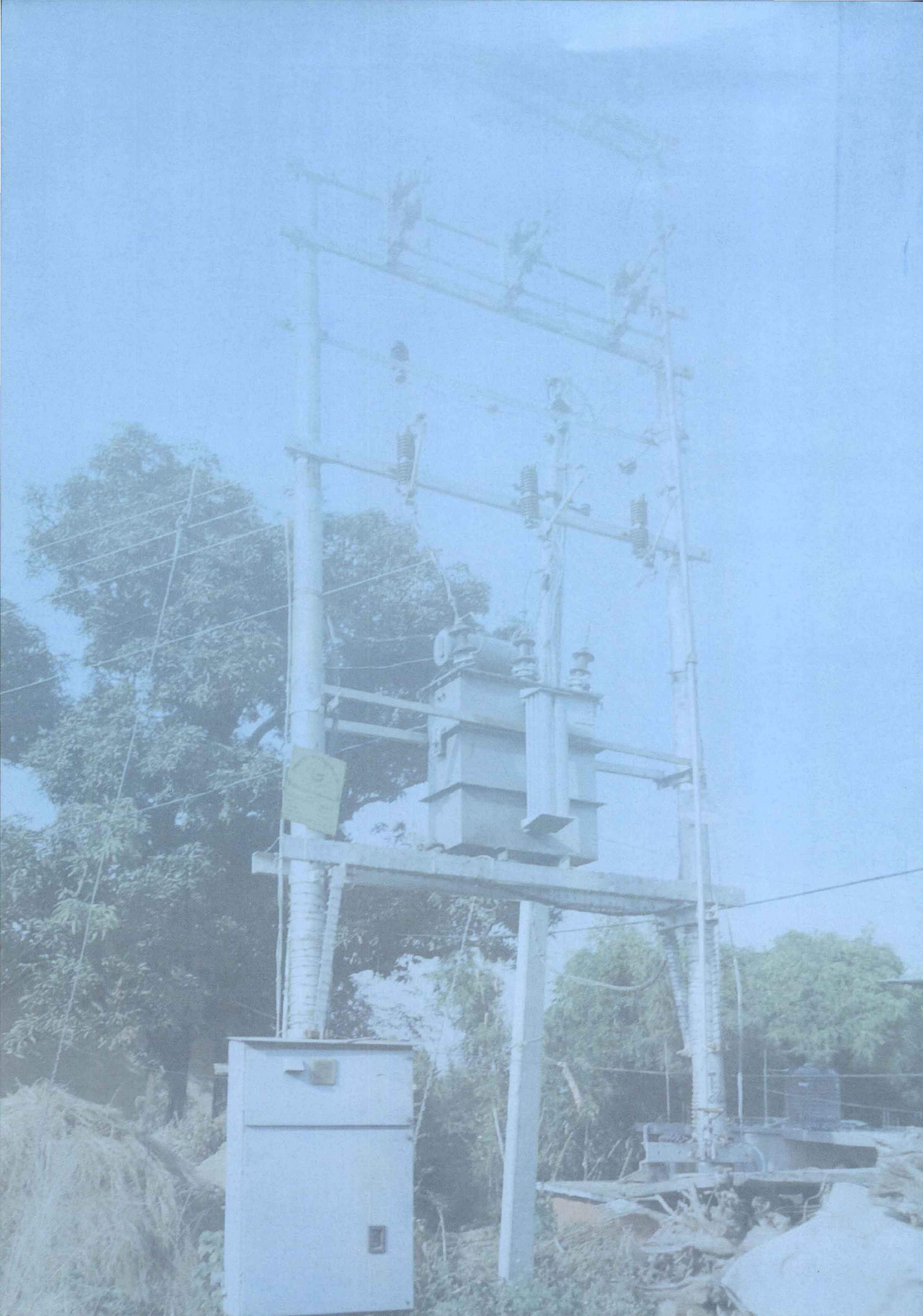
Report of the
Comptroller and Auditor General of India
on

Presented to Lok Sabha and Rajya Sabha on
Dated. 11 FEB 2014

Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

Union Government
Ministry of Power

Report No. 27 of 2013
(Performance Audit)



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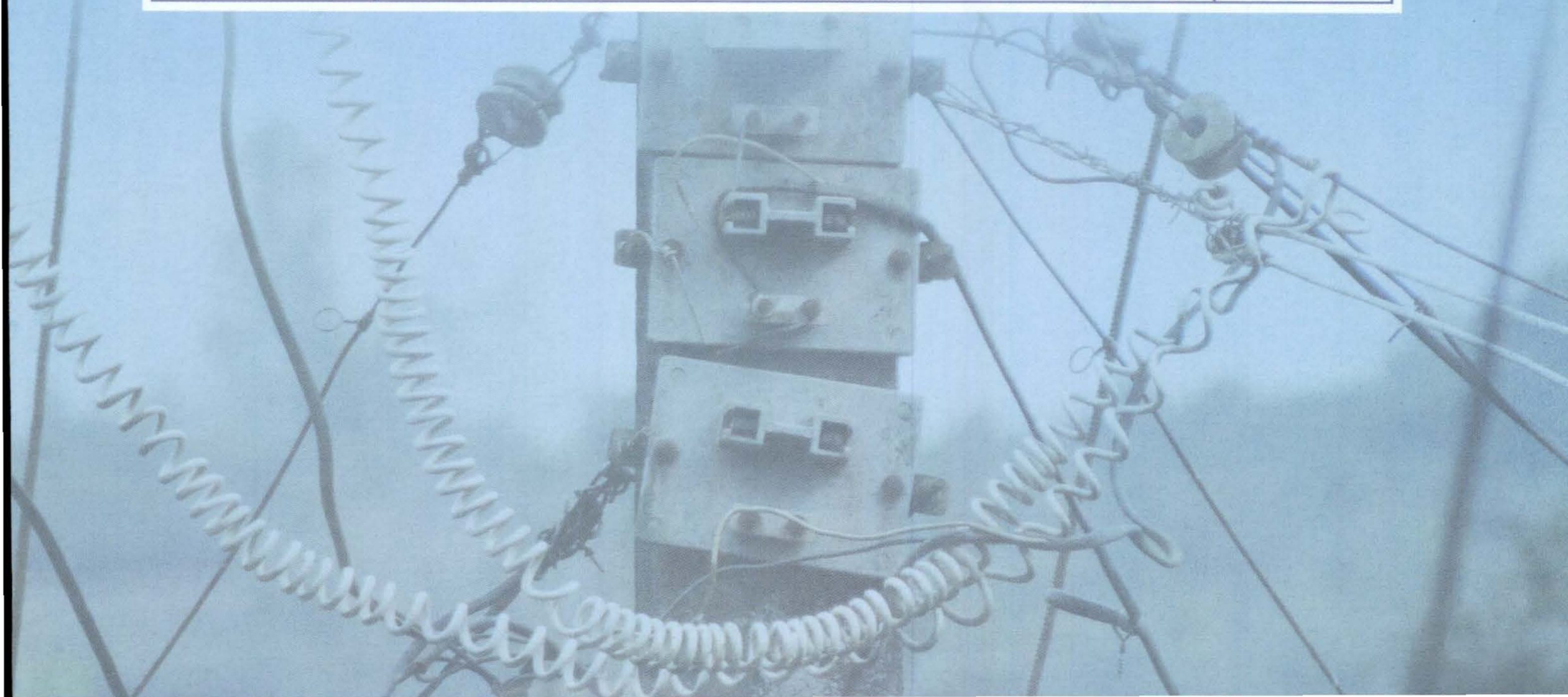


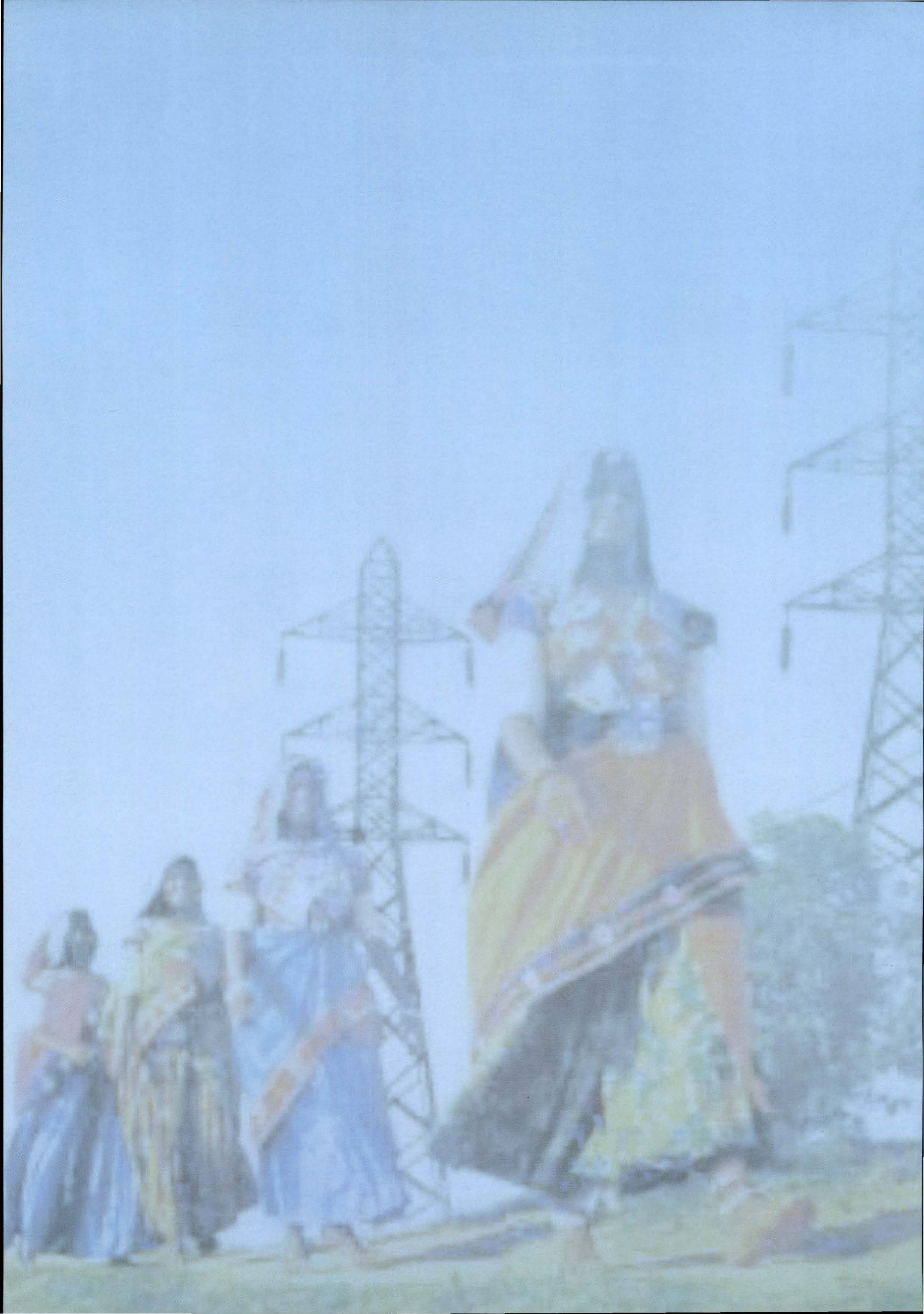
Preface

This Report of the Comptroller & Auditor General of India has been prepared for submission to the President of India under Article 151 of the Constitution for being laid before the Parliament.

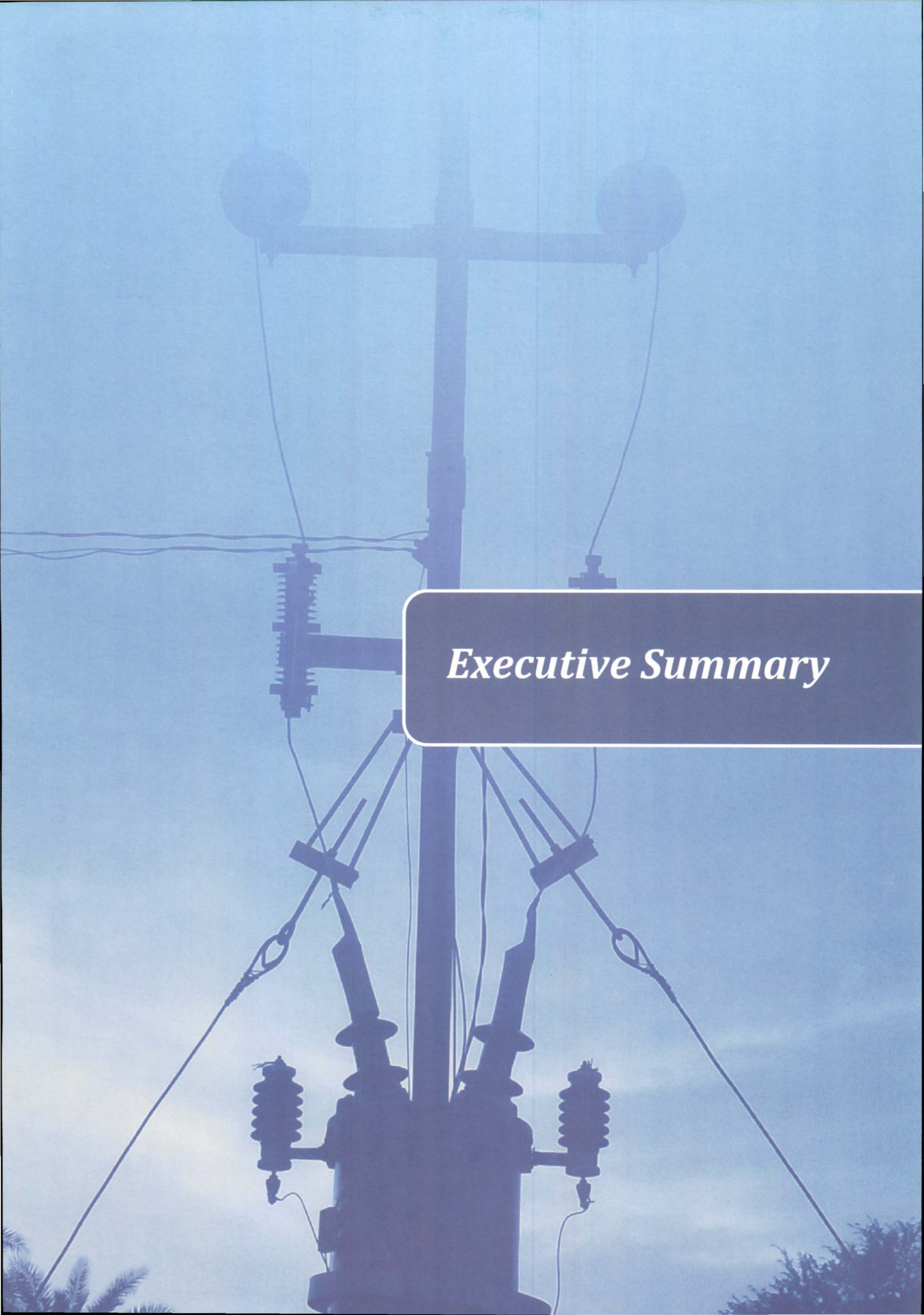
The report covering the eight years from 2004-05 to 2011 - 12, contains the results of the Performance Audit on 'Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)'.

In March 2005, the Government of India, Ministry of Power launched Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme to accelerate the pace of rural electrification.

The pan-India nature of the scheme, size of financial outlay and number of beneficiaries targeted made this an ambitious scheme. Audit was undertaken to get an assurance that the objectives of the scheme were achieved.



Executive Summary



Executive Summary

Government of India, Ministry of Power (MOP) launched (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) to accelerate the pace of village electrification. MOP subsequently, merged all existing rural electricity programmes of Government of India (GOI) with RGGVY. The main objectives of RGGVY were to:

- Electrify all villages and habitations,
- Provide electricity to all households,
- Give electricity connection to Below Poverty Line (BPL) families, free of charge,
- Accelerate rural development, generate employment and eliminate poverty through irrigation, small scale industries, cold chains, healthcare, education and Information Technology(IT),
- Bridge the urban-rural gap and provide reliable and quality power supply to rural areas.

The scheme was launched to fulfill the commitment of the National Common Minimum Programme (NCMP) of completing household electrification in 5 years, *i.e.* by 2009. The target for village electrification was 1,25,000 un-electrified villages and 7.8 crore rural households including free electricity connections to 2.34 crore BPL households by 2009.

At GOI level, MOP was the apex authority responsible for administration of the scheme. Rural Electrification Corporation Limited (REC) was the nodal agency for the scheme responsible for overall implementation including project scrutiny and appraisal, co-ordination, monitoring and release of funds. The scheme was to be further implemented by Project Implementing Agencies (PIAs), *i.e.* State power utilities (SPUs)/ electricity distribution companies, State Electricity Boards and Central Public Sector Undertakings (CPSUs).

RGGVY launched towards the end of X Five Year Plan (2002-07) was expected to continue in XI Five Year Plan (2007-12). During X Plan, 235 projects of a value of ₹ 9,733.35 crore were sanctioned for implementation while 341 projects amounting to ₹ 16,694.43 crore were sanctioned in XI Plan.

Performance Audit of RGGVY was conducted in 27 States. Out of 576 projects under implementation during X and XI Plans, 169 projects were test-checked covering the period from 2004-05 to 2011-12. Records were scrutinized at MOP, REC, State Governments, CPSEs, Districts, besides conducting a limited survey of villages and BPL beneficiary households.

HIGHLIGHTS

Formulation of scheme (Chapter 3 and 5)

(i) There were inconsistencies in the figures which formed the basis of the targets for un-electrified and electrified villages that MOP projected. Coverage of both electrified and un-electrified villages underwent a significant change. Unreliability of such data is a matter of concern as assurance on achievement of targets that were being reflected in various proposals and REC data, was difficult to obtain.

(Para 3.2)

(ii) MOP did not conduct feasibility study before launching the scheme, despite recommendations from the Standing Committee on Energy (14^{th} Lok Sabha) that it should obtain updated statistics on rural electrification from States and modify the rural electrification programme in the light of updated statistics. MOP did not have complete information from all States even by September 2008, indicating that the basis of figures used for both X and XI Plan was not sound. It was not possible to draw an assurance that MOP had identified the number of electrified villages, BPL households, *etc.* after considering the impact and outcome of earlier schemes.

(Para 3.1, 3.2 and 3.3)

(iii) There was scope for preparing cost estimates to CCEA for approval more realistically, based on available information with MOP. Inadequacies in identification and estimation of un-electrified villages and BPL beneficiaries at the planning stage had the impact of variations in the cost estimates to the extent of ₹ 2,262 crore.

(Para 3.4)

(iv) None of the PIAs undertook a survey prior to formulating DPRs. For the BPL household data, in seven States, PIAs relied upon the data of Census of 2001 without considering growth in rural population/habitats/villages since 2001. In remaining States, PIAs collected BPL data from other sources. Out of 169 selected projects, DPRs in respect of 162 projects[*] were produced to Audit by REC, but important information / data like existing status of electrification in the

[*] Projects in respect of which DPRs were not submitted: Kaushambi, Jalaun, Mirzapur, East Sikkim, Sangli, Krishnagiri and Nagapattinam (seven projects).

district, estimated cost, year-wise phasing of work and PERT charts for project execution, *etc.* were not attached to DPRs. Out of 577 DPRs[†], 519 DPRs, constituting 90 *per cent* of total DPRs, had to be revised {amount-wise percentage revision being between (-) 61.49 *per cent* and (+) 269.29 *per cent*}.

(Para 3.7, 5.2 and 5.3)

(v) DPRs of 109 projects[‡] under RGGVY, in four[§] States, with an effective sanctioned cost of ₹ 6,266.71 crore, were prepared as per the scope of an earlier scheme (AEOLVOCH[**]) during 2004-05. However, action to revise DPRs of projects as per scope of RGGVY was taken belatedly during 2005-06 to 2011-12 by sanctioning supplementary projects in 51 out of 109 projects, at a cost of ₹ 8,312.38 crore.

(Para 5.1.1)

(vi) Rural Electricity (RE) Policy notified by MOP in August 2006 stipulated that all States were to prepare and notify RE Plans by February 2007. No State had notified RE Plan by February 2007. Further, MOP, while approving (February 2008) RGGVY in XI Plan, reiterated that the States should finalize their RE Plan in consultation with MOP and notify the same within six months. 25 out of 27 States had notified RE Plan as of August 2013. Delay in notification by these States ranged from 3 months to 73 months. Two States (Jammu and Kashmir and Sikkim) had not notified their RE Plan (August 2013).

(Para 3.6)

Financial Management (Chapter 4)

(vii) Analysis of the information available at REC in respect of 169 selected sample projects revealed that there was additional time taken by REC in release of funds to PIAs which ranged from 16 to 162 days in 71 projects, 16 to 182 days in 64 projects and 16 to 209 days in 86 projects in respect of 1st, 2nd and 3rd installments respectively. Both PIAs and REC were responsible for delays which impacted execution and project schedules.

(Para 4.2.1)

(viii) Against the total approval of ₹ 33,000 crore for X Plan and first two years of XI Plan by CCEA, allocation of funds during 2004-12 as per budget estimates and revised estimates was ₹ 31,338.00 crore and ₹ 27,488.56 crore respectively.

[†] There were two DPRs for Kokarajhar Project
[‡] Xth plan - 108 and XIth plan - one
[§] Bihar, Rajasthan, Uttar Pradesh and West Bengal
[**] Accelerated Electrification of One lakh Villages and One crore Households

MOP did not fully utilize the funds allocated under the scheme and released ₹ 26,150.76 crore to REC up to March 2012.

(Para 4.3.1)

(ix) As against ₹ 26,150.76 crore released by MOP to REC, the latter released ₹ 25,652.37 crore to PIAs upto March 2012 and PIAs had intimated utilization of ₹ 22,510.14 crore (20 May 2012). The status of release of funds by REC to PIAs and utilization by PIAs as of February 2013 was ₹ 26,034.65 crore and ₹ 24,547.58 crore respectively. Balances remaining unutilized with PIAs ranged from ₹1.47 crore to ₹375.07 crore in 19 States while PIAs reported excess utilization ranging from ₹ 3.64 crore to ₹ 115.13 crore in eight States. As substantial unutilized funds remained with PIAs, an amount of ₹ 337 crore towards interest earned by PIAs on unutilized funds remained to be remitted to the Government account as of August 2013 and thus, did not further the cause of RGGVY.

(Para 1.5, 4.3.2 and 4.5)

(x) REC did not link the terms of release of funds with achievement of physical targets[††] set under approved RGGVY projects. In Jammu and Kashmir and Mizoram, this resulted in release of 67 *per cent* to 70 *per cent* of the project cost to PIAs/contractors whereas the physical achievement against the released funds was less.

(Para 4.3.2)

(xi) PIAs, in four States, committed irregularities in maintenance of separate interest bearing bank account resulting in loss of interest of ₹ 7.10 crore. PIAs, in two States, treated interest of ₹ 49.83 crore earned on RGGVY funds as their own income which was not permissible.

(Para 4.4)

(xii) There were instances of diversion of funds, of ₹ 157.78 crore, for non-RGGVY purposes as RGGVY funds were mixed with general funds of the State Power Utilities (SPUs).

(Para 4.7)

Project execution (Chapters 5 and 7)

(xiii) The milestone-based project monitoring system stipulated that the project was to be awarded within three months of sanction of project. However, in 425 out of 576 projects, the time taken to award the project was more than three

[††] The Ministry of Finance, in December 2007, also emphasized linking the spending of funds with the achievement of physical targets so that effectiveness of the scheme may be ensured.

months. The maximum delay was upto 46 months (*i.e.* three years and 281 days) in two projects[‡‡]. The delay also led to cost escalation of projects. In test-checked cases in five States alone, the increase in cost amounted to ₹ 696 crore.

(Para 5.5.2)

(xiv) There were cases of undue favour and violation of rules and procedures in award of contracts. In the test-checked cases, 29 projects amounting to ₹ 548.61 crore were awarded to ineligible contractors in two States. Further, undue benefit of ₹ 114.40 crore was extended to contractors on account of permitting higher rates, non-deduction of taxes, *etc.* which also resulted in avoidable increase of project costs by that amount.

(Para 5.6 and 5.9)

(xv) Either CVC or REC guidelines were not followed in respect of mobilization advance released by PIAs. This resulted in blockade of funds amounting to ₹ 103.57 crore for periods ranging from 3 months to 42 months in eight States. Mobilization advance was also granted in excess of stipulated norms / contractual terms, amounting to over ₹ 29.61 crore in three States. States had to bear a financial loss of ₹ 58.33 crore in respect of 57 test-checked projects in 11 States[§§] on account of release of interest-free mobilisation advance amounting to more than ₹ 450 crore to contractors. The action was not financially prudent. PIAs were paying interest at the rate of 10-12 *per cent* on loans received from REC for the scheme while advances to contractors were interest free.

(Para 5.7)

(xvi) Despite delay by contractors in completion of projects in time, in 14 States, Liquidated Damages amounting to ₹ 166.40 crore were not levied.

(Para 5.5.3)

(xvii) Expenditure of ₹ 41.42 crore was incurred for ineligible works, payments for works not done or assets not created and unfruitful expenditure on assets not put to use.

(Para 5.8)

(xviii) RGGVY did not achieve its target of electrifying all villages or households by 2010, even after a delay of 24 months (upto March 2012). Achievement was 63, 27 and 44 *per cent* in respect of electrification of un-electrified villages, rural and BPL households respectively by March 2010. 100 *per cent* energisation

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‡‡ Malda and 24 Pargana in West Bengal

§§ Arunachal Pradesh, Chhattisgarh,Gujarat, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Sikkim, Uttar Pradesh, Uttarakhand, West Bengal had not been achieved for even X Plan projects, though five years had elapsed since the end of the Plan.

(Para 7.1 and 7.4)

(xix) Deployment for franchisees for ensuring revenue sustainability of RGGVY projects was mandatory; yet as of 31 March 2012, only 37,614 franchisees had been deployed in 17 States covering 1,75,655 villages out of 3,53,049 villages. This implied that franchisees were deployed in approximately half (49.75 *per cent)* of the villages. No franchisees were appointed in ten States, *i.e.* Andhra Pradesh, Arunachal Pradesh, Jammu and Kashmir, Jharkhand, Kerala, Manipur, Mizoram, Punjab, Sikkim and Tamil Nadu.

(Para 7.5.4)

Monitoring (Chapter 6)

(xx) Monitoring was not adequate and deficiencies were noticed in all three tiers of quality control mechanism. In 1st tier, deficiencies were found in frequency, quality and in taking remedial action in response to the defects pointed out by Third party inspection agencies in their inspections.

(Para 6.2 and 6.2.1)

(xxi) 1st stage inspection in 2nd tier monitoring was not at all conducted/ partially conducted in nine States in test-checked projects. In addition, 2nd stage inspection in 2nd tier monitoring was either not at all conducted/partially conducted in 20 States. REC Quality Monitors (RQMs) appointed for 2nd tier monitoring had pointed out shortcomings in 28 out of 98 test checked projects of XI Plan. Defects pointed out by RQMs were not rectified by PIAs of 21 of 28 test checked projects as on 30 September 2012.

(Para 6.2.2)

(xxii) MOP took no action with respect to 3rd tier monitoring till July 2010. MOP passed on its responsibility to REC (August 2010) by entrusting the latter with the responsibility of appointment of National Quality Monitors (NQMs). Independence of both levels of Quality Monitoring (RQM and NQM) would have been better achieved if this was not carried out by REC- a single agency.

(Para 6.2.3)

KEY RECOMMENDATIONS

- ✓ *MOP may consider getting an independent survey conducted prior to implementation of new projects in XII Plan and the list of identified villages and estimates of beneficiaries revised to avoid duplication and ensure that the benefits of the scheme reach the intended and targeted beneficiaries in close coordination with States.*

- ✓ *MOP may like to get REC to exercise greater control over the scope of work and related estimates by devising suitable formats of monitoring reports which would help ensure that projects are taken up for sanction only if the PIA submits a DPR based on a detailed field survey and physical and financial estimates are reasonably accurate.*

- ✓ *MOP may consider instituting an accounting mechanism at all levels (MOP, REC and PIAs) that ensures real-time watch over the actual release and receipt of funds and interest earned on unspent balances.*

- ✓ *MOP and the nodal agency, REC may take immediate action to recover / adjust the interest earned by PIAs on capital subsidy kept in banks and RGGVY funds that were utilized for payment of State / local taxes, against project costs.*

- ✓ *MOP may, in close coordination with States, consider institutionalising a uniform/standard template for ascertaining progress of work at each significant level so that common and avoidable irregularities/deficiencies in contract management such as non-deduction of statutory dues, non-levy of liquidated damages and excess payments to the contractors are avoided.*

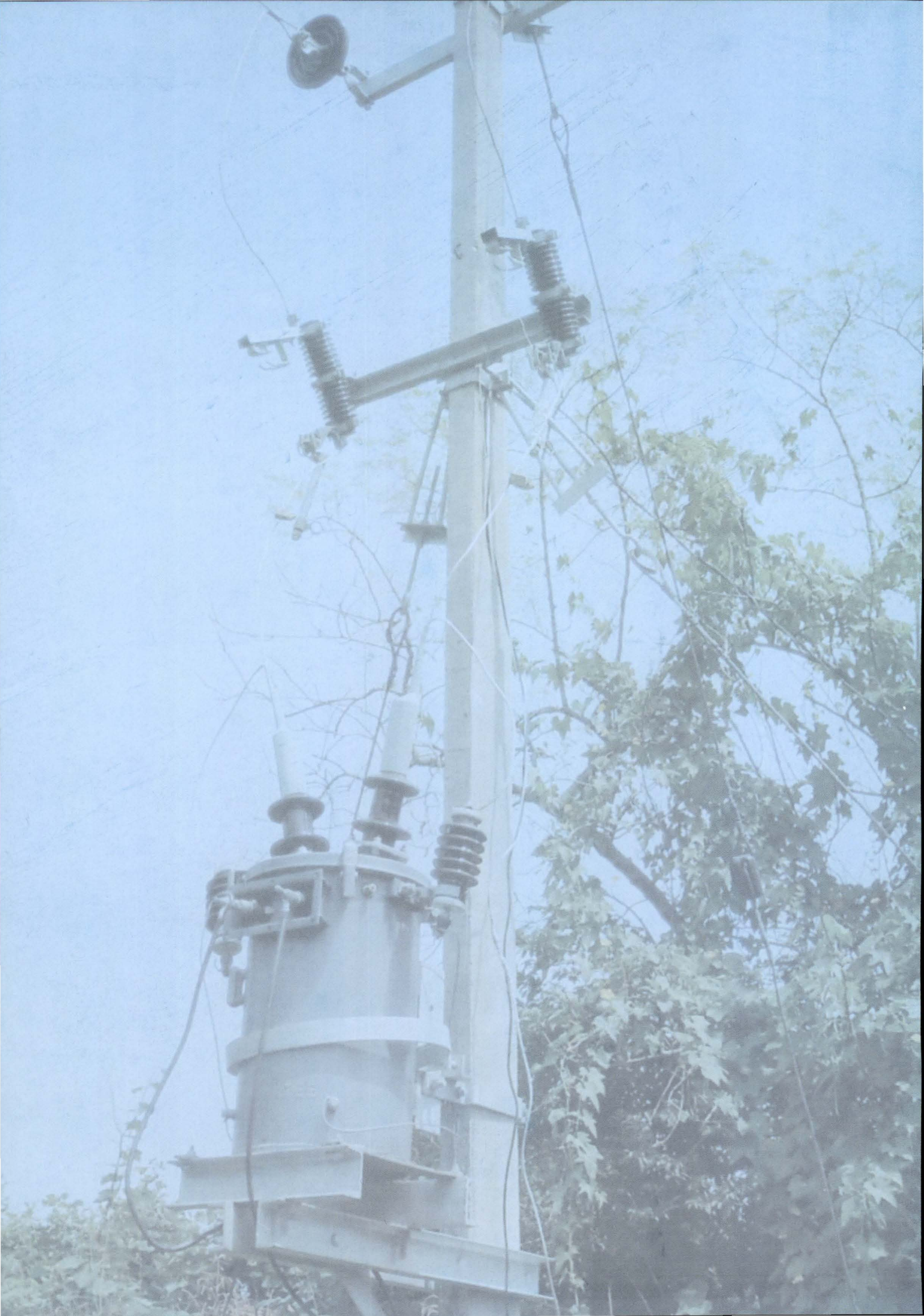
- ✓ *Results of review of State level coordination committee meetings may be asked to be regularly communicated to MOP by an identified target date, by the Chief Secretaries of States. Deficiencies may be followed up regularly so that this endeavour yields expected results in terms of increasing effectiveness of implementation and achievement of outcomes.*

- ✓ *MOP may critically review the existing mechanism and install additional safeguards specifically targeting achievement of quality and reliability in supply of power, collection of revenue with special emphasis on States where targets remained to be achieved.*

REMEDIAL ACTION TAKEN BY THE MINISTRY

Subsequent to the issue of draft performance audit report to MOP, Secretary (Power), in the exit conference held on 2 September 2013, acknowledged the audit observations and stated that they have considered all major issues pointed out while preparing the guidelines for continuation of RGGVY in the XII Plan.

While the remedial action taken by MOP is appreciated, there is scope for improvement and refinement of guidelines and procedures as highlighted in this report.



PART I

INTRODUCTION

Chapter 1:

Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) - An Overview

1.1. Rural electrification

Rural development and industrialization are considered fundamental for the economic growth of a country and electricity is seen as one of the agents providing impetus to such growth. Electricity is no longer viewed as a novelty but an essential and necessary requirement and in recent times, this has led to electricity being recognized as a basic human need in both rural and urban areas.

While urban areas in the country have witnessed growth in electricity consumption, the situation in rural areas has been far from ideal. Over the years, Government of India (GOI) has emphasized the need for rural electrification to improve the quality of life and growth of rural economy. Rural electrification (RE), in general terms, has meant bringing electrical power to rural and remote areas. Such power is intended to be used for domestic purposes as well as for mechanization of farming operations.

The Electricity Act, 2003 mandates that GOI shall endeavor to supply electricity to all areas including villages and hamlets. In accordance with the Electricity Act, GOI has a well-enunciated Rural Electrification Policy (REPOL), notified in August 2006, the basic aim of which is to ensure rapid economic development by providing access to electricity to all the villages and households. REPOL acknowledged that the requirements of agriculture and other important activities including small and medium industries, health care, education and information technology must be catered to. REPOL seeks to improve the quality of life in rural areas by supplying electricity for lighting up rural homes, shops, community centers, public places *etc*., in all villages and also to facilitate the development of productive loads. Broadly, goals of REPOL are:

- Provision of access to electricity to all households by year 2009;
- Ensuring quality and reliable power supply at reasonable rates; and

- Minimum lifeline consumption of one unit per household per day as a merit good by 2012.

