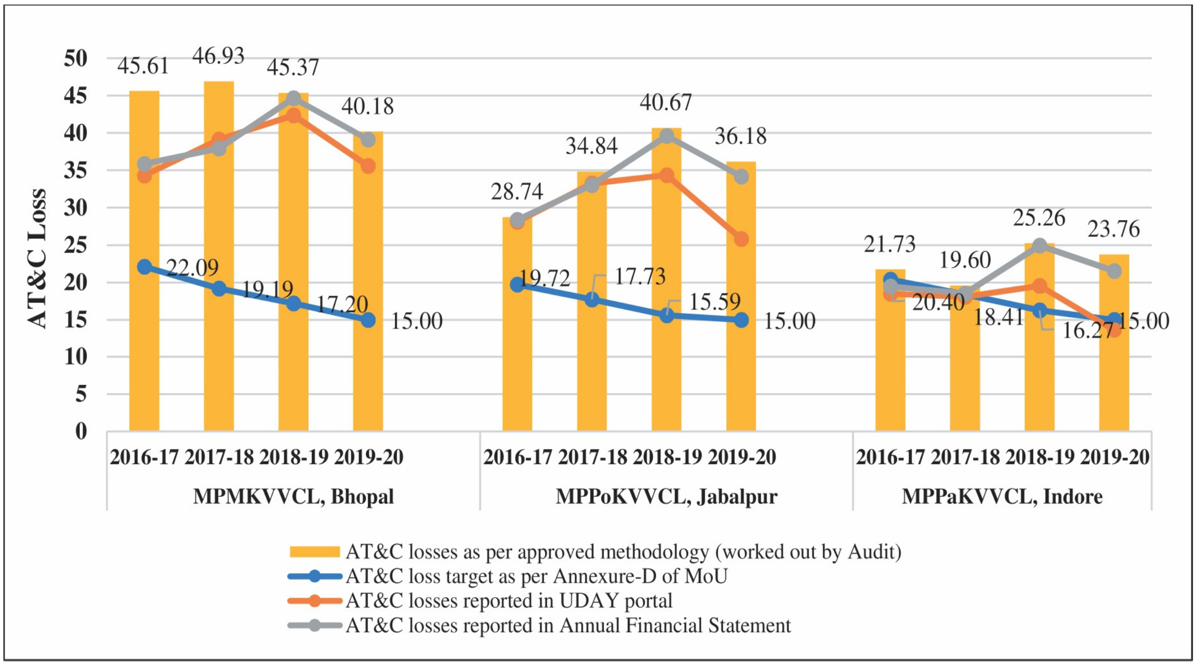
We noticed that the DISCOMs did not calculate the AT&C losses as per the approved methodology. The revenue from sale of power as calculated by the DISCOMs included/

[4] Technical losses are attributable to overloading of lines and substations, low HT:LT lines ratio, poor repair and maintenance of equipment, and non-installation of sufficient capacitors/reactive power equipment.

[5] Commercial losses are attributable to low billing/collection efficiency, theft of electricity, and absence of energy accounting and auditing.

adjusted recovery of miscellaneous charges[6] and arrears of subsidy receipts[7] which resulted in understatement of AT&C losses in the UDAY portal and Annual Financial Statements (AFS)[8] as depicted in **Chart 3.1** below:

Chart 3.1: Target and Achievement of AT&C Losses of DISCOMs



It may be seen from the above that none of the DISCOMs could achieve the targets of AT&C losses as fixed under the MoU. The AT&C loss as reported on the UDAY Portal varied from the AT&C data reported in the Annual Financial Statements (AFS) of the DISCOMs. Also, the actual average AT&C loss of all the DISCOMs worked out to 33.08 *per cent*[9] in the year 2019-20.

The DISCOMs' failure to reduce the AT&C losses to the target level as stipulated in the MoU accounted for loss amounting to ₹ 21,065.65 crore[10] during 2016-17 to 2019-20, as detailed in ***Appendix 3***.

The major factor for high AT&C losses is lower billing and collection efficiency as discussed in *Paragraph 3.4.2* below.

Government accepted (January 2022) the audit observation and stated that despite several efforts, the AT&C losses could not be reduced. It was further stated that the implementation of revised methodology notified by CEA in the State is still under discussion due to disagreement of DISCOMs over booking the subsidy on receipt basis instead of on booked basis.

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6 Miscellaneous charges included amount of theft of power, recovery of reconnection and disconnection charges, recovery of compounding charges for theft of power and Electricity Duty.

7 During 2016-17 and 2017-18.

8 DISCOMs were required to calculate the AT&C losses as per the approved methodology for reporting at various levels including AFS.

9 Units unrealised 23,463.92 MUs/Net Input Energy 70,922.79 MUs x 100.

10 MPMKVVCL, Bhopal: ₹10,922.85 crore, MPPoKVVCL, Jabalpur: ₹ 8,013.04 crore and MPPaKVVCL, Indore: ₹ 2,129.76 crore, calculated conservatively on AT&C loss reported by DISCOMs in their AFS and quantified on the rate of average cost of supply.

The reply is not acceptable as all the DISCOMs have already adopted revised methodology circulated by the CEA to disclose the AT&C losses in their Annual Financial Statements from 2016-17 onwards.

3.4.2 Non-achievement of targets of improvement of Billing and Collection Efficiency

As per condition 4.3 (b) of the Scheme Guidelines, the overall outcomes of the operational efficiency in the DISCOMs were to be measured through increase in Billing and Collection Efficiency and corresponding reduction in AT&C losses. Accordingly, as per MoU, the DISCOMs were required to increase their Billing Efficiency[11] to 85 *per cent* and Collection Efficiency[12] to 100 *per cent* by the end of financial year 2019-20. The details of targets of the Billing and Collection Efficiency *vis-a-vis* actual achievements are given in the **Table 3.3** below:

Table 3.3: Target and Achievement of Billing and Collection efficiency during 2015-16 to 2019-20

DISCOM	Billing Efficiency (in *per cent*)			Collection Efficiency (in *per cent*)		
	MoU Target	Achievement (as reported by DISCOMs)		MoU Target	Achievement (as reported by DISCOMs)	
		2015-16	2019-20		2015-16	2019-20
MPMKVVCL, Bhopal	85.00	74.87	72.40	100.00	92.61	84.10
MPPoKVVCL, Jabalpur	85.00	77.35	77.48	100.00	97.92	84.96
MPPaKVVCL, Indore	85.00	77.42	88.90	100.00	100.72	88.27
Overall DISCOMs	**85.00**	**76.55**	**79.59**	**100.00**	**97.08**	**85.78**

From the above, it may be seen that MPPaKVVCL, Indore successfully achieved the targets in case of Billing Efficiency, but MPMKVVCL, Bhopal and MPPoKVVCL, Jabalpur failed to achieve the targets of the same and the shortfall was 12.60 *per cent* and 7.52 *per cent* respectively by the end of the Scheme period.

Further, none of the DISCOMs could achieve the targets of Collection Efficiency. The shortfall in respect of MPMKVVCL, Bhopal, MPPaKVVCL, Indore and MPPoKVVCL, Jabalpur was 15.90 *per cent*, 11.73 *per cent* and 15.04 *per cent* respectively during 2019-20. It is pertinent to mention that the collection efficiency has reduced across all the DISCOMs from 97.08 *per cent* during 2015-16 to 85.78 *per cent* during 2019-20.

The main reasons attributable for shortfall in the Billing Efficiency targets, as observed by Audit, were higher distribution losses on account of non-installation of smart meters and DT meters, high incidence of provisional billing and deficiencies in billing, etc. The Collection Efficiency was low due to non-recovery of revenue arrears, accumulation of arrears in case of defaulting consumers, non-recovery of dues of electricity charges from Government Departments, etc.

Government stated (January 2022) that various efforts i.e. photo meter reading, theft control, recovery of old dues, installation of DT metering and reduction in provisional billing etc. are being taken to improve the Billing and Collection efficiency.

The reply is not acceptable as only MPPaKVVCL, Indore achieved the target of Billing Efficiency during 2019-20. The efforts made by other two DISCOMs were not sufficient in improving Billing and Collection Efficiency. It is also pertinent to note that the collection efficiency declined by 11.30 *per cent* during 2019-20 in comparison to 2015-16.

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[11] Billing Efficiency is the proportion of units sold/billed to consumers against the total units of power injected/ supplied.

[12] Collection Efficiency is the proportion of revenue realised against total revenue billed.

3.4.3 Incorrect determination of the ACS-ARR Gap projections in the MoU

The MoU included the financial projections, viz. the income statement, operational fund requirement and ACS-ARR Gap. The actual data for the financial year 2014-15 was taken as base and the various elements for financial projections for the period 2015-16 to 2019-20 were worked out by escalating the same to respective years at certain estimated rate. Audit examination revealed the following deficiencies impacting the projections made in the MoU:

- As per the audited Financial Statements, the power purchase cost for the year 2014-15 was ₹ 3.73 per unit[13]. However, while calculating the financial projections, the DISCOMs wrongly considered power purchase cost[14] for the year 2014-15 as ₹ 3.45 per unit[15] and ₹ 3.59 per unit for 2015-16. As the subsequent projections of power purchase cost in MoU were made on the assumption of four *per cent* hike per year, the incorrect projection of power purchase cost of 2014-15 led to wrong projections of power purchase cost for subsequent years (from 2015-16 to 2019-20). This resulted in understatement of projections of total power purchase costs by ₹ 7,022 crore.

- Projections of employees' cost were based on the assumption of 10 *per cent* hike per year from base year 2014-15. During 2014-15, employees' cost was ₹ 2,386 crore but the projected figure of employees' cost in MoU for 2015-16 was included as ₹ 2,352 crore. On the basis of assumptions considered, the employees' cost works out to ₹ 2,624.60 crore for the year 2015-16. This incorrect figure of 2015-16 subsequently affected the projections of employees' costs for the whole period of MoU[16] (from 2015-16 to 2019-20) and resulted in understatement of projections of employee costs by ₹ 1,664 crore.

- Projected Interest and finance costs for 2015-16 as per working sheet[17] was ₹ 1,789 crore which was instead wrongly taken in the projected Income Statement of the MoU as ₹ 1,092 crore. This resulted in understatement of Interest and finance costs for 2015-16 by ₹ 697 crore.

The above stated understatement of power purchase cost, employees' cost and interest and finance cost led to understatement of projected ACS-ARR Gap during 2015-16 to 2019-20 in the financial projections of MoU in the range of ₹ 0.19 per unit to ₹ 0.44 per unit, as detailed in ***Appendix 4***.

It may be seen that considering the projected cost based on applicable assumptions, the projected ACS-ARR Gap could not be eliminated during the Scheme period and thus the MoU was not drawn properly to that extent. The performance of the DISCOMs *vis-à-vis* ACS-ARR Gap projected in MoU is discussed in the *Paragraph 3.4.4* below.

Government stated (January 2022) that the financial projections in the MoU were based on the past trends of various expenses and future income and expenditure were calculated on the basis of certain assumptions, which may differ from the actual data.

The reply is not acceptable as there was no scope for the Government to make assumptions in the financial projections as they were to be calculated as per the laid down methodology. The understatement of power purchase cost, employees' cost and interest and finance cost led to

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[13] Total power purchase cost i.e. ₹ 21,605 crore/ 57,886 MUs power purchased.

[14] The source of these wrong figures of the power purchase cost was not available on record.

[15] This was in spite of the fact that the MoU was executed (August 2016) *after* the finalisation of 2014-15 Consolidated Financial Statements of MPPMCL (January 2016).

[16] Calculated by considering hike of 10 *per cent* per year.

[17] Combined working sheet prepared by the DISCOMs for calculation of Interest and Finance cost for the purpose of inclusion in MoU.

understatement of projected ACS-ARR Gap during 2015-16 to 2019-20 in the financial projections of MoU.

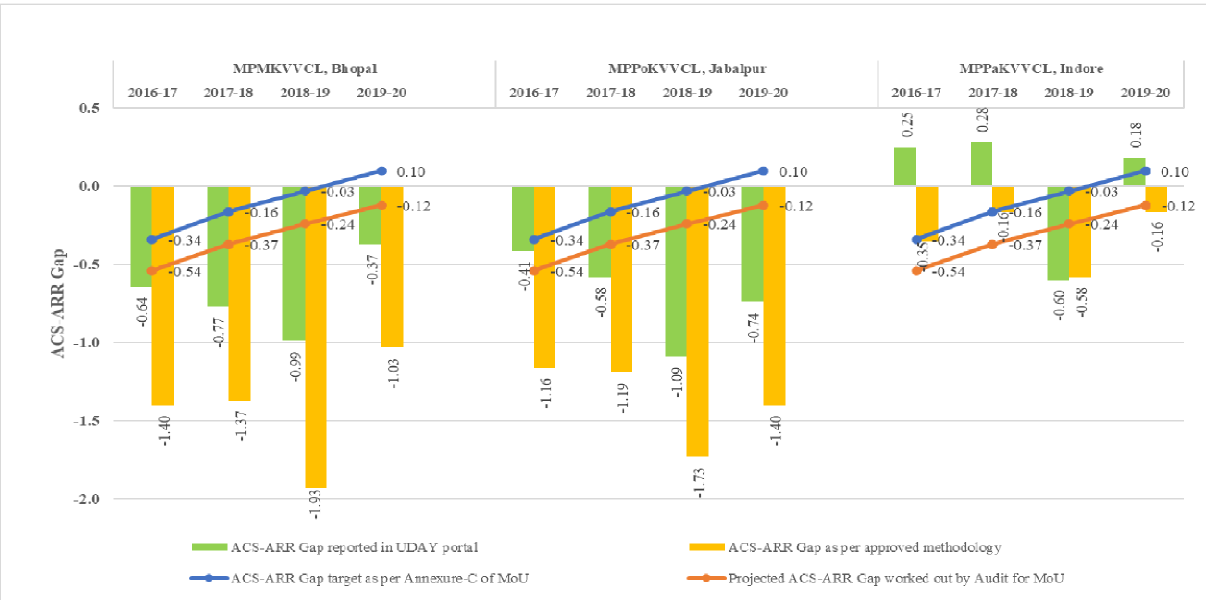
3.4.4 Failure in elimination of ACS-ARR Gap

As per condition 4.3 (b) of the Scheme guidelines, the overall outcomes of the operational efficiency were to be measured through reduction in ACS-ARR Gap. Accordingly, as per Clause 1.3 (d) of the MoU, the DISCOMs were to eliminate the gap between ACS-ARR by the year 2019-20. The approved methodology by MoP, GoI for calculation of ACS-ARR Gap is given below:

Average Cost of Supply (ACS)	**Total expenditure in amount/ Total input energy units**, where Total input energy means input energy before making adjustments like transmission losses, inter-state sales or energy traded, etc.
Average Realisable Revenue (ARR)	**{Revenue from sale of power excluding subsidy booked plus subsidy received + other income}/ Total input energy units**
ACS-ARR Gap	**ARR *less* ACS**

Besides incorrect projections of the ACS-ARR Gap as mentioned in the previous *Paragraph 3.4.3*, we noticed that the DISCOMs did not calculate ACS-ARR Gap as per the approved methodology. The subsidy received for previous years[18] and grant received under the UDAY were wrongly included in 'Revenue' for the purpose of calculating ARR. Thus, reporting of ACS-ARR Gap by the DISCOMs on the UDAY portal was incorrect to the extent given in **Chart 3.2** and ***Appendix* 5**:

Chart 3.2: Target and Achievement of ACS-ARR Gap of DISCOMs



It may be seen from the above that though MPPaKVVCL, Indore eliminated the ACS-ARR Gap as reported on UDAY portal, but as per the approved methodology, none of the DISCOMs, including MPPaKVVCL, Indore could achieve the target of elimination of gap between ACS-ARR.