Initial focus of rural electrification programmes of the Ministry of Power (MOP) was on *'Electrification for Irrigation'* to enhance agricultural produce. This was reflected in the definition of village electrification which was accepted till as late as October 1997, *i.e. "a village should be classified as electrified if electricity is being used within its revenue area for any purpose whatsoever."* However, in consultation with State Governments and State Electricity Boards (SEB), this definition was reviewed and a new definition was adopted in October, 1997, which *inter alia* stated that *"a village will be deemed to be electrified if the electricity is used in the inhabited locality, within the revenue boundary of the village, for any purpose whatsoever."* In February 2004, the definition was broadened and a village was to be classified as electrified only if:

- *"Basic infrastructure such as distribution transformer and distribution lines were provided in the inhabited locality as well as the dalit basti/hamlet where it exists. (For electrification through Non-conventional Energy Sources a distribution transformer may not be necessary);*
- *Electricity was provided to public places like schools, panchayat offices, health centres, dispensaries, community centres etc; and*
- *The number of households electrified was at least 10 per cent of the total number of the households in the villages."*

1.2. Status of rural electrification

In 1947, only 1,500 villages were electrified and per capita consumption was 14 units. Since then, GOI had launched rural electrification programmes such as:

- Rural Electrification under Minimum Needs Programme (MNP);
- Pradhan Mantri Gramodaya Yojana (PMGY);
- Kutir Jyoti Scheme;
- Accelerated Rural Electrification Programme (AREP); and
- Accelerated Electrification of One lakh Villages and One crore Households (AEOLVOCH).

In spite of these efforts targeted towards achieving 100 *per cent* rural electrification, electricity was being provided to only 43.53 *per cent* of rural households by 2001. As per the 2001 census, more than one lakh villages and approximately 7.80 crore rural households remained to be electrified. Key indicators reflecting the status of rural electrification, as on 31 March 2004, prior to the launch of RGGVY are given in **Table 1** and **Figure 1**. As may be seen, according to the prevailing (2004) definition, 81 *per cent* of villages in India had been electrified. State-wise details of village and rural household electrification are given in

Annexe 1 and 2. RGGVY was launched *inter alia* for electrification of balance un-electrified villages.

Table 1: Key indicators of Rural Electrification as on 31 March 2004

Total Villages as per 1991 Census[1]	Total No. of Villages electrified	Balance Un-electrified Villages	Percentage of Un-electrified Villages
5,87,556	4,74,982	1,12,401*	19.13

* *As per the new definition of village electrification (effective from 2004-05)*

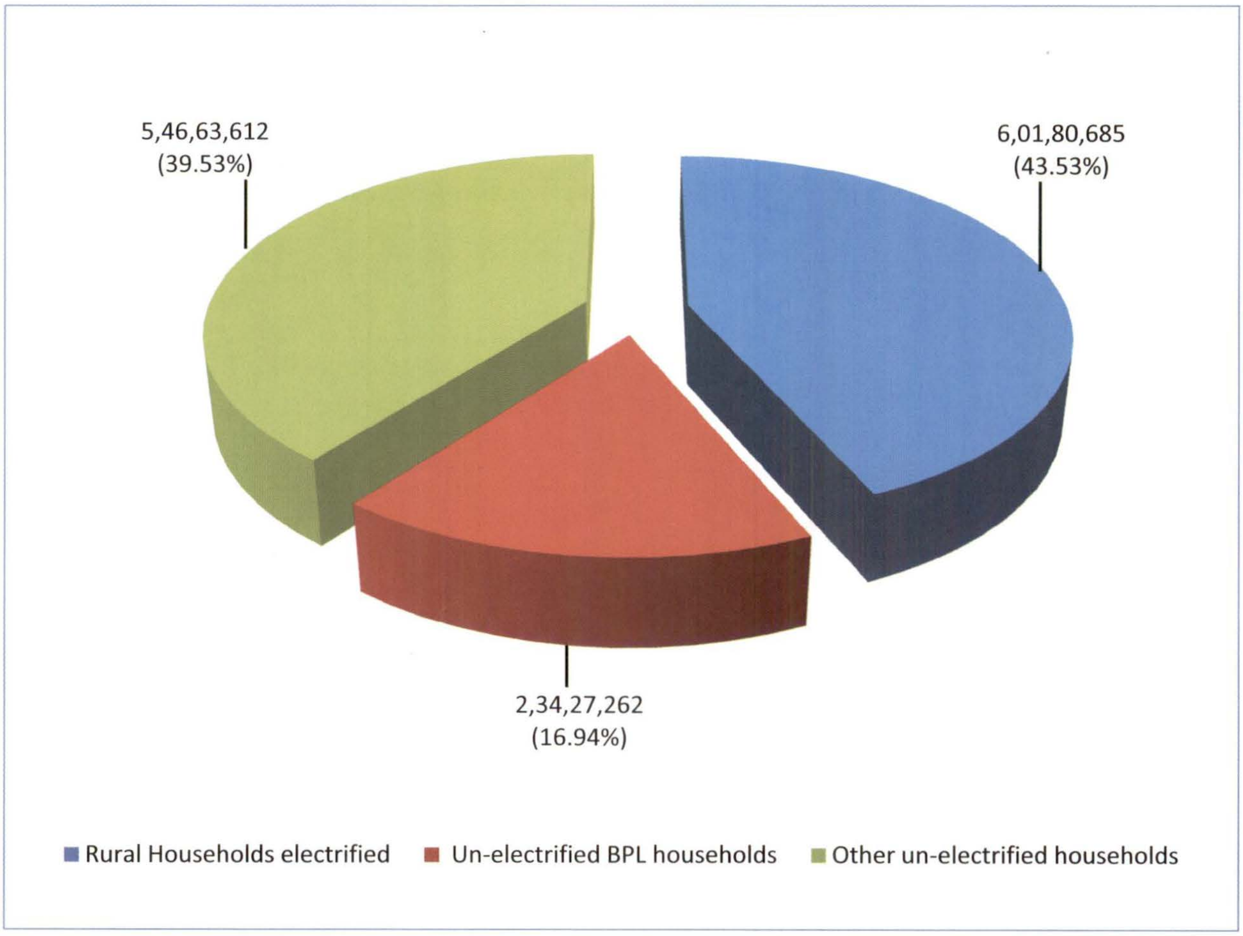


Figure 1: Key indicators of Rural Electrification (2001 Census)

[1] Number of villages is taken as per 1991 census in MOP RGGVY Office memorandum dated 18 March 2005.

1.3. Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

MOP launched (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) to accelerate the pace of village electrification. In doing so, MOP merged all existing rural electricity programmes of the GOI with RGGVY. The main objectives of RGGVY were to:

- Electrify all villages and habitations,
- Provide access to electricity to all households,
- Give electricity connection to Below Poverty Line (BPL) families free of charge,
- Accelerate rural development, generate employment and eliminate poverty through irrigation, small scale industries, cold chains, healthcare, education and IT, and
- Bridge the urban rural gap and provide reliable and quality power supply to rural areas.

As the earlier focus of electrification in rural areas had been primarily for irrigation and had been done generally by extending the low tension (LT) lines in a piece-meal manner resulting in unreliable and limited hours of power supply, the new programme aimed at a qualitative transformation of the rural electricity infrastructure, which is depicted in **Figure 2**.

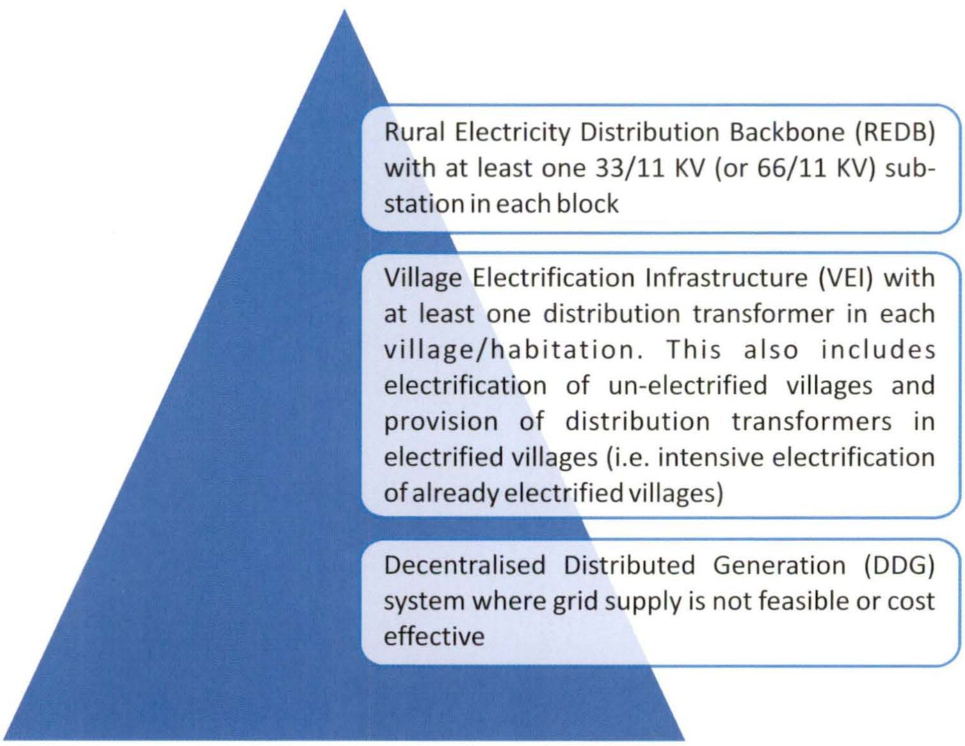


Figure 2: Infrastructure under RGGVY

RGGVY was launched to fulfill the commitment of the National Common Minimum Programme (NCMP) to complete household electrification in 5 years, *i.e.* by 2009. Targets for electrification were 1,25,000 un-electrified villages and 7.8 crore rural households (RHH) including free electricity connections to 2.34 crore Below Poverty Line (BPL) households by 2009. The period of implementation of the scheme was later (January 2008) extended to 2012. Year-wise targets for achievement of village electrification are given in **Table 2**.

Table 2: Targets under RGGVY

Year	No. of un-electrified villages targeted to be electrified all over India
2005-06	10,000
2006-07	40,101#
2007-08	9,000
2008-09	15,000
2009-10	17,500
2010-11	17,500
2011-12	14,500

 # This includes electrified villages also.

(Source: Rural Electrification Corporation)

RGGVY provided a higher level of capital subsidy compared to earlier schemes with focus on quality of power supply in rural areas and emphasis on revenue sustainability, as summarized below.

- Ninety *per cent* capital subsidy was to be provided towards overall cost of projects.
- It was mandatory for States to make adequate arrangements for supply of electricity and without discrimination in the hours of supply to rural and urban households.
- Prior commitment of the States was required to be obtained before sanction of projects for :
  - *deployment of franchisees for the management of rural distribution in projects financed under the scheme, and*
  - *provision of requisite revenue subsidies to the State Utilities as required under the Electricity Act, 2003.*

1.4. Role of major stakeholders

Roles of the various entities in planning, execution and monitoring of the scheme **are summarized in Figure 3**.

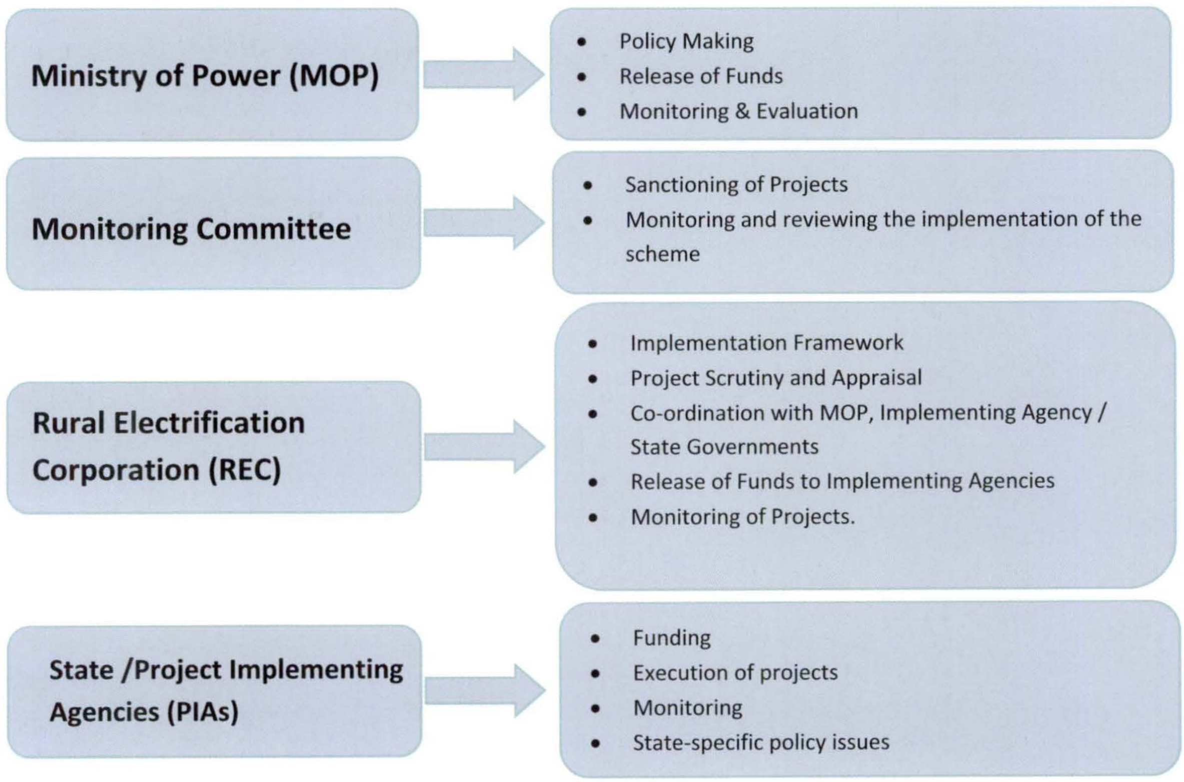


Figure 3: Organisational Structure

1.4.1. Ministry of Power (MOP)

MOP was the nodal Ministry for implementation of RGGVY. It had to set up the Monitoring Committee (MC) under the Chairmanship of Secretary, MOP which was responsible for sanction of projects, revised cost estimates, monitoring and review of implementation of the scheme, in addition to issuing necessary guidelines from time to time for effective implementation of the scheme.

1.4.2. Rural Electrification Corporation (REC)

REC was the nodal agency for implementing RGGVY. All funds for the programme were to be channelized through REC, which would disburse the capital subsidy being provided by GOI and release the remaining funds as loan assistance on soft terms, on need basis.

Besides financing of the project, REC was required to establish the framework for implementation involving formulation of technical specifications, procurement and bidding conditions, guidelines for project formulation, field appraisal and concurrent monitoring and evaluation to ensure quality and timely implementation.

1.4.3. States/State Power Utilities (SPUs)

The State Governments were responsible for the following:

- Finalization of Rural Electrification (RE) Plans in consultation with MOP and notifying the same within six months.
- Contribution of 10 *per cent* of the project cost through own resources/loan from financial institutions including REC.
- Deployment of franchisees for the management of rural distribution in projects financed under the scheme.
- Provision of requisite revenue subsidies to the State Power Utilities (SPUs) as required under the Electricity Act, 2003.
- Guarantee of a minimum daily supply of 6-8 hours of electricity in RGGVY network.
- Ensuring regular meetings of district committee to coordinate and review the extension of electrification in the district, review the quality of power supply, consumer satisfaction, energy efficiency and conservation.
- Ensuring regular meetings of State Level Coordination Committee (SLCC) to review RGGVY and resolve bottlenecks.
- Provide village-wise list of un-electrified villages and BPL households.

1.4.4. Central Public Sector Undertakings (CPSUs)

To augment implementation capacities for the programme, REC concluded Memoranda of Understanding (MoUs) with National Thermal Power Corporation (NTPC)[2], Power Grid Corporation of India Limited (PGCIL), National Hydro-electric Power Corporation (NHPC) and Damodar Valley Corporation (DVC) to make available project management expertise and capabilities of these organizations to States willing to use their services. States could opt for the services of a CPSU for (a) project formulation, (b) system planning, (c) design engineering, (d) procurement of goods and services, (e) construction/ implementation/commission and (f) project monitoring and supervision of quality of work.

1.5. Funding pattern

MOP approached Cabinet Committee on Economic Affairs (CCEA) in November 2004 seeking approval to the scheme for rural electricity infrastructure and household electrification (subsequently renamed as RGGVY) with the following cost details.

[2] Work of execution under RGGVY was delegated by NTPC to its subsidiary NTPC Electricity Supply Company Limited (NESCL)

Table 3: Cost estimates approved for RGGVY

Sl. No.	Name of item	₹ in crore
	Electrification of 1.25 lakh un-electrified villages including REDB, VEI and last mile service connectivity to 10 *per cent* Households in the village @ ₹ 6.50 lakh /village	8,125
2	Augmentation of backbone network in already electrified villages having un-electrified inhabitations @ ₹ 1 lakh/village for 4.62 lakh villages	4,620
3	Rural Household electrification of population under BPL, *i.e.* 2.34 crore households @ ₹ 1,500 per household	3,510
4	Total outlay for the scheme (rounded off)	16,000
5	Subsidy component	14,750

CCEA approved (December 2004) the scheme in principle with a provision of ₹ 5,000 crore towards subsidy for the remaining period (2005-07) of X Plan (2002-07).

MOP again approached CCEA (September 2007) for continuing the scheme in XI Plan (2007-12) with revised cost estimates of ₹ 51,955 crore[3] (90 *per cent* subsidy component being ₹ 46,812 crore). The revised scheme was also expected to cover over 1.25 lakh un-electrified villages and 2.5 crore BPL households.

While working out the revised cost estimates, the norms for various components were revised as shown in **Table 4.**

Table 4: Cost estimates approved for RGGVY

Sl. No.	Name of item	Cost in XI plan
1	Electrification of un-electrified villages	@ ₹ 13 lakh/village (in normal terrain) @ ₹ 18 lakh/village (for hilly, tribal, desert areas)
2	Intensive electrification of already electrified villages	@ ₹ 4 lakh/village (in normal terrain) @ ₹ 6 lakh/village (for hilly, tribal, desert areas)
3	Cost of electricity connection to BPL households	₹ 2,200 per BPL household

[3] Detailed working not indicated in the proposal to CCEA.

After adjusting ₹ 5,000 crore already approved in X Plan, the requirement of subsidy for XI Plan was projected by MOP at ₹ 41,812 crore (₹ 46,812 crore *less* ₹ 5,000 crore).

However, based on resource availability in XI Plan assessed by Planning Commission, grant requirements were restricted to ₹ 28,000 crore. The proposal of MOP was approved by CCEA (October 2007).

235 projects amounting to ₹ 9,733.35 crore were sanctioned during X Plan for implementation while 341 projects amounting to ₹ 16,694.43 crore were sanctioned in XI Plan. The cost of a project was to be met through 90 *per cent* capital subsidy provided by GOI and 10 *per cent* through contribution from the State through own resources/loan from financial institution.

Details of funds allocated for RGGVY to MOP through Budget estimates (BE)/Revised estimates (RE), funds released by MOP to REC for implementation of scheme and by REC, in turn, to PIAs during 2004-05 to 2011-12 are given in **Table 5**. Details of state-wise releases by REC are given in **Annexe 3**.

Table 5: Release of capital subsidy

(Amounts in ₹ in crore)

Year	Amount allocated to MOP (BE)	Amount allocated to MOP (RE)	Amount Released by MOP to REC	Amount released by REC to PIAs
2004-06	1,500.00	1,500.00	1,500.00	1,402.60
2006-07	3,000.00	3,000.00	3,000.00	3,014.37
2007-08	3,983.00	3,944.56	3,913.45	3,368.30
2008-09	5,055.00	5,500.00	5,500.00	5,109.58
2009-10	6,300.00	5,000.00	5,000.00	5,987.43
2010-11	5,500.00	5,000.00	5,000.00	3,997.87
2011-12	6,000.00	3,544.00	2,237.31	2,772.22
Total	**31,338.00**	**27,488.56**	**26,150.76**	**25,652.37**

Reasons for shortfall in release of funds by MOP/REC were mainly inadequate capacity of PIAs to take up and implement projects as discussed in para 4.3.1 *infra.* PIAs had intimated utilization of ₹ 22,510.14 crore (20 May 2012) which was 88 *per cent* of the funds released by REC and 82 *per cent* of the funds allocated to MOP. The status of release of funds by REC to PIAs and utilization by PIAs as of February 2013 was ₹ 26,034.65 crore and ₹ 24,547.58 crore respectively. The details of unutilized funds held by PIAs and the financial implication in terms of unadjusted interest are discussed subsequently in paras 4.3.2 and 4.5.

1.6. Monitoring

No specific quality control or monitoring system was developed for X Plan projects. The scheme was supposed to be subject to concurrent evaluation.[4] A view on modification required for implementation during XI Plan was to be taken after a comprehensive review towards the end of X Plan.

A three-tier monitoring system was introduced during XI Plan. In the first tier, a third party was to be appointed by the implementing agency, which would ensure on a concurrent and ongoing basis that the utilized material and workmanship was in accordance with specifications and guidelines. REC would get the inspection of works done through outsourcing to reputed inspection agencies or retired personnel designated as REC Quality Monitors on the second tier. MOP was to engage independent evaluators designated as National Quality Monitors (NQMs) to conduct random inspection for effective implementation of the scheme in the third tier, with particular reference to quality specifications. Deficiencies in coverage, reporting and corrective action in the monitoring process are discussed in para 6.2 *infra.*

[4] As per CCEA note dated 10 February 2005

Chapter 2:

Audit Approach

2.1. Audit methodology

RGGVY was selected for performance audit keeping in view the significant financial outlay involved and the impact expected. An introduction to the scheme was provided to Audit by MOP through a presentation made on 24 October 2011. Subsequently, Audit undertook a pilot study in Rajasthan and Uttar Pradesh in February 2012. Results of pilot study were used in formulating detailed audit guidelines. Performance audit commenced with an entry conference with MOP on 25 July 2012 during which the audit methodology, scope, objectives and criteria were discussed.

In order to gain a holistic picture of the implementation of the scheme from initiation, implementation and impact assessment, a co-ordinated audit was undertaken in 27 States covering State Distribution Companies (DISCOMs), Electricity Boards and CPSUs. Audit was separately conducted at MOP as well as at the nodal agency, REC. A beneficiary survey was also conducted with the help of a structured questionnaire designed to capture the perception of beneficiaries about the scheme. Exit conferences were held with the State governments, where the state specific findings were discussed. After the conclusion of audit and consolidation and analysis of audit findings, an Exit conference was held on 2 September 2013 with MOP in which the draft audit findings were discussed. The report was finalized after duly considering the replies of MOP and other stakeholders. In order to assess the economy, efficiency and effectiveness of the processes involved in the implementation of RGGVY, the audit procedure included inspection and examination of records and documents, interview with staff and data analysis.

2.2. Audit objectives

The performance audit was undertaken to assess:

- the adequacy and reliability of data based on which the scheme was formulated;
- the accuracy and reliability of cost estimates for the scheme and adequacy of the financial management;
- the extent of fulfillment of commitments by beneficiary States regarding preparation of Rural Electrification (RE) Plans, revenue sustainability and upfront subsidy;
- economy and effectiveness in the management of the works and projects in a timely manner and compliance with the guidelines for preparation of Detailed Project Reports (DPR);
- extent of achievement of specific targets of the scheme:
- reliability and adequacy of the computerized MIS set up to monitor the progress and implementation of the scheme; and
- adequacy and effectiveness of monitoring mechanism and remedial action taken on the inadequacies noticed in the process of monitoring.

2.3. Audit criteria

The main sources of audit criteria for the performance audit were:

- Electricity Act, 2003;
- Rural Electrification Policy, 2006;
- Scheme guidelines issued by MOP vide Office memorandum dated 18 March 2005 and additional guidelines issued by REC regarding Quality control and Procurement of Goods and services *etc*;
- Bipartite/Tripartite/Quadripartite agreement among REC, State Government, State Power Utilities and CPSUs;
- Minutes of the Monitoring Committee meetings;
- Sanctions for payment of capital subsidy of MOP;
- Instructions/circulars/orders issued by MOP and REC relating to the scheme;
- Approved DPRs along with its vetting comments in REC; and
- General Financial Rules, 2005.

2.4. Audit scope and sample

The performance audit was conducted in 27 States. 169 projects were test-checked out of 576 projects under implementation during X and XI Plans (2004-05 to 2011-12). Details of projects selected are given in **Annexe 4**. Records at MOP, REC, State Governments, CPSUs, Districts and Block/Gram Panchayats were test checked.

Approximately, 25 *per cent* projects were selected from all States subject to a minimum of two from each State. The project sample for each State was taken by dividing the population into two strata – 'High risk' and 'Others'. The High Risk stratum was limited to five *per cent* of all the projects in the State and was formed by selecting those projects with high costs. This stratum was audited 100 *per cent.* The remaining projects were put into the 'Other' stratum and a sample was drawn using Simple Random Sampling without Replacement (SRSWOR) method using IDEA Software.

At least three blocks were taken for audit in each selected project where number of blocks exceeded nine and two blocks were selected for audit where the number of blocks was less than nine.

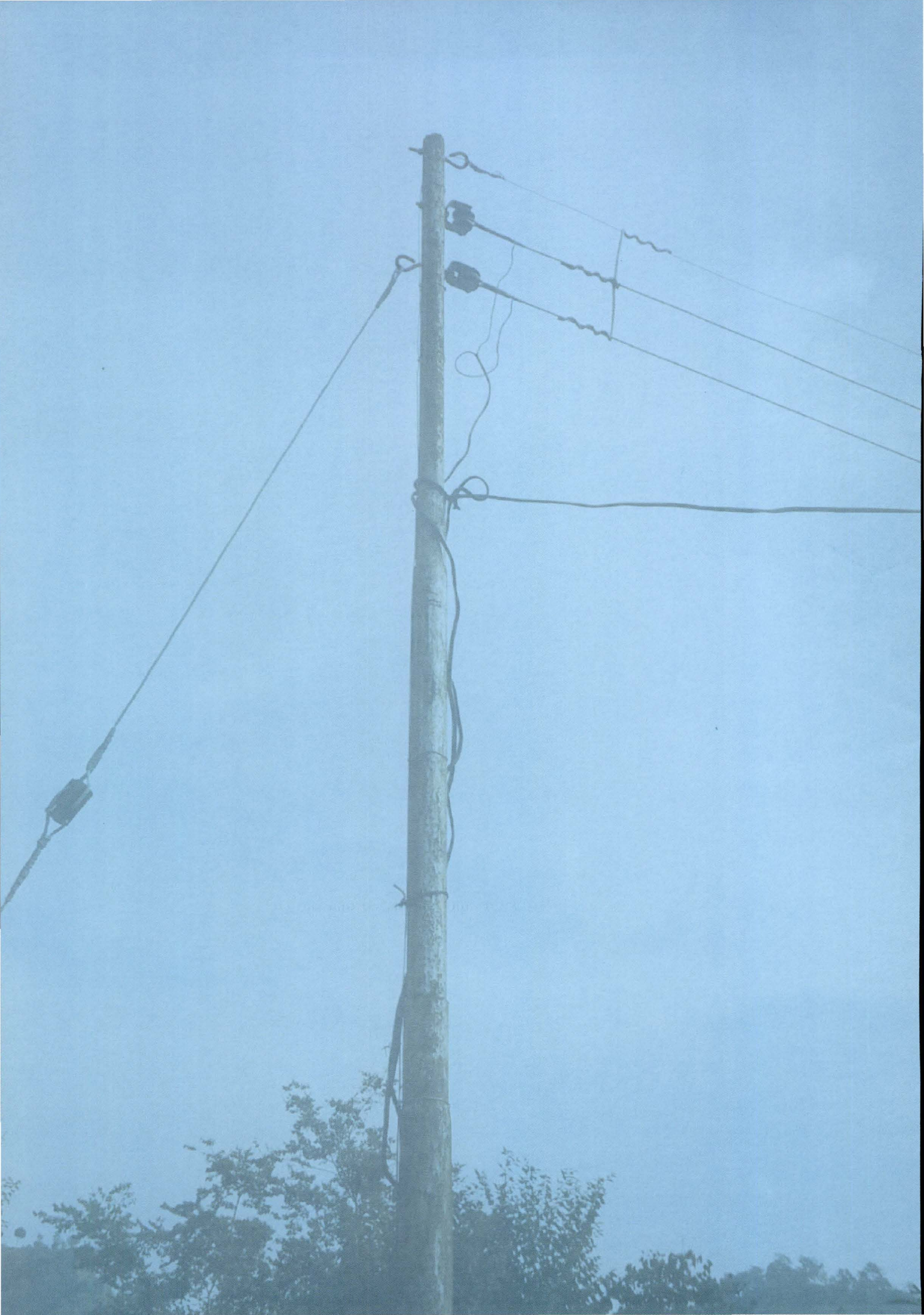
Further, minimum five villages from each selected block were taken for audit.

In addition, minimum five beneficiaries from selected villages were selected for beneficiary survey.

Thus, a total of 169 projects with 431 blocks, 2,148 villages and 10,460 beneficiaries (BPL households) were selected for detailed audit to draw an all-India conclusion.

PART II

AUDIT FINDINGS



Chapter 3:

Planning

3.1. Feasibility report

Ministry of Finance (MOF) laid down a procedure[5] for the formulation of central plan schemes which required preparation of a project feasibility report (FR) by the Administrative Ministry and thereafter, a detailed project report (DPR) for obtaining *'in principle'* approval of Planning Commission, followed by an appraisal process culminating in a meeting of the Expenditure Finance Committee (EFC).

MOF envisaged that FR should focus on analysis of the existing situation, nature and magnitude of the problems to be addressed, alternative strategies, initial environmental and social impact analysis, stake holder commitment, risk factors, *etc.*

No FR was, however, prepared by MOP before launching the scheme. In response to comments of MOF (August 2004) that it had not followed the process, MOP had stated (August 2004) that it did not conduct a feasibility study on the grounds that RGGVY was not a new scheme as it essentially enhanced coverage and capital subsidy approved under the 'Accelerated Rural Electrification of One Lakh Villages and One Crore Households' scheme (AEOLVOCH).

MOF did not accept the contention of MOP and had stated that the latter should follow the extant procedures for appraisal and approval.

Incidentally, MOP later (May 2013) clarified to Audit that, *"As per records available, no feasibility study was conducted in respect of One Lakh Villages and One Crore Households, Kutir Jyoti and RGGVY."*

MOP stated in Exit conference (September 2013) that feasibility study is generally carried out in case of investment proposals/projects only and such study was not considered necessary for this scheme.

[5] Vide Department of Expenditure, O.M. No.1(2)-PF-II/03 dated 7 May 2003

The reply is to be viewed against the fact that the guidelines (7 May 2003) of MOF enjoined upon the administrative ministries to send FR to Planning commission for 'in principle' approval to enable the scheme to be included in the Plan of the Ministry. Further, there were substantial gaps in the conception of RGGVY in terms of identification of beneficiary universe, estimation of project costs, infrastructure requirements, as brought out in para 3.2, which could have been addressed in FR.

3.2. Identification of villages

For achieving the goals of RGGVY, it was essential that un-electrified, de-electrified[6] and electrified villages were identified accurately. The Standing Committee on Energy, in their 1st Report (14th Lok Sabha) recommended that MOP should impress upon the States to carry out a fresh survey for identifying non-electrified villages as per the new definition of village electrification effective from 2004-05. The Committee again in their 3rd Report (14th Lok Sabha) recommended that MOP should obtain updated statistics on rural electrification from the States and modify their rural electrification programme in the light of the updated statistics. MOP received information from only one State (Rajasthan) prior to launch of the scheme. Further, even by September 2008, MOP did not have complete information from all States, because of which soundness of figures used for RGGVY to be implemented in the X and XI Plan was not possible to be ensured.

While framing the guidelines in March 2005, MOP did not adopt a consistent approach as it used figures of Census 2001 for estimating the number of rural households to be taken up for electrification but adopted the number of inhabited villages as per Census 1991. There was a difference of 6,175 villages between the 1991 and 2001 figures in respect of inhabited villages. Further, the number / percentage of electrified villages was also worked out on the basis of 1991 census. Data with regard to villages was thus, outdated.

Box 1: Rajasthan - Electrification of 'already electrified' villages

Electrification of 46 villages and 1,616 rural households in Udaipur district was sanctioned (18 March 2005) by REC at an estimated cost of ₹ 2.92 crore, for which ₹ 87.5 lakh was released by REC. Analysis of the certificates submitted by Gram Panchayat for electrification of 40 villages revealed that the certificates were issued between September 2004 and March 2005, clearly indicating that the villages were already electrified by Ajmer Vidyut Vitran Nigam Limited (AVVNL) well before the sanction of the project for Udaipur. Audit also found that AVVNL claimed payment for these works which were apparently already executed before launch of the Scheme.

MOP was unable to justify the reasons for adopting 1991 Census figures and stated (February 2013) that, "*(they) had no comments to offer.*"

[6] A de-electrified village is a village which was electrified in the past, but can no longer retain the status of an electrified village as per the revised definition of February 2004.

Unreliability of base-line data is a matter of concern as it would not enable assurance to be derived to the effect that targets were correctly framed and the scheme was able to achieve the numbers that were being reflected in various reports/proposals and Management Information System (MIS) data. These issues are discussed below.

3.2.1. Un-electrified villages (UEV)

There were 1,19,570 un-electrified villages in India as per figures[7] of Census 2001. In the note (February 2005) to the Cabinet Committee of Economic Affairs (CCEA) seeking approval to the scheme, MOP indicated the number of un-electrified villages at 1,12,401, as on 31 March 2004. Considering the new definition[8] of village electrification, MOP estimated (February 2005) the number of un-electrified villages at around 1,25,000. Later, while proposing continuation of RGGVY in XI Plan in January 2008, MOP re-estimated the total number of un-electrified villages to be electrified as 1,15,000. Ultimately, 1,18,555 un-electrified villages[9] were sanctioned[10] to be covered under the scheme which were revised[11] to 1,10,809.

There was thus no clarity regarding the status of un-electrified villages and there were variations between estimated and sanctioned figures from time to time (2005-12). Consequently, it was not possible to draw an assurance that the proposed coverage of un-electrified villages was arrived at after due diligence and comprehensive survey.

3.2.2. Electrified villages (EV)

There were 4,74,162 already electrified villages as per 2001 census data. The Central Electricity Authority's (CEA) report for 2002-03 stated that 4,91,760 villages had been electrified by the end of 2003. There were significant variations in the status of electrified/ un-electrified villages as indicated below:

- RGGVY guidelines issued by MOP indicated that there were 4,74,982 electrified villages (31 March 2004).
- Cost estimates mentioned by MOP in the CCEA note (February 2005) for augmentation of backbone network for already electrified villages having un-electrified inhabitations were based on 4,62,000 electrified villages.
- Management Information System (MIS) report of REC dated 31March 2012 showed, the revised sanctioned coverage of electrified villages as 3,48,859 (Phase I) and 50,953 (Phase II).

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[7] As per MIS report of 31 March 2012

[8] Refer para 1.1

[9] 68,763 un-electrified villages to be covered in the X Plan projects and 49,792 un-electrified villages in XI Plan projects

[10] DPRs with sanctioned coverage were approved by the Monitoring Committee, on recommendation of REC.

[11] As per MIS report of 31 March 2012

MOP justified (August 2013) the changes by stating that, "*Village electrification is an ongoing process. After carrying out survey during the process of implementation of projects, the number of un-electrified villages were reduced to 1,10,886 on account of various reasons like already electrified, remote villages, under deep forest, works proposed under Ministry of Non-Conventional Energy Resources (MNRE) etc.*"

The above position brings out/underlines the following:

- Successful implementation of a time-bound programme requires proper financial and physical planning.
- Lack of accurate data at the planning stage and the absence of any exercise to obtain such data suggests avoidable haste especially as the sanctioned coverage underwent several changes on *ad hoc* basis; for example in the case of electrified villages the change was more than 90,000 villages.
- The approach impacted monitoring and evaluation of a scheme which becomes evident from the fact that, even as of August 2013, the scheme is being carried over into XII Plan without a firm figure of the number of un-electrified and electrified villages remaining to be covered. MOP has again made a broad assumption of un-electrified villages to be covered as 75,000 in XII Plan.

3.3. Estimation and identification of beneficiaries

At the state level, State Governments/Project Implementing Agencies (PIAs)[12] were expected to clearly identify target beneficiaries and specifically BPL households while formulating the projects. As electrification of un-electrified BPL households, *i.e.* 30 *per cent* of 7.8 crore un-electrified households, was to be financed with 100 *per cent* capital subsidy, identification of such households (HH) was critical in order to facilitate not only achieving scheme objectives, but also reaching the eligible beneficiaries and maintaining financial prudence. There were wide variations amongst the figures of BPL households as per the DPRs prepared by PIAs, BPL service connections required to be provided by contractors as per the Letters of Award and BPL households as per surveys undertaken as discussed below.

Table 6: Instances of projects where contracted BPL numbers were less than DPR/ survey

Quantum of percentage variation	Number of projects with variations	
	Between DPR and contracted figures	Between survey and contracted figures
Less than 10	12	12
Between 11 and 40	20	17
Between 41 and 70	4	9
More than 70	2	8

[12] DISCOMs / CPSUs/SEBs/State Power Departments

Table 7: Instances of projects where contracted BPL numbers were more than DPR/survey

Quantum of percentage variation	Number of projects with variations	
	Between DPR and contracted figures	Between survey and contracted figures
Less than 10	6	16
Between 11 and 40	8	19
Between 41 and 70	3	8
Between 71 and 100	2	3
More than 100	3	11

Thus, the variations in the number of BPL households as per DPRs and those as per contracts exceeded 10 *per cent* in 42 out of 60 projects checked. Similarly, in 75 out of 103 projects the variation in number of BPL households as per surveys and as per contracts exceeded 10 *per cent*. The variation in contracted figures and surveys was more than 100 *per cent* in 11 projects.

- Further, in 169 projects with expected coverage of 90 lakh BPL households as per DPR, there was a difference of over 9 lakh between the DPR figure and the number of BPL connections contracted.
- Though the estimate of BPL families should have become more accurate subsequent to survey, in 169 projects, there was a difference of over 30 lakh between the number of connections contracted to be released and the number emerging from the survey.

Box 2: Provision of free BPL connection to non-BPL families

In **Gujarat**, a new list of BPL households was prepared in 2002 which had two categories of BPL households (first category with 0-16 score and second category with 17-20 score). Further, as per Government of Gujarat circular dated 23 June 2006, only BPL households with 0-16 score were to be considered for Rural Development Schemes of GOI. However, three PIAs, *i.e.* Dakshin Gujarat Vij Company Limited (DGVCL), Paschim Gujarat Vij Company Limited (PGVCL), Uttar Gujarat Vij Company Limited (UGVCL) released free connections to BPL households with 17-20 score in contravention the State guidelines. The percentage of free connections given to BPL households with 17-20 score was in the range of 3.13 *per cent* to 88.24 *per cent* of total connections released in 71 out of 80 villages selected for survey in six projects. In five villages, all beneficiaries were with 17-20 score. Thus, free connections were provided to ineligible beneficiaries.

There was no evidence to suggest that MOP had identified the number of electrified villages, BPL households, *etc.* after considering the impact and outcome of earlier schemes[13]. Besides, various State Government schemes for rural electrification were also in operation in some States e.g. Gujarat, Uttar Pradesh, *etc.* impact of which ought to have been considered by MOP.

In reply, MOP stated (June 2013) that, "*DPRs were prepared by the concerned implementing agency and preparation of BPL list was the responsibility of the State Government.*" MOP further added (August 2013) that, "*At the time of closure, detailed list of BPL beneficiaries is provided by PIAs.*" MOP reiterated the above reply in Exit conference (September 2013).

The reply of MOP needs to be viewed against the fact that REC was the nodal agency and was responsible for ensuring correctness of the data of DPRs. That the detailed list of beneficiaries was provided on closure of the project ignores the fact that the sanctioned cost, infrastructure requirements *etc.* of the project were based on the initial estimate of BPL families. Such large differences would imply that infrastructure created was either in excess or short of requirement. For example in **Bihar**[14], where the number of BPL beneficiaries increased, it was found that the village electrification infrastructure (VEI) proposed to be developed was not adequate for providing electricity to such beneficiaries.

Further, where the number of beneficiaries had increased considerably, in the absence of control figures, it was not clear as to how REC had ensured that the list contained *bona fide* beneficiaries. On the other hand, in the case of downward revision, the possibility of some beneficiaries though otherwise eligible, being left out of the coverage of the scheme could not be ruled out, once a village was declared as electrified.

3.4. Variations in cost estimates

There were deficiencies in identification and estimation of un-electrified villages and BPL beneficiaries at the planning stage which led to variation in cost estimates by ₹ 2,262 crore, as discussed below.

3.4.1. Variations in un-electrified villages considered for cost estimates

MOP approached CCEA in November 2004 seeking approval to RGGVY *inter alia* covering 125,000 un-electrified villages at a cost of ₹ 8,125 crore (@ ₹ 6.5 lakh per village) within the overall cost of the scheme of ₹ 16,000 crore. The proposal of MOP was approved 'in principle' by CCEA in December 2004. Subsequently, after validation of costs based on DPRs received by REC, MOP approached (February 2005) CCEA for final approval with a modified proposal covering 1,00,000 villages with the almost same overall cost of the

[13] Rural electrification under Minimum Needs Programme, Pradhan Mantri Gramodaya Yojana, Kutir Jyoti Scheme, Accelerated Rural Electrification Programme, Accelerated Electrification of One Lakh villages and One crore households

[14] Projects implemented by PGCIL

scheme. The proposal of MOP was approved by CCEA in February 2005. However, MOP notified RGGVY in March 2005 again covering 1,25,000 villages within the same cost. Thus, the number of villages in the guidelines were increased by 25,000 (1.25 lakh taken in guidelines less one lakh indicated in the note for final approval of CCEA in February 2005).

Considering the cost of ₹ 6.5 lakh per village for electrification of un-electrified village adopted in the initial note (November 2004) of MOP to CCEA, there was a difference in cost estimate of ₹ 1,625 crore in guidelines as indicated in **Table 8**.

Table 8: Cost difference of Un-electrified villages

Total cost of un-electrified villages taken for electrification as per MOP guidelines:	1,25,000 @ ₹ 6.5 lakh = ₹ 8,125 crore
Total un-electrified villages and cost which ought to have been taken	1,00,000 @ ₹ 6.5 lakh = ₹ 6,500 crore
Cost Difference	₹ (8,125 – 6,500) crore = ₹ 1,625 crore

MOP stated (August 2013) that inclusion of 1,25,000 un-electrified villages in the scheme estimate did not lead to inflated total cost estimate.

The reply needs to be viewed against the fact that MOP had itself admitted (February 2013) that "*the estimate should have included cost of only 1,00,000 un-electrified villages*." When the issue was discussed in the Exit conference (September 2013) MOP stated that cost estimates of any scheme/project of such magnitude which involve diverse parts of all States in the country are revised at various stages as the scheme progresses.

Cost estimates submitted to CCEA formed the very basis of approval and further implementation of the scheme. It was therefore, desirable that these estimates and guidelines were formulated in a more realistic manner and based on complete data available with MOP.

3.4.2. Increase in subsidy

MOP approached CCEA (February 2005) for approval to *90 per cent* capital subsidy. As per the scheme guidelines also, the capital subsidy was to be kept within 90 *per cent* of overall project cost. Scrutiny of cost estimates of the scheme[15] revealed that the outlay was estimated at ₹ 16,000 crore whereas the subsidy component was taken at ₹ 14,750 crore (which worked out to 92.19 *per cent* of total outlay) instead of ₹ 14,400 crore (90 *per cent* of total outlay) resulting in increase in cost estimates by ₹ 350 crore.

[15] Forming part of scheme guidelines issued vide MOP OM dated 18 March 2005

3.4.3. Inclusion of BPL connections provided under other schemes

Approximately 19.14 lakh electricity connections were released to BPL households free of cost during 2001-02 to 2003-04, under the erstwhile 'Kutir Jyoti Programme'. These were, however, not excluded while arriving at the estimated number of BPL households under RGGVY and for arriving at the estimated outlay with increased cost of ₹ 287.16 crore[16].

3.5. Fixation of priority and targets

According to the 2001 Census, 6.02 crore households used electricity as the primary source of lighting out of a total of 13.8 crore households in the country. RGGVY was launched in this background. As stated by MOP before the Standing Committee on Energy (14th Lok Sabha) RGGVY was to be implemented with "*a project approach*" wherein the project was defined and the beneficiaries were also more or less defined. Therefore, considering the scarce resources, it was essential that MOP adopted a priority based targeted approach in electrifying 1.25 lakh villages and 2.34 crore BPL households by 2009 and fix appropriate targets.

MOP and REC were however, not aware about the specific status of electrification of electrified/un-electrified/total villages and households in the country at the time of inception of the scheme. Consequently, no targets, either over-all or State-wise, for BPL connections were specified in the first two years of implementation of the scheme (2005-06 and 2006-07). Subsequently, for the next two years (2007-08 and 2008-09) while an over-all target for the entire country was stipulated, State-wise targets were not fixed. Later, while targets for the State as a whole were specified, it was left to PIAs to complete the targets anywhere in the State through all projects under implementation.

MOP stated in the proposal (November 2004) for approval of scheme to CCEA that first priority would be given to un-electrified villages and preference would be given to *dalit bastis*, tribal settlements and habitations of weaker sections in the electrification at household level. As per Census 2001, there were 65 districts in the country where more than 80 *per cent* villages were un-electrified (**Annexe 5**) and 80 districts having a high population of un-electrified households (**Annexe 6**). However, out of these 65 districts and 80 districts, only 32 districts and 43 districts respectively were taken up for implementation under RGGVY during X Plan though funds amounting to ₹5,000 crore available under the scheme for X Plan were not fully utilized as discussed in para 1.5 *supra*.

Further, instead of fixing priorities for electrification of villages and households, the projects were sanctioned on *'first-come-first-served'* basis.

In reply, MOP stated (August 2013) that, "*Since as per RGGVY norms the DPRs were prepared on composite basis i.e. covering both un-electrified and electrified villages therefore, priority only on the basis of un-electrified villages was not possible.*"

[16] 19,14,387 connections @ ₹ 1,500 per connection

It is relevant to note that despite experience of over 40 years in rural electrification programmes, MOP/ REC did not adopt a targeted approach for village and household electrification. Wherever village wise/district wise targets were not fixed, it was left to PIAs to achieve the targets by selecting projects without any specific priorities. This indicates that focus was on achievement of targets in numbers and expenditure rather than actual coverage of un-electrified habitations of weaker sections as proposed by MOP to CCEA. This would appear possible to have been achieved by stipulation of need rather than first come first served as the basis for taking up projects.

Box 3: Guidelines not followed (PGCIL – Bihar)

As per guidelines for formulation of projects under RGGVY all BPL households in all rural habitations in the villages were required to be covered for electrification under the project. In respect of six selected districts, target beneficiaries of villages were identified arbitrarily without considering the actual number of BPL households and intended APL consumers. Out of five selected districts, only 7 to 10 *per cent* of the total BPL households were covered in the DPRs for three districts (Kaimur, Bhojpur and Saran) and 14 *per cent* and 58 *per cent* were covered in the DPRs of two other districts (Nalanda and Nawada).

MOP stated (August 2013) that, *"The projects were prepared considering .....electrification of at least 10 per cent households in a village to fulfill the requirement of new definition of village electrification."*

The reply reinforces the fact that the focus was on achievement of targets in numbers rather than actual coverage of un-electrified households of weaker sections.

3.6. Preparation and notification of RE Plans

The Electricity Act, 2003 requires that the Central Government notify a national policy on stand-alone systems for rural areas and non-conventional energy systems as well as a national policy on electrification and local distribution in rural areas. Accordingly, MOP notified the Rural Electrification Policy (REPOL) in August 2006. State Governments, in turn, had to notify a Rural Electrification (RE) Plan within six months from the date of notification of REPOL to achieve the goal of providing access to electricity to all households.

The RE Plan of each State would map and detail the electrification delivery mechanisms (grid or stand alone) considering, *inter alia*, the available technologies (conventional and non-conventional sources of energy), environmental norms, fuel availability, number of un-electrified households, distance from the existing grid *etc*. Such plans were to be linked with District Development Plans as and when the latter became available. RE Plans were road-maps to achieve the following goals of RGGVY:

- Provision of access to electricity to all households by year 2009;
- Quality and reliable power supply at reasonable rates;
- Minimum lifeline consumption of one unit per household per day as a merit good by year 2012; and

The progress would be reviewed in terms of the achievements vis-à-vis the above goals.

All States were thus required to prepare and notify RE Plans by February 2007. However, no State had notified RE Plan by February 2007. Further, MOP, while approving (February 2008) RGGVY for XI Plan reiterated that the State Governments should finalize their RE Plan in consultation with MOP and notify the same within six months.

Box 4: Deficiencies in RE Plan

In February 2008, MOP had made the release of capital subsidy contingent upon the State finalizing and notifying RE Plan in consultation with it within six months of the continuation of RGGVY in XI Plan failing which the capital subsidy granted could be converted into loan. A review of records, however, revealed that there were instances of release of capital subsidy despite non- finalization of RE Plans. For example, in **Jammu & Kashmir,** capital subsidy amounting to ₹ 664.62 crore was released to the State Government as of March, 2012 in respect of 14 projects without RE Plan. In Uttarakhand, almost all the physical work of rural electrification under RGGVY had been completed by the time RE Plan was notified. RE Plan of **Tripura** did not contain the status of electrification of BPL households, habitations, *etc.* It also did not indicate funds requirement and investment plan for upgradation and strengthening of sub-transmission and transmission systems.

As of August 2013, 25 out of 27 States had notified RE Plan with delays ranging from three months to 73 months, as shown in **Annexe 7**. Two States (Jammu & Kashmir and Sikkim) had not notified their RE Plan (August 2013).

MOP stated (August 2013) that, "*regular follow up with these two States is being undertaken in this regard.*"

3.7. DPR prepared without field survey

Implementation guidelines issued by REC (June 2005) provided that State Governments and State power utilities (SPUs) should assess the quantum of work required, at district / project level to achieve the objectives of the scheme. The guidelines prescribed a model DPR to ensure technical justification and financial viability of each project. The model DPR required block-wise details of the 'present' status of rural household electrification against total household data as per Census 2001. DPRs were also to indicate the 'present' status of village/habitation electrification, BPL households electrification (total number of BPL households, BPL households electrified and balance), public places (schools, hospitals, *etc.*) proposed for electrification, *etc.* Additionally, DPRs were expected to reflect the status of existing infrastructure in de-electrified and electrified villages, proposed length of lines, proposed number of commercial, agricultural and small industrial connections, financial analysis, energy loss *etc.* DPRs would need to ensure targeted implementation, maximizing the benefits to beneficiaries and minimizing wastages and inefficiencies, resulting in achievement of the intended objectives of the scheme.

As the data for un-electrified villages and un-electrified rural households was based on Census 1991 and Census 2001, a base-line survey prior to preparation of DPRs would have assisted in formulating accurate and realistic DPRs. *Not even one* of the PIAs, *i.e.* neither the CPSUs nor the State-controlled DISCOMs / State Electricity Boards, undertook such a survey prior to formulating DPRs.

Energy and Power Department (EPD) of **Sikkim** stated (January 2013) that, "*The reasons for quantity variation under RGGVY were stated to be due to the fact that many households were left out as the original DPRs prepared in 2006 were not based on actual survey.*" Similarly Meghalaya Energy Corporation Limited (MeECL) stated (February 2013) that, "*survey report was entered into the DPR format in the office computer and rough records/reports were destroyed/not kept in the files after the DPR was prepared and submitted to higher authorities.*"

For the BPL household data, in seven States[17], PIAs relied upon the data of Census 2001 without considering the growth factor in rural population/habitats/villages since 2001 and in the remaining States, PIAs collected BPL data from other sources. For example, in **Rajasthan**, DISCOMs included the data of BPL survey (1997) in DPRs for identification of BPL beneficiaries. There were instances (Katihar, Khagaria and Supaul projects in Bihar) where survey was done by the contractor who had been awarded the work rather than PIA.

Detailed implications of not undertaking a survey prior to formulation of DPR, in respect of test-checked projects, are given in **Table 9**. As DPRs were not based on field visit or survey, these were based on incorrect and/or deficient data and hence were less precise, impractical and not technically sound.

[17] Andhra Pradesh, Bihar, Karnataka, Kerala, Manipur, Nagaland and Punjab

Table 9: State-wise findings regarding DPRs prepared without survey

Sl. No.	Name of the State	Impact of not undertaking field survey prior to preparation of DPR
1.	Andhra Pradesh	• In test checked seven projects, quantities as per sanctioned DPR were changed in the Revised cost estimates prepared after survey. Such changes ranged from 28 *per cent* to 152 *per cent* in respect of Aerial Bunching Cable, (-) 84 *per cent* to 135 *per cent* in respect of 6.3 KV single phase line and (-)3 *per cent* to 116 *per cent* in respect of number of poles required to erect HT/ LT line.
2.	Arunachal Pradesh	• PIAs did not possess detailed data regarding the number of service connections required and BPL beneficiaries to whom they were to be released; for example, 572 BPL beneficiaries under Lower Subansiri District (Raga Block) were not included in the original DPR and were covered only in the revised DPR.
3.	Assam	Though the 2002 BPL survey carried out by State Government indicated that there were 12.54 lakh BPL households[18] eligible in 17 districts for electricity connection free of cost, the DISCOM proposed only 7.77 lakh BPL households in the original DPR, thereby leaving out 4.77 lakh BPL households.
4.	Bihar	• In three test-checked districts, subsequent to award of contract, a survey was conducted by the contractors while executing the work of electrification. Data as per Census 2001 was 2,59,702 BPL households while as per the survey the number of BPL households was 5,89,652 (excess by more than 127 *per cent*). • Bihar State Electricity Board (BSEB) included 97 ineligible villages (19 fictitious villages, 10 duplicate villages, 1 village where population was less than 100 and 67 villages under Kosi River bed which required river crossing) in DPR. Work of electrification of these villages was not taken up and the project pruned. Due to non-revision of project costs, however, the project costs remained inflated by ₹ 11.53 crore. • In Supaul district, BSEB included 13 Power Sub-stations (PSS) in DPR against requirement of 11 PSS. • In Khagaria block of Khagaria project, which was already having one PSS, provision for creation of an additional new PSS was made which was in violation of guidelines. • DPRs of three districts (Katihar, Khagaria and Supaul) provided for energisation of 7.85 lakh rural households. The additional load requirement of rural household {BPL+ Above Poverty Line

[18] After deducting 67,931 BPL households already electrified under Kutir Jyoti Scheme and 55,225 BPL households in remote areas from the BPL survey figure of 13.77 lakh BPL households in the 17 districts where the DISCOM was the implementing agency

		(APL)} as per the guidelines (60 watt for BPL and 250 watt for APL) worked out to 163.25 MVA for which the capacity of PSS ought to have been 204.06 MVA. However, BSEB made provision for construction of 17 new PSSs and augmentation of 12 existing PSSs with a total capacity of 125.45 MVA, resulting in a shortfall of 78.61 MVA.
5.	Chhattisgarh	• In two test checked projects, shortcoming/omissions in the DPR resulted in variation in executed quantity of work, not providing electricity connection to public places (Schools, Panchayat offices, Community centers and health centers), non provision of three phase capacity transformers for 'three phase' connections besides delay in completion of work.
6.	Gujarat	• Lack of detailed information resulted in variation in number of transformers, length of LT/HT lines. In the seven selected projects, there was variation ranging from (-) 92 *per cent* to (+) 101 *per cent* in original DPR quantities and actual executed quantities in respect of installed transformers. The length of HT/LT lines erected varied from (-) 95 *per cent* to (+) eight *per cent.*
7.	Haryana	• Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) included some departmental works in DPRs resulting in inflated figures requiring substantial changes in the quantity of works. • Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), showed wide variations in seven out of ten projects in 11 KV line, 16 KVA transformer, 25 KVA transformers, LT lines, DT meters, *etc* between quantities as per DPRs, and quantities as per award/ work actually done.
8.	Jharkhand	• In West Singhbhum, the subsequent survey found that out of the 1,118 villages included in the DPR, 37 villages were already electrified, eight villages were repeated, 158 villages were inaccessible due to forest, electrification of which was not being done by the contractors. Thus, only 915 out of 1,118 villages included in the DPR were to be actually electrified. Further, additional 78 villages that required electrification, were not included in DPR. • In East Singhbhum, out of 1,497 villages included in the DPR, 18 villages were unapproachable and 67 villages were already electrified. Also, additional 60 villages and 25 tolas[19] which required electrification, were not included in DPR.

[19] Hamlets

9.	Karnataka	• There were instances of electrification of villages/households not envisaged in DPRs, and inclusion of already electrified villages/households in DPRs. Bangalore Electricity Supply Company Limited (BESCOM) electrified 789 BPL households in 56 villages in Kolar (₹ 1.10 crore) which Chamundeshwari Electricity Supply Company Limited (CESCO) had done electrification of two un-electrified villages (₹ 2.22 crore) in Kodagu, and Hubli Electricity Supply Company Limited (HESCOM) had executed works (₹ 3.13 crore) in Uttara Kannada, which were not envisaged in the sanctioned DPR. • Increase in number of BPL households in Uttara Kannada Project, was 177 *per cent* (from 19,657 to 34,715) of projections made in DPR in XI Plan projects. There were wide variations in quantities executed when compared to projections made in DPR. There was shortfall in execution of HT lines ranging between 21 and 36 *per cent* of projections, while LT lines executed had exceeded projections by 121 to 194 *per cent* in four selected projects.
10.	Kerala	• In Idukki district, number of *karas* and length of Single Phase LT line were revised from 81 *karas* and 127 kms (April 2005) in DPR to 100 *karas* and 258 kms respectively to include more rural households.
11.	Meghalaya	• In three test checked projects, no provision was made for electricity to public places like Schools, Panchayat Office, Health Centers, Dispensaries, and Community Centers *etc.* Instead, it was provided in DPR that in such cases, electrification would be done based on demand.
12.	Nagaland	• There were 2,65,334 rural households in Nagaland (Census 2001), of which, 1,50,929 rural households were already electrified and the balance 1,14,405 households were un-electrified. Contrary to the figures projected in Census 2001, the Department of Power, Nagaland incorporated the figure of already electrified rural households as 1,14,324 and un-electrified as 1,43,060 in the DPRs. Except Tuensang district, the number of electrified rural households in all districts was understated in DPRs. Thus, the actual number of rural households to be electrified under RGGVY was overstated by 28,655 households. • Records indicating the list of actual BPL beneficiaries to be covered were not available. The Department of Power relied on the list of BPL households prepared by the Rural Development

		Department for implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA). However, cross verification of these records in respect of three test-checked districts revealed that out of 1,197 BPL households claimed by the Department of Power to have been provided power supply, only 252 BPL beneficiaries matched with the report of the Rural Development Department. Names of the remaining 945 BPL households did not figure in the list prepared by the Rural Development Department.
13.	Rajasthan	• 526 villages with population less than 100 were included in DPRs of selected ten districts of three DISCOMs which was in contravention of RGGVY guidelines • Actual execution revealed that 70 villages became unpopulated, 3 villages submerged and 150 villages were under forest. Further, 321 villages (81 in Jhunjhunu and 240 in Jalore) were already electrified and 100 villages (Sikar) where BPL living in non-abadi area were included in DPR.
14.	Tripura	• As per guidelines for formulation of projects under RGGVY all BPL households in all rural habitations in the villages were required to be covered for electrification under the project. However, in Dhalai district, as per the survey conducted after awarding the turn-key contract, the total number of rural BPL households was 24,318 out of which only 13,419 (55.18 *per cent*) were covered under the project. This resulted in non-coverage of 10,899 (44.81 *per cent*) BPL households in Dhalai District. • Similarly, in North Tripura, total number of rural BPL households was 57,230 out of which 45,589 BPL households (79.65 *per cent*) were covered under the project. This resulted in the non coverage of 11,641 (20.35 *per cent*) BPL households.
15.	West Bengal	• As per DPRs, total number of villages and BPL households to be electrified in ten districts in XI Plan was 14,113 and 15,39,443 respectively whereas 13,977 villages and 15,39,443 BPL households were targeted to be electrified as per the letters of award issued by PIA. Subsequently, these figures were revised to 13,807 villages and 12,71,447 BPL households (October 2012).

REC stated (April 2012) that *at the time of preparation of DPR, provisions of BPL connection were made on the basis of data available with the States, however, during execution, many BPL households which were located remotely or located in habitation of population below 100 or were already having connection etc., had been excluded for release of connection.*

Further, MOP replied (August 2013) that, *"to hasten the process of implementation, detailed survey was not insisted for preparation of DPRs and actual quantities of works arrived at during implementation of the project and prior survey would not have solved the purpose entirely"*. MOP stated (September 2013) that, it was made mandatory in XII Plan for all States to conduct detailed survey before preparation of DPRs.

The replies confirm that DPRs prepared were not based on ground realities, had a number of omissions in terms of households to be covered and made inaccurate provisions for infrastructure.

Recommendations

R1: MOP may consider getting an independent survey conducted prior to implementation of new projects in XII Plan and the list of identified villages and estimates of beneficiaries revised to avoid duplication and ensure that the benefits of the scheme reach the intended and targeted beneficiaries in close coordination with States.

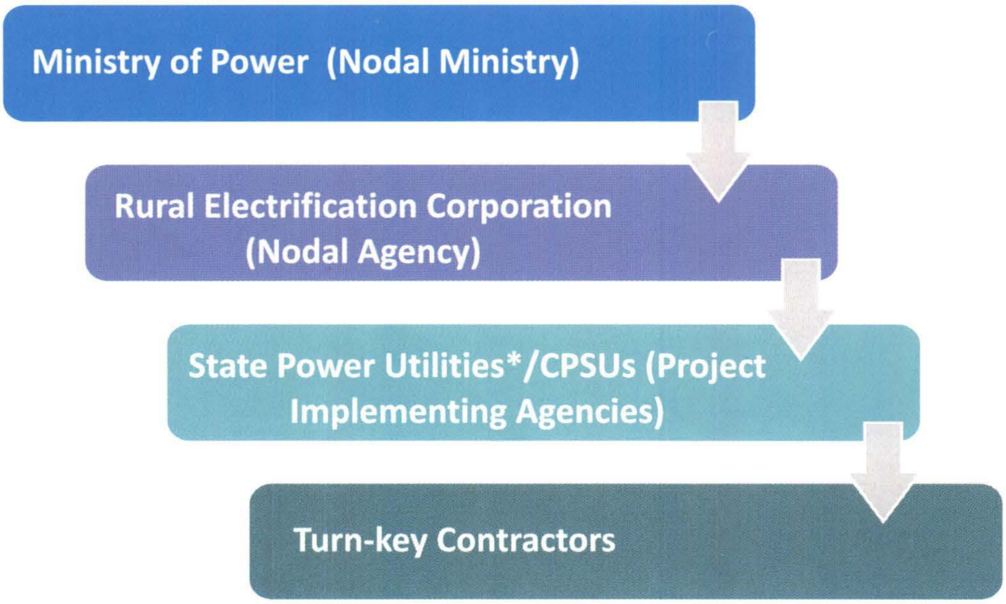
R2:MOP may like to get REC to exercise greater control over the scope of work and related estimates by devising suitable formats of monitoring reports which would help ensure that projects are taken up for sanction only if the PIA submits a DPR based on a detailed field survey and physical and financial estimates are reasonably accurate.

Chapter 4:

Financial Management

4.1. Funds flow

Rural Electrification Corporation (REC) is the nodal agency for implementation of RGGVY at the all-India level. Hence, PIAs were to place their demands for funds on REC. In turn, REC would place a demand on MOP which would release requisite funds against the capital subsidy (90 *per cent* of project cost excluding the amount of State or local taxes) to REC for onward release to States/ PIAs. Remaining 10 *per cent* of the project cost was to be provided by the respective State Governments out of their own resources or loan from financial institutions including REC. The flow chart of funds is in **Figure 4**.



**State Power Departments, State Electricity Boards, State Distribution Companies (DISCOMs)*

Figure 4: Flow chart of funds

Guidelines prepared by REC provided for release of funds to the Project Implementing Agencies (PIAs) in two parts (1) Project cost including proportionate service charges and statutory levies but excluding BPL connection cost and (2) BPL connection cost. The method of release for the first part was as follows:

a) First Installment: 30 *per cent* of sanctioned project cost subject to submission of loan documents[20] and fulfillment of all requirements, including requisite legal formalities by State Government/State Power Utilities as per the sanction letter of the project.

b) Second Installment: 30 *per cent* of the sanctioned project cost subject to submission of the expenditure details to REC by PIA after obtaining necessary concurrence of State Government for 80 *per cent* expenditure of first installment.

c) Third Installment: 30 *per cent* of the sanctioned project cost subject to submission of the expenditure details to REC by PIA after obtaining necessary concurrence of State Government for 80 *per cent* expenditure cumulatively of the first and the second installment.

d) Fourth and Final Installment: 10 *per cent* of the sanctioned project cost within 30 days from submission of the expenditure details and completion details to REC by PIAs after obtaining necessary concurrence of State Government and after final monitoring by REC.

The method of release for the second part was as follows:

- 50 *per cent* of the cost of BPL households **(BPL1)** in accordance with the list certified by State/appropriate agency of the State to be released subject to prior submission of such list by the PIA.

- The balance 50 *per cent* **(BPL2)** was to be released as final installment of the project after the receipt of village/habitation-wise certified list of BPL household connections provided under the project, clearly indicating the name of such BPL household consumer.

REC, in August 2009, issued revised guidelines for release towards charges for BPL household connections as under:

- **First installment** *i.e.* 50 *per cent* of BPL amount (**BPL1**) as advance on the request of PIAs.

- **Second installment** *i.e.* 40 *per cent* of BPL amount (**BPL2**) based on field survey report considering actual number of connections proposed to be released or sanctioned number of households, whichever is less. Release of the second installment was also subject to an undertaking by the PIA that the expenditure

[20] Loan documents for 10 *per cent* of the project cost that is not covered by the capital subsidy which is limited to 90 *per cent* of the project cost as per scheme.

incurred was more than 80 *per cent* of amount released as advance against BPL households.

- The **final installment** *i.e.* 10 *per cent* amount was to be considered for release after receipt of village/habitation-wise list of BPL households connections provided under the project, clearly indicating the name of such BPL household consumer.

4.2. Release of funds

4.2.1. Time taken in release by REC

Analysis of 169 selected projects based on information furnished by REC revealed that inordinate time was taken in release of all installments by REC as shown in **Table 10**.

Table 10: Cases of additional time taken in release of fund

Install-ment	Time to be taken	No. of projects in which additional time taken noticed	Range of time taken for release of funds	Summary of Actual Time Taken			
				16-29 days	30-60 days	61-90 days	>90 days
I	Within 15 days from the date of execution of loan documents and fulfillment of all requirements	71	16 to 162 days	39	13	11	8
II	Within 15 days from submission of the expenditure details to REC by implementing agency	64	16 to 182 days	27	18	11	8
III	Within 15 days from submission of the expenditure details to REC by implementing agency	86	16 to 209 days	52	23	2	9

BPL 1*	No specified time	56	1 to 255 days	35	19	1	1
BPL 2*	No specified time	41	1 to 131 days	26	11	2	2

* Delay has been calculated taking 15 days as minimum time of release

(Source: MOP reply dated August 2013)

Examination in audit in the States revealed that both PIAs as well as REC were responsible for delays which impacted execution and project schedules. A few illustrative cases are given below.

- In **Andhra Pradesh**, the PIAs, namely EPDCL, SPDCL and NPDCL delayed[21] submission of certain documents, mandatory as per Tripartite Agreement[22] even after award of contract, to REC, resulting in non-release of the first installment by REC for the intervening period. Thereafter, REC delayed the release of funds by a period of six months to one year in the case of projects like Guntur and Srikakulam respectively[23].

- In six[24] projects of **Jharkhand**,
  - In contravention of the tripartite agreement according to which the contract for execution of the project was to be awarded within one week from the date of release of first installment by REC, the latter belatedly released funds to Jharkhand State Electricity Board (JSEB) towards first installment[25], two to three months after award of contracts[26], which resulted in delay in payment of advances to contractors[27] thereby delaying the project. Further, there were delays in revising the sanctioned cost estimates for these projects by REC which, in turn, led to delayed release of differential amount of funds subsequently.
  - PIA in East Singhbhum project, claimed[28] the differential amount after a lapse of eight months in respect of the second revised cost estimate.
  - Release of BPL installment was delayed as the Jharkhand State Electricity Board delayed its claim by 27 months.

In addition, a few illustrative cases of inconsistency in release of funds are detailed in **Box 5**.

[21] DISCOMs awarded contracts during March 2006 to May 2006, whereas requisite documents mandatory for release of funds were submitted in March/June 2006.
[22] Tripartite Agreement was entered into amongst the parties in August 2005.
[23] Projects not in the selected sample
[24] East Singhbhum, Garhwa, Latehar, Palamau, Saraikela and West Singhbhum
[25] March 2007
[26] December 2006 / January 2007
[27] April / May 2007
[28] Revised cost estimate was sanctioned in May 2010 but PIA claimed in January 2011

Box 5: Inconsistency in release of funds

Case 1 - Early release

REC, contrary to its own guidelines, released 1st installment amounting to ₹26.39 crore as many as 11 months before the date of execution of loan documents in respect of Kupwara and Anantnag projects in **Jammu and Kashmir.**

Case 2: Funds withheld

- In **Assam and Arunachal Pradesh**, REC withheld parts of installments to be released or adjusted penal interest from subsequent installments to PIAs on account of default in repayment of loan and interest which was the responsibility of respective State governments.
- In **Tamil Nadu**, REC short-released installment to the Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) by ₹13.87 crore. The short released amount had not been released till March 2013.

MOP, while accepting the audit comments mentioned (August 2013) the following as reasons for delays:

- *non submission of requisite documents by PIAs along with claims,*
- *delay/non verification of expenditure by State Governments,*
- *delay in submission of acceptance of terms and conditions of revised sanctioned letter by concerned State Government, delay in issue of certification by States etc.*

The fact remains that there is a need for continuing vigil in areas of compliance by REC/State Governments/PIAs with stipulated conditions, for ensuring prompt release of funds.