[18] For the years 2016-17 and 2017-18.

The gap between ACS-ARR could not be eliminated due to increased costs as discussed in *Paragraph 3.4.5* and due to non-increase in average realisable revenue against the projections of MoU as discussed in *Paragraph 3.4.6* below.

Government stated (January 2022) that due to uncontrollable events i.e. increase in employee cost, finance cost, power purchase cost and waiver of old dues, the target of elimination of the ACS-ARR Gap could not be achieved by the DISCOMs.

3.4.5 Failure in reduction in Average Cost of Supply

Average Cost of Supply (ACS) is the sum of all costs associated in supplying power divided by the total input units of DISCOMs. It mainly comprises of power purchase cost (80 *per cent)*[19].

The ACS for the DISCOMs during 2016-17 was ₹ 5.40 per unit against the MoU target of ₹ 4.90 per unit. It increased during 2019-20 to ₹ 5.78 per unit against the MoU target of ₹ 5.34 per unit. The main reasons for failure in reduction of ACS to the targeted level were increased interest burden (discussed in *Chapter-2 and Chapter-4*) and failure in reduction of power purchase cost as discussed in *Paragraph 3.4.5.1* below.

3.4.5.1 Failure in reduction of power purchase cost

As per Clause 5.1 of the OM of UDAY, the DISCOMs were required to reduce the power purchase cost, which forms a major component of ACS. Accordingly, Clause 1.3 (l) of MoU provided that the GoMP and DISCOMs were required to take steps for prospective power purchase through transparent competitive bidding. In the State of Madhya Pradesh, MPPMCL purchases the power and sells the same to the DISCOMs as per their requirement. We noticed that during the period 2015-16 to 2020-21, there were various instances of purchase of power at higher rates, which resulted in avoidable expenditure of ₹ 3,803.60 crore, which adversely impacted the ACS- ARR Gap of the DISCOMs by ₹ 0.04 per unit to ₹ 0.17 per unit during the Scheme period, as discussed in the succeeding *Paragraph 3.4.5.1 (a)* to *(c)*:

a. *Uneconomical procurement of power*

For meeting the demand of power in the State, the MPPMCL executed Power Purchase Agreements[20] (PPAs) with various utilities[21]. Any PPA finalised for procurement of power in excess of the requirement would entail avoidable expenditure on account of compulsory Fixed Cost (without availing power) and loss on account of sale of such excess power, at reduced rates, at the Power Exchange. Further, the MPPMCL was required to procure power as per Merit Order Despatch[22] (MOD) methodology, as per which the MPPMCL should not procure power from a source which is offering costlier power, when power is available from another source at cheaper rate. An analysis of the power procurements made from various sources revealed the following:

- During the period 2015-16 to 2019-20, DISCOMs/MPPMCL erred in assessing the requirement of power consumption with reasonable estimation and procured 12,945.03 MUs

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19 As per financial projections included in Annexure C of the MoU for the year 2015-16. Power purchase cost: ₹ 23,342 crore/Total cost: ₹ 29,052 crore x 100.

20 In order to meet the gap between maximum demand and availability of power, MPPMCL executed long term (generally for 25 years) and short term (for one year or lesser period) PPAs with various power generating utilities viz. State-owned Generating Stations, Central Generating stations and Independent Power Producers (IPPs) at the rate as decided by MPERC/ CERC.

21 Central, State power generating utilities (PGUs) and Independent Power Producers (IPPs) including New and Renewable power generating utilities.

22 MOD list is prepared in descending order of per unit cost of power from all sources every month.

power in excess of requirement at higher rates ranging between ₹ 3.49 per unit to ₹ 3.96 per unit, mainly due to executing PPAs for more power than the actual requirement. During 2015-16 to 2019-20[23], the excess power was sold to the Power Exchange at lower rates, resulting in loss amounting to ₹ 827.24 crore, as detailed in **Table 3.4** below:

Table 3.4: Details of loss due to procurement of excess power

Year	Total power Purchase (MUs)[24]	Sale of excess power to Power Exchange (MUs)	Percentage of excess power to Total power purchase	Difference in Purchase and Sale rate (₹per Unit)	Avoidable expenditure (₹ in crore)
(a)	(b)	(c)	(d)=(c)*100/(b)	(e)	(f) =(c)*(e)/10
2015-16	64,504.69	965.53	1.50	0.96	92.69
2016-17	63,208.85	2,707.35	4.28	1.34	362.79
2017-18	69,719.50	3,484.61	5.00	0.32	111.51
2018-19	77,533.34	3,338.18	4.31	0.20	66.76
2019-20	75,666.57	2,449.36	3.24	0.79	193.49
Total	**3,50,632.95**	**12,945.03**		**--**	**827.24**

Though, exact assessment of power requirement is not possible, however, neither the GoMP nor the MPPMCL has formulated any policy/ rule framing any tolerance limit for variation in procurement of power.

Government stated (January 2022) that entitled/ scheduled power has to be procured from the power generating units to avoid the payment of fixed charges to them even without procurement of any power.

The reply is not acceptable as the MPPMCL should have executed the agreements for procurement of power on the basis of average peak load of all three seasons. Any deficit of power from the average peak load should have procured from short term PPA or through power exchange to avoid the excess procurement of power. Moreover, the purpose of saving fixed charges was not achieved as MPPMCL had paid fixed charges of ₹ 1,506.84 crore {₹ 706.94 crore to Independent Power Producers (IPPs) and ₹ 799.90 crore to NTPC} for excess contracted quantity of power under the PPAs against which no procurement was made.

- Taking into account the excess contracted quantity of power and excess procurement made during the period 2015-16 to 2020-21 (as depicted in **Chart 3.3**), we observed that it would have been economical for MPPMCL to avail entire contractual quantity of power from NTPC first, which was available at cheaper rates as per MOD list, and the remaining power from the IPPs, which was costlier than that of NTPC as per MOD list. This would have resulted in reduction of expenditure amounting to ₹ 1,397.14 crore towards power purchase cost as detailed in **Table 3.5** below.

[23] During 2020-21, MPPMCL procured 1,554.93 MUs excess power at the rate of ₹ 3.96 per unit and sold it to the power exchange at nearly the same rate of ₹ 3.90 per unit.

[24] As per Rate Sheet furnished by MPPMCL.

Chart 3.3: Payment of Fixed charges without purchase of power

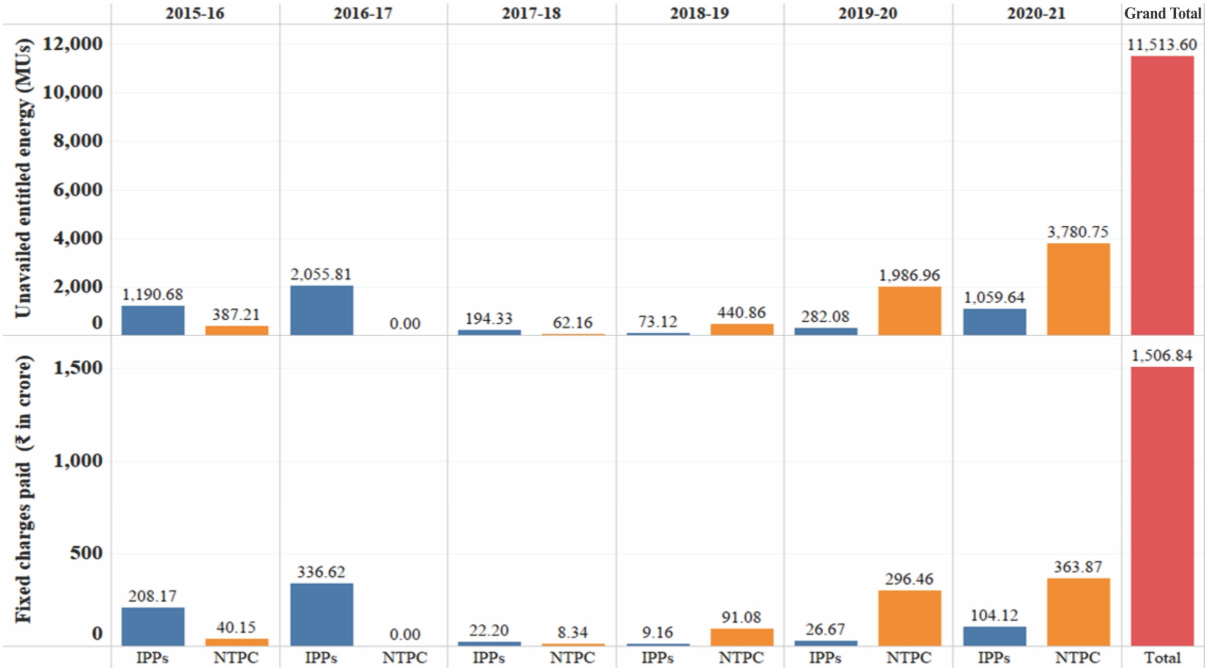

Table 3.5: Loss due to purchase of power at higher rate

Particulars	Unit	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Power procured (A)=(E)+(H)	MUs	35,120.46	23,404.21	30,365.88	30,383.73	25,919.45	33,156.28
Power sold at Power Exchanges (B)	MUs	965.53	2,707.35	3,484.61	3,338.18	2,449.36	1,554.93
Actual Requirement (C)=A-B	MUs	34,154.93	20,696.86	26,881.27	27,045.55	23,470.09	31,601.35
Entitled power from NTPC (D)	MUs	22,612.86	23,700.83	23,633.83	24,328.74	29,072.90	35,061.97
Actual power procured from NTPC(E)	MUs	17,516.96	17,127.56	21,586.85	20,610.09	17,931.00	24,015.65
Entitled power from IPPs (F)	MUs	19,589.70	9,357.19	10,915.24	11,341.75	11,543.65	11,682.61
Excess cost of IPP power over NTPC (G)	In ₹	0.10	0.57	0.69	0.90	0.55	0.08
Actual procurement from IPPs (H)	MUs	17,603.50	6,276.65	8,779.03	9,773.64	7,988.45	9,140.63
Total available power with NTPC (I)=(D)-(E)	MUs	5,095.90	6,573.27	2,046.98	3,718.65	11,141.90	11,046.32
Requirement needed to be met from IPPs (J)=(H)-(I)	MUs	12,507.60	0.00	6,732.05	6,054.99	0.00	0.00
Excess cost incurred(K)=(G)*(I)/10 and (G)*(H)/10	₹ in crore	50.96	357.77	141.24	334.68	439.36	73.13
Total excess cost incurred while scheduling power from IPPs (₹ in crore)							**1,397.14**

Government stated (January 2022) that the procurement has been done as per Merit Order Despatch (MOD) to avoid extra cost on account of higher rates.

The reply is not acceptable as the rates of NTPC were lower than that of IPPs, hence, the NTPC was at lower place in the MOD list as compared to IPPs. Thus, as per MOD, the entitled power of NTPC, being the lower rate, should have been procured first.

Thus, due to improper assessment and imprudent planning of power procurement by MPPMCL, the DISCOMs had to bear avoidable cost of ₹ 3,731.22 crore[25] during 2015-16 to 2020-21.

b. ***Non-adjustment of net gains in power purchase costs***

As per MPERC Regulations[26], the financial gains[27] by a generating company on account of controllable parameters shall be shared[28] between generating company and the beneficiaries, i.e. the DISCOMs, on monthly basis with annual reconciliation.

Examination of performance data of three thermal power stations[29] of MPPGCL revealed that MPPMCL was entitled to get net gains of ₹ 30.85 crore for the year 2016-17 to 2019-20, which was neither provided by power generator nor adjusted by the MPPMCL from power purchase bills (March 2021). This resulted in non-availing of the savings in power purchase cost amounting to ₹ 30.85 crore, as detailed in ***Appendix 6***.