4.3. Utilization of funds

4.3.1. Ministry of Power (MOP) and REC

As discussed in para 1.5 *supra*, CCEA approved ₹ 5,000 crore and ₹ 28,000 crore for RGGVY for X and XI Plans respectively. Details of funds allocated for RGGVY to MOP through Budget estimates (BE)/Revised estimates (RE), funds released by MOP to REC for implementation of scheme and by REC, in turn, to PIAs during 2004-05 to 2011-12 are given in **Table 11**.

Table 11: Plan-wise Releases of capital subsidy

(Amounts in ₹ in crore)

Year	Amount allocated to MOP (BE)	Amount allocated to MOP (RE)	Amount Released by MOP to REC	Amount released by REC to PIAs
X Plan				
2004-06	1,500.00	1,500.00	1,500.00	1,402.60
2006-07	3,000.00	3,000.00	3,000.00	3,014.37
Total	**4,500.00**	**4,500.00**	**4,500.00**	**4,416.97**
XI Plan				
2007-08	3,983.00	3,944.56	3,913.45	3,368.30
2008-09	5,055.00	5,500.00	5,500.00	5,109.58
2009-10	6,300.00	5,000.00	5,000.00	5,987.43
2010-11	5,500.00	5,000.00	5,000.00	3,997.87
2011-12	6,000.00	3,544.00	2,237.31	2,772.22
Total	**26,838.00**	**22,988.56**	**21,650.76**	**21,235.40**
Grand total	**31,338.00**	**27,488.56**	**26,150.76**	**25,652.37**

The above indicates that:-

- Against the approved outlay of ₹ 5,000 crore only ₹ 4,500 crore was allocated and released by MOP in X Plan. REC, in turn, released ₹ 4,416.97 crore to PIAs.

- Further, against the allocation of ₹ 26,838 crore during XI Plan which was revised to ₹ 22,988.56 crore MOP released ₹ 21,650.76 crore up to March 2012 leaving balance of ₹ 1,337.80 crore unutilised. REC in turn, released ₹ 21,235.40 crore up to March 2012 to PIAs.

- MOP did not utilise ₹ 28,000 crore, approved by CCEA for **first two years** of XI Plan (2007-08 and 2008-09), even in five years and did not obtain the projected balance outlay (₹ 13,812 crore[29]).

- Against the funds of ₹ 26,150.76 crore released by MOP to REC over the period 2004-12, REC released funds amounting to ₹ 25,652.37 crore to PIAs. After adjusting one *per cent* service charges amounting to ₹ 226.37 crore payable to REC under the provisions of RGGVY, the difference of ₹ 272.02 crore (₹ 26,150.76 crore less

[29] ₹ 46,812 – ₹ 33,000 crore = ₹ 13,812 crore

₹ 25,652.37 crore less ₹ 226.37 crore) was held by REC. Interest on surplus funds earned and deposited into Government account by REC is discussed in para 4.5 *infra.*

The Standing Committee on Energy (2008-09), 14th Lok Sabha in its 31st Report made an observation on the slow utilization of funds and recommended that MOP make sincere efforts to prevail upon the Ministry of Finance (MOF) and Planning Commission to get adequate funds allocation of the programme. It is pertinent to mention that in August, 2004, MOF had stated that "*the scheme has not taken into account the absorptive capacity of various SEBs with respect to these huge quantum of funds. It is unlikely that in a span of five years, they would be able to absorb such amounts. In that sense, the scheme has been loosely contemplated*". The audit findings mentioned above only confirm these views.

MOP, in its reply, stated (June 2013) that, *"main constraint in slow progress of implementation of RGGVY is not the release of funds by the MOP to REC. Reasons for non-drawal of allocated budget included........ lack of experience in award and execution of projects on turnkey mode by the State Utilities, lack of dedicated manpower at the State power utilities, delay in award of projects, non availability of BPL list in time, issue of clearances etc."*

MOP, further, stated (August 2013) that *"outlay of ₹28,000 crore was for the entire XI Plan period and not for only 2007-08 and 2008-09."*

The reply needs to be viewed against the fact that the note submitted (December 2007) by MOP for seeking approval of CCEA to continue RGGVY in XI Plan had sought ₹ 28,000 crore for the first phase of XI Plan to achieve Bharat Nirman target[30] by 2009. While commenting on poor utilization of approved outlay in the implementation of RGGVY, the 31st Standing Committee on Energy also observed that ₹ 28,000 crore was the approved outlay for first two years of XI Plan. There is, therefore, a contradiction in the reply of MOP and their proposal to CCEA. More important, actual utilization did not reach the level of funding sought in five years of XI Plan as well, which points to infirmities in the proposals of a major scheme which did not capture ground realities properly.

4.3.2. Project Implementing Agencies (PIAs)

REC released ₹ 25,652.37 crore to PIAs from April 2004 to March 2012 as capital subsidy for implementation of the scheme against which the PIAs reported utilisation of ₹ 22,510.14 crore (up to 20 May 2012). As on 28 February 2013 there were unutilized balances ranging from ₹ 1.47 crore to ₹ 375.07 crore against the capital subsidy released to PIAs in 19 States, whereas PIAs reported excess utilization ranging from ₹ 3.64 crore to ₹ 115.13 crore against the capital subsidy released to eight States, as shown in **Table 12.**

[30] Bharat Nirman target included electrification of over one lakh un-electrified villages and connection to 2.34 crore rural households.

Table 12: State-wise release of capital subsidy by REC to PIAs vis-à-vis utilization[31] (as on 28 February 2013)

(₹ in crore)

Sl. No	Name of State	Subsidy released	Subsidy utilized	Subsidy unutilized
1	Andhra Pradesh	722.86	797.72	(-) 74.86
2	Arunachal Pradesh	708.22	598.30	109.92
3	Assam	2,170.59	2,192.37	(-) 21.78
4	Bihar	3,496.81	3,121.74	375.07
5	Chhattisgarh	823.87	669.20	154.67
6	Gujarat	259.17	272.04	(-) 12.87
7	Haryana	158.94	176.55	(-) 17.61
8	Himachal Pradesh	261.36	265.00	(-) 03.64
9	Jammu and Kashmir	705.51	672.12	33.39
10	Jharkhand	2,756.54	2,443.76	312.78
11	Karnataka	658.37	773.50	(-) 115.13
12	Kerala	85.66	73.33	12.33
13	Madhya Pradesh	1,313.04	1,096.68	216.36
14	Maharashtra	517.51	564.27	(-) 46.76
15	Manipur	266.49	254.56	11.93
16	Meghalaya	347.60	275.85	71.75
17	Mizoram	214.26	208.32	05.94
18	Nagaland	203.65	196.09	07.56
19	Odisha	2,983.21	2,686.80	296.41
20	Punjab	54.44	39.06	15.38
21	Rajasthan	992.07	982.93	09.14

[31] Source-information received from REC

22	Sikkim	155.59	116.11	39.48
23	Tamil Nadu	285.18	344.31	(-) 59.13
24	Tripura	158.37	123.89	34.48
25	Uttar Pradesh	3,064.80	2,998.57	66.23
26	Uttarakhand	617.59	616.12	01.47
27	West Bengal	2,052.95	1,988.39	64.56
	Total	**26,034.65**	**24,547.58**	

Contrary to the conditions stipulated in sanction letters issued by MOP, REC did not link the terms of release of funds with achievement of physical targets[32] set under approved projects. This led to release of significant portion of the project cost to PIAs/contractors which was disproportionate to physical achievements against released funds.

Some such instances are given below:-

In **Assam,** cost of supplies (including freight and insurance) ranged between 84.71 *per cent* and 90.78 *per cent* and cost of erection between 9.22 *per cent* and 14.37 *per cent* of the award cost. The terms of payment to contractor were such which could fetch first three installments, totaling 90 *per cent* of the approved project cost, though physical achievement was less than 10 *per cent.*

In **Jammu and Kashmir,** 67 *per cent*[33] of awarded cost was released to contractor merely for supply of materials.

In **Mizoram**, letters of award were amended deleting crucial stipulations regarding submission of certain documents required for ascertaining the status of delivery of materials at site. This deletion gave liberty to contractors to raise bills and receive payments for materials/ equipments before actual receipt of materials/ equipment by the Power and Electricity Department. Also, the contractors received, in July 2011 and March 2012, payments against invoices of ₹ 143.22 crore representing 70 *per cent* of ₹ 204.60 crore worth materials stated to have been dispatched by them. Out of the materials reported to have been dispatched, materials worth ₹ 26.89 crore were not received at site. Works remained partially suspended from June 2011 due to shortage of materials.

MOP replied (August 2013) that, "*the present unspent balance with the PIAs which is only seven per cent as on 31May 2013 of funds received by them was to keep up the momentum of the scheme. Also, the release of 3rd installment is linked to completion of work in at least 10 per cent UE villages and release of connection to at least 10 per cent BPL connections.*"

[32] The MOF, in December 2007, also emphasized linking the spending of funds with the achievement of physical targets so that effectiveness of the scheme may be ensured.

[33] Including mobilization and erection advance

Audit appreciates the efforts to reduce the unspent balances with PIAs. However, as up to 90 *per cent* of the project costs (up to 3rd installment) could still be released on completion of electrification work in only 10 *per cent* villages and BPL households, there is thus, a need for strengthening the linkage between financial release and physical progress by devising appropriate formats of reports for monitoring the same.

Box 6: Manipur - Non-accountal of transactions in Cash Book

It is a matter of prudent financial practice as also mentioned in Rule 77-A (ii) of the Central Treasury Rules that all monetary transactions are entered in the cash book as soon as they occur and attested by the Head of the Office.

Executive Engineer (Electrical), Bishnupur division had released ₹ 1.75 crore on 30 August 2012 and 31 August 2012 for implementation of RGGVY in Bishnupur district. All transactions from 28 August 2012 to November 2012 were not accounted in the departmental cash book.

Out of the released amount of ₹ 1.75 crore, two cheques amounting to ₹ 44.99 lakh were drawn by Executive Engineer (Electrical), Bishnupur division through self cheques. Payment vouchers and Actual Payee Receipts (APRs) (invoice and delivery challan *etc.*) of ₹ 44.99 lakh were not produced to audit.

Status of utilisation of the amounts drawn vide the above cheques could not be verified in audit due to non-availability of payment vouchers, APRs and non-accountal of transactions in cash book. Consequently, misappropriation of these amounts could not be ruled out.

4.4. Maintenance of separate interest-bearing accounts by PIAs

In order to track and monitor funds released under RGGVY and also ensure their proper utilization, guidelines of REC required that PIAs open separate interest-bearing bank accounts for funds received. Guidelines of RGGVY also stipulated that any interest earned on funds received should be accounted as part of scheme funds. Final installment was to be reduced to the extent of interest earned on unutilized funds at the time of closure of project.

Review of management of RGGVY funds revealed that PIAs in two States did not immediately open separate bank accounts as required after receiving first installment of capital subsidy under RGGVY. Delay in opening separate bank account was 24 months in **Himachal Pradesh**[34] and 34 to 46 months in **Rajasthan**[35].

[34] In HP, HPSEB received fund in March 2007 whereas it opened the account in March 2009

[35] In Rajasthan, AVVNL, JVVNL, JDVVNL received fund in April 2006, March 2005 and March 2006 respectively whereas they opened separate accounts from January 2009 to February 2009

Four States had opened non-interest bearing bank accounts. Non-maintenance of interest bearing account for funds received under the Scheme resulted in loss of ₹ 7.10 crore as detailed in **Table 13** which could have been used for furthering the cause of RGGVY.

Table 13: Interest lost due to funds being kept in non-interest bearing account

(₹ in crore)

Sl. No	Name of State	Nature of Bank Account in which funds were kept	Interest Lost[36]
1.	Chhattisgarh	Non-interest bearing	0.29
2.	Himachal Pradesh	Non-interest bearing	2.29
3.	Tamil Nadu	Non-interest bearing	3.37
4.	Uttar Pradesh[37]	Non-interest bearing	1.15
		Total	**7.10**

Further, in two States, though interest was earned by DISCOMs, interest amounting to ₹ 49.83 crore (**Table 14**) was treated as part of their own income and/or utilized for other purposes.

Table 14: Interest earned and reflected as own income

(₹ in crore)

Sl. No	Name of State	Amount
1.	Arunachal Pradesh	47.95
2.	Tripura	01.88
	Total	**49.83**

Availability of these funds of ₹ 56.93 crore (₹ 7.10 crore and ₹ 49.83 crore) for RGGVY would have enabled electrification of approximately 643 un-electrified villages[38] and contributed towards promoting the cause of the scheme.

[36] The amount represents loss of interest calculated for different periods during which irregularity prevailed, at rates ranging between four and eight *per cent* on a case to case basis.

[37] Nodal officers of Aligarh, Jaunpur and Mirzapur retained substantial amount in non-interest bearing current accounts

[38] Calculated at the rate of ₹ 8.86 lakh per village taken as benchmark for electrification of un-electrified villages in note of MOP to Committee of Secretaries.

Box 7: Incorrect treatment of recovery as own income

In **Andhra Pradesh,** Eastern Power Distribution Company Limited (EPDCL) recovered an amount of ₹ 35.53 lakh from payment of work bills for poor quality of works carried out by the contractor and treated the same as its income instead of utilizing it on RGGVY projects.

In **Punjab**, the Punjab State Power Corporation Limited (PSPCL) (erstwhile Punjab State Electricity Board) placed (28 August 2008) 17 work orders for execution at an aggregate cost of ₹ 132.12 crore on KLG Systel Limited, Gurgaon (firm). The firm provided a bank guarantee of ₹ 6.61 crore. As per the contracts, the works were to be completed within one year. The firm failed to complete the work despite grant of extension for the period from September 2009 to January 2011. PSPCL cancelled (March 2011) all work orders, encashed (November 2011) the bank guarantee of ₹ 6.61 crore furnished by the firm and kept it in PSPCL account instead of crediting the same to RGGVY bank account. This also resulted in loss of interest of ₹ 30.56 lakh (worked out @ 4 *per cent* per annum for the period from November 2011 to December 2012).

MOP/REC stated in the Exit conference (September 2013) that they had since issued directions for opening separate dedicated accounts and assured adjustment of these funds at the time of release of final installment.

4.5. Adjustment of interest earned in the last installment

As discussed in para 4.3 *supra*, substantial funds remained unutilized with REC/States. Sanctions issued by MOP, *inter-alia*, stipulated that *'the interest earned (on RGGVY funds) has to be accounted for and used for cost of the project by way of adjustment in the last installment.'* As no project had been closed and last installment has not been released, PIAs and REC earned and retained ₹ 744 crore (PIAs ₹ 668 crore and REC ₹ 76 crore) as interest on capital subsidy received under RGGVY as on 31 March 2012.

REC informed MOP (June 2009) that in view of the specific provision for adjustment of interest only in last installment, PIAs were unable to use the interest earned during the execution of project. Accordingly, REC requested MOP to allow PIAs to use interest earned even during the execution of the project subject to adjustment while releasing 2nd and 3rd installments.

Decision on the issue was pending in MOP. However, subsequent to the issue being pointed out by Audit in November 2012, MOP directed REC, in December 2012, that "*the amount of interest earned should be remitted to the Govt. Account by REC immediately*". MOP stated (August 2013) that "*an amount of ₹407 crore had since been remitted to MOP account*".

The reply is to be viewed against the fact that an amount of ₹ 337 crore (₹ 744 crore less ₹ 407 crore) remained to be remitted to the Government account and funds to this extent remained with PIAs, which did not further the cause of RGGVY.

4.6. Irregular Service Charges / fee paid to State Utilities / CPSUs

RGGVY guidelines issued by MOP (6 February 2008) laid down that SPUs and CPSUs be provided eight *per cent* and nine *per cent* respectively of the project cost as service charges for implementing the scheme and also for meeting additional expenditure in XI Plan. In the note of MOP to CCEA for X Plan as well as RGGVY guidelines (March 2005) there was no provision of service charges. However, SPUs and CPSUs were paid service charges of ₹ 1,099 crore at the rate of 10 *per cent* and 12 *per cent* respectively of the project cost for implementation of projects in X Plan.

MOP replied (August 2013) that, "*As per RGGVY guidelines for DPR formulation 12 per cent service charges of the total project cost for CPSUs and 10 per cent overhead charges to State Power Utilities are payable for overall implementation of the project. It has been mentioned in the note for XI plan for the approval of CCEA that the agency charges paid to State utilities and CPSUs, presently 10 and 12 per cent respectively was proposed to be revised to 8 and 9 per cent respectively.*"

The reply of MOP does not establish that there was a provision for the payment of service charges to PIAs either in the CCEA note for X Plan or the scheme guidelines or tripartite/quadripartite agreement. No explicit approval was obtained from CCEA for the same for X Plan.

4.7. Temporary diversion of RGGVY funds for non-RGGVY purposes

Instances were noticed where RGGVY funds amounting to **₹ 157.78 crore** were mixed with general funds of DISCOMs leading to their diversion for other purposes, as follows:

- In **Haryana**, DISCOMs[39] diverted (July 2012) RGGVY funds to the extent of ₹ 3.14 crore[40].
- In **Himachal Pradesh**, funds received as 1st installment for Chamba district project amounting to ₹ 7.48 crore were utilized by the DISCOM for meeting its own day-to-day requirements.
- In **Karnataka,** DISCOMs[41] diverted ₹ 128.43 crore for purposes other than RGGVY e.g. power purchase, salary payments, payment of contractors' bills of other works, repayment of borrowings *etc.*

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[39] Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)-₹ 1.84 crore (forfeited Bank Guarantee not credited to the Bhivani project funds), Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL)-utlised ₹1.30 crore for making interest payment to REC

[40] An amount of ₹ 1.83 crore was returned, as per Ministry of Power, after audit (July 2013).

[41] Bangalore Electricity Supply Company Limited (BESCOM)- ₹57.08 crore and Gulbarga Electricity Supply Company Limited(GESCOM) ₹ 71.35 crore

- In **Maharashtra,** a DISCOM transferred funds to its Cash Credit Account availed for meeting working capital requirements immediately after receipt from REC.

- In **Rajasthan**, one DISCOM[42] used RGGVY funds for making payments to contractors through its common account, till opening of a separate account. Another DISCOM[43] procured Fixed Deposit Receipts of ₹12.60 crore from RGVVY funds in April 2009/February 2010 and used the balance RGGVY funds for servicing cash credit.

- In **Sikkim,** Energy and Power Department (EPD) utilised ₹ 0.13 crore for procurement of two vehicles.

- In **Uttar Pradesh**, DISCOM[44] diverted (September 2012) ₹ 6 crore to Sonebhadra project from Kaushambi and Fatehpur Projects of Purvanchal Vidyut Vitaran Nigam Limited (PuVVNL), against the directives of REC.

- Further, in **Andhra Pradesh and Gujarat**, the DISCOMs transferred RGGVY funds to their general accounts/ holding company[45] immediately after receipt leaving only minimum balance in the special account opened for RGGVY funds and kept using RGGVY funds for their own purposes.

4.8. Irregular charging of State and local taxes to RGGVY fund

Guidelines issued (February 2008) by MOP stipulated that capital subsidy would be provided towards overall cost of projects under the Scheme, excluding the amount of State or local taxes. Such taxes were to be borne by the concerned State/SPU. Further, REC also directed (August 2010) PIAs to claim State or local taxes incurred by the latter from the State Government and not to include the same in the project cost.

In **eight States[46]**, an amount of **₹ 59.75 crore (Annexe 8)** was paid from RGGVY funds towards State/local taxes which ought to have been borne by the concerned State/SPU.

MOP stated (August 2013) that, "*REC has already requested all PIAs to segregate State tax component from project cost. Most of the PIAs have shown their inability to segregate such taxes till completion of project and have requested to retain an amount @1.5 per cent of project cost for all ongoing XI plan projects, till such details are made available. In view of this, REC has retained an amount of ₹ 62.86 crore (in respect of 8 States) to the extent of 1.5 per cent of project cost. In respect of the States wherever details of actual tax are available, the same have not been released to PIAs. The tax so retained or any due tax as per actual shall be adjusted/recovered while releasing final installment.*"

[42] Jaipur Vidyut Vitran Nigam Limited (JVVNL)
[43] Jodhpur Vidyut Vitran Nigam Limited (JdVVNL)
[44] Uttar Pradesh Power Corporation Limited
[45] Gujarat Urja Vikas Nigam Limited (GUVNL) in Gujarat
[46] Bihar, Himachal Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Mizoram, Punjab and Sikkim

The fact remains that RGGVY funds were burdened with avoidable additional liability that was required to be borne by States, depriving proportionate benefits from reaching the intended beneficiaries.

Recommendations

R3: MOP may consider instituting an accounting mechanism at all levels (MOP, REC and PIAs) that ensures real-time watch over the actual release and receipt of funds and interest accounted on unspent balances.

R4: MOP and the nodal agency, REC may take immediate action to recover / adjust the interest earned by PIAs on capital subsidy kept in banks and RGGVY funds that were utilized for payment of State / local taxes, against project costs.

Chapter 5:

Formulation, execution, and management of projects

5.1. Scope of Projects under RGGVY

The proposal for approval of a project by the Monitoring Committee (MC) involved the following steps relating to DPR, which was to be :

(i) formulated by the concerned PIAs,

(ii) recommended by the respective State Government in accordance with the guidelines,

(iii) scrutinized by the Project Office of REC for the State, and

(iv) analysed by RGGVY Division of REC, New Delhi

DPRs so examined were to be forwarded to MC for approval.

5.1.1. Formulation of 109 RGGVY projects not as per the norms

Comparison of the scope of work of the scheme "Accelerated Electrification of One Lakh Villages and One Crore Households" (AEOLVOCH) that was launched in February 2004 and merged with RGGVY is shown in **Table 15.**

Table 15: Item-wise comparison AEOLVOCH and RGGVY

Item	AEOLVOCH	RGGVY
Coverage of un-electrified villages	Electrification of un-electrified villages as on 31 March 2004	Electrification of all villages and habitations.
Coverage of electrified villages	------	Augmentation of rural electricity distribution backbone in already electrified village.
Coverage of households	At least 10 *per cent* households in each village included in the project were to be electrified as	All households to be provided access to electricity.

	per the new definition of village electrification.	
Subsidy	40 *per cent* subsidy from the central government;	90 *per cent* subsidy from the central government; *10 per cent by State* by own/ loan.
BPL households	--------	All BPL households should be provided connection free of cost.

DPRs for 109 projects[47] under RGGVY, in four States (Bihar, Rajasthan, Uttar Pradesh and West Bengal), with an effective sanctioned cost of ₹ 6,266.71 crore were prepared as per the scope of AEOLVOCH during 2004-05. Four[48] of these 109 projects, were sanctioned during March and April 2008 i.e, after three years of launch of RGGVY. Thus, due to the scope difference in DPRs, the following works were not carried out in 109 projects:

i. Intensive electrification of electrified villages
ii. Access to electricity for all households
iii. Electricity connection to all BPL households

Consequently, supplementary projects had to be sanctioned in 51 out of 109 projects, between 2005-06 to 2011-12. The cost increase on account of left over work as per the scope of RGGVY in the case of ***only*** these 51 projects was ₹ 8,312.38 crore. MOP modified the subsidy and loan components of AEOLVOCH as per RGGVY norms. Action to revise DPRs so as to achieve the objectives of the RGGVY was taken during 2004-05 to 2011-12 (2 projects in 2004-05, 1 project in 2005-06, 2 projects in 2006-07, 6 projects in 2007-08, 8 projects in 2008-09 and 32 projects in 2011-12). This delayed the benefits from reaching the beneficiaries of these 109 projects.

5.1.2. Supplementary Projects

DPRs were originally sanctioned for ₹ 245.21 crore in four projects (Durg, Ganjam, Kawardha and Solapur). Subsequently, during survey, the concerned contractors found that the actual work to be done was in excess of the original estimate. PIA, reported that the total cost of quantities required to execute the sanctioned coverage was higher than the awarded cost and the turnkey contractors who were awarded the work were not willing to execute the work within awarded rates. The contractors completed the work only upto the awarded value and submitted the project for closure. The work left incomplete by the contractors is detailed in **Table 16.**

[47] X Plan - 108 and XI Plan - one

[48] Burdwan & Birbhum (West Bengal), Chittorgarh (Rajasthan), Jahanabad & Arwal (Bihar) and Udaipur (Rajasthan)

Table 16: Details of works left incomplete by contractors

Project	Project cost (₹in crore)	Sanctioned Coverage (in numbers)			Work completed by contractor (in numbers)			Balance work left (in numbers)		
		UEV*	EV*	BPL HH*	UEV	EV	BPL HH	UEV	EV	BPL HH
Durg	64.38	6	1,770	48,129	8	1,186	43,000	-	584	5,129
Ganjam	116.39	684	1,984	1,12,263	454	1,738	1,12,200	230	246	63
Kawardha	37.07	111	845	34,832	48	607	34,832	63	238	-
Solapur	27.37	-	1,139	66,417	-	1,139	34,520	-	-	31,897
Total	**245.21**									

REC and MOP considered the request of contractors for closing these projects and treated the incomplete works as having been completed. The villages that were left out were sanctioned new supplementary projects at a cost of ₹ 108.82 crore resulting in excess expenditure to that extent. Supplementary projects were also taken up at rates higher than those of the original projects.

Further, prescribed checks were not exercised by the concerned agencies while sanctioning supplementary projects for balance or left over work of four projects as detailed in **Table 17**:

Table No. 17: Difference showing balance or incomplete work and supplementary projects

Project	Balance left over work from the original project			Coverage under Supplementary project sanctioned				Excess/short scope of work		
	UEV	EV	BPL HHs	Sanctioned cost (₹ in crore)	UEV	EV	BPL HHs	UEV	EV	BPL HHs
Durg	00	584	5,129	13.50	00	582	12,549	00	(-) 2	7,420
Ganjam	230	246	63	39.98	00	604	59,926	(-) 230	358	59,863
Kawardha	63	238	00	20.35	240	56	10,021	177	(-) 182	10,021
Solapur	00	00	31,897	34.99	00	1,139	39,407	00	1,139	7,510

*UEV: Un-electrified village in numbers; EV: Electrified Village in numbers; BPL HHs: BPL households in numbers

It is thus noticed that:

- In respect of **Kawardha,** the number of left over UEV was only 63. However, supplementary project was sanctioned for 240 UEVs.
- In **Ganjam**, 230 UEVs and 246 EVs were left out. However, 604 EVs and no UEVs were sanctioned as supplementary projects.
- In **Durg**, the left over BPL HHs were 5,129. However, supplementary projects were sanctioned for 12,549 BPL HHs though the number of villages had decreased.
- In **Solapur**, the number of left over BPL HHs was 31,897. However, 39,407 BPL HHs were sanctioned by the MC in the supplementary project.
- Sanctioned BPL HHs in supplementary projects in **Kawardha and Ganjam** had abnormally increased compared to incomplete work.

MOP replied in (August 2013) that *"due to contractual limitations, it was not possible to cover all villages & habitations from the existing contract. After necessary due diligence made by respective PIAs, proposals were put up to Monitoring Committee for approval of RCE proposals with truncated scope (village) and balance villages were sanctioned as supplementary projects."*

Reply is to be viewed against the fact that such deficiencies could be traced to the absence of a detailed survey to ascertain the ground situation prior to preparing DPR.

5.2. Deficiencies in Detailed Project Reports (DPR)

The guidelines for formulation of projects, formulated by the REC, stipulated a clear structure for the DPR. According to para 5 of the guidelines, background data for the project including a brief description of the existing situation, the sector/sub-sector *etc.* was to be included in DPR which was also to indicate the objectives proposed to be achieved, a general description of the project, clear identification of beneficiaries and assessment of benefits which would accrue to weaker sections of society. In order to prevent over-lap with on-going initiatives, the DPR was to not only describe such initiatives but also provide details of the manner in which duplication would be avoided. The DPRs were also expected to reflect two key areas, *i.e.* (1) management arrangements regarding responsibilities of management, implementation, monitoring and co-ordination, and (2) cost estimates based on latest available competitive rates and phasing of expenditure along with cost recovery (user charges). Further, in addition to the above, the DPRs were to contain requisite formats along with other attachments like maps, single line diagrams, PERT charts, detailed cost estimates *etc.*

Out of 169 selected projects, DPRs in respect of 162 projects[49] were produced to Audit by REC. Review of the DPRs revealed that important information / data was not attached therewith, as detailed below:

- **Cost estimates in 11 projects did not contain** information relating to item wise abstract of scope of work, unit cost, quantity involved, estimated cost together with phasing of works and estimated expenditure in two years (Implementation period).

- **Existing status of rural electrification was not given in 75 DPRs**, *i.e.* block wise village wise details about existing level of rural electrification in the project area along with details of un-electrified villages, de-electrified villages (if any) and habitations in already electrified villages were not provided.

- **Proposals** in **35 projects** were incomplete as DPRs did not contain information relating to block as well as village electrification of rural households, BPL households, public places/services and proposed 33/11 KV substation and 33 KV line & village electricity infrastructure in electrified, un-electrified, and de-electrified villages (if any).

- **Technical data** provided in **71 DPRs** in respect of existing as well as proposed substations and lines, for evaluating technical feasibility of the proposed project was either not provided or provided only partially. Two illustrative instances are given below:-

  (i) **PGCIL** (CPSU) for its Odisha projects, did not incorporate assessment of future demand of electricity in DPRs envisaged in the scheme.

  (ii) Additionally, **DVC** (CPSU) for its Jharkhand projects prepared the DPR on the basis of 40 watt load for BPL families as against 500 watt load for other connections. Subsequently (June 2012), when the load proved insufficient, DVC proposed revised estimates on the basis of 250 watt load for BPL Households.

- Business Plan and Financial analysis were not enclosed or were incomplete in **81 DPRs**.

Essential attachments like maps, calculations and diagrams were not a part of approved DPRs, as shown in **Table 18**.

[49] Projects in respect of which DPRs were not submitted: East Sikkim, Jalaun, Kaushambi, Krishnagiri, Mirzapur, Nagapattinam and Sangli (seven projects).

Table 18: Deficiencies in DPRs

Sl. No.	Particulars	Number of DPRs where these attachments not provided *(percentage out of 169)*
1.	Single line diagrams for existing and proposed distribution network	106 *(63per cent)*
2.	Sample calculation along with formulae used for *per cent* Voltage Regulation (VR), annual energy loss *etc.*	131 (78 *per cent*)
3.	Existing and proposed distribution network superimposed on geographical map	137 (81 *per cent*)
4.	PERT Chart for execution of project	122 (72 *per cent*)

Though the guidelines required that a quarterly schedule for electrification of villages and households be included which would contain details of block wise, quarter wise target for electrification of number of villages and number of households, the schedule was not attached in 143 DPRs.

5,650 villages in 49 projects were identified as de-electrified villages to be electrified under the scheme. Availability of assets in de-electrified villages was not ascertained while formulating DPRs for these projects and new infrastructure was proposed and approved.

REC in its reply, stated (January 2013) that, *"the annexures are available in DPRs……… the second installment shall be released subject to complete details in various formats of sections A,C,D,E,F&G of the project formulation guidelines including PERT chart, block maps, single line diagram, business plan which have not been provided with the DPRs."*

No documentary evidence was, however, provided in support of the reply that the requisite annexure/formats were available on record with REC. Further, the reply confirms that projects were commenced without complete information / data as the 1st installment was released without vital information which was not in the interest of efficient and effective implementation of the scheme.

Further, MOP, in its reply stated (August 2013) that *any annexure/ attachment which did not affect the project outlay were not insisted before sanction of the project. However it was mentioned in the sanction letter that the same would need to be provided before release of 2nd installment. Further while approving the closure proposal, the implementing agencies have been again requested to submit all annexures/ attachments before release of final installment.*

The reply is only an affirmation of an intended procedure which was not always followed in practice as brought out in the para. There is a need for strengthening the system of preparation of DPRs and their approval.

5.3. Cost over-run

235 projects were originally sanctioned in X Plan at a total cost of ₹ 9,733.01 crore. These projects were awarded for ₹ 12,318.75 crore, 26.57 *per cent* above the originally sanctioned cost. The cost was further revised (December 2012) to ₹ 13,164.97 crore, 35.26 *p* above the original cost. This can be seen graphically in **Figure 5**.

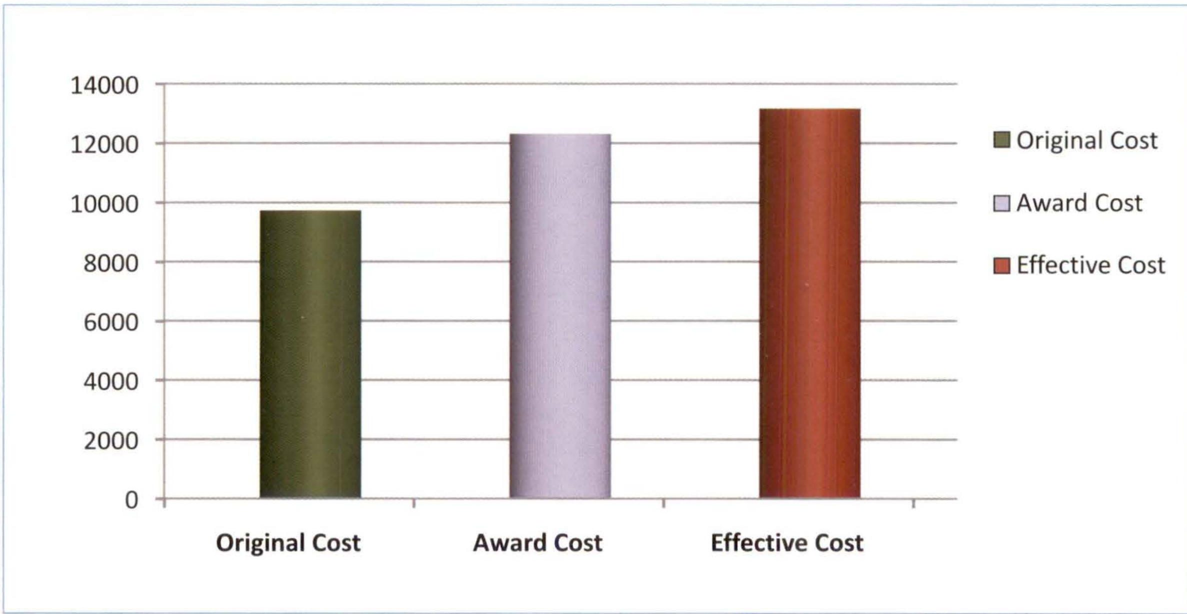


Figure 5: Increase in Costs (X Plan Projects)

CCEA approved ₹ 28,000 crore in February 2008 for implementation of the scheme in the XI Plan. MOP sanctioned 341 projects for which the original cost was ₹ 16,694.46 crore. However, these 341 projects were awarded at ₹ 18,949.37 crore, 13.51 *per cent* above the original cost. The original cost estimates of XI Plan projects were revised (December 2012) to ₹ 20,905.90 crore, 25.22 *per cent* above the original cost. This can be seen graphically in **Figure 6**.

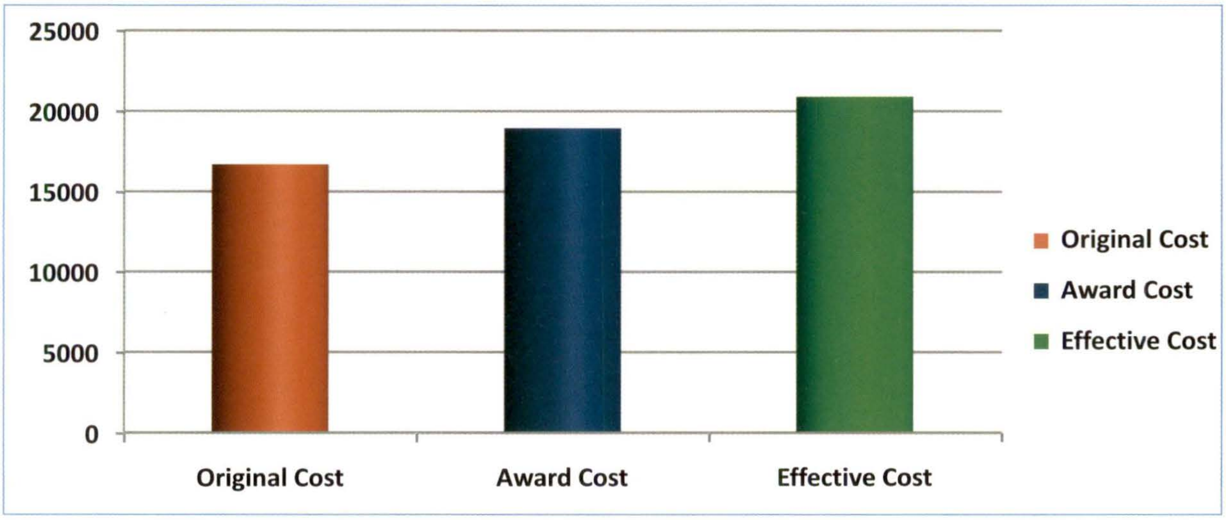


Figure 6: Increase in Costs (XI Plan Projects)

Thus, all 576 projects of X and XI Plan sanctioned originally for ₹ 26,427.47 crore were awarded at ₹ 31,268.12 crore, 18.32 *per cent* higher than the originally sanctioned cost. Sanctioned cost estimates for all projects were revised to ₹ 34,070.87 crore as on December 2012, which was 28.92 *per cent* higher than the cost originally sanctioned.

Project specific costs, were revised in DPRs for 519 out of 577 projects[50]. The percentage revision in costs ranged between (-) 61.49 in **Gujarat** and (+) 269.29 in **Sikkim** as shown in **Table 19.**

Table 19: Percentage revision in DPRs

Sl. No.	State	Total Projects	Projects where cost revision took place	Amount-wise Minimum Percentage revision	Amount-wise Maximum Percentage revision
1.	Andhra Pradesh	26	25	-26.56	66.87
2.	Arunachal Pradesh	16	16	36.84	121.54
3.	Assam	24	24	10.53	190.00
4.	Bihar	43	41	18.32	107.76
5.	Chhattisgarh	16	12	-12.23	44.36
6.	**Gujarat**	25	23	**-61.49**	187.65
7.	Haryana	18	17	-06.10	25.76
8.	Himachal Pradesh	12	12	21.62	165.09
9.	Jammu and Kashmir	14	13	16.92	164.15
10.	Jharkhand	22	22	-15.66	101.48
11.	Karnataka	25	23	22.60	82.30

[50] There were two DPRs for Kokarajhar Project

12.	Kerala	7	1	0.98	0.98
13.	Madhya Pradesh	32	26	10.02	84.68
14.	Maharashtra	34	32	-30.56	133.22
15.	Manipur	9	2	17.29	45.03
16.	Meghalaya	7	7	05.78	76.48
17.	Mizoram	8	8	131.92	180.52
18.	Nagaland	11	11	78.77	179.98
19.	Odisha	32	28	-20.02	25.04
20.	Punjab	17	17	08.11	27.85
21.	Rajasthan	40	24	-18.13	71.36
22.	**Sikkim**	4	4	236.29	**269.29**
23.	Tamil Nadu	26	26	nil	nil
24.	Tripura	4	4	38.48	80.56
25.	Uttar Pradesh	64	62	-09.61	145.77
26.	Uttarakhand	13	13	03.72	27.75
27.	West Bengal	28	26	-09.68	43.35
	Overall status	**577**	**519**	**-61.49**	**269.29**

Wide variations in the project costs as detailed above reinforce the fact that prior survey would have enabled preparation of cost estimates on a more realistic basis.

5.3.1. Village Electrification Costs – benchmark analysis

While submitting the proposal at a cost of ₹ 16,000 crore to the CCEA for approval in November 2004, MOP had indicated the electrification cost of an un-electrified village at the rate of ₹ 6.50 lakh per village. However, CCEA accorded 'in principle' approval (December 2004) with the condition that concerns expressed by the MOF[51] may be addressed by a Committee of Secretaries (COS). Subsequently, a meeting of the COS was held in January 2005 on the issues in which it was decided that (a) MOP should work out an alternative model based on realistic assumptions about tariff structure with its regional variation and (b) MOP/REC should work out the estimate of outlays for the scheme and the likely subsidy level for its sustainability.

Accordingly, MOP submitted an alternative revenue model to COS with an updated cost estimate of ₹ 16,300 crore reflecting village electrification cost as ₹ 8.86 lakh per village. This cost model was recommended by COS (February 2005) to CCEA for approval. The proposal framed by MOP (February 2005) based on the recommendations of COS was considered by CCEA in their meeting held on 17 February 2005 and was approved.

[51] Revenue model must be firmed up, expansion of transmission and distribution backbone must keep pace with the availability of power in the region, franchisees for distributing power should be carefully selected and State Governments must give an assurance that they would abide by the tariff fixed by Electricity Regulatory Commission of the State.

However, cost estimates indicated in RGGVY guidelines dated 18 March 2005 retained the amount at ₹ 6.50 lakh per village which was at variance with the cost estimate of ₹ 8.86 lakh per village recommended by COS.

Subsequently, while issuing guidelines (February 2008), MOP accepted that village electrification cost per village ₹ 6.50 lakh was low and revised it to ₹ 13 lakh for normal areas and ₹ 18 lakh for hilly, tribal and desert areas. In a nutshell, the costs are shown in **Table 20.**

Table 20: Village electrification cost of X and XI Plan projects

Amount ₹ in lakh					Amount in ₹
Plan	**Cost of electrification of un-electrified village**		**Cost of intensive electrification of already electrified village**		**Cost of BPL connection**
	Normal	**Hilly**	**Normal**	**Hilly**	
X	6.5	6.5	1	1	1,500
XI	13	18	4	6	2,200

Analysis of village electrification costs in 17 projects revealed that:

- In nine[52] projects with only un-electrified villages, the per village cost ranged from ₹ nine lakh to ₹ 14 lakh (X Plan) against the norm of ₹ 6.50 lakh;
- In two[53] projects, under intensive electrification, the per village cost ranged from ₹ 5.92 lakh to ₹ 47.14 lakh (X Plan) against the norm of ₹ one lakh;
- In six[54] projects, under intensive electrification, the per village cost ranged from ₹ 19 lakh to ₹ 42.68 lakh (XI Plan) against the norm of ₹ four lakh for normal and ₹ six lakh for hilly, tribal and desert areas ;

This shows that actual cost of village electrification was very high compared to cost norms fixed.

MOP in its reply, stated (August 2013) that, *"the benchmark cost was fixed for the purpose of estimation of programme as well as for the appraisal of projects. However the project cost depends upon the actual requirement in the field. Therefore project costs are generally at variance with the benchmark cost due to various factors of the villages like geographical spread, population, density of population & extent of household electrification etc."*

In response to a query from the Standing Committee on Energy (14th Lok Sabha) as to what action was being taken in respect of project proposals, cost of which exceeded the cost norms, MOP had informed:

[52] Allahabad, Basti, Etawah, Kaushambi, Moradabad, Saran, Seohar, Siddharthnagar and West Midnapore
[53] Chamba and Idukki
[54] East Sikkim, Kohima, Kozhikode, Mallapuram, Serchhip and Wayanad

'In case, the estimated project cost exceeds the cost norms, the concerned implementing agency is advised to either provide appropriate justifications or to modify the project.'

The reply of MOP is in contradiction to its earlier statement to the Standing Committee as increased actual costs have been accepted with virtually no instances of modification of project rendering the benchmark irrelevant. MOP did not have any special procedure for tracking costs in respect of projects where these were in excess of benchmark costs. With respect to the BPL benchmark cost, REC / MOP had applied the benchmark restriction strictly and did not reimburse any additional costs. Further, increase in costs above the benchmark costs would correspondingly reduce the number of villages/BPL households that are possible to be electrified with the limited resources allocated for the scheme.

5.4. Approval of DPRs by Monitoring Committee

The Monitoring Committee (MC) constituted by MOP under the Chairmanship of Secretary, MOP was empowered to sanction RGGVY projects in XI Plan. MC approved 530 projects in 15 meetings held between July 2005 and October 2008. This implied that in addition to other items like sanctioning revised cost estimates, monitoring and reviewing the implementation of the scheme and issuing necessary guidelines for effective implementation of the scheme, the MC approved on an average 35 projects per meeting. Details of meetings where more than ten projects were sanctioned are given in **Table 21**. Evidence of detailed scrutiny of projects before according approval by MC was not available in the records produced to audit.

Table 21: Projects approved in the Monitoring Committee Meetings

Sl. No.	Number of the Meeting	Date of the meeting	No. of Projects sanctioned	Project Cost (₹ in crore)
1.	1st Monitoring Committee Meeting	21.07.2005	127	4,904.34
2.	7th Monitoring Committee Meeting	09.05.2006	24	576.06
3.	8th Monitoring Committee Meeting	20.07.2006	26	2,023.46
4.	15th Monitoring Committee Meeting	22.01.2008	215	7,975.52
5.	16th Monitoring Committee Meeting	04.02.2008	26	2,168.09
6.	19th Monitoring Committee Meeting	13.03.2008	51	2,049.22
7.	20th Monitoring Committee Meeting	19.03.2008	13	812.57
8.	21st Monitoring Committee Meeting	28.03.2008	11	1,022.46

MOP stated (August 2013) that, *"all the DPRs received from the respective State Govts. were scrutinized and appraised by REC and were put up to Monitoring Committee for sanction.*

Based on facts/recommendations by REC, the projects were sanctioned by Monitoring Committee."

The reply only confirms that MC depended entirely on REC for the exercise of due diligence which suffered from inadequacies as already discussed in para 5.2 *supra*. Checks, if any, applied by MC to ensure adequacy of due diligence by REC while scrutinising the DPRs were not evident from the minutes of the meetings of MC produced to audit. 127 projects, which included 111 projects under AEOLVOCH, were approved *ex post facto* by MC in their 1st meeting (21 July 2005) though the scope of AEOLVOCH differed from the scope of RGGVY projects.

Interestingly, in 170 projects of X Plan, a Screening Committee of REC cleared the projects, though MC was not empowered to sanction the project in X Plan period. REC obtained *ex post* sanction of MC for these 170 projects. While framing the guidelines of the scheme, MOP did not consider this important aspect of specific delegation of power for sanctioning the projects in X Plan.

5.5. Time taken in approval, award and completion

5.5.1. Time taken in preparation and approval of DPRs

RGGVY provided a time cycle of completion of project as two years from the date of sanction of a project. The time frame for various activities from preparation to approval of DPRs was not fixed. In the absence of such time-limit, the time taken by PIAs in preparation of DPRs became flexible and open-ended. For instance, in **Assam**, there were delays ranging from two months to 21 months, with reference to the target set by itself, in submission of DPRs. The main reasons for delay in submission of DPR were non-receipt of necessary data from field offices of the Assam Power Development Corporation Limited. Similarly, in **Jharkhand**, in a technical workshop conducted by REC in August 2005, it was decided that the agencies may outsource preparation of DPRs to expedite the process and a schedule for preparation of DPRs and award of contract for eleven districts of the State in the first phase was finalized. DPRs for six districts took five to seven months.

There were delays on the part of PIAs in submission as well as REC in approval of DPRs after submission, which impacted project schedules. In **Chhattisgarh**, where PIA took 22 months for preparation of DPRs for Bastar and Dantewada after quadripartite agreement, REC took another 19 and 8 months respectively for approving the DPRs. Thus, more than two years were taken even before the project could commence. In **Tamil Nadu**, the PIA submitted DPRs for 29 districts in February 2006. DPRs of 26 projects were approved by REC in March 2008. REC sanction, in respect of the three remaining districts, was received in December 2011. No reasons were on record for the non-approval of DPR of the three districts in March 2008.

Analysis of time taken in approval of DPRs in the selected sample of 169 projects revealed that:

a) In 26 cases there was no date of submission of DPR to REC for approval.
b) In 50 cases, approval of DPR was not sought from Monitoring Committee.
c) In 99 projects, the time taken for approval of DPRs was up to 45 months as indicated in **Figure 7**.

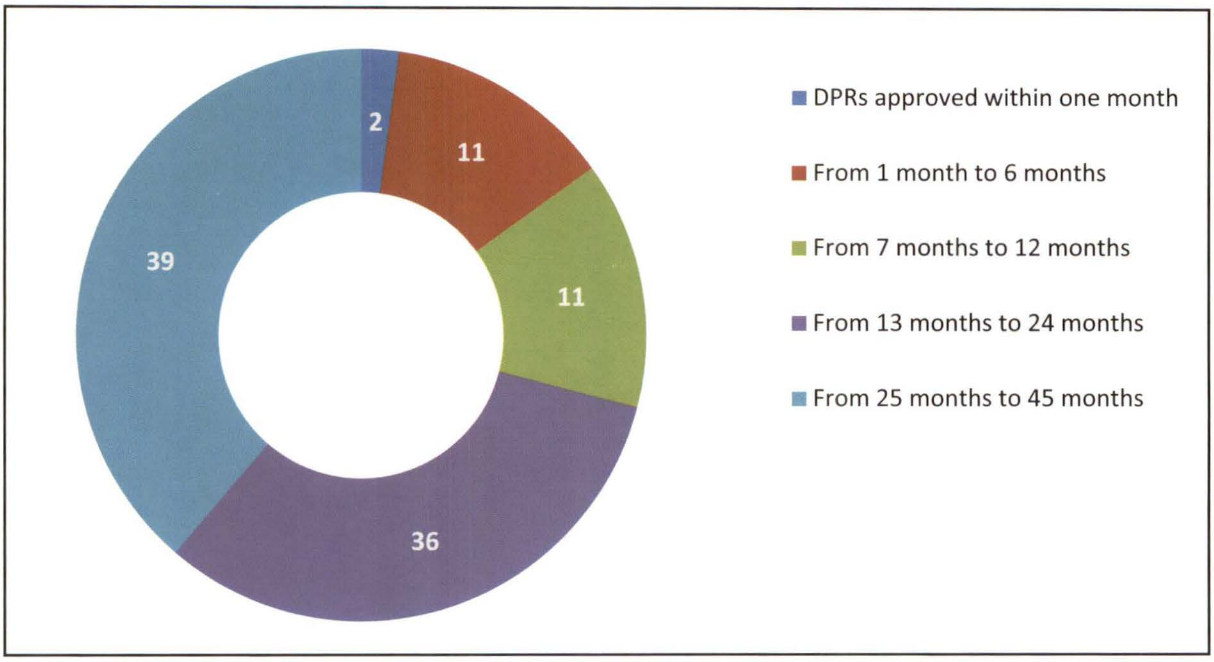


Figure 7: Time taken to approve DPRs

MOP replied (August 2013) that, *"delay in approval of projects was due to late receipt of approval for continuation of RGGVY under XI Plan which was received in February 2008."*

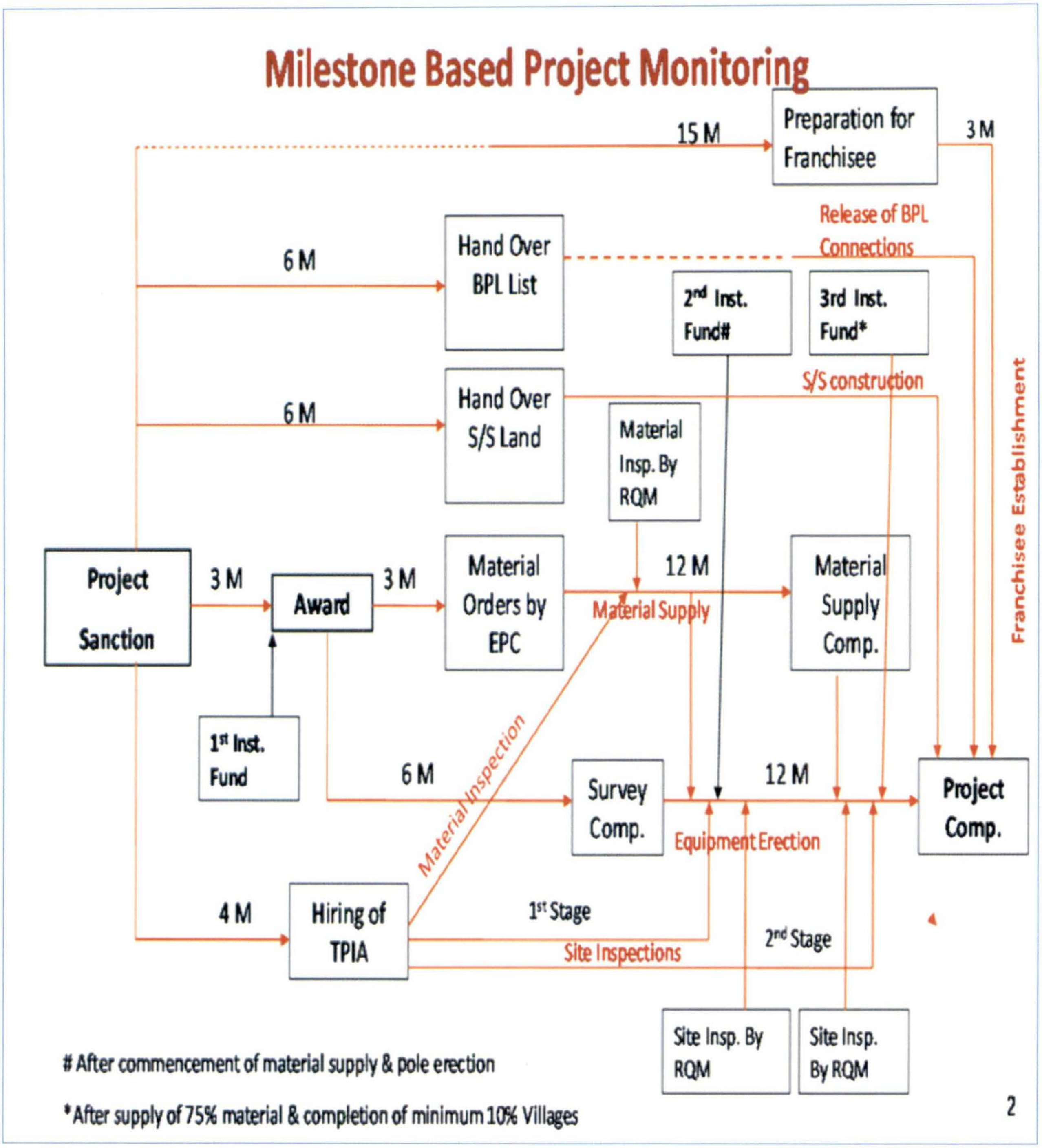
This explanation for the delayed approval should be viewed against the fact that MOP submitted the proposal for continuation of the scheme in XI Plan only in end-September 2007.

5.5.2. Time taken in award of project

In order to ensure timely completion of projects a milestone-based project monitoring system was established by MOP as shown below in **Figure 8.**

Box 8: Award of works prior to sanction

In 32 projects, the work was awarded even before the sanction. It was also noticed that in 24 out of these 32 projects, the awarded cost was much more than the sanctioned cost, with the excess ranging from 3.72 *per cent* to 67.74 *per cent*.



(M- Months)

Figure 8: Milestone Based Project Monitoring of MOP

(Source: Figure provided by MOP)

The milestone-based project monitoring system stipulated that the project was to be awarded within three months of sanction of project. However, in 425 out of 576 projects, the time taken to award the project was more than three months. The maximum delay was upto 46 months (*i.e.* three years and 281 days) in two projects[55]. The delay also led to cost escalation of projects. In illustrative test-checked cases **in five States** alone, as explained in following paras, the increase in cost amounted to **₹ 696 crore**.

- In **Assam**, time taken in award of works ranged between 4 and 30 months from the date of floating Notice Inviting Tender (NIT) mainly on account of delay in processing and finalisation of tenders, negotiation with bidders and obtaining mandatory fresh sanction of REC in those cases where L1 bid was more than 110 *per cent* of sanctioned cost. The delay resulted in increase (by **₹ 322.25** crore) in sanctioned cost from ₹ 1,294.93 crore to ₹1,617.18 crore as DPR estimates considered base rate (SoR rate) of 2005-06 whereas works were awarded considering updated SoR rate for 2008-09.

- In **Bihar**, the Bihar State Electricity Board (Board) floated NIT in October/December 2006. After finalization of tender, the Board sent the same to REC for approval (October 2007) of the cost (₹ 748.40 crore) of the lowest tender. Validity of offers was upto June 2008. However, before approval of L1 tender, MOP communicated (February 2008) fresh cost norms for village electrification which required revision of DPR. Finally, the revised DPR was sanctioned by REC in March 2008. The cost of award of work of ₹ 748.40 crore for eight districts was finally approved by REC in August, 2008 after the expiry of validity of offers. Consequently, fresh bid was invited (September 2008) where lowest rate received was ₹ 852.09 crore, which was higher by **₹ 103.69** crore compared to the previous lowest bid. Finally, letter of award was issued (May 2009) for rural electrification work. The delay by the Board in finalisation of tender delayed the start of the project.

- In **Chhattisgarh**, PGCIL took 22 months for preparation of DPRs (Bastar and Dantewada) while REC took another 19 and 8 months for approval respectively. Further, the work was awarded (March 2010) to turnkey contractors after a delay of 51 months from the date of quadripartite agreement (November 2005). The inordinate delay in awarding of work was mainly due to delay in preparation of DPRs, delay in compliance of the queries raised by the REC, delay in approval of DPRs and refusal of PGCIL to execute the work. As a result, Bastar and Dantewada projects could not be sanctioned under X Plan, though, quadripartite agreement for both the districts was executed way back in November 2005. Delay also led to cost overrun by **₹ 174 crore**.

- In **Madhya Pradesh**, in the case of three projects[56], more than two years elapsed between the date of sanction (2006-07) and date of award of contract (June 2009). The delays were due to both REC and the PIA as the former had requested the latter to put the award process on hold and the PIA (East DISCOM) did not fulfill the required formalities for release of first instalment. Orders could not thus be placed within the validity period. In the mean-time, the award process got further derailed as price escalation was sought by the original L1 bidder resulting in re-tendering with extra expenditure of **₹ 4.26 crore.**

[55] Malda and 24 Pargana in West Bengal
[56] Narsinghpur, Satna and Tikamgarh

- In **Sikkim,** despite the fact that projects were sanctioned in X and XI Plan, PIA, *i.e.* Energy and Power Department (EPD), completed bid evaluation only in February 2009. Consequently, the first installment of ₹ 43.97 crore was released in February 2009 by REC. This avoidable delay in finalization of award of works not only resulted in delay in release of fund by REC but also increased (by **₹ 91.80 crore**) the project cost from ₹ 57.11 crore to ₹ 148.91 crore.

MOP while accepting the observation stated (August 2013) that, *"PIAs have taken considerably longer time in awarding the projects due to various reasons like poor response of tender, unqualified bidders, executing the RE works departmentally by Power Utilities who are novice in execution of works on turn-key basis. However, MOP/REC had continuously pursued with PIAs for expediting the process of awarding of projects."*

Box 9 - Interesting cases of DPR approvals

Case 1: Jammu and Kashmir - Irrational reduction of quantities by REC

DPR for Rajouri project was submitted (August 2005) by Jammu and Kashmir State Power Development Corporation (J&KSPDC) Ltd to REC at an estimated cost of ₹ 69.10 crore. The project was sanctioned by REC in March 2008 at a total cost of ₹ 30.27 crore. While approving the project, some components were reduced by REC. For example, the length of the LT line per village was restricted to 0.5 Km per village and the number of distribution transformers were restricted to capacities required to cater to the load requirements of households (0.5 KW for households other than BPL and 0.06 KW for BPL households). After award of the work at a cost of ₹ 37.77 crore (December 2009), a pre-execution survey was conducted by the contractor in March-April 2010. Subsequently, in February 2012, after more than 4½ years, REC approved almost the same quantities in respect of HT/LT lines as were proposed earlier and the cost of the project was revised to ₹ 79.97 crore.

Case 2: Andhra Pradesh - Approval without justification

Initial DPRs were submitted in September 2005 and Revised Cost Estimates (RCE) were submitted by DISCOMs between February 2010 to August 2010. REC approved (July 2010 to March 2011) the revised costs. Submission of RCE at this stage made the exercise of revision of estimates redundant as by that time the DISCOMs had reached the end of / completed execution. RCE was therefore, more or less a statement of the quantities actually used (till the time of their dispatch) and services actually released, and not an estimate or a guideline to be followed for proper execution. REC also accepted the reasons attributed by DISCOMS for increase without rigorous validation of the changes in quantities.

The reply underlines weaknesses in the system of monitoring and planning that would require strengthening of coordination mechanism with the PIAs to expedite the award process.

5.5.3. Delay in completion of work

As per the REC sanction letter, each project was to be completed within a period of two years from the date of release of first installment. There were delays ranging from three months to over five years in 161 out of 169 selected projects, as of 31 March 2012 as detailed in **Annexe 9**. Moreover, as of 31 March 2012, only five projects[57] had been recommended for closure by REC. However, even as of 31 March 2013, none of the projects had been declared 'closed' by MOP.

MOP accepted Audit view and stated (August 2013) that, "*many projects were not completed within stipulated time due to frequent revision in scope and cost and related delay in approval of revised parameters, delay in allotment and handing over of suitable land by the States for new Sub-Stations, clearances from Forest, Railways & National Highways Dept, non-performance of the Contractors etc. However, as on date (August 2013), REC has approved 55 closure proposals.*"

Further, to ensure completion of works as per schedule, each contract had a scheduled date of completion and a clause for levy of Liquidated Damages (LD) was incorporated in contracts. Besides contractual obligation, this also ensures that the intended benefits are made available to beneficiaries without delay.

In the context of RGGVY projects, it was observed that though the clause[58] relating to LD was incorporated in relevant agreements, it could not be used as an appropriate tool for control. Out of 169 selected sample projects, against the contracted dates for completion, there were delays ranging from five months to over five years in 149 projects, as on 31 March 2012. No attempt was made to fix responsibility, even in cases where the delay would have been primarily due to the contractor.

Despite delay on the part of contractors to complete the project in time, in 14 States, LD amounting to **₹ 166.40 crore** was not levied by PIAs. In four States, there was short-recovery/non recovery of LD to the extent of **₹ 22.18 crore**. State-wise details of LD cases are in **Annexe 10**.

PIAs had not initiated any action even after expiry of the extended period to serve a notice on the defaulter intimating that LD would be charged as per the contract.

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[57] Burdwan, Murshidabad, Nanded, Panchmahal and Uttar Dinajpur

[58] All contracts signed had a similar clause, in conformity with the clause in the (Tripartite) agreement that liquidated damages (LD) is levied on the contractors for delay on their part. The amount of liquidated damages was to be levied at the rate of 0.5 *per cent* per week subject to a maximum of five *per cent* of the total value of the contract for non-completion of work within the stipulated date due to contractor's fault.

In reply, MOP stated (August 2013) that, *"Without exception, RGGVY projects in many States could not progress as per the predetermined timelines contained in the award. As informed by the PIAs, Liquidated damages shall be levied only if the delay is due to non performance of Contractors. However, delay on scheduled target could not be solely attributed to Contractors. Further, extension of time was given by the PIAs with due consideration of various activities/factors for the slow progress and hence no liquidated damages were claimed by PIAs in some of the States. Besides in some of the States, as informed by PIAs, the process of levying of Liquidated Damages is under way and it shall be finalized on completion of the projects."*

On examination of the State-level replies endorsed by MOP, in the case of six[59] States where reply was given, it was noticed that LD need not have been levied as per terms of original Letter of Award (LOA) due to time extensions given and approved by REC. Accountability for the delayed execution of projects was, however, not determined at any level *i.e.* PIA, REC and MOP. As such, the LD clause in the Letters of Award was rendered irrelevant. Conversely, if the contractors were not responsible for the delays, then it would appear that the full responsibility would lie on PIAs. However, no action was taken by PIAs on erring officials nor had REC / MOP taken action to ascertain the responsibility of PIAs, which rendered the time-lines laid down irrelevant.

5.5.4. Web Based Monitoring System

REC launched (2008) a web-based MIS which included milestone based monitoring for XI Plan projects as one of the new features. Implementation of projects was envisaged to be monitored against the pre-award and post-award schedules of implementation through exception reports. The system captured the achievement of the milestones which were to be linked to the release of funds for the XI Plan projects.

Activity wise milestone data was, however, not entered in the web based MIS which was thus, ineffective in monitoring the implementation of projects and mitigating delays in implementation of projects.

5.6. Violations in award of contracts

Illustrative cases where works in 29 projects amounting to ₹ **548.61 crore** were awarded to ineligible contractors in **two States,** as indicated below:-

- In **Jammu and Kashmir**, the firm M/s Pir Panchal Construction Pvt. Ltd. was neither registered with Commercial Taxes department of the State as on the date of submission of tender nor did the firm submitted the tax clearance certificate along with tender documents. The tender documents of the firm *ibid* were thus liable to be

[59] Assam, Gujarat, Haryana, Mizoram, Nagaland and Tripura

rejected at the time of evaluation. The tender, however, was accepted by the Chief Engineer and three RGGVY works valuing ₹ **101.20 crore** were awarded to the said contractor for execution.

- REC procurement guidelines stipulated that the contract should be executed in turnkey packages. In **Tamil Nadu**, to fulfill these conditions, Tamil Nadu Electricity Board (March 2008) sought permission to award the turnkey contract to M/s. Tamil Nadu Small Industries Corporation Limited (TANSI), a State public sector undertaking on single tender basis. Such a request from the company was in violation of the requirements in procurement guidelines of REC. The Monitoring Committee of the Government of India, approved (March 2008) the award of the execution of RGGVY works amounting to ₹ **447.41 crore** for 26 districts on turnkey basis to TANSI on nomination basis, without a bidding process. TANSI was not a manufacturer of either Distribution Transformers (DTs) or conductors. Yet, without assessing the capability, TANSI was nominated as the turnkey contractor. The Principal Secretary, Energy Department directed (December 2008) that the component of BPL household electrification and erection of DT structures may be taken out of the scope of the TANSI contract and handled directly through Electricity Distribution Circles (EDC) on a decentralized basis. This indicated that the nomination of the State PSU was done only to circumvent the conditionality of appointment of turnkey contractor through competitive bidding process.

Further, Banswara project work in **Rajasthan** was awarded to ICSA, Hyderabad (contractor) on 26 August 2008. The work was awarded despite Corporate level purchase committee of PIA knowing that the contractor had not satisfactorily executed an earlier work awarded to latter and that work was still incomplete. The Banswara project work which was to be completed within 14 months from date of issue of work order was pending completion till March 2012. Thus, award of work to a contractor without satisfactory past track record resulted in delay in completion of Banswara project.

Qualification requirement of the tender document for Ajmer, Sikar and Jhunjhunu projects was that the bidder should possess work experience equal to 25 *per cent* of the total estimated cost of tender. M/s Angelique International Limited, New Delhi was awarded (May 2006) these three projects along with a fourth project, Dungarpur, despite the fact that the firm had total work experience of ₹ 7.74 crore against the requirement of ₹ 10.74 crore for the initial three projects.

Against the tender notice for awarding rural electrification work at Karauli for the project sanctioned under AREP scheme, single offer was received. As the firm was not meeting requirement of tender document, the Board of Jaipur Vidyut Vitran Nigam Limited (JVVNL) waived the qualification criteria and awarded the project to the firm (January 2006).

MOP in its reply (August 2013) stated that, *"the process of tendering and awarding the projects falls under the purview of PIAs. PIAs are required to ensure fairness in tendering* *process. However, this matter has been taken up with the concerned PIAs for their comments on correctness of the facts & figures and clarifications thereof."*

REC mentioned in the Exit conference (September 2013) that under XII Plan a Standard Bidding Document is being prescribed for procurement purpose which also include qualifying criteria for various types of works involved under RGGVY.

5.7. Mobilisation Advance (MA)

REC guidelines[60] for procurement of goods and services for implementation of rural electrification project, provide that 15 *per cent* of the ex-works price of components shall be paid as initial advance, in case of supply of materials and 10 *per cent* on total erection price as initial advance, for erection contracts. Further, Central Vigilance Commission (CVC) guidelines stipulate that payment of MA to the contractor should be need based and its recovery should be time-based and not linked with progress of work. Also the amount of MA payable, interest to be charged, its recovery schedule *etc.*, should be explicitly stated in the tender document. This would ensure that even if the contractor was not executing the work or executing it at a slow pace, recovery of the advance could commence and scope for misuse of such advance would be reduced.

Box 10: Jammu and Kashmir - Payments without linkage to physical progress

As per letter of award (26 December 2009) for Rajouri project, the project work was to be executed on turnkey basis. The contractor however, dumped the material on work sites, presented claims for payment and received payments, including mobilization and erection advance, worth ₹ 25.34 crore (67 *per cent* of award cost of ₹ 37.77 crore) as of March 2012. The physical progress of various components of work on that date only ranged between 3 and 29 *per cent*.

State-wise details of cases where either REC or CVC guidelines were not followed which resulted in undue benefit to the contractors or avoidable financial loss are given in **Annexe 11**. Significant irregularities noticed were as follows:-

- In 11 States[61], the contracts did not insist upon time-based recovery of MA and recovery of interest thereon. In eight States[62], this led to blockade of funds amounting to **₹ 103.57 crore** (in test-checked projects only) for periods ranging from three months **(Arunachal Pradesh)** to 42 months (**Gujarat**).

[60] Clause 8.1 of Special Conditions of Contract (Volume IA)

[61] Arunachal Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal

[62] Arunachal Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Manipur, Nagaland, and West Bengal

- MA in excess of stipulated norms / contractual terms, amounting to over ₹ 29.61 crore, was granted in **Gujarat**[63], **Nagaland** and **Sikkim**.

- The concerned State Governments had to bear a financial loss of ₹ 58.33 crore in respect of 57 test-checked projects in 11 States[64] on account of release of interest-free MA amounting to over ₹ 450 crore to contractors. This action was not financially prudent, as the PIAs (DISCOMS/State Electricity Boards) were paying interest at the rate of 10-12 *per cent* on the loans received from REC for the scheme while advances to contractors were interest-free.