Government did not furnish any reply (January 2022).

c. ***Non-recovery of Liquidated Damages***

The MPPMCL executed (August 2007) a PPA with M/s Sasan Ultra Mega Power Project (M/s SUMPP) for procurement of 37.50 *per cent* share of the energy produced. Article 4.6 of the PPA provided for levy of Liquidated Damages (LD) for delay in Scheduled Commercial Operation Date (COD) of the unit, proportionate to their then existing Allocated Contracted Capacity.

On account of delay in commissioning of the unit by M/s SUMPP, the dispute of ascertainment of actual COD[30] for the computation of LD was decided (December 2016) by the Hon'ble Supreme Court. Accordingly, LD of ₹ 110.74 crore[31] was ascertained to be paid by M/s SUMPP to the procurers, out of which the MPPMCL share was ₹ 41.53 crore. However, no notice was issued to M/s SUMPP for recovery of LD, without any reason on record. Thus, the amount of LD of ₹ 41.53 crore could not be recovered.

Government stated (January 2022) that in the meeting of Procurers held on 03.08.2015, it was agreed that there was delay from both sides i.e. the procurers and the M/s SUMPP, due to which the LD could not be demanded.

The reply is not acceptable as the Hon'ble Supreme Court has decided the case in December 2016, much after the meeting of procurers dated 03.08.2015, that there was delay in COD of the unit on the part of SUMPP, hence, the LD should have been levied accordingly.

Thus, the DISCOMs incurred an expenditure of ₹ 3,803.60 crore[32] towards power purchase cost during the period 2015-16 to 2020-21 which was avoidable. The ACS factoring the above expenditure would reduce the ACS- ARR Gap by ₹ 0.04 to ₹ 0.17 per unit during the Scheme period as detailed in ***Appendix 7***.

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[25] ₹ 827.24 crore + ₹ 706.94 crore + ₹ 799.90 crore + ₹ 1,397.14 crore.

[26] MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 provision 8.9. The condition of gain sharing is also applicable to generating units on which CERC regulation is applicable.

[27] Financial gains = (Normative Energy Charge Rate *less* Actual Energy Charge Rate) x Scheduled Generation.

[28] Financial gain was to be shared in the ratio of 2:1 between generating company and beneficiaries, which was revised to 50:50 from 2019-20.

[29] Amarkantak Thermal Power Station (ATPS), Chachai, Sanjay Gandhi Thermal Power Station (SGTPS), Birsinghpur and Satpura Thermal Power Station (STPS), Sarni.

[30] 16.08.2013 as against the claim of M/s SUMMP as 31.03.2013.

[31] Being the amount towards LD due as calculated by the MPPMCL on the basis of decision of Hon'ble Supreme Court.

[32] Total of (a) to (c) =₹ 3,731.22 crore +₹ 30.85 crore +₹ 41.53 crore = ₹ 3,803.60 crore.

3.4.6 Failure to improve the Average Realisable Revenue

Average Realisable Revenue (ARR) is the sum of the total revenue earned by charging consumers at specified tariffs for the energy supplied and subsidy received from the State Government, divided by the total input units of DISCOMs. Improved ARR is important to secure the financial viability of the operations of DISCOMs and reduces the gap between ACS and ARR.

Audit noticed that the ARR of DISCOMs during 2016-17 was ₹ 4.46 per unit against the MoU target of ₹ 4.56 per unit. It increased slightly in 2019-20 to ₹ 4.95 per unit but was lower than the MoU target of ₹ 5.44 per unit. The DISCOMs could not realise the targeted ARR due to delayed filing of the true-up petitions, as a result of which the allowable expenditure through Tariff could not be recovered. Further, besides deficient billing of consumers, failure in realisation of arrears/ subsidy claims and not performing targeted operational activities as per MoU contributed to lower ARR, as discussed in *Paragraphs 3.4.6.1* to *3.4.6.5*.

3.4.6.1 Delay in submission of true-up petitions

As per Section 8.4 of the Regulations[33], the true-up petition for the yearly retail tariff order was to be filed by October of the next year. The MPPMCL, being the Holding Company of the DISCOMs, is authorised to file petition for determination of Aggregate Revenue Requirement and retail supply tariff on behalf of all DISCOMs, as per Clause 1(o) of the Management and Corporate Function Agreement dated 5 June 2012.

The status of the true-up petitions[34] for the period 2013-14 to 2019-20 filed by the MPPMCL are detailed in **Table 3.6** below:

Table 3.6: Details of submission of true-up petitions

(₹ in crore)

Year of true-up petition	Amount of revenue deficit filed by MPPMCL	Due date of filing of true-up petition	Actual date of filling of true-up petition	Delay in filling true-up petition (months)	Date of true-up order	Delay in true-up order (months)	Total amount admitted by MPERC[35]	Allowed in tariff order year
2013-14	9,288.52	31/10/2014	13/06/2016	20	30/11/2018	49	3,919.49	2019-20
2014-15	5,156.88	31/10/2015	07/12/2018	38	24/05/2021	66	2,644.99	Not allowed yet
2015-16	7,156.94	31/10/2016	30/07/2019	33		54	3,764.24	
2016-17	7,247.55	31/10/2017	17/09/2019	23		42	4,148.29	
2017-18	5,327.54	31/10/2018	15/10/2019	12		30	2,856.27	
2018-19	7,053.64	30/11/2019	19/12/2019	1		18	438.35	
Total	**41,231.07**						**17,771.63**	

We noticed that despite repeated persuasion by MPERC during April 2016 to December 2019, the true-up petitions for the period 2014-15 to 2018-19 were filed with delay ranging from one month to 38 months. Due to delay in filing true-up petitions by MPPMCL for the year 2013-14 to 2018-19, the revenue deficit of DISCOMs at the end of 2019-20, increased to

[33] MPERC (Terms and Conditions for Determination of tariff for Supply and wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations 2012 and 2015.

[34] The retail tariff order is passed on provisional basis and actual revenue deficit/surplus (true-up amount) is claimed through true-up petition after completion of tariff period. The timely filing and recovery of revenue deficit is necessary to balance the gap between revenue and expenses of the DISCOMs.

[35] For the year 2014-15 to 2018-19, MPERC approved total revenue deficit ₹ 13,852.14 crore, however, the same was adjusted from UDAY Grants provided by GoMP to DISCOMs previously and the net revenue deficit of ₹ 908.93 crore was allowed in Tariff.

₹ 41,231.07 crore. The reasons for delaying the filing of true-up petitions were not evident from the records.

Due to delay in filing true-up petitions by MPPMCL, the MPERC also admitted revenue deficit of ₹ 17,771.63 crore for the period 2013-14 to 2018-19 with delays. This in-turn reduced the revenue realisation as requisite timely tariff hike could not be obtained. Consequently, the delayed finalisation of the true-up order, had a cascading effect on the ACS-ARR Gap of DISCOMs, due to increased finance and interest cost, as the deficit was financed through loans as discussed in *Paragraph 4.1* of *Chapter 4*.

Government stated (January 2022) that due to litigations in the true-up petitions for the years 2008-09 to 2011-12, the true-up petition for 2013-14 was delayed, which led to delay in filing the subsequent true-up petitions for the years 2014-15 to 2018-19. Further, the true-up petitions for the years 2014-15 to 2018-19 have been disposed-off by MPERC in May 2021 and an amount of ₹ 908.83 crore was admitted.

The reply is not acceptable as MPPMCL and the DISCOMs filed the true-up petitions only after rigorous pursuance by MPERC. The filing of true-up petitions and final order by MPERC was further delayed due to delay in resolving the various data discrepancies furnished by the DISCOMs and queries of MPERC.

3.4.6.2 Non-realisation of expenditure incurred in excess of norms through Tariff

As per the Tariff Regulations, the bad debts written off, as well as the finance cost on working capital loans over and above the norms/ methodology as specified in the Regulations, are disallowed by MPERC and the same are to be borne by the DISCOMs.

a. Finance Cost: As per Clause 21, 22 and 36 of the Tariff Regulations, interest on working capital loans was allowed on specified normative basis and interest on project loans was allowed only for the assets capitalised in respective years. The details of the finance cost incurred and eligible amount claimed in the true-up petitions for the period 2015-16 to 2019-20 are given in **Table 3.7** below:

Table 3.7: Details of actual vis-à-vis eligible finance cost as per MPERC Regulations

(₹ in crore)

Year	Actual Finance cost incurred	Eligible amount for claim as included in true-up petition	Excess finance cost not eligible for recovery through Tariff
(a)	(b)	(c)	(d)=(b)-(c)
2015-16	886.23	437.28	448.95
2016-17	1,269.32	597.05	672.27
2017-18	3,067.85	346.99	2,720.86
2018-19	3,018.54	749.97	2,268.57
2019-20	3,418.89	561.44	2,857.45
Total	**11,660.83**	**2,692.73**	**8,968.10**

It may be seen from the above that the finance cost consistently increased during the Scheme period and the same was in excess of the MPERC norms to the extent of 76.91 *per cent* being ineligible for recovery through Tariff which would have to be absorbed by the DISCOMs.

b. Bad debts written off: As per Clause 35 of the Regulations, the bad and doubtful debts are allowed subject to a maximum limit of one[36] *per cent* of the revenue of respective years. However, during the period 2015-16 to 2019-20, total bad debts amounting to

[36] As per instructions of MPERC, the bad debts written off at the behest of Government under the Scheme would not be eligible.

₹ 3,723.77 crore were written off by the DISCOMs which were ₹ 2,635.88 crore in excess of the allowable limit. The excess bad debts were mainly on account of arrears not realised due to insufficient efforts of the DISCOMs (*Paragraph 3.4.6.4*) and waiver under the MBBMY (*Paragraph 2.5.1* of *Chapter-2*).

Government stated (January 2022) that allowance of finance cost and bad debts written off was based on the norms specified by MPERC in its regulations and DISCOMs have no control over the prescribed regulations.

The reply is not acceptable as the reduction in finance cost was the responsibility of the DISCOMs which was not done due to availing costlier working capital loans and procuring costlier power. Further, failure of the DISCOMs to provide the details of the efforts taken for recovery of dues to MPERC was the main reason for disallowance of bad debts written off by MPERC.

As a result, on one hand the ACS had increased and on the other hand, the cost could not be recovered through Tariff, thus widening the gap between ACS-ARR by ₹ 11,603.98 crore[37].

3.4.6.3 Loss of revenue due to deficient billing of consumers

In order to achieve the MoU target of elimination of the gap between ARR and ACS and achieve the targeted billing efficiency, the DISCOMs were required to ensure that the bills of the consumers are raised in accordance with the provisions of the Tariff Order/ the Electricity Supply Code and the instances of short billing are avoided.

However, during the test check of bills of High-Tension (HT) consumers in 12[38] out of total 52 Circle Offices of the DISCOMs, we noticed that during the Scheme period, the DISCOMs suffered loss of ₹ 136.97 crore due to deficient billing of 38 HT consumers on account of non-compliance to the provisions of the Tariff Order and the Electricity Supply Code, as detailed in ***Appendix 8***.

In reply, the GoMP stated (January 2022) that all the cases of short/ deficient billing are being scrutinised and the corrective action would be taken accordingly.

The above instances of incorrect billing/ under assessment of revenue were noticed by Audit during test-check at the selected 12 Circle Offices and there may be similar irregularities in the remaining 40 Circle Offices of the DISCOMs, which may be looked into by respective DISCOMs at their level.

The above failure of the DISCOMs to check deficient/short billing during the Scheme period had reduced the revenue of the DISCOMs and thus adversely impacted the Gap between ARR and ACS, due to which the DISCOMs could not achieve the MoU target of ACS-ARR Gap as discussed in detail in previous *Paragraph 3.4.4*.

3.4.6.4 Failure in realisation of revenue arrears

The DISCOMs are responsible for realisation of the revenue billed to its consumers. To eliminate the ACS-ARR Gap, the DISCOMs are required to realize their current dues and thus contain accumulation of arrears and also take effective steps for realization of arrears. The arrears of the DISCOMs from March 2016 to March 2020 are given in **Chart 3.4** below:

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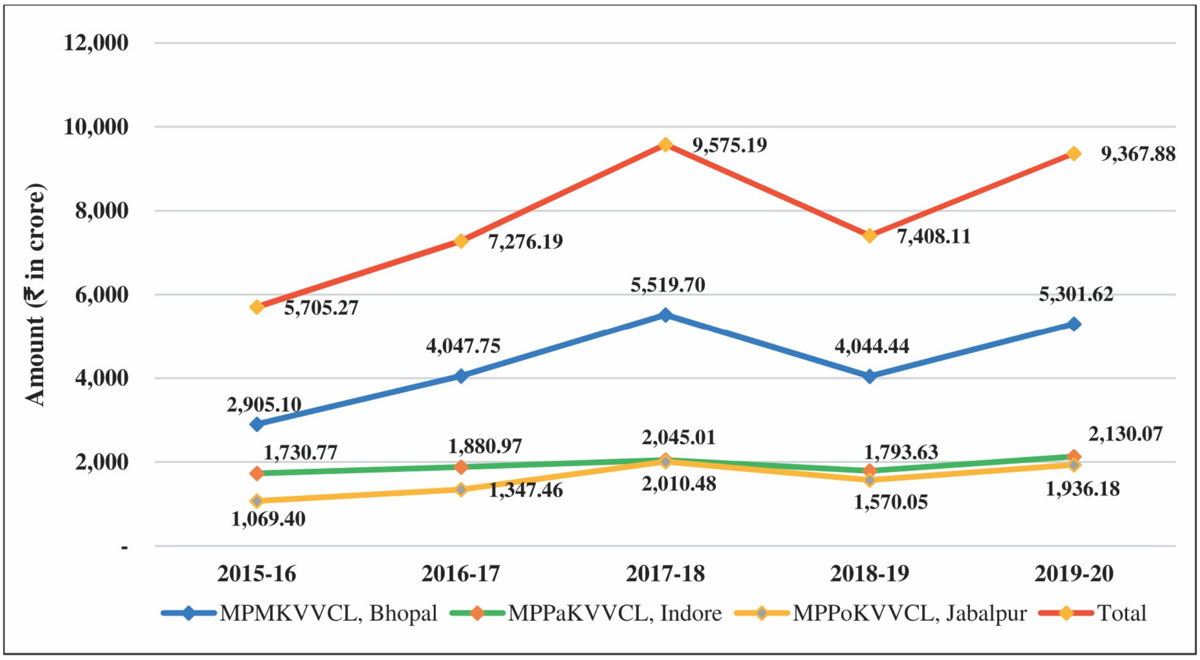
[37] ₹ 8,968.10 crore + ₹ 2,635.88 crore =₹ 11,603.98 crore.