- MA was not recovered despite expiry of the scheduled date of completion, for example, in **Gujarat** and **Manipur.**

Box 11: Lapses on part of Implementing Agency official

In **Chhattisgarh**, MA of ₹ 2.28 crore was released in August 2010 on which interest was to be charged. Though ₹ 0.50 crore was recovered till May 2011, recovery thereafter was stopped on the instruction of the Chief Engineer.

In **Nagaland**, two contractors were paid (January 2007 and June 2007) MA of ₹ 4.23 crore of which an amount of ₹ 2.62 crore was recouped. Subsequently, the contract was cancelled and the contractors were asked to refund the unadjusted amount of ₹ 1.61 crore which was not done for 32 months. No action was initiated against the contractors.

MOP replied (August 2013) that *"in **Gujarat**, as per the implementing agencies (February 2013), grant of mobilisation advance was released as per norms of tenders, whereas in **West Bengal**, WBSEDCL stated (February2013) that the provision of interest free advance was included in the bid and the LOA was awarded after approval from the Board Committee. In **Nagaland**, the Power Department informed that against release of 15 per cent Mobilization Advance mentioned in the terms of contract, 25 per cent was given to turnkey contractors who were willing to provide equivalent BGs of that amount. This was done with the intent to expedite works."*

Reply needs to be viewed against the fact that there was no assurance available on record provided to audit leading to conclusion that the instrument of MA was used only for expediting the work and not for favouring the contractors.

[63] Two DISCOMs, PGVCL and UGVCL

[64] Arunachal Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal

5.8. Extra expenditure

Project proposals were to include item-wise abstracts of scope of work, quantities involved, *etc.* which were eligible for creating a Rural Electricity Distribution Backbone, Village Electrification Infrastructure *etc.* While implementing the project, in the event of any variation in the project parameters or increase or decrease in the project cost, revised cost estimates (RCE) were to be submitted to REC for sanction. Subject to technical suitability, REC would consider revised sanction of the cost estimates under the following circumstances: -

(i) Change in scope
(ii) Change in statutory levies
(iii) Price escalation
(iv) Time overrun (beyond the control of project executing agency)projects

There were lapses with a financial impact of **₹ 41.42 crore** in various projects on the above counts as discussed below:

5.8.1. Ineligible works

There were instances where expenses amounting to **₹ 25.13 crore** not related to rural electrification or eligible under RGGVY were included, resulting in increase in the project cost funded by REC.

- In **Bihar**, 55 un-electrified villages and 38 de-electrified villages[65] with one to ten households were included in DPR in contravention of the guidelines of REC[66]. Subsequently, work worth **₹ 12.09 crore**[67] was awarded to contractors in these cases.
- In **Jammu and Kashmir**, while sanctioning Pulwama and Rajouri projects, MOP/REC categorically rejected the item of reconductoring of 11 KV Line on the ground that such items were not eligible for funding under RGGVY for electrified villages and these ought to be executed under system improvement schemes. However, in Anantnag project, REC approved 354.90 kms of reconductoring of 11 KV line at an estimated cost of ₹ 7.88 crore while PIA had incurred an expenditure of **₹ 5.44 crore** on completion of 221.45 km of reconductoring of 11 KV lines in this project, as of March 2012.
- In **Madhya Pradesh** (Balaghat, Rewa and Sidhi districts), payment amounting to **₹ 7.60 crore**[68] for work relating to feeder separation was made from RGGVY funds, though such works were not covered under RGGVY.

[65] Eight districts where Board was project implementing agency
[66] Villages having population more than 100 were to be included for electrification under RGGVY
[67] 93 villages x ₹ 13 lakh
[68] Balaghat (one feeder, ₹ 1.32 crore), Sidhi (six feeders, ₹ 5.26 crore), Rewa (three feeders, ₹ 1.02 crore)

Box 12: Discrimination in provision of meters in BPL households leading to unfruitful / excess expenditure- Haryana

Connections with single phase meters of Secure and L&T were to be provided to BPL families. The management of DHBVNL decided (May 2010) that Secure and L&T meters (costing ₹ 1,000 per meter) procured by the contractors be taken from them and installed at the premises of high value consumers (having load of 7.5 KW and above) and meters of cheaper cost (costing about ₹ 400 per meter) be purchased by DHBVNL and provided to contractors for installing the same at the premises of BPL consumers. This resulted in excess claim of ₹ **0.54 crore** on BPL connection, which did not have the approval of REC.

The management of DHBVNL stated *"that Secure and L&T meters were provided to high value consumers to reduce losses as the these meters were more accurate."*

5.8.2. Payment for work not done or for creation of fictitious assets

In four States, expenditure amounting to **₹ 10.68 crore** was incurred on work not done or for creation of fictitious assets as explained below:

- In **Gujarat**, though ₹ 2,200 / ₹ 1,500 paid to contractors for each BPL connection included the cost of 'Earthing', the same was not actually provided by the contractors in Panchmahal (MGVCL), Surat (DGVCL), Mehsana and Patan (UGVCL) districts, resulting in extra payment of **₹ 2.59 crore** while the turn key contractors in Bhavnagar, Porbandar and Surendranagar districts released BPL connection with earthing.

  DGVCL accepted (March 2013) the audit observation and stated that *"appropriate recovery would be made from the bills of the contractors."*
  MGVCL and UGVCL stated (February/March 2013) *that "the rate of "Earthing" was not considered in DPR and bill of material; hence, the "Earthing" was not carried out as per scope of work".*

  The latter reply is not acceptable as the cost of service connections paid to contractor included the cost of "Earthing".

- In **Karnataka**, In 'Indi' Division, internal audit wing of HESCOM had noticed (March 2010) payments made to the contractor towards fictitious assets. Based on the findings of internal audit, exclusive teams from HESCOM were entrusted (March 2010) with verification of all measurement books of works executed in 'Indi' Division. 3,992 out of 6,311 installations along with infrastructure involving payment of ₹ 4.09 crore were found to be fictitious.

However, HESCOM served notices on contractor calling for explanation and blacklisted (August 2011) and debarred the firm from participating either in tender or in execution of works in HESCOM jurisdiction for a period of minimum two years. Outstanding bills of the firm held with HESCOM were only to the extent of ₹ 0.60 crore and there was no means of recovery of balance amount of **₹ 3.49 crore**.

HESCOM while confirming the irregularities stated (January 2013) that "*criminal cases have been booked against the contractor and disciplinary action is in progress against 43 officers/officials for the irregularities committed.*"

- In **Nagaland**, the Department paid a consolidated amount of **₹ 0.32 crore** without installation of DT and erection of LT poles in Dimapur and Wokha projects.

- In **Uttar Pradesh**, 33/11 K.V Sub Station Balrampur and Nawabganj and associated lines were included in the original DPR of Allahabad Project. These substations were, however, constructed departmentally and deleted from the scheme. Sub-station at Aunta and Jhuilachipur and associated lines were constructed at a cost of **₹ 4.28 crore** in June 2009 and January 2009 respectively in their place, which could have been avoided had the requirements been considered carefully at the time of framing DPRs.

Box 13: Manipur – Fictitious assets

The Department entered into a contract (31 March 2011) with M/s Sign Arts Centre for supply and erection of signboards for Bishnupur, Churachandpur and Imphal West districts. Payment on this account was to be made after successful completion of the work. The Department paid an amount of ₹ **0.28 crore** to the company for supply and erection of signboards for Bishnupur, Churachandpur and Imphal West districts.

Physical verification by Audit, in the 30 selected villages of the three sample districts revealed that no signboards were erected in any of the villages. It was also noticed that in Bishnupur, Churachandpur and Imphal West districts, payments were made prior to the contract.

In reply, the Department stated (July 2013) that *"the Signboards are kept in the store room as they are frequently stolen."*

Stocking up of Signboards in store rooms defeats intended purpose on which an expenditure of ₹ **0.28 crore** has been incurred. The Department should have devised of means to prevent theft of Signboards.

5.8.3. Unfruitful / infructuous expenditure on assets not put to use.

Formulation, development and implementation of projects in identified areas involving planning, design and engineering was to be in accordance with REC's guidelines, specifications and construction standards, wherever applicable. However, in three States these standards were not complied with which led to infructuous expenditure amounting to ₹ **4.79 crore,** as indicated below:

- Central Electricity Authority (CEA), prescribed (March 2006) that new consumer meters shall be of static type. Further, the meters not conforming to the above specification should be replaced by the licensee. Static energy meter is more energy efficient and more tamper proof than the Electronic energy meter and it can record meter tampering. REC approved (December 2006) DPR of Goalpara project in Assam, and the work order was awarded in April 2007.

  All meters supplied in Goalpara, Assam were not of the type specified by CEA. Thus, 31,025 meters procured at a cost of ₹ **2.21 crore** ran the risk of redundancy which was because NIT did not indicate the specifications.

- In **Uttar Pradesh**, an expenditure of ₹ **12.34 crore**[69] incurred on meters installed with BPL connections was rendered infructuous as billing of BPL households was being done on fixed rate basis. Further, ₹ **2.58 crore**[70] incurred for installation of energy meters at distribution transformers was also rendered infructuous because transformer-wise energy accounting, auditing, for which these transformers were installed, was not being done.

5.9. Undue benefit to Contractors

Instances of undue benefits extended to contractors, amounting to ₹ **114.40 crore** illustrated below also resulted in avoidable increase of project costs by a similar amount.

5.9.1. Inadequate price discovery and payment at higher rates

- In **Andhra Pradesh**, works were awarded, without retendering for new items of works like RS joints in place of plain cement concrete (PCC) poles, to the same contractor with already quoted rates when the rates were on a decreasing trend. This resulted in avoidable expenditure of ₹ **4.11 crore.** Further, no price variation clause was incorporated in the agreements concluded for RGGVY works[71] as the rates agreed were fixed. Despite this, three DISCOMs paid price variation of ₹ **4.90 crore** in contravention of the terms and conditions of agreements.

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[69] 95,299 meters X ₹1,295= ₹12.34 crore.

[70] 19,711 DT meters X ₹1,310= ₹2.58 crore

[71] Test-checked projects in Northern Power Distribution Company Limited (NPDCL), Eastern Power Distribution Company Limited (EPDCL) and Southern Power Distribution Company Limited (SPDCL)

- Central excise forms part of the project cost under RGGVY as per project formulation guidelines issued by REC. In **Assam**, while awarding contracts for five packages[72], the supply prices were considered inclusive of excise duty (14 to 16 *per cent*). Subsequently, the rate of excise duty came down to 14 *per cent,* 10 *per cent* and eight *per cent* in a phased manner. In the absence of any clause in the agreement to pay excise duty at actuals, PIA paid excise duty on supply of materials at the fixed rates agreed upon. Thus, due to inherent deficiency in the agreement, PIA had to pay an otherwise avoidable amount of **₹ 1.41 crore** to the contractors.

- In **Bihar**, as per the terms and conditions of LOA (May 2009) in six[73] districts, in respect of cost of transformers, cables and conductors, price adjustment was to be allowed as per a price variation clause. However, payment for power transformers and distribution transformers was made on firm basis without considering the price variation clause. Though the price of the transformer had reduced,[74] the PIA had without considering the price variation clause, paid an excess amount of **₹ 2.76 crore,** till March 2012.
- In **Manipur** (Imphal West and Churachandpur districts) the Tender Committee (TC) approved award of supply and erection works on turnkey basis to the third and second lowest bidders respectively (August 2009), instead of awarding to the lowest bidder viz. M/S KEC International Limited, Gurgaon. Further, the award of work to L3 and L2 firms by ignoring the lowest firm resulted in extra avoidable expenditure of **₹ 13.82 crore.**

- **In Sikkim,** the LOA rates accepted (February 2009) by PIA for RGGVY Scheme were almost 200 *per cent* above the Schedule of Rate (SOR) 2008 whereas own maintenance works of similar nature (other than RGGVY) of PIA were awarded almost at the same time at the rates near SOR rates. For instance, the rate of 11/0.43 KV, 3 phase 25 KVA Distribution Transformer as per SOR 2008 was ₹ 55,800 whereas the rate as per LOA for RGGVY work was ₹ 1,68,286 (201 *per cent* above the SOR). This resulted in additional expenditure to the extent of **₹ 28.60 crore.**

- In **Uttar Pradesh**, due to incorrect computation of rates of excise duty, trade tax and release of payment at incorrect rate, Madhyanchal Vidyut Vitaran Nigam Limited (MVVNL) had made excess payment of **₹ 3.15 crore** explained in **Annexe 12**. Also, in five projects[75], consumption of material[76] included wastage (up to one *per cent* of quantity of material actually used) and the contractors were paid accordingly thereby resulting in extension of undue benefit to the extent of **₹ 0.35 crore.**

[72] Barpeta, Bongaigaon, Goalpara, Karbi Anglong and Morigaon
[73] Begusarai, Katihar, Khagaria, Samastipur, Sheikhpura and Supaul
[74] Source – Indian Electrical & Electronics Manufacturers' Association (IEEMA) circular
[75] Etawah, Jalaun, Lalitpur, Mirzapur and Moradabad
[76] Insulators, disc fittings, conductors, PCC poles, 10 KVA and 16 KVA transformers

5.9.2. Shortage of material noticed/ doubtful claims

- In **Karnataka**, reports issued by Third Party Inspection Agencies (TPIA) during 1st tier monitoring in four projects[77] pointed to variations between Bill of Quantities (BoQ) and actual executed / bills passed and actual quantities found in inspection. The total amount involved on account of such shortages (including BPL service connections Distribution Transformer Centres) pointed out by TPIAs was to the tune of **₹ 5.72 crore**. In three projects[78], the PIA did not furnish specific reply whether the amount was recovered as pointed out. Bank guarantees furnished by contractors in two districts (Bijapur and Gadag) had lapsed before completion of contracts[79] reflecting negligence on the part of officials concerned.

- In **Manipur** (Imphal West district) invoice dates for supply of materials and equipments worth ₹ 11.13 crore were not possible to be verified with reference to corresponding delivery challans of these 51 bills which were not produced to audit. Thus, payment of **₹ 11.13 crore** was not free from doubt.

  Further, in three[80] districts, some invoices indicated that payment of bills amounting to **₹ 8.80 crore** was made prior to delivery of the items or on the date of invoice, which is not possible as the items were to be delivered from outside the State and other official procedures had to be complied with before making payment. Delivery of goods from Kolkata to Imphal took only one to two days by road, which is not feasible considering the distance and topography of the State. The department did not produce original delivery challan, stock register for receipt and issue of items and evidence of dispatch of materials.

- In **Punjab**, after cancellation of work orders placed (March 2011) on KLG Systel Limited (Gurgaon), Punjab State Power Corporation Limited (PSPCL) noticed (October 2011) shortage of material valued at **₹ 11.23 crore**. Un-erected material valued at ₹ 12.01 crore for which payments had been released to the firm were shifted to PSPCL stores instead of keeping the same in the stores relating to RGGVY.

- In **Uttar Pradesh**, report issued by TPIA in respect of 26 villages of Mirzapur project pointed out that material valued at ₹ **0.30 crore** was not found at sites. The nodal officer had however, included these items in executed project cost for disbursement of fund by REC.

  Further, 2nd tier monitoring in respect of 58 villages of Allahabad and 18 villages of Mirzapur projects revealed that 29 Distribution Transformers, 108 DT Meters and 169 poles were not provided or missing. No action was taken by the contractor/ Nodal Office to get the missing/ not provided equipments installed. This resulted in

[77] Bijapur, Gadag, Kolar and Raichur

[78] Bijapur, Gadag and Raichur

[79] Bijapur was completed in December 2008 and Gadag was completed in March 2009

[80] Bishnupur, Churachandpur and Imphal West

extension of undue favour to the contractor to the extent of ₹ **0.29 crore** besides depriving the beneficiaries of the benefits of the scheme.

5.9.3. Non-forfeiture of security deposit inspite of poor performance by the contractor

In **Gujarat**, a work was awarded by PGVCL in April 2008 to a contractor in Bhavnagar district at a cost of ₹ 12.36 crore, to be completed in 13 months. The contractor completed work valuing only ₹ 3.25 crore which was 26.29 *per cent* of the total value of contract and left the work in March 2011. PGVCL issued a notice to the contractor on 17 May 2011 but did not encash the bank guarantee of ₹ **1.24 crore** that the contractor had furnished as security deposit.

5.9.4. Non-deduction of taxes

As per terms and conditions of the LOA, all taxes and duties including Entry Tax (ET), Value Added Tax (VAT) and other statutory levies like Income Tax (IT), Tax Deduction at Source (TDS), *etc.* would be the liability of the contractor, would be deducted from the supply portion of the bill and remitted to the concerned tax collecting authorities.

Illustrative cases where undue benefit, amounting to ₹ **16.59 crore**, was passed on to contractor due to non-levy / non-recovery / short recovery of taxes, are summarized below and detailed in **Annexe 13**.

- In three States (**Assam, Chhattisgarh and Manipur**), VAT amounting to ₹ **5.21 crore** and entry tax amounting to ₹ **1.04 crore** (in **Chhattisgarh**) was not recovered from contractors.
- In six States (**Assam, Gujarat, Kerala, Maharashtra, Manipur and Tripura**), there were instances where the Building and Other Construction Workers' Welfare Cess amounting to ₹ **7.81 crore** was not recovered from contractors.
- In **Chhattisgarh,** TDS amounting to ₹ **2.08 crore** was not deducted from contractors.
- In **Tripura**, Work Contract Tax amounting to ₹ **0.45 crore** was not deducted.

MOP in its reply, stated (August 2013) that the, "*process of tendering and awarding the projects falls under the purview of PIAs under overall supervision of State Governments. State Govt./PIAs are required to ensure the fairness of the tendering process.*"

The reply is to be viewed against the fact that the above problems could be mitigated to a large extent by introducing appropriate checklists/formats to be obtained from PIAs by REC as part of its control mechanism, if necessary, through appropriate revision in the guidelines.

When the issue of undue favours to contractors was discussed in Exit conference (September 2013), REC informed that necessary guidelines to avoid such lapses were being issued.

5.10. Lack of due diligence by PIAs

Illustrative cases where, though the tender was awarded on turnkey basis, there were abnormal and unjustifiable variations in rates and profit margins with financial impact of **₹ 263.44 crore** are indicated below.

a) **Different ex-factory rates for same items** - In **Sikkim** different ex-factory rates (excluding freight & insurance) were allowed for supply of the same material with identical specification in all eight packages. There was no justification on record for accepting the variation for items with same specification for different turnkey contractors. The difference in unit rates went up to nearly 83 *per cent* (₹ 0.74 crore to ₹ 1.35 crore) with a total financial impact of **₹ 16.25 crore.**

b) **Different rates – different contractors – neighbouring districts** - In **Jammu and Kashmir**, different items for Leh & Kargil Projects were awarded at exorbitant rates[81] (Ex-works excluding transportation) as compared to the same items included in contract for Srinagar district of same State resulting in undue favour to contractor by **₹ 46.06 crore.** Similarly, in **Bihar**, the Board did not compare the rates of standard items of same capacity and specification quoted by different tenderers for neighboring districts. Rates in respect of 13 major items were accepted involving extra cost of **₹ 123.47 crore.**

c) **Same material – same contractor – same district but different rates**- In **West Bengal**, comparison of rates for different packages (specification of similar materials) revealed that the ex-works rates (exclusive of taxes, freight and insurance *etc.*) of the ***same materials*** were different for ***different packages*** being executed by the ***same contractor*** in the ***same district***. This resulted in extra expenditure of **₹ 8.04 crore** in nine packages of four districts.

d) **Unduly high profit margins** - In **Uttar Pradesh**, comparison of the rates awarded to the contractors with their own purchase rates, market rates and UPPCL purchase rates in respect of only five major items[82] revealed that the contractors had quoted and received ***profit percentages*** ranging from 16 to 430 against the accepted DSR[83] profit of 15 *per cent*. This resulted in extra expenditure of **₹ 49.84 crore** in purchase of these items alone under RGGVY. In three projects[84] of **Manipur**, scrutiny of records disclosed that the supply price (₹ 29.78 crore) exceeded manufacturers' price (₹ 10.00 crore) by **₹ 19.78 crore**.

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[81] 2X2.5 sq mm aluminium conductor PVC insulated cable ex-works unit rate for Srinagar (₹ 56.70), Leh (₹1,12,491) and Kargil (₹92,958)

[82] 2.5 sq mm x 2 core PVC cables, 10 kVA & 16 kVA distribution transformers, 5 MVA, 8 MVA power transformers.

[83] Delhi Schedule of Rates.

[84] Imphal West, Churachandpur and Bishnupur

MOP stated in its reply *(August 2013)* that *"supervision of evaluation of tenders by PIAs is the responsibility of States. However, the matter has been taken up with State authorities."*

Reply is to be viewed against the fact that the system of evaluation of tenders by PIAs left much to be desired which resulted in avoidable burden on RGGVY costs and denial of proportionate benefits to beneficiaries.

5.11. Handing over of completed villages

Agreements[85] entered into by REC with parties[86] provided that the State Power Utilities (SPUs) were to ensure taking over of the completed projects after commissioning (in part or full as the case may be). SPUs were responsible for operation and maintenance of the project thereafter (in part or full as the case may be) at their own expense. Projects completed under the scheme were to be taken over as per the schedule shown in **Figure 9**:

Submission of necessary documents by the implementing agency to respective State Power Utility:

(Within thirty days of completion of work)

Reporting deficiencies, if any, to the implementing agency by the State Power Utility/Inspecting Authority:

(Within fifteen days of submission of documents)

Rectification of defects, if any reported by the State Power Utility/ Inspecting Authority and submission of rectification report:

(Within thirty days of receipt of such report)

Energisation and taking over of completed works:

(Within ten days from submission of rectification report)

Figure 9: Schedule for completion of projects

[85] Bipartite, Tripartite and Quadripartite

[86] State Governments, State Power Utilities and Central Public Sector Undertakings (CPSUs)

SPUs in four States however, did not take over 802 villages in the completed projects under RGGVY as detailed below:

- In **Bihar**, 14 villages of Katihar and Supaul districts were ready to be handed over by the contractors during June 2011 to September 2011. PIA did not however, inspect and take over these villages even after lapse of six to nine months (March 2012).
  Further, in Darbhanga district, the infrastructure of two villages (Milkey and Bhubay) was not taken over by SPU despite the decision of MOP to take over infrastructure of these villages by the SPU (February 2012).
- In **Chhattisgarh**, out of 473 completed villages of Bastar and Dantewada projects, 340 villages were not taken over by the SPU. There was also a delay of one to nine months in taking over of villages.
- In **Jammu and Kashmir,** 39 villages of the Rajouri project stated to have been completed under RGGVY by March 2012 were not taken over by Electric Maintenance and Rural Electrification (EM&RE) Division, Rajouri.
- In **Mizoram,** out of the 439 completed villages, 407 villages were not handed over to the SPU by the contractors.

Delay in rectification of deficiencies pointed out by contractors, verification of compliance (rectification of defects/ shortcomings) by the TPIA, work declared as completed by the turnkey contractors before it was actually completed, delay in inspection by the Electrical Inspectorate and so on were stated as reasons for not taking over the completed projects/villages.

Delay in taking over of villages can potentially result in pilferage, deterioration and theft of newly erected infrastructure. For example, in **Bihar**, cases of theft of infrastructure components were noticed. Two 33/11 KV sub-stations namely, Parihar and Suppi in **Sitamarhi district** were taken over (June 2012) by BSEB after a delay of more than 13 months. Conductor of 5 Km line span of 33KV line and coil & oil of 63 KVA station transformer of Suppi sub-station were stolen. Consequently, electricity to village namely Jhitkahia dih in **East Champaran** district was not provided. In **West Champaran and East Champaran**, 69 and 23 cases of theft were noticed respectively, which hampered the commissioning of the system after completion of the works.

MOP assured (August 2013) that *"the matter has been taken up with concerned PIAs for their comments/reply."*

Recommendation

R5: MOP may, in close coordination with States, consider institutionalising a uniform/standard template for ascertaining progress of work at each significant level so that common and avoidable irregularities/deficiencies in contract management such as non-deduction of statutory dues, non-levy of liquidated damages and excess payments to the contractors are avoided.

Chapter 6:

Monitoring and evaluation

6.1. X Plan monitoring and evaluation

The note to CCEA(February 2005), *inter alia,* specified that the scheme would be subject to concurrent evaluation and a view on modifications required for implementation during XI Plan would be taken after a comprehensive review towards the end of X Plan. MOF had also emphasized[87] the importance of evaluation by stating that *continuation of projects/schemes from one plan period to another would not be permissible without an independent, in depth evaluation.*

RGGVY was neither evaluated concurrently nor reviewed comprehensively at the end of the X Plan. Three tier Monitoring Control Mechanism was introduced only during XI Plan. Consequently, MOP did not have an effective or robust review and quality control mechanism in X Plan.

MOP stated (May 2013) that it did not *conduct evaluation of RGGVY at the end of X Plan. Planning Commission had reportedly commissioned an evaluation of the programme through its Programme Evaluation Organization (PEO). The results thereof were however, not available with MOP.* MOP, further, replied (August 2013) that "*although the three tier Quality Control Mechanism akin to XI Plan was not devised for X Plan projects, there was a single tier quality control mechanism in place with 100 per cent village inspections to be carried out by independent agencies deployed by PIA.*"

The fact remains that the projects of X Plan were not subjected to multilevel effective evaluation which in turn, deprived MOP of the opportunity of ensuring concurrent improvement of quality of work.

[87] Vide Department of Expenditure, O.M. No.1(2)-PF-II/03 dated 7 May 2003

6.2. Three tier monitoring mechanism

While continuing RGGVY during XI Plan, MOP envisaged a three-tier Quality Control Mechanism as depicted in **Figure 10**.

1st Tier Monitoring (PIA Level)	Project implementing agency (PIA) would be responsible for the first tier of the Quality Control Structure and would engage a third party inspection agency (TPIA) for this purpose. This inspection would cover approximately 50 *per cent* villages on random sample basis for each project. Further, TPIA was to conduct inspection of 10 *per cent* randomly selected distribution transformers, conductors, energy meters, poles and insulators at pre-shipment stage at vendors' works/testing labs. Third party inspection also covered 100 *per cent* verification of BPL connections in 10 *per cent* of 50 *per cent* of villages inspected *i.e.* five *per cent* villages. In each of remaining villages inspected *i.e.* 45 *per cent* villages, at least five BPL connections were to be verified randomly selected from the list of connections provided till the date of inspection. These were to be synchronized with phased release of funds. Inspection and proof of corrective action would be a mandatory requirement for release of funds.
2nd Tier Monitoring (REC Level)	REC was to get the inspection of the works/materials done from its non-field staff and by outsourcing it. REC could outsource it to retired employees of State Electricity Boards/State Utilities/CPSUs. These individuals would be designated as REC Quality Monitors (RQM).
3rd Tier Monitoring (Ministry Level)	Independent Evaluators (Individuals/Agency) would be engaged by MOP for evaluation, at random, of supply and erection under the programme. These persons would be designated as National Quality Monitors (NQM). The State Government would be responsible for facilitating inspection of works by the NQM, who shall be given free access to all administrative, technical and financial records. Evaluation would cover one *per cent* villages and would also report on the general functioning of the Quality Control Mechanism in the District

Figure 10: Three tier monitoring mechanism

6.2.1. 1st Tier Monitoring

Deficiencies were noticed in inspections, documentation, completion, coverage and reporting in the 1st tier of monitoring which had the potential of adversely affecting the quality of work in projects. Illustrative cases are discussed below:-

Inspection

- In **Haryana**, in the selected villages, the contractors and implementing agencies, *i.e.* UHBVNL and DHBVNL, had not carried out required inspections.
- In **Mizoram**, **Tripura**[88] and **Uttarakhand**, no Quality Control Coordinator (QCC) was appointed by the PIA for ensuring the quality checks of work.
- Further, in **Mizoram and Sikkim**, the EPD did not prepare a Detailed Quality Assurance Program as stipulated in REC's Quality Control Manual.

Documentation

- In **Chhattisgarh**, QCC did not maintain any record to establish that the turnkey contractor, PIA and TPIA inspected the scheme as per REC guidelines.
- In **Nagaland**, there was no record to indicate that the TPIA had re-visited the villages to ascertain that shortcomings and defects pointed out were rectified by contractors.
- In **Rajasthan**, in selected ten districts, no record relating to verification and inspection of works executed by turnkey contractor was available with the concerned Project Quality Control Co-ordinator (PQCC).
- In **Tripura**, the PQCC had not submitted monthly progress reports on quality control to REC between April 2009 and January 2012 for which he was appointed.

Completion

- In **Assam** (Karbi Anglong and Morigaon districts), the selected villages were to be inspected within 90 days from the date of issue of order (27 January 2011) but there was 16 months delay in inspection of 17 and 22 villages.
- In **Karnataka**, first stage of third party inspection of works under Gulbarga Electricity Supply Company Limited (GESCOM) was completed only in July 2011, after a lapse of eighteen months from the date of agreement, as against stipulated three months.

Coverage - In seven States, third party inspections were inadequate in terms of the coverage as against the REC stipulated norm of 50 *per cent* villages. There were delays in covering these reduced numbers against the LOA dates. State-wise details are given in **Table 22.**

[88] Since January 2012, no officer has been designated as the Project Quality Control Co-ordinator.

Table 22: Inadequate coverage in 1st Tier monitoring

Sl. No.	Name of the State	Remarks
1.	**Andhra Pradesh**	The third party inspection agency (M/s Godavari Engineers) engaged by EPDCL did not cover even 10 *per cent* of total works.
2.	**Arunachal Pradesh**	In Papumpare, against the LOA stipulated terms that the villages be covered by April 2010, only 33 *per cent* of the villages (32 out of 99 villages) were inspected by TCIL, as of March 2012.
3.	**Jammu and Kashmir**	As of September 2012, the TPIA could inspect only 38 habitations out of 112 habitations required to be inspected by June 2012.
4.	**Jharkhand**	1st tier monitoring of 50 *per cent* villages was to be done in two stages, the first stage after completion of infrastructure in 10 *per cent* villages and 2nd stage after completion of 90 *per cent* work in villages. In West Singhbhum, 820 villages were to be inspected by TCIL (appointed in September 2008) which carried out 1st stage inspection in 818 villages. However, 2nd stage inspection was done only in 91 villages (May 2012). Thus, TPI was completed in only 11 *per cent* villages even after lapse of 44 months from September 2008.
5.	**Nagaland**	In three test checked districts, TPIA was to cover 227 villages in 18 months from the date of LOA (June 2009). As of April 2012, only 105 (46 *per cent* of targeted villages only) villages had been covered. In two of these three districts (Wokha and Mon) the coverage was seven *per cent* (6 villages against 64 villages) and nine *per cent* (only 4 out of 55 villages) respectively.
6.	**Punjab**	Out of 55,919 connections and 2,683 distribution transformers (25 KVA), the PIA offered only 34,651 (62 *per cent*) connections and 193 (seven *per cent*) DTs for inspection.
7.	**Sikkim**	As per the scope of work, villages inspected in the first stage were to be re-inspected during the second stage. However, as per the records made available to audit, TPIA did not inspect the villages covered in first stage while conducting the second stage inspection.

Some illustrative cases where there was either considerable delay in submission / non-submission of reports or the report was not as per requirements are indicated below:-

- In **Chhattisgarh**, as per LOA, TPIA report was to be submitted within 30 days from the date of assignment of work. Four inspection reports pertaining to test-checked districts were submitted by TPIA with delays ranging from three to five months.
- In **Rajasthan**, Rail India Technical and Economic Service (RITES), a CPSU, was appointed as TPIA by JVVNL for inspection of work under X Plan. TPIA submitted only village wise report and the final report for project was not submitted.
- In **Uttar Pradesh**, the implementing agencies (DISCOMs) engaged RITES, Electrical Research and Development Association (ERDA) and MECON as TPIAs. Despite repeated requests, inspection reports of these agencies were not furnished except inspection reports of Mirzapur project (MECON).

Deficiencies were also noticed in the quality of TPIA inspections in four states as shown in **Table 23**.

Table 23: Poor quality of TPIA inspections

Sl. No.	Name of the State	Remarks regarding quantum of inspection / quality of inspection / rectification of defects
1.	Andhra Pradesh	In NPDCL, inferior quality service wires were used in respect of all the test checked services in Achutapur village of Aswaraopet Mandal of Khammam project. Usage of inferior quality service wires was not detected due to inadequate inspection and the same got burnt within a few days.
2.	Arunachal Pradesh	TPIA did not comment on failure to provide service connections to BPL households. Pilferage of power by tapping from the main line was also not detected in time.
3.	Jharkhand	As per LOA (September 2008) TCIL had to carry out inspection with reference to all documents *i.e.* contract documents, REC specification documents, PERT chart, drawings *etc*. However, in 416 electrified villages, inspection was carried out without documents, *i.e.* drawings/map *etc*. for electrical infrastructure created defeating the purpose of such inspection.
4.	Karnataka	Reports submitted by NPTI were not reliable as the shortfall in quantities brought out by them in Indi block were found to be incorrect in the field survey conducted by a team of HESCOM.

Details of lapses or deficiencies in remedial action taken in response to the defects pointed out by TPIAs are indicated in **Annexe 14**.

Box 14: Absence of adequate ground level monitoring

In **Dholpur, Rajasthan**, M/s Dee Control Limited (the firm) was to supply material required for electrification of 622 villages. The work was later cancelled as the contractor defaulted. Subsequent verification revealed that work was done by the firm in 122 villages which were not covered in the DPR. Against 17,284 connections, the firm released 2,775 connections till termination of the contract, of which 896 connections were released beyond DPR. As per the work order, the concerned nodal officer was responsible for ensuring receipt of right quality material and payments were recommended after verification of Measurement Book. Execution of the work beyond DPR shows that responsible nodal officers were not monitoring the work.

A similar situation was noticed in **Bihar** in **Katihar, Supaul and Khagaria** districts where electrification of villages was not executed as per the approved DPR. In 59 villages of these districts, 3,481 BPL connections were released in excess of approved quantities.

MOP accepted the observation and stated (August 2013) that, "*it is a fact that the contractors and PIAs could not maintain documentation for Quality Assurance in line with the Quality Control Manual. Necessary instructions were issued to the PIAs to maintain proper documentation towards quality assurance procedure being followed by them.*"

6.2.2. 2nd Tier Monitoring

At the second tier, REC was to get the inspection of works done by outsourcing it to reputed inspection agencies or retired personnel designated as REC Quality Monitors (RQM). REC was to designate a General Manager level executive as REC Quality Control Coordinator (RQCC) to coordinate and oversee the implementation of Quality Control Manual for RGGVY projects. REC was responsible for ensuring the quality checks in two stages as shown in **Figure 11**. Inspection was to be carried out as per Field Quality Plan (FQP).

- **1st stage**: On completion of 30 to 50 *per cent* works of the entire project at site. The sample was to be five *per cent* randomly selected villages.
- **2nd stage:** After completion of 90 *per cent* work in the village notified by the PQCC after completion of Third Party Inspection Agency (TPIA) inspection. The sample was to be 10 *per cent* randomly selected villages, including 5 *per cent* villages inspected in the 1st stage.

IN BOTH STAGES

- All projects and districts and all turnkey contractors were to be covered.
- Electrified as well as un-electrified villages were be covered.
- The sample was to include villages covering the entire area in the district.