[38] MPMKVVCL, Bhopal: Bhopal (O&M), Vidisha, Rajgarh and Hoshangabad Circle Offices; MPPaKVVCL, Indore: Indore (O&M), Ujjain, Khandwa and Mandsaur Circle Offices; MPPoKVVCL, Jabalpur: Jabalpur (O&M), Seoni, Narsinghpur and Rewa Circle Offices.

Chart 3.4: Position of outstanding arrears of DISCOMs



It can be seen from the above that in all the DISCOMs, the overall accumulation of arrears increased by 64.20 *per cent* during the year 2019-20 as compared to 2015-16. This was despite the fact that bad debts amounting to ₹ 1,417.21 crore, ₹ 886.99 crore and ₹ 1,419.57 crore were written off by MPMKVVCL, Bhopal, MPPoKVVCL, Jabalpur and MPPaKVVCL, Indore respectively during 2015-16 to 2019-20.

The main reasons for the dip during 2018-19 was the introduction of MBBMY. The increase in accumulation of arrears during 2019-20 in comparison to 2015-16 were due to delayed disconnection or non-disconnection of defaulting permanent and temporary connections, not taking effective actions against the defaulting consumers for recovery of dues and not following up of Revenue Realisation Certificates issued against the defaulting consumers.

Government stated (January 2022) that the efforts regarding recovery of revenue from long term non-payee consumers, defaulting consumers and State Government departments and flat rate agriculture consumers are continuously being done to reduce the revenue arrears.

The reply is not acceptable as the DISCOMs failed to prevent the accumulation of arrears which led to failure of DISCOMs in achieving the financial and operational turnaround as per objectives of the UDAY scheme.

3.4.6.5 Deficiencies in execution of targeted operational activities

Clause 4.0 of the Scheme Guidelines stipulated the activity wise targets and their intended benefits, as discussed in previous *Paragraph 3.2.* Accordingly, these operational activities were included in the Clause 1.3 of the MoU. These operational activities were also targeted to be implemented so as to increase ARR of DISCOMs.

The deficiencies in the implementation of the targeted operational activities are discussed in succeeding *Paragraphs (a)* to *(d)*:

a. Non-installation of Smart Meters under UDAY

As per Scheme/ MoU, the target date for installation of Smart Meters for all consumers consuming above 500 units per month was 31 December 2017 and that for all consumers consuming above 200 units per month was 31 December 2019. The Smart Meters[39] check the incidence of theft of electricity and minimise provisional billing, resulting in improved ARR. The efforts taken by the DISCOMs to install Smart Meters were insufficient as evident from **Table 3.8** below:

Table 3.8: Position of installation of Smart Meters by DISCOMs as on December 2020

(Nos. in lakh)

Name of DISCOMs	Metered consumers	Consumers consuming above 500 units/month	Consumers consuming above 200 units/month	Consumers eligible for installation of Smart Meters	Smart Meters installed
(a)	(b)	(c)	(d)	(e)=(c)+(d)	(f)
MPMKVVCL, Bhopal	39.06	9.04	4.59	13.63	NIL
MPPoKVVCL, Jabalpur	51.25	3.52	2.06	5.58	NIL
MPPaKVVCL, Indore	43.02	1.26	3.68	4.94	1.19
Total	**133.33**	**13.82**	**10.33**	**24.15**	**1.19**

The MPPaKVVCL, Indore could install Smart Meters for only 2.76 *per cent* of the consumers. The MPMKVVCL, Bhopal could submit the Road map to the Energy Department, GoMP only in August 2020 while no effort was made by MPPoKVVCL, Jabalpur (March 2021) in this regard.

We also observed that MPPoKVVCL, Jabalpur and MPMKVVCL, Bhopal reported incorrect information of installation of Smart Meters in the UDAY portal[40] as well as in response to questions in Rajya Sabha[41].

The main reason of failure in installation of Smart Meters, as analysed by Audit, was due to non-providing of budgetary support from Energy Department, GoMP[42] during the implementation period of UDAY.

Had the targeted Smart Meters been installed by the DISCOMs, the intended benefits of minimisation of theft of power and provisional billing would have been achieved which would have contributed to improved ARR.

Government stated (January 2022) that installation of Smart Meters is under progress under various schemes.

b. Delay in metering of Feeders

To increase the ARR of DISCOMs, the DISCOMs were required to identify high and low loss-making areas/ feeders and take requisite corrective actions on loss-making areas/ feeders. This necessitated 100 *per cent* Feeder Metering to be completed by the end of December 2018, as per Clause 1.3 (g) of the MoU.

Out of the total 17,789 Feeders to be metered by the end of the Scheme period (December 2018), the DISCOMs completed metering of 15,457 feeders only. Even after completion of

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39 Bi-directional communications, integrated load limit, auto connect/disconnect switch, prepaid/ Time of Day features, tamper event detection, recording and reporting and net metering features.

40 MPPoKVVCL, Jabalpur has reported (December 2017) that as on 31 October 2017, it had installed 8,684 Smart Meters for consumers having monthly consumption of more than 500 units and 2,738 Smart Meters for consumers having monthly consumption between 200 to 500 units.

41 MPMKVVCL, Bhopal misinformed the "Rajya Sabha" on 13.11.2019 against starred/ un-starred question (Diary No. U 336) of Rajya Sabha regarding "Impact of UDAY Scheme on State by intimating that Smart Meters have been installed in the premises of 23 *per cent* consumers consuming electricity above 500 units and 10 *per cent* in respect of consumers consuming electricity above 200 units.

42 No amount has been estimated but demand for budgetary support has been made by the DISCOMs which was not provided by the GoMP.

the Scheme (March 2020), the DISCOMs could install meters at 17,450 feeders, leaving 339 feeders unmetered; due to which the DISCOMs were unable to identify high loss-making feeders from these unmetered feeders.

Though, the DISCOMs had subsequently, installed meters at all the feeders by 31 October 2021, the delay in metering of feeders adversely impacted the AT&C loss of the DISCOMs during the Scheme period.

Government stated (January 2022) that as on 31.10.2021, the targets of installation of feeder metering have been achieved.

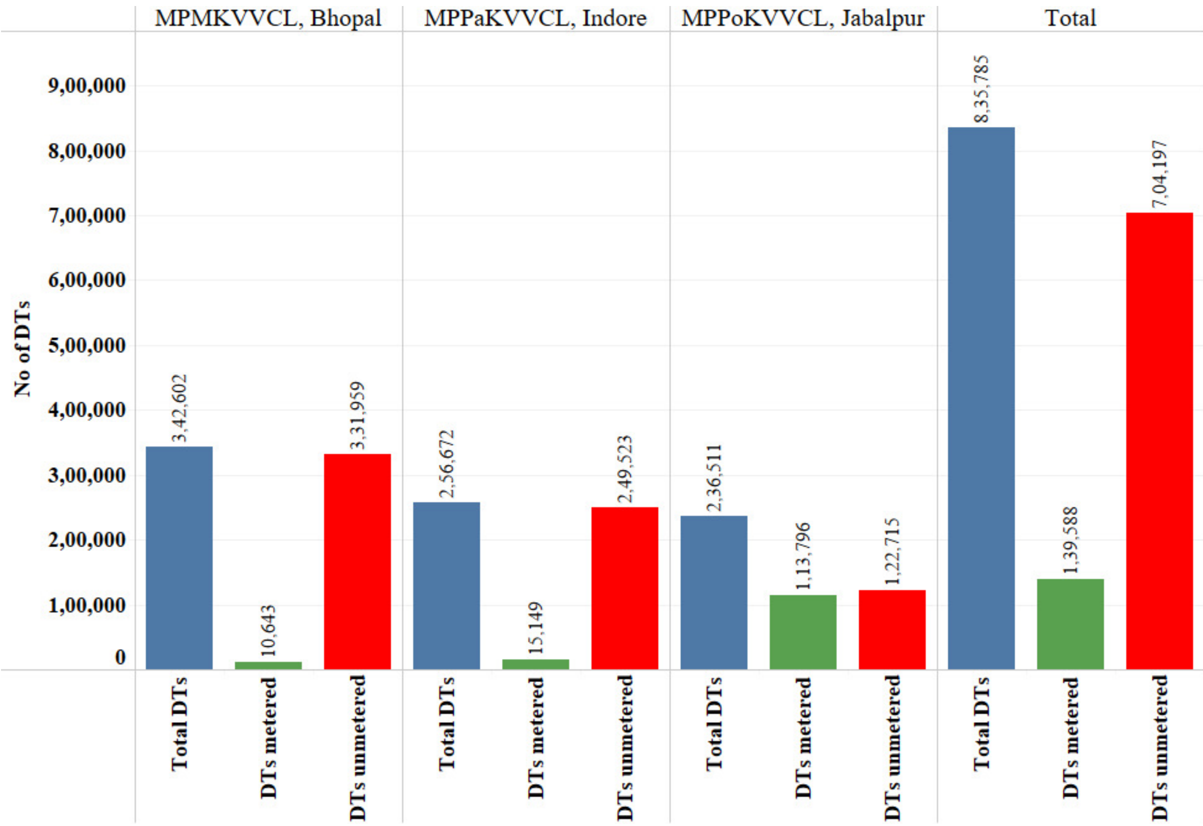
The facts remain that the targets of the installation of feeder meters have been achieved with the delay of two years from the target date, due to which Energy Audit of all feeders could not be done, which hindered the reduction in energy losses and improving the billing efficiency and ARR.

c. Non-installation of Distribution Transformer (DT) meters

As per MoU, the DISCOMs were to take measures for loss-reduction targets at Sub-division/ Division/ Circle/ Regional levels by installing the DT Meters and making Officers concerned responsible for achieving the loss-reduction targets. As per Clause 1.3 (g) of the MoU, the activities of DT Metering were to be completed by 31 December 2017 and 31 December 2018 in Urban and Rural areas respectively.

Audit noticed that the DISCOMs neither procured adequate quantity of DT Meters themselves nor provisioned the same in the scope of work of DT metering in Centrally Sponsored Schemes[43]. The DISCOM-wise position of DT metering as on 31 March 2020 is exhibited in **Chart 3.5** below:

Chart 3.5: Position of DT Metering by DISCOMs as on 31 March 2020



43 Deen Dayal Upadhayay Grih Jyoti Yojna, Saubhagya, R-APDRP and Integrated Power Development Scheme.

It may be seen from the above that the DISCOMs could install DT meters only to the extent of 16.70 *per cent* by 31 March 2020 despite a lapse of more than one year since the targeted date of 31 December 2018.

We examined the status of meter reading in 12 sampled Circles as on 31 March 2020 and noticed that out of 2,79,228 DTs falling under their jurisdiction, Meters were installed only at 69,707 DTs at a cost of ₹ 212.26 crore[44], but meter readings were being taken only at 4,570 DTs. Thus, even in areas where DT Meters were installed, the readings were not taken. We were informed that meter reading was not being taken due to shortage of staff.

As DT meterisation facilitates identification of higher loss-making areas precisely for focused corrective actions and improving billing efficiency, poor performance of the DISCOMs was reflected in their lower ARRs.

Government stated (January 2022) that the DPR for installation of DT meters have been prepared and submitted to the Energy Department, GoMP.

The facts remain that the targets of the installation of DT meters could not be achieved even after the lapse of more than two years from the targeted date of the MoU, due to which corrective actions on higher loss making feeders could not be taken.

d. *Non-segregation of Feeders as per targets under the Scheme*

As per Clause 1.3(g.1) of the MoU physical segregation of agricultural and non-agricultural (mixed) Feeders was to be completed by June 2018 to ensure better load management and increased power supply to rural consumers. Further, Clause 1.3 (f) of the MoU stipulated that the DISCOMs shall achieve operational milestones as specified in Deen Dayal Uphadhyay Gram Jyoti Yojana (DDUGJY)[45].

In line with the provisions of the MoU, the left-over work of feeder segregation under the Scheme should have been included in DDUGJY Scheme and Letter of Indents under DDUGJY should have been issued within the completion schedule of the Scheme, i.e. June 2018.

We noticed that the LOIs under DDUGJY were issued during August 2016 to February 2018 with the completion schedule of 24 months. The scope of work did not include all the work of segregation of agriculture and non-agriculture Feeders. The status of the Feeder segregation in the DISCOMs during the Scheme period is detailed in **Table 3.9** below:

Table 3.9: Position of Feeder Segregation by the DISCOMs

DISCOM	Total mixed feeders as on 30.09.2015	Total mixed feeders as on 31.12.2020	Feeders actually segregated	*Per cent* of feeders segregated	Balance feeders yet to be segregated as on 31.12.2020
(a)	(b)	(c)	(d)	(e)=(d)*100/(c)	(f)=(c)-(d)
MPPaKVVCL, Indore	4,265	5,764	5,389	93.49	375
MPPoKVVCL, Jabalpur	801	3,028	1,934	63.87	1,094

In respect of MPMKVVCL, Bhopal, it was intimated (June 2021) by its Corporate Office that there was no balance mixed Feeders yet to be segregated as on 31 December 2020. However,

44 DTR Meters: 69,707 x Lowest cost of one DTR Meter as per IPDS Order: ₹ 30,451.

45 The DDUGJY Scheme was launched (December 2014) with the basic objective of segregation of mixed feeders.

during Audit of two sampled field Circles of the MPMKVVCL, Bhopal, it was noticed that 10 mixed Feeders[46] were yet to be segregated as on 31 December 2020.

Due to non-segregation of the mixed Feeders, the intended benefit of improved billing efficiency through better load management between agricultural and non-agricultural consumers could not be achieved.

Government accepted (January 2022) the audit observation.

Thus, the envisaged improvement in ARR could not be achieved due to failure of the DISCOMs in timely filing of true-up petitions, incurring expenditure in excess of allowable limits, deficient billing of consumers, failure in realisation of arrears and non-achievement of operational targeted activities as per MoU.

3.5 Post UDAY Operational position of DISCOMs

The Scheme was formulated with the main objective of operational turnaround of the DISCOMs and provided a framework under which AT&C losses of the DISCOMs were to be reduced to 15 *per cent* and gap between ACS and ARR was to be eliminated. Accordingly, as per Clause 4.3 of the Scheme guidelines, the overall outcomes of the operational improvements were to be measured through reduction in AT&C losses to 15 *per cent* and elimination of ACS-ARR Gap.

However, during the implementation of UDAY Scheme, none of the DISCOMs could achieve the targets of AT&C losses as fixed under the MoU. As a result, against the envisaged reduction in AT&C losses of the DISCOMs from pre UDAY position of 23.45 *per cent* to 15 *per cent*, their AT&C losses increased during post UDAY period (2019-20) to 33.08 *per cent*.

Similarly, during the implementation of UDAY Scheme, none of the DISCOMs could achieve the targets of ACS-ARR Gap as fixed under the MoU and the same was only marginally improved from pre UDAY position (2015-16) of ₹ (0.92) per unit to ₹ (0.83) per unit even after completion of the Scheme. As a result, the envisaged elimination of ACS-ARR Gap of the DISCOMs after completion of UDAY Scheme, could not be achieved by the DISCOMs of Madhya Pradesh.

The DISCOMs implemented the provisions of the Scheme Guidelines as well as the MoU partially and not very effectively. Due to poor performance in achieving the operational improvements, the DISCOMs failed to achieve the targets of operational parameters as envisaged in the MoU.

With these failures, the objective of operational turnaround could not be achieved by the DISCOMs even after implementation of the Scheme. The position of the major indicators of operational health, i.e. AT&C losses and ACS-ARR Gap, pre and post UDAY are discussed in details in *Chapter-4*.

Besides the financial and operational turnarounds envisaged in the MoU, the GoMP/ DISCOMs were required to ensure effective monitoring of the implementation of the Scheme, implement Enterprise Resource Planning, and undertake measures for Demand Side Management. The performance of the DISCOMs in these areas is discussed in the *Paragraphs 3.6.1* and *3.6.2*.

[46] Vidisha – 5 and Hoshangabad–5 feeders.

3.6 Monitoring of the performance of DISCOMs under UDAY

As per Clause 1.2 (r) of the MoU, the Energy Department, GoMP was required to review the performance of DISCOMs on a monthly basis at State Government level in the presence of State Finance representative. Further, as per Clause 1.3 (o) of the MoU, the Managing Directors of the DISCOMs and Holding Company were also required to monitor the performance of DISCOM on monthly basis. Clause 1.3 (p) of MoU further stipulated that Monthly Monitoring Formats along with the targets were to be provided to the field unit by the DISCOM so that achievements against the monthly targets could be monitored in next monthly meeting.

We noticed that DISCOMs did not provide Monthly Monitoring Formats along with the targets to the field units, for which no reasons were on record. Due to this, the DISCOMs failed to evaluate the performance of the field units effectively as no other system was found in place to evaluate performance.

Thus, the monitoring mechanism for execution of Scheme at DISCOMs level was not as per the requirement of MoU. The deficient monitoring mechanism also led to the failure in achievement of other targeted operational activities envisaged in the Scheme as discussed in the subsequent *Paragraphs 3.6.1* and *3.6.2*.

Government stated (January 2022) that in monthly review meeting, the billing/ collection efficiency and AT&C losses have been separately monitored for each field units and the field units have also been directed for reduction of AT&C losses.

The reply is not acceptable since no such records of monthly meetings were furnished to audit.

3.6.1 Non-achievement of targeted activities related to Demand Side Management

As per Clause 4.1 of the Scheme Guidelines, the participating States and utilities were required to follow the timelines of various targeted activities for improving operational efficiencies. This included Demand Side Management (DSM) by installing energy efficient LED bulbs, agriculture pumps, fans and air-conditioners and efficient industrial equipment. The purpose of the activity was to reduce peak load and energy consumption.

We noticed that the work of distribution of LED bulbs was done by Energy Efficiency Services Limited under the supervision of Madhya Pradesh Urja Vikas Nigam Limited (Nigam). However, the progress of distribution of LED bulbs was very slow because as against the target of distribution of three crore LED Bulbs, the Nigam distributed only 1.76 crore LED bulbs (December 2021). Further, to increase the energy efficiency and to save the costly power, the activities of replacement of existing agriculture pump by energy efficient pumps was to be executed by the DISCOMs, but no such activity was undertaken by the field units of the DISCOMs.

Government accepted (January 2022) the audit observation.

3.6.2 Incomplete implementation of Enterprise Resource Planning system

As per Para 1.3 (g) of MoU, the DISCOMs were required to implement Enterprise Resource Planning (ERP) system for better and effective inventory management, personnel management, accounts management, etc. to reduce costs and increase efficiencies by March 2017.

We noticed that though all the three DISCOMs implemented ERP systems, there were deficiencies in implementation of the ERP systems by the DISCOMs. Various vital activities/ modules like Accounts receivable and payable, Cash Management/ Treasury, Budgeting, Costing and Financial Control, Fixed Asset Accounting, Inventory Management, HR Dashboard, etc., which were provisioned in agreements, have not been implemented by the DISCOMs so far (December 2020), as detailed in ***Appendix 9***.

Thus, the objective of the Scheme for better and effective monitoring and management of all the activities by automating them through ERP, could not be fully achieved.

Government accepted (January 2022) the Audit observation and stated that due to limitation of user license and module unavailability, some desired functions are being executed out of ERP.

Chapter-4

Chapter-4

Post UDAY Analysis

4.1 Post UDAY financial position of DISCOMs

The Scheme was formulated with the main objective of financial turnaround of the DISCOMs and provided a framework under which the debts of the DISCOMs would be taken over in a graded manner. By the end of the implementation period, it was envisaged that there would be a financial turnaround by way of reduction in the finance and interest cost and decrease in the revenue deficit of the DISCOMs.

We reviewed the financial position of the DISCOMs pre and post UDAY and observed that the financial health of the DISCOMs did not improve. The position of the major indicators of financial health, i.e. debts position and accumulated losses pre and post UDAY are discussed below:

a. The pre UDAY outstanding debts of MP DISCOMs (as on 30.09.2015) was ₹ 34,739 crore. Further, during the implementation period of the Scheme, the outstanding debt positions of the DISCOMs remained constant and after completion of Scheme, i.e. as on 31 March 2020, it only marginally reduced to ₹ 34,727.04 crore, as detailed in **Table 4.1** below:

Table 4.1: Lender wise outstanding debts of DISCOMs during Scheme period

Lender	Outstanding Loan Amount (₹ in crore)					
	30.09.2015	31.03.2016	31.03.2017	31.03.2018	31.03.2019	31.03.2020
GoMP	30,200.00	30,616.42	32,556.92	27,880.65	26,918.33	26,723.37
REC	3,561.00	2,885.98	181.69	1,709.97	5,112.99	5,346.01
PFC	773.00	1,044.61	578.46	1,177.86	3,268.38	2,650.31
HUDCO	157.00	121.74	8.25	0.00	0.00	0.00
SBI	28.00	20.87	0.00	0.00	0.00	0.00
Others	20.00	7.34	7.34	7.34	7.34	7.34
Total	**34,739.00**	**34,696.96**	**33,332.66**	**30,775.81**	**35,307.04**	**34,727.04**

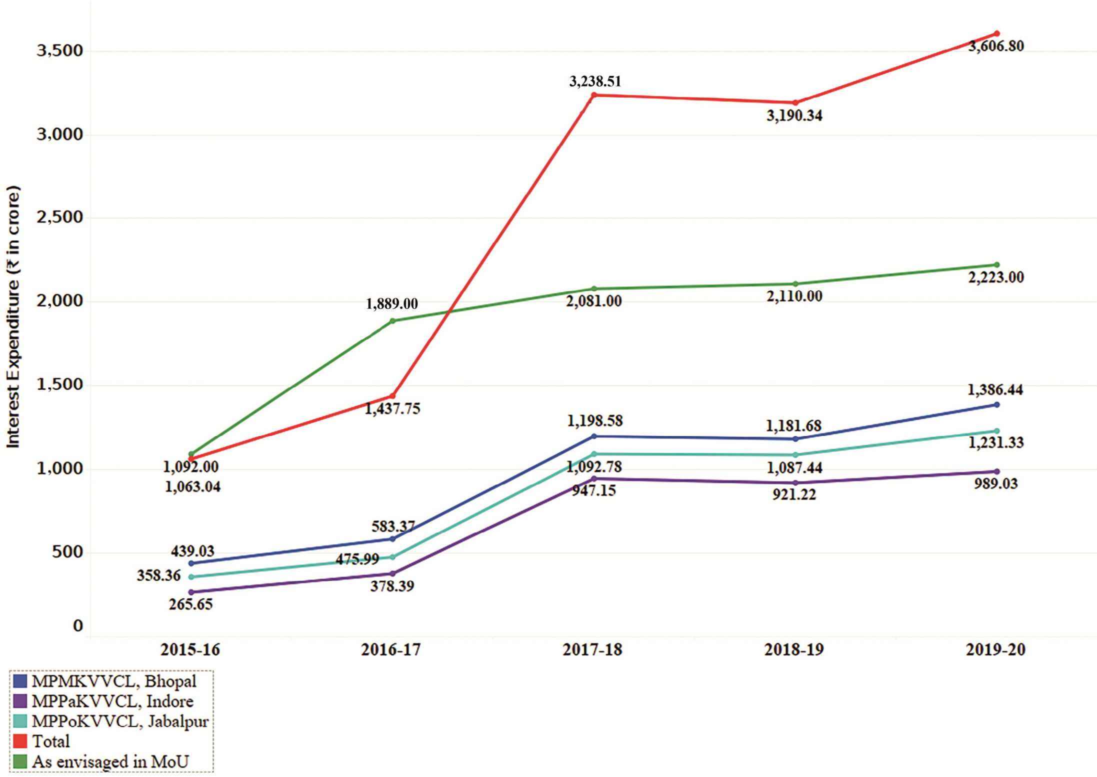
From the above, it is evident that there was only a marginal decrease in debts of DISCOMs by ₹ 12 crore, even after taking over of debts worth ₹ 12,690 crore[1] (refer to *Paragraph 2.4.2*). Shortfall in take-over of the targeted debt and availing fresh working capital loans to the tune of ₹ 11,200[2] crore for funding losses and meeting operational expenditure, as already discussed in *Paragraphs 2.4.2* and *2.4.4*, contributed to the debt position remaining unaltered even after implementation of the Scheme.

b. Non-reduction in debts of the DISCOMs, as envisaged in the MoU, also contributed to increase in interest expenditure of the DISCOMs during the Scheme period. During 2015-16 to 2019-20, the DISCOMs incurred total interest expenditure of ₹ 12,536.44 crore, which was more than the total interest expenditure of ₹ 9,395 crore as projected in Annexure-C of the MoU, as depicted in **Chart 4.1** below:

1 Including taking over of ineligible debts not to be taken over under Scheme.

2 DISCOMs availed working capital loan of ₹ 11,200 crore from REC/PFC and during 2016-17 to 2018-19 to make payment of their power purchase dues and to finance their losses.