INSPECTION OF SUB-STATIONS

1ST STAGE	2ND STAGE
• At least one new substation. • At least one Augmentation of Substation.	• 25 *per cent* (at least one) New substations including substation inspected in Stage-I. • Five *per cent* (at least one) Augmentation substations including substation inspected in Stage-I.

In 2nd STAGE ONLY

- 100 *per cent* verification of BPL connection in 25 *per cent* of villages inspected *i.e.* 2.5 *per cent* villages.
- In each of the remaining villages inspected *i.e.* 7.5 *per cent* villages, at least five BPL connections shall be verified on randomly selected from the list of connections provided till the date of inspection.

Figure 11: Scope of 2nd tier monitoring

Deficiencies were noticed in the quality and effectiveness of monitoring at the 2nd tier which are as follows:

1st Stage inspection:

- In four States (**Kerala**, **Mizoram, Punjab and Sikkim**) the 1st stage inspection was not conducted.
  MOP replied (August 2013) that "*due to slow physical progress of work, 1st stage inspection was not conducted.*"
- In five States (**Bihar, Jammu and Kashmir, Manipur, Meghalaya and Nagaland**) shortfall in the 1st stage inspection ranged from 27 *per cent* to 88 *per cent.*

2nd Stage inspection:

- In 9 States (**Bihar, Jammu and Kashmir, Kerala, Manipur, Meghalaya, Mizoram, Punjab, Rajasthan and Sikkim**) the 2nd stage inspection was not conducted. MOP replied (August 2013) that "*due to slow physical progress of work, 2nd stage inspection was not conducted.*"

- In 11 States (**Assam, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Nagaland, Orissa, Tripura and West Bengal**) the shortfall in 2nd stage inspection ranged from 25 *per cent* to 95 *per cent*.

Even where the inspections were done they were incomplete in many respects or there was evidence of poor documentation. For example,

- In **Andhra Pradesh,** REC (Regional Office), Hyderabad carried out inspections of 66.13 *per cent* to 93.06 *per cent* of the targeted villages in the selected projects. Further, although 100 *per cent* BPL connections were to be checked, REC (Regional Office) Hyderabad did not obtain the list of complete details of BPL connections released under the scheme before forwarding the closure reports to its head office.

- In **Nagaland**, the percentage of coverage by the REC Quality Monitoring team was below the norms envisaged, with only 52 to 58 *per cent* of the targeted villages in selected projects having been covered.

- In **Manipur**, under 2nd tier, reports were yet to be submitted (October 2012) in respect of 32 inspections[89] that had been completed.

- In **Sikkim**, the inspection of materials at pre-shipment stage was carried out by REC as reported by the EPD but no reports were furnished for scrutiny.

- In **Uttarakhand**, it was stated that REC team had checked the works executed under the scheme. However, the copies of inspection reports of 2nd tier and their compliance were not furnished.

Corrective action undertaken on RQM inspection reports

- RQMs pointed out shortcomings in 28 out of 98 test checked projects of XI Plan. While in four projects shortcomings were fully rectified by PIAs, in three projects[90], shortcomings to the extent of 16, 54 and 66 *per cent* were rectified. However, in 21 projects, no shortcomings were rectified by PIAs as on 30 September 2012.

MOP stated (August 2013) *that "due to less physical progress than required, inspection was not conducted. On matter of rectification of defects, it is a continuous process and is being attended by PIAs. The same is constantly monitored by REC. The system cannot be charged if there are major defects."*

[89] Bishnupur, Imphal East, Imphal West and Thoubal districts

[90] Buldhana, Sindhudurg and Tripura North

6.2.3. 3rd Tier Monitoring

As per note submitted (December 2007) to CCEA by MOP for extension of RGGVY in the XI Plan, 3rd tier monitoring was required to be carried out at the level of MOP. The broad mechanism of 3rd tier monitoring is indicated in **Figure 10**. However, MOP took no action with respect to 3rd tier evaluation till July 2010.

MOP stated (May 2013) that, "*the XI Plan was notified in February 2008 and most projects were sanctioned during March – April 2008 and awarded in the year 2008-09. Some of the projects were awarded in 2010. The threshold physical progress 30 per cent village electrification for stage one inspection by NQM started showing from 2010 onwards.*" MOP added (August 2013) that "*the time of appointment of NQM did not affect actual performance of 3rd Tier monitoring of XI Plan project as evident from the fact that the two year NQM contract had to be extended for want of the physical progress to perform stage-II inspections.*"

The reply needs to be viewed against the fact that REC (responsible for 2nd tier monitoring) was also required to appoint RQMs after physical progress of 30 *per cent* village electrification. The process of appointment of RQMs was initiated by REC in June 2008 and appointment of RQMs commenced in January 2009. However, MOP did not take any action till July 2010 to discharge its responsibility under 3rd tier monitoring. Incidentally, as per the guidelines, RGGVY projects were to be completed within two years, *i.e.* those sanctioned in 2008 were to be completed in 2010. Not appointing NQMs during this period implied that critical monitoring activities were not undertaken at important stages of execution of projects.

- After more than two years of CCEA approval, MOP passed on (August 2010) its responsibility to REC by entrusting it with the responsibility of appointment of NQMs. Incidentally, REC was also performing the role of RQM (2nd Tier) monitoring. Independence of both levels of Quality Monitoring (RQM and NQM) was not possible to be assured as both were being carried out by REC.

MOP replied (August 2013) that, "*RQM at 2nd Tier and NQM at 3rd Tier were being carried out by independent agencies. In each state, different agencies were carrying out concurrent evaluation/inspection at different tiers and thereby, maintaining the independence of concurrent evaluation at both these levels. REC, being a nodal agency, has just facilitated in appointment, review of progress and monitoring of these independent agencies.*"

The reply does not deny the fact that both the agencies were appointed by REC whereas it was the responsibility of MOP to appoint the NQMs as envisaged in the note to CCEA. Segregating these responsibilities would have only enhanced the effectiveness of monitoring and quality control mechanism of projects under RGGVY.

The audit concern of 3rd tier monitoring at the level of MOP was appreciated in Exit conference (September 2013) and it was agreed that MOP would explore the possibilities of appointing independent agencies for inspection at 3rd Tier of their own instead of through REC.

Significant deficiencies in taking corrective action on discrepancies pointed out by NQMs are indicated below:-

- In **Bihar** (Pipariya village of West Champaran District), 3rd Tier check conducted found that the contractor had executed less work in respect of ACSR weasel conductor and cable than the reported quantity. The discrepancies were yet to be rectified (October 2012).
- In **Assam** (Karbi Anglong), deviations were seen in execution of construction work of 11 KV HT Lines, 3 phase 4 wire overhead Lines, 1 phase 2 wire overhead lines, short utilization of materials, use of Pre stressed concrete (PSC) poles instead of steel tubular poles, *etc*.

MOP stated (February 2013) that, *"Progress of inspection under NQM were regularly discussed in the Monitoring Committee meeting but the reports of NQM were not discussed."* MOP, added (August 2013) that *"REC regularly pursued PIAs for rectification of deficiencies pointed out by NQMs by regularly writing letters for early compliance of these deficiencies"*.

The reply only underscores the adverse impact of not discussing NQM reports at MC meetings and other higher levels, which would have provided the opportunity to MOP/PIAs to improve the performance of contracting agencies and initiate corrective action in time.

6.3. Management Information System

REC initiated the process of developing a web-based MIS for RGGVY (URL: www.rggvy.gov.in) with the help of National Informatics Centre (NIC) in 2005. NIC handed over the software to REC in a phased manner. The first complete software was handed over in June 2006. The web-based MIS was ready for launch only in January 2008 but was actually launched in May 2008, after the last two years of X Plan during which 235 RGGVY projects were sanctioned for implementation. By then, the scheduled period of implementation, reckoning two years from the date of award, in respect of 151 projects had expired. Thus, the benefits of an integrated MIS for the scheme were available only after the expiry of X Plan.

Deficiencies in capturing and updation of data in the MIS are discussed below:-

6.3.1. Data fields captured by MIS

MIS did not have the facility for capturing data which would have been useful in analysing performance and also in keeping higher management abreast of the status of implementation as indicated below:-

- Wherever MIS exhibited the names of villages electrified under RGGVY and other parameters, the details of infrastructure created under RGGVY in these villages were incomplete.
- Date wise details of installments released and expenditure incurred by PIAs were not available.
- The following details were also not available:
  - Date of Submission of DPR to REC by PIAs
  - Date of Evaluation of DPR and Submission to Competent Authority
  - Date of Issue of NIT
  - Date of Bid Opening
  - Date of Recommendation to Monitoring Committee
  - Date of Issue of First Installment
  - Date(s) of revision(s)
- Data relating to the projects which were kept in abeyance/ abandoned/ terminated/ stopped mid-way could not be located.
- Number of villages energized after electrification was available, whereas other details e.g. list of all the villages electrified indicating dates of electrification, dates of energization, *etc.* were not available.
- Details of outcome of the State and the District Level Co-ordination Committee meetings and compliance to decisions taken in these meetings were not available.

MOP stated (August 2013) that *"the web portal was operational from the end of 2006 onwards. However, an inauguration function was arranged in May 2008 to publicize the portal though it was available through any search engine and all the stake holders were using it."*

The above deficiencies would only underline that the need for streamlining and refining the MIS can hardly be overemphasised.

6.3.2. Data available in Management Information System

Though there were provisions for certain data to be captured, there were gaps with respect to these fields in the MIS data made available by REC for 576 projects.

- Data relating to revision of cost was not updated in 460 RGGVY projects
- Date of sanction and date of award was blank in five cases
- Date of award was not updated in 59 cases
- Date of sanction was blank in two cases *i.e.* Lunglei district of Mizoram (X Plan) and Barmer district of Rajasthan (XI Plan)

Illustrative deficiencies in MIS are indicated in **Table 24**.

Table 24: Deficiencies in MIS data

Sl. No.	Name of item	Figure adopted as per MIS dated 31 March 2012 (set 1)	Figure adopted as per MIS dated 31 March 2012 (set 2)
1.	Revised coverage of UE/DE Village	1,10,886	1,10,809
2.	Cumulative achievement Electrified villages	2,47,243	2,48,553
3.	Achievement of electrified village during 2011-12	57,654	58,964
4.	Cumulative achievement of BPL HH	1,94,24,785	1,94,25,283
5.	Achievement of BPL HH during 2011-12	34,44,404	34,44,902

MOP replied (August 2013) that, *"the initial MIS of RGGVY as on 31 March 2012 was revised due to increase in the revised coverage of UE villages with respect to Uttarakhand from 1,434 to 1,511 i.e. an increase of 77 UE villages which was incorporated in revised MIS as on 31 March 2012 and all other figures remained the same."*

The reply does not explain the differences in figures of items other than un-electrified villages as indicated in **Table 24** above.

6.4. State Level Coordination Committee (SLCC) and District Level Coordination Committee (DLCC)

As per section 166 of the Electricity Act, 2003, there should be a committee in each district to be constituted by the appropriate government to co-ordinate and review the extension of electrification in each district and to review the quality of power supply and consumer satisfaction and to improve efficiency and its conservation. MOP observed (May 2008) that projects were not completed in scheduled time due to various bottlenecks and that expeditious implementation of projects with good quality should be ensured. MOP time and again (May 2008, July 2009 and September 2009) asked the participating States to constitute these committees while including representatives from the Department of Home Affairs, Revenue and Excise, REC and Public Representative[91] and convene monthly meetings for each project / district to review the progress of the scheme for achieving accountability of this flagship programme. It was also suggested that implementation issues and problems which could not be resolved at the district level committee be resolved by SLCC constituted under the chairmanship of Chief Secretaries.

[91] MP, MLA, NGO, Chairman Zila Parishad

While no meeting was held in **Uttarakhand,** only one to five meetings of SLCC were held in **11** States[92].

DLCC also met infrequently compared to that prescribed as shown in **Table 25**.

Table 25: State-wise details showing meetings of DLCC

Sl. No.	Name of State	No. of Projects	Date of constitution of DLCC	Minimum No. of meeting required to be held in a year	No. of Meeting held since inception of DLCC
1.	Andhra Pradesh	7*	05.03.05	84	21
2.	Arunachal Pradesh	2*	Not Constituted (up to March 2013)	24	Nil
3.	Bihar	13*	06.07.04	156	6
4.	Chhattisgarh	5*	10.03.04	60	06
5.	Gujarat	25	25.07.07 to 18.08.11	300	93
6.	Haryana	5*	01.09.05	60	01
7.	Himachal Pradesh	4*	23.06.05	52	5
8.	Jammu and Kashmir	3*	02.02.06	36	19
9.	Kerala	4*	12.06.08	48	18
10.	Karnataka	7*	December 2005	84	Nil
11.	Madhya Pradesh	3	NA	36	05
12.	Meghalaya	7	14.10.04	84	48
13.	Mizoram	8	25.04.06	96	12
14.	Nagaland	3*	18.10.05	36	9
15.	Punjab	5*	25.08.06	60	32
16.	Sikkim	4	16.09.06	48	07
17.	Uttarakhand	13	10.09.04	156	47
18.	Tamil Nadu	7*	11.08.2008 to 08.12.2009	84	03
19.	Tripura	2	23.12.05	24	No separate meeting held
20.	West Bengal	11*	05.05.09	396	187

** test checked projects*

This indicated that States were not serious in holding the DLCC/SLCC meetings to sort out the bottlenecks in implementation of projects and help improve the effectiveness of RGGVY.

[92] Arunachal Pradesh, Assam, Chhattisgarh, Haryana, Himachal Pradesh, Kerala, Maharashtra, Madhya Pradesh, Mizoram, Nagaland and Sikkim

While MOP accepted (August 2013) audit observation in respect of Nagaland, it gave no specific reply in respect of Tripura, Haryana, West Bengal and Gujarat and no reply at all in respect of remaining States.

Recommendation

R 6: Results of review of State level coordination committee meetings may be asked to be regularly communicated to MOP by an identified target date, by the Chief Secretaries of States. Deficiencies may be followed up regularly so that this endeavour yields the expected results in terms of increasing effectiveness of implementation and achievement of outcomes.

Chapter 7:

Appraising outcomes

7.1. Targets and achievements

The status of achievement of RGGVY targets in respect of un-electrified villages, electrification of rural and BPL households upto 31 March 2010 (when the scheme was planned to be completed[93]) as well as up to March 2012 in 27 States where the scheme was being implemented, was as follows:

Table 26: Component-wise targets and achievements

Sl. No.	Particulars	Target	Achievement as of 31 March 2010	Achievement as percentage of target	Achievement as of 31 March 2012	Achievement as percentage of target
1.	Electrify all un-electrified villages and habitation as per new definition	1,23,601	78,256	63.31	1,04,496	84.54
2.	Providing access to electricity to un-electrified households (including BPL households)	4,12,88,438	1,12,97,770	27.36	2,15,04,430	52.08
3.	Providing free electricity connection to BPL households	2,30,10,265	1,00,97,026	43.88	1,90,80,115	82.92

[93] Scheme was targeted to be completed by 2009. However, figure is considered as of 31 March 2010 because as per guidelines dated March 2005, scheme was to be implemented within five years.

Further, as on 31 March 2012, against the electrification target of un-electrified villages, rural households and BPL households, percentage achievement was 85 *per cent,* 52 *per cent* and 83 *per cent* respectively. State-wise un-electrified village electrification target and achievement, rural household electrification target and achievement and BPL household electrification target and achievement as on 31 March 2012 are shown in **Annexes 15, 16 and 17** respectively.

RGGVY did not achieve its targets of electrifying all villages or households either by March 2010 or even after a delay of 24 months (upto March 2012).

Moreover, the objective of the RGGVY was to accelerate rural development, generate employment and eliminate poverty through irrigation, small scale industries, village and khadi industries, cold chains, healthcare, education and IT. MOP did not conduct any specific study of requirement of agriculture/other activities. Thus, there was no mechanism available with MOP to ascertain whether consequential benefits of RGGVY were actually achieved.

MOP accepted audit view and stated (August 2013) that "*they had put all the concerted efforts to achieve the targets of various parameters under RGGVY. However, due to delay in awarding of contract by the PIAs, delay in providing BPL list to PIAs by the state utilities, inadequate project management capabilities etc the achievement was hindered.*"

Box 15: Uttar Pradesh-Non-release of BPL connections

In 186 villages of seven projects (Allahabad, Barabanki, Etawah, Jalaun, Kanpur Nagar, Kaushambi and Lalitpur), 1141 BPL connections were projected to be connected. In spite of development of infrastructure like line and transformers for supply of electricity in these villages, at a cost of ₹ 12.94 crore, no BPL connection was released (September 2012).

7.2. Non-coverage of APL Households

As of 31 March 2012, the target and sanctioned coverage was fixed for electrification of only 1.83 crore APL households as against 5.46 crore APL households in the country.

- Only 24.24 lakh APL households were provided electricity as on 31 March 2012. Thus, only 4.43 *per cent* of un-electrified APL households were provided electricity.
- While 23 out of 25 States, less than 50 *per cent* of the sanctioned coverage (target) of APL households, was provided electricity in the X Plan. In 24 out of 25 States, less than 50 *per cent* of the sanctioned coverage (target) of APL households was provided electricity in XI Plan.

- In 15 States[94], not even a single APL household was provided electricity connection during X Plan. Similarly in 11 States[95] not even a single APL household was provided electricity connection during XI Plan.

MOP stated (August 2013) that "*the information in respect of connections to APL beneficiaries which are generally released after completion of RGGVY project itself is not furnished by the DISCOM to the REC and consequently not captured in MIS of RGGVY. Further, figures shown in MIS with reference to the connections released to APL HHs did not reflect true picture as most of the States did not report the information.*"

MOP's reply indicates that there is lack of coordination between REC and PIAs. It also shows that MIS does not depict the complete picture envisaged under RGGVY in terms of coverage of APL households.

7.3. Non-implementation of Decentralized Distribution-cum- Generation projects

RGGVY introduced implementation of Decentralized Distribution-cum- generation (DDG) projects[96] in March 2005 itself for such villages where grid connectivity was either not feasible or not cost effective and where Ministry of Non Conventional Energy Sources (MNRE) would not be providing electricity from non-conventional energy sources under their remote village electricity programme of 25,000 villages. DDG was to be implemented through conventional or renewable or non-conventional sources such as biomass, bio fuel, bio gas, mini hydro, geo thermal and solar *etc*. Funding would be on the pattern of 90 *per cent* subsidy from GOI and 10 *per cent* loan from REC or from own funds of the State/loan from financial institutions. Monitoring Committee (MC) of RGGVY, while sanctioning DDG projects under RGGVY, was expected to coordinate with MNRE to avoid any overlap.

Despite introducing DDG in March 2005, MOP made a provision of ₹ 540 crore for such projects only in 2008 at the time of continuation of RGGVY in XI Plan. This provision was made without specifying the total number of DDG projects which were likely to be undertaken. Clear-cut identification/listing of number of villages where DDG projects would be located, was also absent.

Though the initial guidelines issued by MOP on 18 March 2005 stipulated that, DDG projects were to be implemented within two years from the date of notification of the scheme, *i.e.* by March 2007, the first project was sanctioned only in July 2010.

Further, in January 2008, while approving the provision of capital subsidy for DDG projects, the note to CCEA stated that guidelines for DDG projects were to be issued within one month

[94] Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Kerala, Manipur, Meghalaya, Mizoram, Odisha, Tripura, Uttar Pradesh, Uttarakhand and West Bengal

[95] Assam, Bihar, Chhattisgarh, Jharkhand, Kerala, Manipur, Meghalaya, Mizoram, Odisha, Punjab and Tripura

[96] Vide its order No. 44/19/2004/D (RE) dated 18 March 2005

of the sanction of the scheme and implementation was to be completed by 2012. However, MOP took one year to issue the DDG guidelines, *i.e.* in January 2009.

MOP, in its reply, stated (February 2013) that, *"this was a new scheme which needed suitable guidelines. For this, wide consultation with State(s) was required and after consultation, it was finally decided to issue the guidelines on 12 January 2009. Further it is also stated, that the requirement of release of fund for DDG had arisen in 2011-12."* MOP added (April 2013) that *"DDG guidelines were issued on 12 January 2009 and amended guidelines issued on 5 January 2011, 17 March 2011 and 18 March 2011. In the guidelines there is no mention regarding completion of DDG within two years. There were no specific targets either cost wise or state-wise."*

As MOP had frequently modified DDG guidelines, it indicated that MOP itself was not clear about DDG projects. Further, it was MOP's own proposal in note to CCEA that these projects were to be implemented in two years.

This also needs to be viewed against the fact that while projects were sanctioned, no funds were disbursed till February 2013. From 2011-12, MOP changed its target from 'number of projects to be implemented' to 'amount of funds to be released'. The target for sanction of DDG projects in 2011-12 was ₹ 150 crore against which the achievement was ₹ 151.85 crore. In 2012-13, the target for sanction and disbursement of DDG projects was ₹ 300 crore and ₹ 100 crore, respectively. Against the 2012-13 targets, MOP was able to sanction projects for ₹ 7.58 crore but had not disbursed any funds till February 2013.

From MIS data provided by REC, it was seen that, as of 31 March 2012, 263 DDG projects had been sanctioned since 2010 with a combined sanctioned amount of ₹ 264 crore. Though the requirement of release of funds for DDG arose in 2011-12, the matter continued to be under consideration with MOP (February 2013), which underlines the need for greater seriousness in operationalising DDG projects.

MOP stated in Exit conference (September 2013) that the scheme of DDG projects had been extended to cover already electrified villages where power supply is less than six hours a day in addition to villages where grid connectivity is either not feasible or cost effective. This would allow project developers to cover a contiguous cluster of villages consisting of both un-electrified and partially electrified villages to make DDG projects more viable.

The fact remains that a focussed approach on DDG projects was missing and the projects which were to be completed in two years (*i.e.* by 2007) had not yet taken off (February 2013).

7.4. Non-energisation of electrified villages

The actual benefit of the scheme can reach the rural population only when infrastructure created is actually energized and electricity flows to their households. As on 31 March 2012, the cumulative achievement for electrification of un-electrified/de-electrified villages was 1,04,496. However, out of these 1,04,496 villages electrified during the X and XI Plan periods, only 94,932 villages were actually energized, as of 31 March 2012. Thus, 100 *per cent* energisation had not been achieved for even the X Plan projects, though five years had elapsed since the end of the Plan. In the case of the XI Plan projects, about 80 *per cent* of the villages electrified under RGGVY had been energized till the end of the Plan period.

Though infrastructure had been created in States which were lagging behind in electrification at the launch of RGGVY, progress of energisation left much to be desired, e.g. in Arunachal Pradesh only 26.96 *per cent* of electrified villages were energized and in Mizoram only 35.48 *per cent* of electrified villages of XI plan period were energized.

According to the MIS Report of REC on RGGVY projects, 398 and 277 substations were erected during the X and XI plan respectively. However, out of these erected substations, only 360 and 80 sub-stations were commissioned (March 2012).

MOP stated (May 2013) that "*main reasons for gap in energisation were non-completion of 33/11 KV substations, right of way problems, delay in obtaining Railway clearance, etc*". MOP further replied (August 2013) that "*there is a permitted time gap of three months between completion of a village and energisation of the same and there is a gap of energisation of 5,985 villages as on 31 March 2012 instead of 9,564 considering the progress allowing the gap of three months.*"

Reply of MOP should be seen in the light of the fact that it was resolved in Power Ministers' Conference held on 3 June 2010 to energize already completed villages by June 2010 and thereafter within 15 days of the completion of work. Due to non- energisation of completed villages, the flow of real benefit of electrification to the intended beneficiaries would be delayed. Further, such delays may also lead to theft and deterioration of newly created infrastructure.

7.5. Revenue Sustainability

Funds under RGGVY were provided to PIAs for development of electrification infrastructure. In order to maintain such infrastructure, created under RGGVY, and to provide uninterrupted quality of power supply, it was essential that the projects were revenue sustainable in the long run. In turn, in order to ensure revenue sustainability, it would be important to ensure that there was a commercially viable mechanism so that the cost of providing electricity[97] was recovered and subsidy released. MOP guidelines issued on 18 March 2005 and 6 August 2008 specifically noted that revenue sustainability and appointment of franchisees were two important conditions for implementation of the scheme. MOP addressed these issues by incorporating, *inter alia*, the following provisions in the guidelines issued for implementation of RGGVY:

- Determination of Bulk Supply Tariff for franchisees in a manner that ensures commercial viability

[97] Including the cost of maintenance of infrastructure developed under the scheme

- Provision for requisite revenue subsidy by the State Governments to the SPUs as required under the Electricity Act, 2003

The appointment of franchisees was considered such an important issue that the Department of Expenditure, Ministry of Finance (MOF) warned (27 November 2006) that without the promised arrangement in place, the Scheme would push the State Electricity Boards (implementing agencies) into further financial distress. In fact, the MOF opined (November 2006) that, with regard to implementation of RGGVY till that time, the substantive issue of revenue sustainability and appropriate franchisee system, which were promised as the main pillars of the programme of rural electrification, were, nowhere, addressed.

The above two conditions were not addressed appropriately in the implementation of the Scheme in both X Plan (2002-07) and XI Plan (2007-12).

MOP replied (August 2013) that, *"Ministry has proposed not to make the condition of deployment of franchisees mandatory in X and XI Plan projects and also in XII Plan of RGGVY. The same has been approved by the CCEA".*

The reply needs to be viewed against the fact that the issue of franchisee was apparently included after detailed deliberations and thought treating them as the main pillars of rural electrification. The objectives of revenue sustainability, reduction in transmission and distribution losses, reduction in commercial losses through franchisees were not possible to be achieved fully, due in part to the PIAs disregarding the conditions of RGGVY guidelines (March 2005) for appointment of franchisees and in part to REC's / MOP's inability to ensure compliance of these conditions by States. The fact remains that the aspect of revenue sustainability, reduction in transmission and distribution losses, reduction in commercial losses through franchisees would continue to be crucial to the successful achievement of envisaged outcomes and providing the long term benefits of the scheme to the beneficiaries.

7.5.1. Business Plan

Guidelines for formulation of projects under RGGVY issued by REC required submission of a business plan[98] giving details of cash outflow, for the next 15 years, on account of investment[99], operation cost[100] and cost of bulk power (input) as well as cash inflow from category-wise sale of power to consumers, revenue subsidy and other revenues.

There were instances of incomplete/non-submission of business plan in respect of **81** out of selected 162 DPRs. As an illustration, in **Assam**, the business plans submitted by PIA in respect of Goalpara, Barpeta, Bongaigaon, Morigaon and Karbi Anglong districts were prepared in contravention of National Electricity Policy (NEP) and objectives of RGGVY.[101]

[98] Format F4(REC's Project Formulation Guidelines)

[99] Initial capital investment and expansion of network in future

[100] Cost of billing and revenue collection, O & M expenses, depreciation, insurance, repayment of loan installment interest *etc.*

[101] RGGVY provided for completion of the project within two years.

The plan envisaged electrification of the targeted BPL households (1.30 lakh) and rural households other than BPL (1.28 lakh) within periods ranging from two years to fifteen years and five to fifteen years, respectively. Further, revenue forecast, in the business plan, for the planned electricity connection to 1.30 lakh BPL households was on the basis of energy charges of ₹ 2.75 per unit whereas actual charge was only ₹ 2.50 *per* unit which reduced the possible revenue collection. Thus, there was scope for preparing business plan on a more realistic basis and in line with the overall targets of RGGVY.

7.5.2. Revenue collection

In **Maharashtra,** there were lapses in identification of consumers, delay in issue of first bill, non-issue of bills, *etc.* which are described below. Such lapses have led to short realisation of funds to the extent of ₹ 2.98 crore and outstanding amount of ₹ 10.88 crore to be recovered.

- In **Maharashtra**, there was no mechanism in place to reconcile beneficiary wise connections released by the contractors and connections fed into IT system for billing purpose before effecting payments to the contractors.
  - In seven[102] out of ten selected projects, the first bills were yet to be raised (March to October 2012) in respect of 0.47 lakh out of 2.10 lakh BPL connections released up to September 2011 despite lapse of six to fourteen months from the month of connection. The unbilled amount in these cases worked out to ₹ 2.98 crore.
  - Further, even after considering initial period of two months for processing, there were delays of more than one year in raising the first bills on 5,930 BPL households in ten selected projects.
  - Dues of ₹ 1.67 crore became recoverable at the end of August 2012 from 7623 BPL consumers whose connections were permanently disconnected due to non-payment of bills. In addition, dues of ₹ 9.21 crore were recoverable from 1.44 lakh consumers from these ten projects. Thus, as against the total dues of ₹ 10.88 crore (₹ 9.21 crore *plus* ₹ 1.67 crore), the security deposit available with PIA was only ₹ 0.23 crore leaving a shortfall of ₹ 10.65 crore.

7.5.3. Provision of revenue subsidy

Guidelines for implementation of RGGVY (March 2005) required provision for requisite revenue subsidy by State Governments to SPUs as required under the Electricity Act, 2003. Section 65 of the said Act provides,

"if the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, within in advance in the manner as may be specified, by the State Commission, the amount, to compensate the person affected by the grant of subsidy in the manner the State Commission

[102] Ahmednagar, Aurangabad ,Jalana , Nashik, Sangli, Sindhudurg and Thane-Kalyan

may direct, as a condition for the license or any other person concerned to implement the subsidy provided for by the State Government.

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall be applicable from the date of issue of orders by the Commission in this regard."

Thus, the State Governments were to compensate the electricity distribution licensees[103] responsible for distribution of electricity in the respective States, in advance, for the estimated loss of revenue caused by reduced tariff for BPL consumers. However, requisite revenue subsidies on account of reduced BPL tariff was not paid in seven States, *i.e.* **Assam, Gujarat, Jharkhand, Karnataka, Uttarakhand, Uttar Pradesh and West Bengal**. Three instances are discussed below:

- In **Gujarat**, from February 2009 onwards, the tariff for BPL consumer was less than general tariff; however, the State Government did not pay as subsidy to compensate SPUs for the reduced BPL tariff.
- In **Karnataka**, though, two DISCOMs (BESCOM during 2005-06 and CESCO during 2008 to 2010) provided electricity to BPL consumers free of cost for consumption up to 18 units, the State Government did not pay revenue subsidy to DISCOMs for the period.
- In **Uttar Pradesh**, short reimbursement of subsidy by State Government to SPUs aggregated ₹ 1,758.85 crore during 2005-06 to 2010-11.

7.5.4. Appointment of franchisees in States

Revenue sustainability was also to be ensured through deployment of franchisees[104]. Franchisees could be non-governmental organizations, users associations, co-operatives or Panchayati Raj institutions. MOP's note (February 2005) to CCEA also required that prior commitment of the State Government be obtained, before grant of subsidy, regarding the details of the deployment of franchisees for the management of rural distribution in projects financed under the scheme.

The status report of RGGVY Projects as of 31 March 2012 indicated that 37,614 franchisees had been deployed in 17 States covering 1,75,655 villages out of 3,53,049 villages under RGGVY projects. This implied that franchisees were deployed in approximately half (49.75 *per cent)* of the villages under RGGVY projects. No franchisee was appointed in **ten** States, *i.e.* Andhra Pradesh, Arunachal Pradesh, Jammu and Kashmir, Jharkhand, Kerala, Manipur, Mizoram, Punjab, Sikkim and Tamil Nadu. 28,919 franchisees, *i.e.* 76.88 *per cent* of the total

[103] DISCOMs/State Electricity Boards

[104] As stated (August 2013) by MOP, the mandatory condition of deployment of franchisees was relaxed subsequently for X, XI and XII Plan projects.

number of franchisees, were deployed in only two States[105]. In fact, some States adopted very inconsistent practices. For instance,

- As per the REC guidelines on Franchisee Development, franchisees were to be given a return not exceeding 10 *per cent*. The bulk supply tariff fixed by SPU in **Assam** considered a return of 15 *per cent* after allowing 2 *per cent* of the tariff for meeting cost of maintenance of LT line. Thus, undue benefit was passed on to franchisees in the form of higher than stipulated rates and returns.
- In **Haryana**, DISCOMs had neither appointed franchisees as per REC guidelines nor got bulk supply tariff determined from Haryana Electricity Regulatory Commission (HERC) to ensure commercial viability of franchisees. Instead, the DISCOMs had outsourced the functions relating to meter reading, bill distribution and revenue collection to a Non-Government Organisation *i.e.*, Haryana Ex-Servicemen League (HESL).
- In **Madhya Pradesh**, one DISCOM (Central) initiated a Gram Sewak scheme which did not fall in the definition of franchisee as per REC guidelines on Franchisee Development. The Gram Sewak scheme was cancelled with effect from 26 December 2011. Another DISCOM (West) formulated a detailed programme for more franchisee participation in RGGVY funded districts. It conducted various training programmes but appointed franchisees in only seven Gram Panchayats upto March 2011 and thereafter did not appoint any more franchisees.
- In **Meghalaya,** franchisees were appointed in only one (Jaintia Hills) out of seven projects (as of August 2012). In the case of the Jaintia Hills project, out of 50 clusters, franchisees were engaged between March 2010 and August 2012 in 13 clusters for monthly meter reading and collection of revenue from consumers. However, as of August 2012, out of these 13 franchisees, contracts in respect of seven had expired, contracts of two were cancelled and contract of one was suspended (August 2012).
- In **Tripura**, as per the Tripartite Agreement amongst REC, Tripura State Electricity Corporation Limited (TSECL) and State Government on 31 October 2005, the State Government and TSECL had undertaken to deploy franchisees for management of rural distribution in villages electrified, as per the guidelines issued by REC. However, franchisees were not deployed as per RGGVY guidelines, as their functions were limited to meter readings and delivery of energy bills. Revenue collection was not included in the role and responsibilities of franchisees. Though 69 franchisees were operating in 530 out of 739 RGGVY villages, they did not conform to any of the models prescribed by REC.
- In **Maharashtra**, franchisees were not appointed as it was considered not commercially viable.
- In **Uttarakhand**, out of 12 franchisees, only four completed the initial contract period of one year and rest left within seven to eight months. Despite repeated correspondence from REC regarding re-appointment of franchisee, the DISCOM

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[105] Gujarat and Karnataka

made no efforts to appoint other franchisees to achieve the above mentioned objectives.

MOP, in its reply (February 2013) accepted the above facts stating that, *"Under X and XI Plan, deployment of franchisees for the management of rural distribution was envisaged to ensure revenue sustainability. However, this has not fructified as the States have not been able to deploy franchisees in spite of considerable efforts by them and support provided by MOP and REC. This has been mainly because rural distribution is characterized by low load density, domestic consumers with subsidized tariff and limited availability of power supply leading to low revenue base in absolute terms. Total revenue to be collected is even lower, particularly in villages covered under RGGVY, as majority of load consists of BPL households for whom electricity tariffs are highly subsidized or entirely free in most States. The absolute amount of revenue to be collected is not adequate to meet the bare minimum expenditure of a franchisee making them financially unviable. Moreover, distribution business in States like Orissa is already privatized."*

As stated in para 7.5 *supra* revenue sustainability and commercial viability would continue to be a challenge for MOP without which the essential objectives of the scheme may remain unachieved.