Chart 4.1: Pre and Post UDAY position of Interest Expenditure of DISCOMs

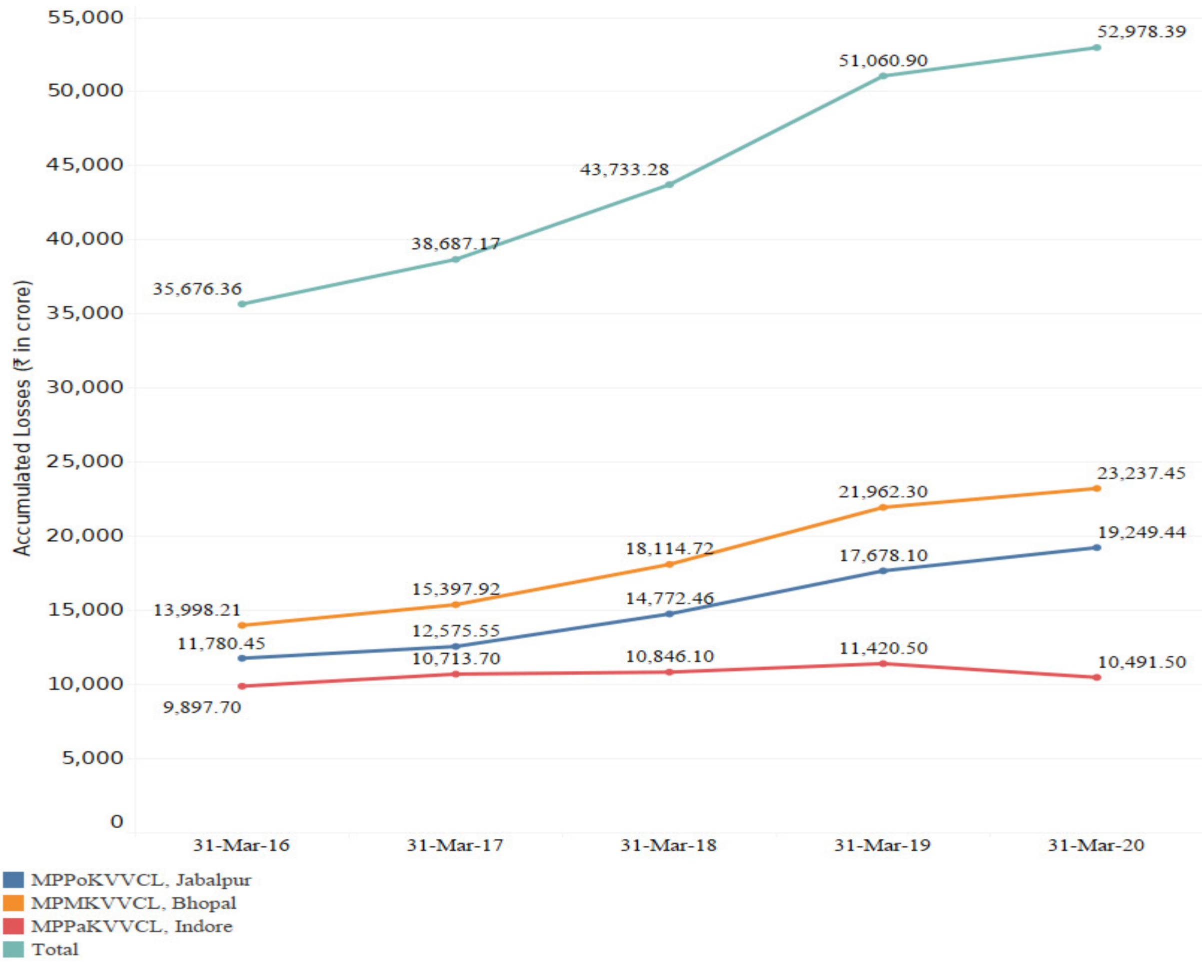


From the above Chart, it may be seen that there was an increase in interest expenditure of DISCOMs by ₹ 2,543.76 crore[3] in 2019-20 in comparison to that of 2015-16.

c. Further, the financial position of the DISCOMs also did not improve during the Scheme period and the accumulated losses of the DISCOMs instead increased. Losses of the DISCOMs did not improve, instead they increased during the Scheme implementation period, which subsequently led to an increase in accumulated losses of DISCOMs from ₹ 35,676.36 crore as on 31 March 2016 to ₹ 52,978.39 crore as on 31 March 2020, as depicted in **Chart 4.2** below:

[3] 2019-20: ₹ 3,606.80 crore *less* 2015-16: ₹ 1,063.04 crore.

Chart 4.2: Pre and Post UDAY position of Accumulated Losses of DISCOMs



Thus, it is evident from the above that there was an increase in accumulated losses by ₹ 17,302.03 crore (₹ 52,978.39 crore *minus* ₹ 35,676.36 crore) from March 2016 to March 2020.

We observed that the increase in accumulation of losses was attributable to increase in interest expenditure of the DISCOMs, waiver of dues by GoMP without adequate subsidy support to DISCOMs (₹ 3,721.19 crore), non-release of tariff subsidy by GoMP (₹ 16,939.73 crore as on 31.03.2021) and non-recovery of electricity dues from the State Government Departments (₹ 1,606.23 crore as on 31 August 2020). Consequently, in order to meet the fund deficit, the DISCOMs had to avail working capital loan of ₹ 11,200 crore from FIs, which attracted avoidable burden of interest of at least ₹ 2,982.90 crore upto 31 March 2021 (as already discussed in *Paragraphs 2.5.1*, *2.5.2* and *2.5.3*).

From the foregoing, it is evident that GoMP/ DISCOMs implemented the provisions of the Scheme Guidelines as well as the MoU partially. Therefore, the objective of financial turnaround could not be achieved by the DISCOMs even after implementation of the Scheme.

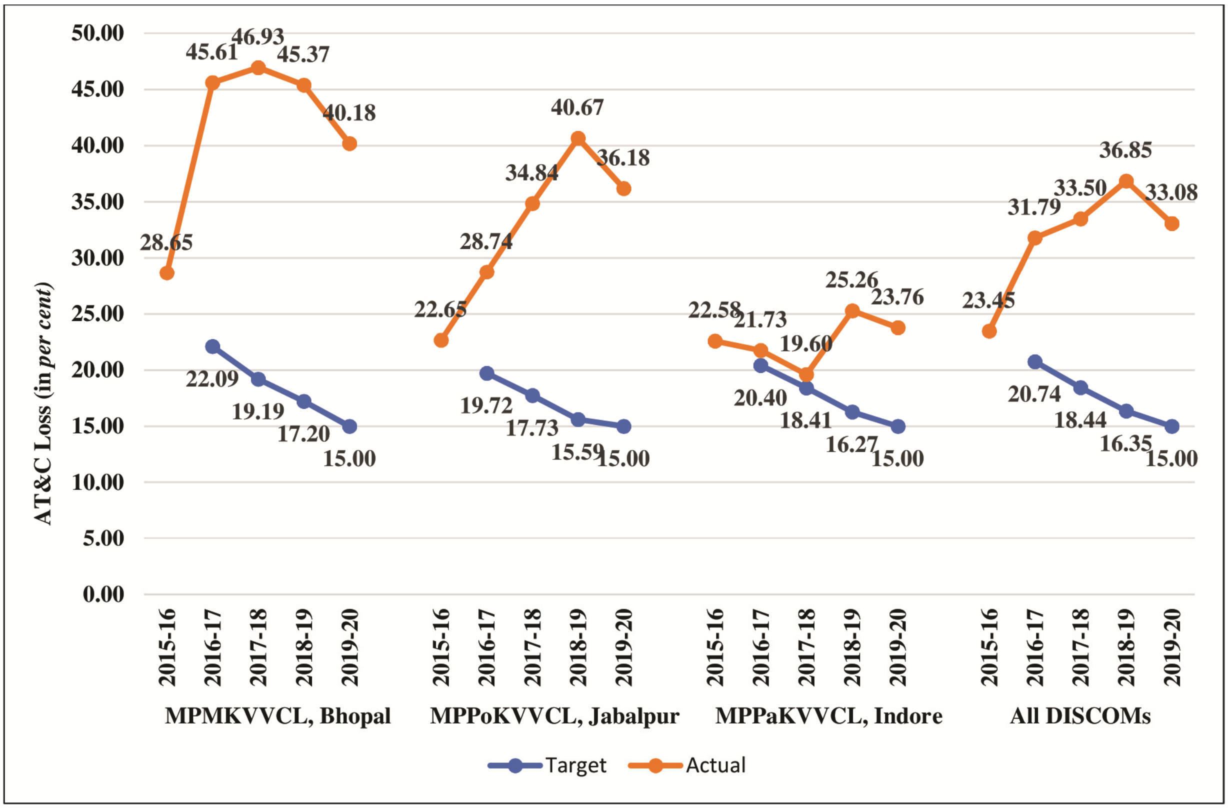
4.2 Post UDAY operational position of DISCOMs

The intended objective of the operational activities in the Scheme was to improve operational efficiency of the DISCOMs. The improvement in operational efficiency was to be measured through operational performance indicators, which were reduction in AT&C losses to 15 *per cent* and elimination of gap between ACS and ARR by 2019-20.

Our review of the operational position of the DISCOMs pre and post UDAY revealed that the operational health of the DISCOMs did not improve. The position of the major indicators of operational health, i.e. AT&C loss and ACS-ARR pre and post UDAY are discussed below:

a. AT&C losses of DISCOMs of Madhya Pradesh during pre UDAY period (2015-16) was 23.45 *per cent*. However, during the implementation of UDAY Scheme, none of the DISCOMs could achieve the targets of AT&C losses as fixed under the MoU. As a result, against the envisaged reduction in AT&C losses of the DISCOMs from pre UDAY position of 23.45 *per cent* to 15 *per cent*, their AT&C losses increased during post UDAY period (2019-20) to 33.08 *per cent*. The DISCOM wise pre UDAY position of AT&C losses, the target of AT&C loss as per the MoU and actual there against are depicted below in **Chart 4.3**:

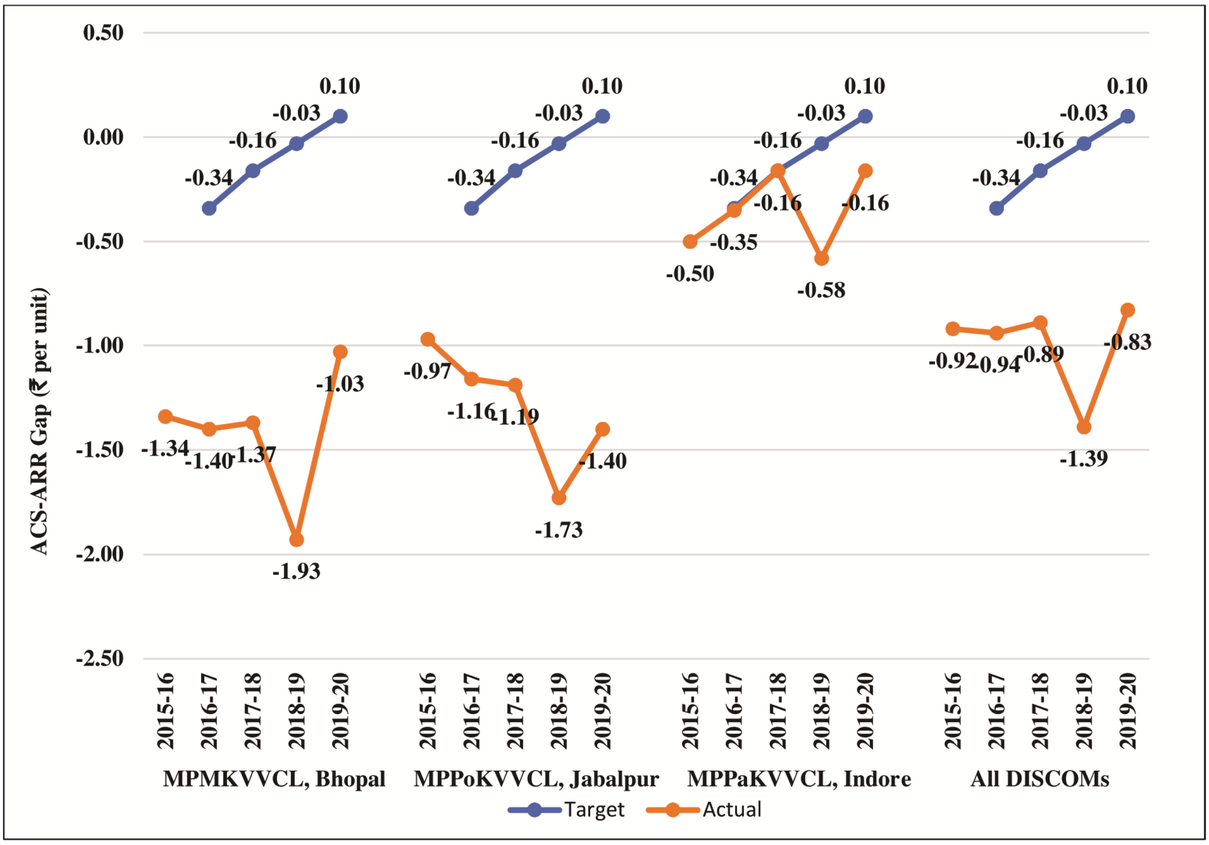
Chart 4.3: Pre and Post UDAY position of AT&C losses of DISCOMs



The main reasons for non-achievement of targeted levels of AT&C losses were lower billing and collection efficiency as discussed in *Paragraphs 3.4.1* and *3.4.2*, not carrying out targeted operational activities for reduction of AT&C losses viz. non-installation of Smart Meters, non-installation of meters at DTs, delay in metering of feeders, non-segregation of mixed Feeders, etc. as discussed in detail in *Paragraph 3.4.6.5*.

b. ACS-ARR Gap of DISCOMs of Madhya Pradesh during pre UDAY period (2015-16) was ₹ (0.92) per unit. However, during the implementation of UDAY Scheme, none of the DISCOMs could achieve the targets of ACS-ARR Gap as fixed under the MoU and the same improved only marginally from pre UDAY position (2015-16) of ₹ (0.92) per unit to ₹ (0.83) per unit after completion of the Scheme. As a result, the envisaged elimination of ACS-ARR Gap of the DISCOMs after completion of UDAY Scheme, could not be achieved by the DISCOMs of Madhya Pradesh. The DISCOM wise pre UDAY position of ACS-ARR Gap, the target of ACS-ARR Gap as per the MoU and actual there against are depicted below in **Chart 4.4**:

Chart 4.4: Pre and Post UDAY position of ACS-ARR Gap of DISCOMs



The gap between ACS-ARR could not be eliminated due to increased interest burden (discussed in *Paragraph 4.1*), failure in reduction of power purchase cost (discussed in *Paragraph 3.4.5.1*), delayed filing of the true-up petitions (*Paragraph 3.4.6.1*), deficient billing of consumers (*Paragraph 3.4.6.3*), failure in realisation of arrears/ subsidy claims, etc.

Thus, due to deficient performance in achieving the operational improvements, the DISCOMs not only failed to achieve the targets of operational parameters as envisaged in the MoU, but their performance actually deteriorated. Therefore, the objective of operational turnaround could not be achieved by the DISCOMs even after implementation of Scheme.

Chapter-5

Chapter 5

Conclusion and Recommendations

5.1 Conclusion

The overall intended outcome of UDAY Scheme was to improve the financial and operational performance of the DISCOMs. The Performance Audit covered the implementation of the Scheme in order to examine whether the directives pertaining to Financial and Operational parameters envisaged in the UDAY Scheme and the MoU were adhered to and overall objective of financial and operational turnaround of the DISCOMs was achieved.

We noticed that the performance of the DISCOMs in implementation of the Scheme was not encouraging, as the DISCOMs failed to achieve the financial and operational parameters envisaged in the UDAY Scheme and the MoU, as summarised below:

- As per the Scheme/MoU, the state Government was to take over 75 *per cent* of DISCOMs debt in a graded manner as a mix of grant and equity. However, the government took over only 48.70 *per cent* of debts. Also GoMP/ DISCOMs did not issue bonds as per the requirement of the MoU.
- Due to shortfall in taking over debts and non-issuance of bonds of required amount, there was an increasing trend of taking working capital loan for funding losses and meeting operational expenditure along with increase in interest expenditure and increase in accumulated losses after completion of the Scheme. This also led to non-fulfillment of the provisions of the MoU effectively.
- Due to poor performance in achieving the operational improvements, the DISCOMs failed to achieve the targets of AT&C losses of 15 *per cent*. The AT&C losses increased substantially during the implementation period of the Scheme due to lower billing and collection efficiency, poor implementation of the targeted operational activities viz. non-installation of Smart Meters, non-installation of meters at DTs, delay in metering of feeders and non-segregation of mixed Feeders.
- Against the ultimate target of elimination of gap between ACS and ARR, the gap has been marginally reduced from ₹ (0.92) per unit to ₹ (0.83) per unit during implementation the Scheme. The ACS-ARR gap could not be eliminated due to failure in reduction of power purchase cost, delayed filing of the true-up petitions and failure in realisation of arrears/ subsidy claims.

We also noticed inordinate delay in filing of true-up petitions resulting in delayed recovery of increased tariff from consumers.

5.2 Recommendations

- GoMP may ensure the financial and operational sustainability of the DISCOMs by releasing the subsidy due to the DISCOMs in a timely manner.
- GoMP may take necessary steps to ensure that its Departments pay all the pending dues to the DISCOMs.
- Delay in filing of true-up petitions need to be avoided by ensuring proper and timely response to clarifications/information sought by MPERC.

- The DISCOMs should take effective measures to reduce the AT&C losses and elimination of gap between ACS and ARR in a time bound manner.
- The DISCOMs should plan to complete various activities for improving operational efficiency like smart metering, feeder segregation, DT metering etc., in a time bound manner.
- Monitoring mechanism needs to be strengthened to ensure timely execution of all activities for improving financial and operational efficiency of the DISCOMs.

(BIJIT KUMAR MUKHERJEE)
Accountant General (Audit-II)
Madhya Pradesh

Bhopal
The 19 April 2022

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 27 April 2022

Appendices

Appendix 1

(Reference: Paragraphs 2.4.1 and 2.4.4)

Details of outstanding debts of DISCOMs as on 30 September 2015

(₹ in crore)

Sl. No.	Lender	Particulars	Capex Loan	Non-Capex Loan		Total Loan	75 *per cent* of the eligible loan amount for take-over included in the MoU	75 *per cent* of the eligible loan amount for take-over to be included in the MoU as per Audit
				Working Capital Loan	Payables towards Electricity Duty, Cess and Sardar Sarovar Project			
(a)	(b)	(c)	(d)	(e)	(f)	(g) = (d)+(e)+(f)	(h) =(g)*75 *per cent*	(i)
1	GoMP	Perpetual Loan	738	17,500	8,686	26,924	20,193	19,818
		ADB loan	3,119	-	-	3,119	2,339	2,352
		SLR PP Bonds	157	-	-	157	118	118
Sub-Total			**4,014**	**17,500**	**8,686**	**30,200**	**22,650**	**22,288**
2	REC	R-APDRP	906		-	906	680	0#
		Others	1,605	1,050		2,655	1,991	1,991
Sub-Total			**2,511**	**1,050**		**3,561**	**2,671**	**1,991**
3	PFC	R-APDRP	604	-	-	604	453	0#
		Others	169	-	-	169	127	127
Sub-Total			**773**	**-**	**-**	**773**	**580**	**127**
4	HUDCO	Others	157	-	-	157	118	118
5	SBI	Others	28	-	-	28	21	21
6	Other FIs	Others	20	-	-	20	15	15
7	NHDC	Others	-	-	-	-	--	251
Grand Total			**7,503**	**18,550**	**8,686**	**34,739**	**26,055**	**24,811**

#Excluding R-APDRP loans and perpetual loans beyond the cut-off date.

Appendix 2

(Reference: Paragraph 2.5.3)

DISCOM wise outstanding Government Department dues from 2015-16 to 2020-21

(₹ in crore)

Company	Year	Opening balance of Govt. dues	Dues for the Current year	Progressive dues	Dues paid in FY	Dues O/s in Current year	Progressive Dues
(a)	(b)	(c)	(d)	(e) =(c)+(d)	(f)	(g) =(d)-(f)	(h) =(e)-(f)
MPMKVVCL, Bhopal	2015-16	67.02	419.02	486.04	401.74	17.28	84.30
MPPaKVVCL, Indore	2015-16	469.67	500.25	969.92	577.73	-77.48	392.19
MPPoKVVCL, Jabalpur	2015-16	49.42	282.19	331.61	271.54	10.65	60.07
2015-16		**586.11**	**1,201.46**	**1,787.57**	**1,251.01**	**-49.55**	**536.56**
MPMKVVCL, Bhopal	2016-17	84.30	405.16	489.46	382.07	23.09	107.39
MPPaKVVCL, Indore	2016-17	392.19	533.54	925.73	496.92	36.62	428.81
MPPoKVVCL, Jabalpur	2016-17	60.07	325.48	385.55	325.22	0.26	60.33
2016-17		**536.56**	**1,264.18**	**1,800.74**	**1,204.21**	**59.97**	**596.53**
MPMKVVCL, Bhopal	2017-18	107.39	450.21	557.60	275.31	174.90	282.29
MPPaKVVCL, Indore	2017-18	428.81	589.57	1,018.38	664.01	-74.44	354.37
MPPoKVVCL, Jabalpur	2017-18	60.33	351.60	411.93	315.15	36.45	96.78
2017-18		**596.53**	**1,391.38**	**1,987.91**	**1,254.47**	**136.91**	**733.44**
MPMKVVCL, Bhopal	2018-19	282.29	498.83	781.12	442.46	56.37	338.66
MPPaKVVCL, Indore	2018-19	354.37	708.02	1,062.39	513.30	194.72	549.09
MPPoKVVCL, Jabalpur	2018-19	96.78	354.84	451.62	283.06	71.78	168.56
2018-19		**733.44**	**1,561.69**	**2,295.13**	**1,238.82**	**322.87**	**1,056.31**
MPMKVVCL, Bhopal	2019-20	338.66	587.17	925.83	494.16	93.01	431.67
MPPaKVVCL, Indore	2019-20	549.09	1,048.10	1,597.19	954.25	93.85	642.94
MPPoKVVCL, Jabalpur	2019-20	168.56	410.61	579.17	422.34	-11.73	156.83
2019-20		**1,056.31**	**2,045.88**	**3,102.19**	**1,870.75**	**175.13**	**1,231.44**
MPMKVVCL, Bhopal	2020-21*	431.67	323.64	755.31	223.09	100.55	532.22
MPPaKVVCL, Indore	2020-21*	642.94	307.92	950.86	90.19	217.73	860.67
MPPoKVVCL, Jabalpur	2020-21*	156.83	165.34	322.17	108.83	56.51	213.34
2020-21*		**1,231.44**	**796.90**	**2,028.34**	**422.11**	**374.79**	**1,606.23**

* Up to August 2020.

Appendix 3

(Reference: Paragraph 3.4.1)

Loss to DISCOMs due to higher AT&C losses than the target fixed in MoU

DISCOM	Year	Energy input (MUs)	Energy sold (MUs)	AT&C losses as per AFS[1] (*per cent*)	AT&C losses as per MoU (*per cent*)	Excess AT&C losses (*per cent*)	Loss of energy units due to excess AT&C losses (MUs)	Average cost of supply for the year as per AFS (₹ per unit)	Total loss due to excess AT&C losses (₹ in crore)
(a)	(b)	(c)	(d)	(e)	(f)	(g) =(e)-(f)	(h) =(c)*(g)/ 100	(i)	(j) =(h)*(i) /10
MPMKVVCL, Bhopal	2016-17	19,268.20	14,328.82	35.86	22.09	13.77	2,653.23	5.45	1,446.01
	2017-18	21,235.65	15,308.23	37.94	19.19	18.75	3,981.68	5.65	2,249.65
	2018-19	23,726.26	15,020.57	44.65	17.20	27.45	6,512.86	5.98	3,894.69
	2019-20	23,996.64	17,372.76	39.11	15.00	24.11	5,785.59	5.76	3,332.50
	Sub-total								**10,922.85**
MPPoKVVCL, Jabalpur	2016-17	17,326.78	13,409.47	28.38	19.72	8.66	1,500.50	5.56	834.28
	2017-18	19,333.00	14,102.00	34.59	17.73	16.86	3,259.54	5.64	1,838.38
	2018-19	21,142.90	14,680.33	39.61	15.59	24.02	5,078.52	5.81	2,950.62
	2019-20	20,846.43	16,151.99	34.17	15.00	19.17	3,996.26	5.98	2,389.76
	Sub-total								**8,013.04**
MPPaKVVCL, Indore	2016-17	21,387.40	17,565.20	19.44	20.40	0.00	0.00	5.23	0.00
	2017-18	22,323.96	18,621.22	18.51	18.41	0.10	22.32	5.45	12.17
	2018-19	24,572.40	20,598.63	24.92	16.27	8.65	2,125.51	5.64	1,198.79
	2019-20	24,992.02	22,217.00	21.53	15.00	6.53	1,631.98	5.63	918.80
	Sub-total								**2,129.76**
Grand Total									**21,065.65**

[1] Annual Financial Statements of DISCOMs.

Appendix 4

(Reference: Paragraph 3.4.3)

Year-wise impact on Power Purchase Cost, Employees' Cost, Interest and Finance Costs due to wrong calculations/ assumptions in MoU

Sl. No.	Element of Cost	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	Power Purchase Cost (₹ per unit)	a. As per MoU	3.45	3.59	3.88	4.03	4.20	4.36
		b. Actual Projection as per Audit	3.73	3.88	4.03	4.20	4.36	4.54
2	Input Energy (MUs)	Input Energy Projections		64,975	68,193	74,098	80,847	88,932
3	Power Purchase Cost (₹ in crore)	a. As per MoU	-------	23,342	26,453	29,894	33,921	38,806
		b. Actual Projection as per Audit (1b) x (2) / 10	-------	25,210	27,482	31,121	35,249	40,375
4	Employees' Cost (₹ in crore)	a. As per MoU	2,386	2,352	2,587	2,846	3,131	3,444
		b. Actual Projection as per Audit	2,386	2,625	2,887	3,176	3,493	3,843
5	Interest and Finance Costs (₹ in crore)	a. Projections As per MoU	-------	1,092	1,889	2,081	2,110	2,223
		b. Actual Projection as per Audit	-------	1,789	1,889	2,081	2,110	2,223
6	Projections of Cost understated in MoU (₹ in crore)	(3b+4b+5b)-(3a+4a+5a)		2,838	1,329	1,557	1,690	1,968
7	Total Cost considered in MoU (₹ in crore)	Projections		29,052	33,392	37,495	42,026	47,522
8	ACS as per MoU (₹ per unit)	(7)/(2)*10		4.47	4.90	5.06	5.20	5.34
9	Cost as per Audit (₹ in crore)	(6)+(7)		31,890	34,721	39,052	43,716	49,490
10	ACS as per Audit (₹ per unit)	(9)/(2)*10		4.91	5.09	5.27	5.41	5.56
11	ARR as per MoU (₹ per unit)	Projections		3.82	4.56	4.90	5.17	5.44
12	**Projected ACS-ARR Gap as per MoU (₹ per unit)**	**(11)-(8)**		**-0.65**	**-0.34**	**-0.16**	**-0.03**	**0.10**
13	**Projected ACS-ARR Gap as per Audit(₹ per unit)**	**(11)-(10)**		**-1.09**	**-0.53**	**-0.37**	**-0.24**	**-0.12**
14	**Understatement of ACS-ARR Gap (₹ per unit)**	**(12)-(13)**		**0.44**	**0.19**	**0.21**	**0.21**	**0.22**

Appendix 5

(Reference: Paragraph 3.4.4)

DISCOM wise ACS-ARR Gap target and achievement

(₹ per unit)

Year	Company	ACS-ARR gap target as per Appendix-C of MoU	Actual ACS-ARR gap reported in UDAY portal	Actual ACS-ARR gap as per approved methodology (worked out by Audit)
2016-17	MPPaKVVCL, Indore	(0.34)	0.25	(0.35)
	MPPoKVVCL, Jabalpur	(0.34)	(0.41)	(1.16)
	MPMKVVCL, Bhopal	(0.34)	(0.64)	(1.40)
2017-18	MPPaKVVCL, Indore	(0.16)	0.28	(0.16)
	MPPoKVVCL, Jabalpur	(0.16)	(0.58)	(1.19)
	MPMKVVCL, Bhopal	(0.16)	(0.77)	(1.37)
2018-19	MPPaKVVCL, Indore	(0.03)	(0.60)	(0.58)
	MPPoKVVCL, Jabalpur	(0.03)	(1.09)	(1.73)
	MPMKVVCL, Bhopal	(0.03)	(0.99)	(1.93)
2019-20	MPPaKVVCL, Indore	0.10	0.18	(0.16)
	MPPoKVVCL, Jabalpur	0.10	(0.74)	(1.40)
	MPMKVVCL, Bhopal	0.10	(0.37)	(1.03)

Appendix 6

(Reference: Paragraph 3.4.5.1b)

Net gains on account of controllable parameters to be received by MPPMCL for the year 2016-17 to 2019-20

(Amount in ₹)

Year	Name of Power Plant	Total Net Gain	MPPMCL share
2016-17	ATPS (210 MW), Chachai	4,48,54,000	1,49,49,838
2017-18	ATPS (210 MW), Chachai	10,14,16,000	3,38,01,952
	SGTPS (500 MW), Birsinghpur	2,30,85,000	76,94,230
2018-19	ATPS (210 MW), Chachai	10,01,67,000	3,33,85,661
	SGTPS (500 MW), Birsinghpur	10,45,37,000	3,48,42,182
2019-20	STPS (3*210+1*200 MW), Sarni	4,12,44,000	2,06,22,000
	ATPS (210 MW), Chachai	3,71,52,000	1,85,76,000
	SGTPS (500 MW), Birsinghpur	28,92,96,000	14,46,48,000
Grand Total		**74,17,51,000**	**30,85,19,865**

Appendix 7

(Reference: Paragraph 3.4.5.1c)

Effect of excess expenditure due to various factors on ACS

Year	Loss due to procurement of excess power (₹ in crore)	Fixed Charges paid without procurement from IPP (₹ in crore)	Fixed Charges paid without procurement from NTPC (₹ in crore)	Purchase of power at higher rate (₹ in crore)	Non-adjustment of net gains in power purchase costs (₹ in crore)	Total (₹ in crore)	Gross input of three DISCOMs (in MUs)	Impact on ACS due to extra expenditure (₹ per unit)
(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)= Total of B to F**	**(H)**	**(I) =(G/H)* 10**
2015-16	92.69	208.17	40.15	50.96	0	**391.97**	62,787.6	**0.06**
2016-17	362.79	336.62	0	357.77	1.5	**1,058.68**	61,123.8	**0.17**
2017-18	111.51	22.2	8.34	141.24	4.15	**287.44**	66,284.6	**0.04**
2018-19	66.76	9.16	91.08	334.68	6.82	**508.5**	73,015.7	**0.07**
2019-20	193.49	26.67	296.46	439.36	18.38	**974.36**	73,150.7	**0.13**
2020-21	NA	104.12	363.87	73.13	0	**541.12**	NA	**NA**
Total	**827.24**	**706.94**	**799.90**	**1,397.14**	**30.85**	**3,762.07**		

Note: - ₹ 41.53 crore was not included in the above table due to non-availability of year wise bifurcation

Appendix 8

(Reference: Paragraph 3.4.6.3)

Loss of revenue due to deficient billing of consumers

Nature of Deficiency	No of Consumers	Audit Observation	Amount (₹ in crore)
Incorrect classification of Consumer	1	M/s Hindustan Electro Graphite Limited (Consumer) having contracted load of 44,000 kVA, was being billed under the tariff category HV-3.1[2] of HT Tariff Schedule up to January 2018. However, on the request (May 2017) of the Consumer, the DISCOM changed (February 2018) the tariff category to HV-3.4[3]. Since there was a difference in the applicable Electricity Charge[4], the MPMKVVCL, Bhopal instead of consulting MPERC (as required under Clause 1.25 of the Retail Tariff Order approved by MPERC), allowed (February 2018) the change in the tariff category by itself. This resulted in loss of revenue of ₹ 61.81 crore[5] (being the difference in rates of both categories) during the period from February 2018 to September 2020.	61.81
	12	In case of 12 HT consumers[6], incorrect Tariff categories were applied by the DISCOMs in contravention to the provisions of the Tariff Orders approved by MPERC. As the rates of applied tariff category were lower than that of correct tariff category, this has resulted in loss of revenue on account of short billing, amounting to ₹ 2.11 crore.	2.11
	20	As per Section 4.43 of the Supply Code, any person requiring power supply for purpose that is temporary in nature, for a period of less than one year/two years may apply for temporary power supply. The period of temporary connections can be extended up to five years for construction of buildings/power plants and for the purpose of setting up of industries. However, in case of 20 HT consumers[7], permanent connections were served, who were engaged in construction activity and were eligible for temporary connections. As, the rates of energy charges in permanent connection is comparatively lower than that of temporary connections, this resulted in loss of revenue on account of short billing, amounting to ₹ 6.52 crore.	6.52

2 Applicable on all Industrial Category of consumers (including mines, except coal mines).

3 Applicable for Power Intensive Industries, on the basis that they were using Resistance Furnace.

4 Electricity Charges in case of HV-3.4 was less than that of HV-3.1.

5 Billed ₹ 326.92 crore instead of ₹ 388.73 crore.

6 O&M Circles: Indore: M/s DMIC Pithampur Jal Prabanthan – two connections for Water supply to Industries in industrial area were billed under HV-5.1 instead of HV-3.2. Ujjain: M/s Parshnath developers, M/s Jhalariya Trust and M/s Avantika University were wrongly billed under HV-3.1, HV-6.2 and HV-6.1 respectively instead of HV-3.2. Vidisha: M/s Made easy, M/s Ramesh steel, M/s Simcon and M/s Eastman International for Grid synchronization were billed under HV-7.1 instead of HV-3.1. Bhopal: M/s Ashok Kumar Jain for private water supply were billed under HV-5.1 instead of HV-3.2. Jabalpur: Borlaug Institute of South Asia and M/s Shiv Shakti Bio Technologies Limited were wrongly billed under HV-5.2 instead of HV-3.2 and HV-3.1 respectively.

7 O&M Circles: Narsinghpur (M/s NTPC), Mandsaur (M/s GHV India Pvt. Ltd., M/s Narmada Resources, M/s Jay Hind Buildcom, M/s G R Infra Projects Ltd., M/s G R Infra Projects Ltd., MKC Infra, MKC Infra, M/s Offshore Infrastructure Ltd.), Indore (M/s Dilip Buildcon, M/s Shreeji Infrastructure), Ujjain (M/s P.D. Agrawal), Bhopal (M/s Dilip Buildcon, Jyoti Construction Company), Rajgarh (LCC Projects Pvt. Ltd.-1, LCC Projects Pvt. Ltd.-2, Shree Tirupati Buildcon) and Jabalpur (M/s Gaur Road Tar Pvt Ltd, Rao Hemraj Singh, M/s Radha Krishna Construction).

Nature of Deficiency	No of Consumers	Audit Observation	Amount (₹ in crore)
Delayed/ non-release of Connection	2	Due to non-adherence to the provisions[8] of the Supply Code in providing the Metering equipment's, etc. to the Executive Engineer, Water Resource Department, Rajgarh, the DISCOM suffered loss of revenue of fixed charges of ₹ 11.55 crore during the period from December 2017[9] to November 2020. Similarly, in case of providing HT connection to OSP Canal Division, Dhamnod, there was inordinate delay[10] in execution of 132 kV line and associated bay and thus, the connection could only be started from July 2018 instead of 15 October 2017. As a result, MPPaKVVCL, Indore had to forgo tariff of monthly minimum charges of ₹ 19.44 crore during the period from November 2016 to June 2018.	30.99
Accumulation of arrears	2	Clause 9.14 of the Supply Code stipulated that if a Consumer fails in payment of any bill in full, by the due date, the connection of the Consumer will be liable to be disconnected. However, due to continued supply and delayed disconnection in violation of the above provisions of the Supply Code by Rajgarh Circle (MPMKVVCL, Bhopal) there was avoidable accumulation of revenue arrear of ₹ 3.67 crore from M/s Hind Syntex Limited[11] and ₹ 7.12 crore from M/s Vaishnav Fibre Limited[12].	10.79
	1	In Rewa Circle of MPPoKVVCL, Jabalpur, a Unit of Bela Cement Plant was taken over by M/s Ultra Tech Cement Ltd. (UTCL) on 29.07.2017 and latter was not liable to pay any dues of the former, pending before 29.06.2017 amounting to ₹ 24.75 crore. UTCL's application (July 2017) to transfer HT connection in its own name was denied by Rewa Circle. However, power supply to UTCL kept continued on the conditions that M/s UTCL as well as M/s J.P. Bela will have to execute a tripartite agreement with MPPoKVVCL, Jabalpur and agreeing to transfer the earlier agreement in the name of new consumer after submission of an indemnity bond by UTCL. However,	24.75

8 Clauses 4.58 to 4.60 of the Supply Code, 2013 stipulated that in case of Extra High Tension connection, where extension of line or sub-station is to be done, the connection shall be served within 180 days from the date access is made available to the licensee. Clause 8.6 of the Code also provided that the licensee shall supply the meter and metering equipment, etc. to consumers at the time of serving new connection.

9 The target date of serving the connection was December 2017.

10 Consumer applied in April 2016 for new connection, wherein DISCOM was entitled to collect minimum fixed charges of ₹ 1.08 crore per month, w.e.f. November 2016, i.e. six months from the application, which was actually afforded in July 2018, thus delay of 20 months against time-line of 6 months, i.e. 180 days.

11 The Consumer started defaulting in regular payment from January 2016. However, the connection was not permanently disconnected by the DISCOM as required under as per Clause 9.13 and 9.14 of the Electricity Supply Code 2013. Instead, the power supply continued up to September 2018, which was permanently disconnected on 14.12.2018. Due to continued power supply from January 2016 to September 2018 the revenue arrear mounted up to ₹ 4.77 crore. An adjustment of ₹ 1.10 crore against the security deposit was made and ₹ 3.67 crore is still pending.

12 The Consumer started defaulting in payment from July 2013. On account of non-payment of dues, the connection was temporarily disconnected on 28.07.2013 and though permanent disconnection notice was served on 30.09.2013, however, on the basis of oral advice of advocate, permanent disconnection was not done. The Company continued the minimum billing of the Consumer upto 31 March 2017 and the arrears increased from ₹ 0.49 crore to ₹ 7.12 crore during the period July 2013 to March 2017, which has not been recovered so far.

Nature of Deficiency	No of Consumers	Audit Observation	Amount (₹ in crore)
		M/s UTCL has neither executed any tripartite agreement nor submitted any indemnity bond. Though, the monthly bills issued in the name of old consumer was being paid by the UTCL regularly. As, the MPPoKVVCL, Jabalpur continued supplying power to HT consumer who neither had the sanctioned load nor had executed any agreement with the DISCOM, the recovery of old dues of ₹ 24.75 crore is doubtful.	
Total	**38**		**136.97**

Appendix 9

(Reference: Paragraph 3.6.2)

Details of activities not implemented in ERP by DISCOMs

DISCOM	Activities not implemented in ERP by DISCOMs
MPMKVVCL, Bhopal	Leave management, compensation management, reward details, grievance, litigations, disciplinary process, abroad trip, bonds for trainee, movable and immovable property, health management, external training details, trade union details, union interaction process, resolving industrial dispute process, dak management, retirement process, man power planning, Learning management (training), auto generation of accurate work estimate, execution of project, project/estimate management including monitoring and work completion details, expenditure booking, project life cycle, capitalisation, tender sourcing process, purchase order management, dispatch instruction creation process[13], issue indent process, PO rate contract, sales order, PO correction process, TDS/ TCS certification generation, manual creation, retirement, assignment, depreciation of assets, capitalisation of asset from PO and projects, revaluation, reclassification, mass retirement, splitting of costs, recognition of long term/ short term loans, settlement of loans, fund transfer[14], bank statement, auto/ manual reconciliation, creation of manual/ adjustment journal vouchers[15], cost allocation, define budget organisations and budget account heads, budget allocation, Government audit[16], statutory audits and internal audits, accounting at RAO Offices, preparation of Annual Accounts.
MPPoKVVCL, Jabalpur	Integration of billing system with ERP Accounts Receivable, Bank Reconciliation Statements, Cash Flow Statement, Budget preparation, Cost allocation, costing analysis, Order management, profitability analysis, profit center accounting, insurance and revaluation of Fixed Assets, Cost of power purchase, automatic computation of interest and penalties on loans, R-15 statement, tariff related details, Internal Audit Reports, preparation of Annual Accounts, Project planning and scheduling, Material planning, Procurement planning, Manpower planning, Succession planning, vigilance clearance, individual development plan, Lawyers communication, gist of orders, database of all orders of courts, forums, CEA, tribunals, etc., arbitration, legal opinions, advocate bills, ombudsman, Right to Information.
MPPaKVVCL, Indore	TCS/ TDS certification generation, payment creation[17], integration of billing system with ERP Accounts Receivable module, Fund transfer[18], bank statement and auto/ manual Bank Reconciliation Statements, Cash Flow Statement, recognition of long term/ short term loans and investments, settlement of loans, Budget preparation process, Cost allocation, costing analysis, Order management, profitability analysis, profit center accounting, Manual creation of asset, capitalisation of asset from PO and projects, retirement, assignment, depreciation, revaluation, reclassification of assets, splitting of costs, Provision related to insurance and revaluation of Fixed Assets, Cost of power purchase, automatic computation of interest and penalties on loans, R-15 statement, tariff related details, Internal Audit Reports, preparation of Annual Accounts, Project planning, execution, monitoring and final closure, Purchase planning, monitoring, sourcing, tendering, Purchase orders management and final closure. Material planning, Manpower planning, Succession planning, vigilance clearance, individual development plan, Lawyers communication, gist of orders, database of all orders of courts, forums, CEA, tribunals, etc., arbitration, legal opinions, advocate bills, ombudsman, Right to Information, Transfer process, promotion process, confirmation process, separation process, deputation process, Workman

13 Other than poles.
14 Except up to approval.
15 Except opening balances migrated from old system.
16 Except capturing of IRs and Para.
17 Except up to approval.
18 Except up to approval.

DISCOM	Activities not implemented in ERP by DISCOMs
	compensation process, reward details grievance, litigations, gradation details, disciplinary process, abroad trip, bonds for trainee, movable and immovable property, external training details, trade union details, union interaction process, resolving industrial dispute process, dak management, external training nominations, learning management (training).

UDAY

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