7.5.5. Performance of franchisees

REC, in its guidelines for franchisees development (May 2006) prescribed six models for franchisee deployment

- Model – A: Revenue Franchisee - collection based
- Model – B: Revenue Franchisee – Input based
- Model – C: Input based Franchisee
- Model – D: Operation & maintenance franchisee
- Model – E: Rural Electric Co-operative Societies
- Model – F: Electric cooperative society – operations management

MOF stated (November 2006) that mere appointment of franchisees was not enough, *i.e.* without regard to the viability of distribution arrangements, requisite funds provided for in the subsidies to be given by the State Governments to the utilities, and recovered through Aggregate Technical and Commercial (AT&C) losses, and appropriate incentive structures created for the franchisees to streamline distribution management and make it more viable.

As per guidelines for franchisee development issued by REC, Model A was not the preferred for adoption since its compensation was linked to the revenue collections made and not on the energy input coming into the area. REC further issued (February 2008) specific directions that for continuation of RGGVY in the XI Plan period, the franchisee should preferably be 'input based' to reduce AT&Closses so as to make the system revenue sustainable. Out of 17 States which had deployed franchisees, 15 had however, adopted the Revenue Franchisee –

collection based one, i.e. Model A. The impact of this can be seen in **Gujarat** where only revenue collection based franchisees were appointed. The 'Transmission and Distribution' losses in the respective circles of DISCOMs[106] ranged from 13 *per cent* (against the benchmark of 4.95 *per cent*) to 66 *per cent* as on 31 March 2012.

In **Karnataka**, revenue collection efficiency varied in respect of LT installations during 2007-08 to 2011-12. In six[107] project areas in Raichur, the collection efficiency was less than 10 *per cent*, while in other project areas it ranged from 24 to 67 *per cent* except in Uttara Kannada where it was 83 *per cent*.

In **Uttarakhand**, ₹ 8.48 crore was recoverable from BPL consumers, as on 31 March 2012 in four selected districts.

State specific details of performance of franchisees are given in **Annexe 18**.

MOP, in a note dated 23 February 2007 stated that "*On the revenue sustainability raised by Ministry of Finance, as reported in an evaluation study on the system of franchisees awarded by Ministry of Power and conducted by The Energy and Resources Institute (TERI) and Integrated Research and Action for Development (IRADe) the results are quite impressive. In the villages under franchisees, revenue collection has increased dramatically.*"

MOF had recommended that a concurrent evaluation be done to assess the working of franchisees. MOP, however, got a limited study done by TERI and IRADe in six States and did not make available the full report of this study. Only a brief of the report was furnished. There was no evidence to suggest that modifications suggested by the study were implemented to improve the working of franchisees.

7.5.6. Dilution of condition regarding deployment of franchisee

During the initial implementation of RGGVY in X Plan, REC was to release funds subject to appointment of franchisee as per scheme guidelines of March 2005. As brought out in the CCEA note dated 13 November 2004 and COS note dated 24 December 2004, the rationale for making the franchisee system conditional was to ensure commercial viability and sustainability in management of rural distribution.

However, in June 2007, MC headed by Secretary, MOP decided that only the last 10 *per cent* of the subsidy release should be made dependent upon the State meeting the conditionalities. In effect, release of 90 *per cent* of the subsidy was done without ensuring that the objective of revenue sustainability was met, despite appointment of franchisees being one of the mandatory pre-conditions in the note approved by the CCEA.

[106] Bhavnagar, Mehsana, Patan, Panchmahal, Porbander, Surat and Surendra Nagar

[107] Belgaum, Bijapur, Gadag, Kolar, Raichur and Uttara Kannada

Incidentally, as per MOP / REC guidelines and directions, in the event the projects are not implemented satisfactorily in accordance with the conditions, the capital subsidy would be converted into interest bearing loans.

Some instances of projects being kept open where closure reports had not been accepted on the grounds that DISCOMs had to bear the risk of conversion of capital subsidy into interest bearing loan leading to financial loss for these bodies were noticed. For instance, in **Haryana**, the DISCOMs were running the risk of losing capital subsidy to the tune of ₹ 158.20 crore. Though REC had been writing to various States to appoint franchisees, the former did not convert the capital subsidy into an interest bearing loan. Consequently, this condition is being flouted by PIAs. For example, in the 40th meeting of the MC held in March 2011, it was decided that for X Plan projects, a Notice Inviting Tender (NIT) for appointment of franchisee should be issued in the next three months and franchisees should be appointed in further six months. Accordingly, the States were informed that if these timelines were not achieved and projects were not closed, the grants given to State Governments under RGGVY would be converted into interest bearing loan. Despite the States not taking significant steps to follow these directives, REC took no action against them (May 2013).

MOP, in its reply (May 2013) stated that, "*MC took practical difficulties, field constraints into consideration as the projects were getting delayed due to various reasons including non-release of funds which could have further aggravated the situation. The committee had not relaxed the condition of appointment of deployment of franchisees. The committee only eased out the releasing mechanism for smooth implementation of the programme by allowing REC to release 2nd and 3rd installment without insisting for appointment of franchisee.*"

Reply of MOP only underlines the fact that the sanctity of release of funds was diluted by relaxing the then mandatory pre-condition of appointment of franchisees and by not penalising for non closure of projects.

7.6. Beneficiary Survey

In order to assess the awareness and obtain the perception of the beneficiaries at the implementation level, selected beneficiaries in test-checked districts were requested to reply to a questionnaire. The sample for the beneficiary survey was drawn from the selected villages in each sample project. At least five households for survey were selected in each village through a systematic random sampling procedure. Beneficiaries were interviewed through a structured questionnaire in the local language. The total sample consisted of 10,460 beneficiaries from 2,148 villages in 27 States. The sample size in each State varied according to the number of projects selected for test-check in that State. The survey was conducted by the audit teams of the Indian Audit & Accounts Department (IA&AD) which were deployed for the performance audit of RGGVY.

The survey questionnaire requested the following details:

(i) Whether the connection was provided by the DISCOM or on request of beneficiary;

(ii) Date of installation of connection;
(iii) Date of energisation of connection;
(iv) Provision of CFL free of cost;
(v) Supply of Power for 6 -8 hours daily;
(vi) Provision of meter;
(vii) Awareness about the scheme;
(viii) Payment and billing;
(ix) Usage of electricity for pump sets *etc*;
(x) Impact of the scheme; and
(xi) Any grievances related to the implementation of RGGVY.

The outcome of the beneficiary survey is as under:

1. **Awareness** – The main objective of RGGVY was to provide single phase electric connection to BPL households free of cost. Hence, spreading awareness about the scheme and its main features among BPL households was a pre-requisite for successful implementation of the scheme.
   During survey of BPL beneficiaries it was observed that 8,061 beneficiaries (77 *per cent*), *out* of the sample were not even aware about RGGVY, its objectives or benefits. Though the turnkey contractor conducted surveys before releasing connections, the possibility of BPL households being left out in the absence of awareness could not be ruled out.7,565 (72 *per cent*) beneficiaries stated that no awareness programme was conducted.

2. **Provision of connection** - While 5,964 beneficiaries (57 *per cent)* stated that connection was provided by DISCOM itself, 3,975 beneficiaries (38 *per cent)* stated that the connection was given on their request, *i.e.* of the beneficiary and 521 beneficiaries (5 *per cent)* were not aware about how they got the connection.

3. **Provision of CFL** - Though there was a provision of free CFL along with the connection to BPL households, only 5,253 beneficiaries (50 *per cent*) were provided free CFL, 4,678 beneficiaries (45 *per cent*) stated that they were not provided any CFL with the connection and remaining beneficiaries were not sure about the provision of providing CFL.

4. **Metering** – Metering and billing of all connections was necessary for revenue sustainability. 9,661 beneficiaries (92 *per cent*) stated that they had got the meter with connection, while 343 beneficiaries (3 *per cent*) stated that meters were not provided with connection. Rest of the beneficiaries were not sure.
   3,305 beneficiaries (32 *per cent)* stated that they were not receiving bill regularly.

Box 16: Cases of not providing meter with connection

The cost of meter was included in the connection cost. Accordingly contractors were required to fit meters as per specific norms with connection. However, beneficiary survey of BPL households revealed that this aspect was not followed in some cases as under:

- In **Papumpare** project of **Arunachal Pradesh**, 37 households out of 50 BPL households stated that meters were not installed and proper wiring was not done.
- In **Nagaland**, only 85 households (74 *per cent*) were provided meter box out of 115 BPL surveyed.
- In **Sikkim**, no meter was provided to all five beneficiaries surveyed under Chisopani Village in **Gangtok Block** and four out of five households in Umchung Village, Geyzing Block

Further, the first bill was to be issued within 60 days from the date of release of connection. However, in **Rajasthan**, 54 out of 518 beneficiaries responded that bills were not issued by DISCOMs.

5. **Power supply** – 8,024 beneficiaries (77 *per cent*) stated that they were getting more than daily supply for six to eight hours. While 1,605 beneficiaries (15 *per cent*) stated that they were getting less than six hours' supply per day and the timing of the power supply was stated to be not as per their needs.

Recommendation

R7: MOP may critically review the existing mechanism and install additional safeguards specifically targeting achievement of quality and reliability in supply of power, collection of revenue with special emphasis on States where targets remained to be achieved.

Chapter 8:

Conclusion and Recommendations

8.1. Conclusion

The Electricity Act, 2003 has accorded renewed priority to rural electrification and provision of electricity services in order to provide access to electricity to all. The National Electricity Policy 2006 proclaims electricity to be an essential requirement for all facets of human life. Under the National Common Minimum Programme (NCMP), provision of access to electricity for all households is envisaged within five years. To bridge the urban-rural gap and provide reliable and quality power supply to rural areas, MOP initiated RGGVY in 2005 with a mandate to attain the NCMP's goal of providing access to electricity to all households by 2009 which was later extended to 2012. Further, on 2 September 2013, the MOP has issued guidelines for extension of the scheme in XII and XIII Plan.

Despite an implementation approach characterised by rushed approvals and involvement of numerous stakeholders, the objectives of providing access to electricity to all, giving electricity connection free of cost to every un-electrified BPL family and electrifying every un-electrified village/habitation by 2009 had not been achieved. Against the total approval of ₹ 33,000 crore for X Plan and first two years of XI Plan by CCEA, allocation of funds during 2004-12 as per budget estimates and revised estimates was ₹ 31,338.00 crore and ₹ 27,488.56 crore respectively. MOP did not fully utilize the funds allocated under the scheme and released only ₹ 26,150.76 crore to REC up to March 2012 and the latter in turn released ₹ 25,652 crore to PIAs upto March 2012. PIAs had intimated utilization of ₹ 22,510.14 crore (20 May 2012). Balances remaining unutilized with PIAs ranged from ₹ 1.47 crore to ₹ 375.07 crore in 19 States while PIAs reported excess utilization ranging from ₹ 3.64 crore to ₹ 115.13 crore in eight States. As substantial unutilized funds remained with PIAs, an amount of ₹ 337 crore towards interest earned by PIAs on unutilized funds remained to be remitted to the Government account as of August 2013 and thus, did not further the cause of RGGVY.

REC did not link the terms of release of funds with achievement of physical targets set under approved RGGVY projects. In some cases, this resulted in release of 67 *per cent* to 90 *per* *cent* of the project cost to PIAs/contractors whereas the physical achievement against the released funds was less. During X and XI Plan, 576 projects were sanctioned originally for ₹ 26,427.47 crore and awarded for ₹ 31,268.12 crore. Sanctioned cost estimates for all projects were revised to ₹ 34,070.87 crore as of December 2012.

Against the targeted coverage of 1,23,601 un-electrified villages and 4,12,88,438 rural households including 2,30,10,265 BPL households only 1,04,496 un-electrified villages (84.54 *per cent*) and 2,15,04,430 rural households (52.08 *per cent*) including 1,90,80,115 BPL households (82.92 *per cent*) had been covered by 31 March 2012. However, actual achievement would need to be viewed against the fact that the scheme was beset with the problems as discussed in the report.

RGGVY also envisioned that REDB[108], VEI[109] and DDG[110] would indirectly facilitate power requirement of agriculture and other activities including irrigation pump sets, small and medium industries, khadi and village industries, cold chains, healthcare, education and IT *etc.*, It was felt that this would facilitate overall rural development, employment generation and poverty alleviation. However, in actual practice, the projects sanctioned were based on a minimalist approach of providing one unit electricity per day per household.

The formulation of the scheme, from inception, was flawed as identification of villages and estimation of beneficiaries was based on unreliable data. Implementation of the scheme was characterized by several instances of non-adherence to the scheme guidelines, including important inputs like authenticated BPL lists and RE plans not being in place. RGGVY projects were planned without adequate survey work as DPRs were prepared on the basis of old data and had many discrepancies. There were instances of inefficiencies in contract management, execution of works and violation of provisions of tripartite agreement by the concerned State Governments.

Project implementation was beset with slow execution of works, idle investments, weak monitoring, non-fulfilment of commitments made in the agreements, delays in award of contracts and non-handing over /charging of completed works.

Though considerable delays in the implementation of the projects were attributable to contractors, PIAs and REC, accountability for the delayed execution of projects was not determined at any level *i.e.* PIA, REC and MOP. As such, the LD clause in the Letters of Award were rendered irrelevant. Conversely, if the contractors were not responsible for the delays, then it would appear that the full responsibility would lie on the PIAs. However, no action has been taken by PIAs on erring officials nor has REC / MOP taken action against PIAs, thereby underlining lack of concern for time-lines.

[108] Rural Electricity Distribution Backbone
[109] Village Electrification Infrastructure
[110] Decentralised Distributed Generation

PIAs also failed to keep the Scheme funds in separate interest bearing bank accounts because of which no interest could be earned during this period, which could have ultimately increased availability of funds for projects.

Monitoring mechanism for ensuring quality though in place, could not keep pace with progress of works and resultantly, there were delays in exercising significant and appropriate checks making the monitoring process largely ineffective.

The nodal agency, REC, on its part, was not able to ensure completion of projects within scheduled time to which delays in sanction of projects also contributed. Inadequacies could have been avoided had REC performed its role in a more effective manner by ensuring that DPRs were based on field surveys so that physical and financial estimates were more realistic and subsequent revisions were minimised.

Beneficiary survey revealed that publicity needed to be increased and made result oriented. The survey further revealed that concerned DISCOMS failed to (a) supply committed hours of electricity to BPL consumers and (b) raise and recover the energy bills from the connections.

8.2. Recommendations

A summary of recommendations made in the report is given below:

- ✓ MOP may consider getting an independent survey conducted prior to implementation of new projects in XII Plan and the list of identified villages and estimates of beneficiaries revised to avoid duplication and ensure that the benefits of the scheme reach the intended and targeted beneficiaries in close coordination with States.

- ✓ MOP may like to get REC to exercise greater control over the scope of work and related estimates by devising suitable formats of monitoring reports which would help ensure that projects are taken up for sanction only if the PIA submits a DPR based on a detailed field survey and physical and financial estimates are reasonably accurate.

- ✓ MOP may consider instituting an accounting mechanism at all levels (MOP, REC and PIAs) that ensures real-time watch over the actual release and receipt of funds, and interest accounted on unspent balances.

- ✓ MOP and the nodal agency, REC may take immediate action to recover / adjust the interest earned by PIAs on capital subsidy kept in banks and RGGVY funds that were utilized for payment of State / local taxes, against project costs.

- ✓ MOP may, in close coordination with States, consider institutionalising a uniform/standard template for ascertaining progress of work at each significant level so that common and avoidable irregularities/deficiencies in contract management such as non-deduction of statutory dues, non-levy of liquidated damages and excess payments to the contractors are avoided.

- ✓ Results of review of State level coordination committee meetings may be asked to be regularly communicated to MOP by an identified target date, by the Chief Secretaries of States. Deficiencies may be followed up regularly so that this endeavour yields the expected results in terms of increasing effectiveness of implementation and achievement of outcomes.

- ✓ MOP may critically review the existing mechanism and install additional safeguards specifically targeting achievement of quality and reliability in supply of power, collection of revenue with special emphasis on States where targets remained to be achieved.

8.3. REMEDIAL ACTION TAKEN BY THE MINISTRY

Subsequent to the issue of draft performance audit report to MOP, in the exit conference held on 2 September 2013, the Secretary (Power), acknowledged the audit observations and stated that they have considered all major issues pointed out by Audit while preparing the guidelines for continuation of the RGGVY in the XII Plan period. A copy of the Office Memorandum dated 2 September 2013 for continuation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) in XII and XIII Plan –Scheme of Rural Electricity Infrastructure and Household Electrification is placed at **Annexe 19** of this report.

While the remedial action taken by MOP is appreciated, there is scope for improvement and refinement of guidelines and procedures as highlighted in this report.

Dated: 29 November 2013
Place : New Delhi

(ANAND MOHAN BAJAJ)
Principal Director of Audit
(Economic and Service Ministries)

Countersigned

Dated: 29 November 2013
Place : New Delhi

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

PART III

ANNEXES

Annexe 1
Status of Village Electrification as on 31.3.2004
(Refer to para 1.2)

Sl. No.	State	Total No. of inhabited villages as per 1991 census	Total No. of villages electrified	Balance un-electrified	Percentage of electrified villages
1	Andhra Pradesh	26,586	26,565	$	100
2.	Arunachal Pradesh	3,649	2,335	1,314	64
3.	Assam	24,685	19,081	5,604	77.30
4.	Bihar	38,475	19,251	19,224	50
5	Chhattisgarh	19,720	18,532	1,188	94
6.	Goa	360	360	-	100
7.	Gujarat	18,028	17,940	$	100
8.	Haryana	6,759	6,759	-	100
9.	Himachal Pradesh	16,997	16,891	106	99.38
10	Jammu and Kashmir	6,477	6,301	176	97.28
11.	Jharkhand	29,336	7,641	21,695	26
12.	Karnataka	27,066	26,771	295	98.91
13.	Kerala	1,384	1,384	-	100
14.	Madhya Pradesh	51,806	50,474	1,332	97.43
15.	Maharashtra	40,412	40,351	-	100
16.	Manipur	2,182	2,043	139	93.63
17.	Meghalaya	5,484	3,016	2,468	55
18.	Mizoram	698	691	7	99
19.	Nagaland	1,216	1,216	-	100
20.	Odisha	46,989	37,663	9,326	80.15
21.	Punjab	12,428	12,428	-	100
22.	Rajasthan	37,889	37,276	613	98.38
23.	Sikkim	447	405	42	90.60
24.	Tamil Nadu	15,822	15,822	-	100
25.	Tripura	855	818	37	95.67
26.	Uttar Pradesh	97,122	57,042	40,080	58.73
27.	Uttarakhand	15,681	13,131	2,550	83.73
28.	West Bengal	37,910	31,705	6,205	83.63
	Total (States)	5,86,463	47,382	11,241	80.80
	Total UTs	1,093	1,090	$	100
	All India	**5,87,556**	**4,74,982**	**1,12,401***	**80.80**

(Source: MoP guideline dated 18 March 2005)

$ Balance villages are not feasible for electrification.

** As per the new definition of village electrification (effective from 2004-05)*

Annexe 2
Status of Rural Household Electrification - 2001 Census
(Refer to para 1.2)

Sl. No.	State	Total no. of Rural Households	Electrified Households	Percentage electrified Households	Percentage un-electrified Households
1.	Andhra Pradesh	1,26,76,218	75,61,733	59.65	40.35
2.	Arunachal Pradesh	1,64,501	73,250	44.53	55.47
3.	Assam	42,20,173	6,97,842	16.54	83.46
4.	Bihar	1,26,60,007	6,49,503	05.13	94.87
5.	Chhattisgarh	33,59,078	15,48,926	46.11	53.89
6.	Delhi	1,69,528	1,44,948	85.50	14.50
7.	Goa	1,40,755	1,30,105	92.43	07.57
8.	Gujarat	58,85,961	42,44,758	72.12	27.88
9.	Haryana	24,54,463	19,26,814	78.50	21.50
10.	Himachal Pradesh	10,97,520	10,36,969	94.48	05.52
11.	Jammu and Kashmir	11,61,357	8,68,341	74.77	25.23
12.	Jharkhand	38,02,412	3,79,987	9.99	90.01
13.	Karnataka	66,75,173	48,16,913	72.16	27.84
14.	Kerala	49,42,550	32,38,899	65.53	34.47
15.	Madhya Pradesh	81,24,795	50,63,424	62.32	37.68
16.	Maharashtra	1,09,93,623	71,64,057	65.17	34.83
17.	Manipur	2,96,354	1,55,679	52.53	47.47
18.	Meghalaya	3,29,678	99,762	30.26	69.74
19.	Mizoram	79,362	35,028	44.14	55.86
20.	Nagaland	2,65,334	1,50,929	56.88	43.12
21.	Odisha	67,82,879	13,12,744	19.35	80.65
22.	Punjab	27,75,462	24,82,925	89.46	10.54
23.	Rajasthan	71,56,703	31,50,556	44.02	55.98
24.	Sikkim	91,723	68,808	75.02	24.98
25.	Tamil Nadu	82,74,790	58,90,371	71.18	28.82
26.	Tripura	5,39,680	1,71,357	31.75	68.25
27.	Uttar Pradesh	2,05,90,074	40,84,288	19.84	80.16
28.	Uttarakhand	11,96,157	6,02,255	50.35	49.65
29.	West Bengal	1,11,61,870	22,62,517	20.27	79.73

Union Territories					
1.	A.& Nicobar Islands	49,653	33,807	68.09	31.91
2.	Chandigarh	21,302	20,750	97.41	02.59
3.	D.& Nagar Haveli	32,783	27,088	82.63	17.37
4.	Daman & Diu	22,091	21,529	97.46	02.54
5.	Lakshadweep	5,351	5,337	99.74	0.26
6.	Pondicherry	72,199	58,486	81.01	18.99
	ALL INDIA	**13,82,71,559**	**6,01,80,685**	**43.52**	**56.48**

(Source: MoP guideline dated 18 March 2005)

Annexe 3
State-wise release of funds by REC under RGGVY as on 31 March 2012
(Refer para 1.5)

(₹ in crore)

Sl. No.	Name of State	2004-05 & 2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
1.	Andhra Pradesh	9	76	238	68	152	142	26	710
2.	Arunachal Pradesh	2	0	162	83	223	166	40	676
3.	Assam	2	35	58	455	450	629	491	2,120
4.	Bihar	327	423	693	631	622	520	260	3,476
5.	Chhattisgarh	17	32	50	100	334	164	120	816
6.	Gujarat	0	11	16	46	86	72	27	258
7.	Haryana	1	11	22	34	54	18	19	159
8.	Himachal Pradesh	0	7	0	71	110	54	19	261
9.	Jammu and Kashmir	0	18	26	163	328	61	68	663
10.	Jharkhand	5	257	530	947	689	145	112	2,684
11.	Karnataka	63	76	288	62	63	56	43	650
12.	Kerala	15	5	0	1	9	29	0	59
13.	Madhya Pradesh	2	93	140	163	383	256	384	1,421
14.	Maharashtra	0	9	12	112	186	147	49	517
15.	Manipur	0	12	5	35	57	86	71	267
16.	Meghalaya	0	0	18	11	117	78	94	318
17.	Mizoram	1	0	0	70	73	70	0	214
18.	Nagaland	0	4	5	54	49	55	25	192
19.	Odisha	4	56	159	894	889	543	360	2,905
20.	Punjab	3	0	0	51	0	0	0	54
21.	Rajasthan	49	76	164	269	133	74	200	965
22.	Sikkim	0	0	0	39	40	39	37	156
23.	Tamil Nadu	0	0	87	17	106	39	36	285
24.	Tripura	1	0	1	21	48	29	48	148
25.	Uttar Pradesh	741	1,382	505	77	173	68	86	3,033
26.	Uttarakhand	57	249	119	74	92	10	0	601
27.	West Bengal	104	184	73	561	520	449	154	2,045
	Grand Total	**1,403**	**3,014**	**3,368**	**5,110**	**5,987**	**3,998**	**2,772**	**25,652**

Annexe 4
Details of Projects selected for Performance Audit
(Refer to para 2.4)

Sl. No.	Name of State/no. of project selected	Selected Projects	Implementing Agency
1.	Andhra Pradesh (7)	**1.** East Godavari **2.** West Godavari **3.** Vizianagaram	Eastern Power Distribution Company of Andhra Pradesh Limited (EPDCL)
		4. Mahboob Nagar **5.** Nalgonda	Central Power Distribution Company of Andhra Pradesh Limited (CPDCL)
		6. Khammam	Northern Power Distribution Company of Andhra Pradesh Limited (NPDCL)
		7. Prakasham	Southern Power Distribution Company of Andhra Pradesh Limited (SPDCL)
2.	Arunachal Pradesh (2)	**8.** Lower Subansiri **9.** Papumpare	Power Department
3.	Assam (7)	**10.** Karbi Anglong **11.** Morigaon **12.** Bongaigoan **13.** Barpeta **14.** Goalpara	Assam State Electricity Board (ASEB)
		15. Sonitpur **16.** Hailakandi	Power Grid Corporation of India Limited (PGCIL)
4.	Bihar (13)	**17.** Supaul **18.** Khagaria **19.** Katihar	Bihar State Electricity Board (BSEB)
		20. East Champaran **21.** Darbhanga **22.** Sheohar **23.** West Champaran	National Hydroelectric Power Corporation (NHPC)
		24. Nalanda **25.** Saran **26.** Patna **27.** Kaimur (Bhabua) **28.** Nawada **29.** Bhojpur	Power Grid Corporation of India Limited (PGCIL)

5.	Chhattisgarh (5)	**30.** Bastar **31.** Dantewada	Chhattisgarh State Power Distribution Company Limited (CSPDCL)
		32. Korba	NTPC Electric Supply Company Limited (NESCL)
		33. Durg (Sup) **34.** Kawardha	National Hydroelectric Power Corporation (NHPC)
6.	Gujarat (7)	**35.** Surat	Dakshin Gujarat Vij Company Limited (DGVCL)
		36. Panchmahal	Madhya Gujarat Vij Company Limited (MGVCL)
		37. Bhavnagar **38.** Surendernagar **39.** Porbandar	Pashchim Gujarat Vij Company Limited (PGVCL)
		40. Mehsana **41.** Patan	Uttar Gujarat Vij Company Limited (UGVCL)
7.	Haryana (5)	**42.** Bhiwani **43.** Fatehabad **44.** Sirsa **45.** Mewat	Dakshin Haryana Bijli Vitaran Nigam Limited (DHBVNL)
		46. Jind	Uttar Haryana Bijli Vitaran Nigam Limited (UHBVNL)
8.	Himachal Pradesh (4)	**47.** Chamba **48.** Hamirpur **49.** Sirmour **50.** Kinnaur	Himachal Pradesh State Electricity Board (HPSEB)
9.	Jammu and Kashmir (4)	**51.** Anantnag **52.** Pulwama **53.** Rajouri	Jammu and Kashmir State Power Development Corporation Limited (J&KSPDC)
		54. Leh	National Hydroelectric Power Corporation (NHPC)
10.	Jharkhand (7)	**55.** West Singhbhum **56.** East Singhbhum	Jharkhand State Electricity Board (JSEB)

		57. Giridih **58.** Hazaribagh **59.** Koderma	Damodar Valley Corporation (DVC)
		60. Deoghar **61.** Lohardaga (T)	NTPC Electric Supply Company Limited (NESCL)
11.	Karnataka (7)	**62.** Kolar	Bangalore Electricity Supply Company Limited (BESCOM)
		63. Kodagu	Chamundeswari Electricity Supply Corporation Limited (CESCOM)
		64. Raichur	Gulbarga Electricity Supply Company Limited (GESCOM)
		65. Belgaum **66.** Gadag **67.** Bijapur **68.** Uttar Kannada	Hubli Electricity Supply Company Limited (HESCOM)
12.	Kerala (4)	**69.** Idduki **70.** Malappuram **71.** Wayanad **72.** Kozhikode	Kerala State Electricity Board (KSEB)
13.	Madhya Pradesh (10)	**73.** Betul	MP Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL)
		74. Balaghat **75.** Rewa **76.** Narasinghpur **77.** Sidhi **78.** Shahdol	MP Poorva Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL)
		79. Ratlam **80.** Indore **81.** Dhar	MP Pashchim Kshetra Vidyut Vitaran Company Limited (MPPsKVVCL)
		82. Ashok Nagar	NTPC Electric Supply Company Limited (NESCL)
14.	Maharashtra (10)	**83.** Ahmednagar **84.** Buldhana **85.** Nanded **86.** Aurangabad **87.** Sangli	Maharashtra State Electricity Distribution Company Limited (MSDCL)

		88. Nashik **89.** Sindhudurg **90.** Amaravati **91.** Thane **92.** Jalna	
15.	Manipur (3)	**93.** Churachandpur **94.** Imphal West **95.** Bishnupur	Power Department
16.	Meghalaya (3)	**96.** Jaintia Hills **97.** West Garo Hills **98.** West Khasi Hills	Meghalaya Energy Corporation Limited (MeECL)
17.	Mizoram (3)	**99.** Saiha **100.** Aizwal **101.** Lunglei	Power Department
18.	Nagaland (3)	**102.** Dimapur **103.** Wokha **104.** Mon	Department of Power
19.	Odisha (7)	**105.** Nayagarh **106.** Nuapada	NTPC Electric Supply Company Limited (NESCL)
		107. Bhadrak **108.** Sonipur **109.** Sundargarh **110.** Nawarangpur	Power Grid Corporation of India Limited (PGCIL)
		111. Ganjam (Sup)	National Hydroelectric Power Corporation (NHPC)
20.	Punjab (5)	**112.** Amritsar **113.** Faridkot **114.** Hoshiarpur **115.** Mansa **116.** Sangrur	Punjab State Power Corporation Limited (PSEB)
21.	Rajasthan (12)	**117.** Udaipur **118.** Banswara **119.** Chittorgarh **120.** Jhunjhunu **121.** Rajasamand **122.** Dungarpur	Ajmer Vidyut Vitaran Nigam Limited (AVVNL)
		123. Dausa **124.** Karoli **125.** Tonk	Jaipur Vidyut Vitaran Nigam Limited (JVVNL)
		126. Churu	Jodhpur Vidyut Vitaran Nigam Limited (JdVVNL)
		127. Nagaur **128.** Baran	Power Grid Corporation of India Limited(PGCIL)

22.	Sikkim (2)	**129.** East Sikkim **130.** West Sikkim	Energy and Power Department
23.	Tamil Nadu (7)	**131.** Krishnagiri **132.** Tuticorin **133.** Nagapattinam **134.** Thiruvannamalai **135.** Kanchipuram **136.** Erode **137.** Villupuram	Tamilnadu Electricity Board (TNEB)
24.	Tripura (2)	**138.** Dhalai **139.** North Tripura	Tripura State Electricity Corporation Limited (TSECL)
25.	Uttar Pradesh (15)	**140.** Kanpur Nagar **141.** Jalaun **142.** Etawah **143.** Lalitpur	Dakshiananchal Vidyut Vitaran Nigam Limited (DVVNL)
		144. Lucknow **145.** Barabanki	Madhyanchal Vidyut Vitaran Nigam Limited (MVVNL)
		146. Moradabad	Pashchimanchal Vidyut Vitaran Nigam Limited (PVVNL)
		147. Allahabad **148.** Basti **149.** Sidharthnagar **150.** Mirzapur **151.** Kaushambi	Purvanchal Vidyut Vitaran Nigam Limited (PuVVNL)
		152. Raibareily **153.** Sitapur **154.** Kushinagar	Power Grid Corporation of India Limited (PGCIL)
26.	Uttarakhand (4)	**155.** Chamoli **156.** Dehradun **157.** Rudraprayag **158.** Tehri Garhwal	Uttaranchal Power Corporation Limited (UPCL)
27.	West Bengal (11)	**159.** 24 Parganas (South) **160.** Burdwan **161.** Coochbehar **162.** Malda **163.** Hooghly	West Bengal State Electricity Board (WBSEDCL)
		164. Murshidabad **165.** Uttar Dinajpur	NTPC Electric Supply Company Limited (NESCL)
		166. Bankura	Power Grid Corporation

		167. West Medinapur(X) **168.** West Medinapur(XI)	of India Limited (PGCI)L
		169. Purulia	National Hydroelectric Power Corporation (NHPC)
Total		**169**	

Annexe 5
List of districts with more than 80 *per cent* un-electrified villages - 2001 Census
(Refer to para 3.5)

Sl. No.	Name of District	Name of State	Percentage of un-electrified villages	Whether included for implementation in X Plan (Yes/No)
1.	Lawngtlai	Mizoram	80.15	Yes
2.	Bokaro	Jharkhand	80.23	Yes
3.	Debgarh	Odisha	80.34	No
4.	Khagaria	Bihar	80.99	No
5.	Banda	Uttar Pradesh	80.02	Yes
6.	Muzaffarpur	Bihar	81.21	No
7.	Lakhisarai	Bihar	81.89	Yes
8.	South Garo Hills	Meghalaya	82.03	No
9.	Karbi Anglong	Assam	82.06	No
10.	Samastipur	Bihar	82.64	No
11.	Darbhanga	Bihar	82.70	Yes
12.	Jyotiba Phule Nagar	Uttar Pradesh	84.00	No
13.	North Cachar Hills	Assam	84.24	No
14.	Mahoba	Uttar Pradesh	85.10	Yes
15.	Gajapati	Odisha	85.14	Yes
16.	Rohtas	Bihar	85.61	Yes
17.	Ranchi	Jharkhand	85.77	No
18.	Dhubri	Assam	85.78	No
19.	Kaimur (Bhabua)	Bihar	86.64	Yes
20.	Buxar	Bihar	87.09	Yes
21.	Gopalganj	Bihar	87.32	Yes
22.	Koraput	Odisha	87.46	No
23.	Deoghar	Jharkhand	87.52	Yes

24.	Rayagada	Odisha	87.06	No
25.	Sheikhpura	Bihar	88.01	No
26.	Dhemaji	Assam	88.73	No
27.	Purb Champaran	Bihar	89.13	Yes
28.	Garhwa	Jharkhand	89.37	Yes
29.	Lohardaga	Jharkhand	89.49	No
30.	Saiha	Mizoram	89.71	No
31.	Nabarangapur	Odisha	89.71	No
32.	Upper Subasiri	Arunachal Pradesh	89.97	No
33.	Paschim Singhbhum	Jharkhand	90.06	Yes
34.	Godda	Jharkhand	90.19	No
35.	Sheohar	Bihar	90.48	Yes
36.	Saran	Bihar	90.61	Yes
37.	Sitamarhi	Bihar	90.66	Yes
38.	Saharsa	Bihar	91.14	No
39.	Kandhmal	Odisha	91.15	No
40.	Siwan	Bihar	91.22	Yes
41.	Madhubani	Bihar	91.49	Yes
42.	Supaul	Bihar	91.83	No
43.	Nalanda	Bihar	91.88	Yes
44.	Purnia	Bihar	92.30	Yes
45.	Aurangabad	Bihar	92.99	Yes
46.	Bhojpur	Bihar	93.28	Yes
47.	Chatra	Jharkhand	93.30	No
48.	Banka	Bihar	93.28	Yes
49.	Jamui	Bihar	93.52	Yes
50.	East Kameng	Arunachal Pradesh	93.71	No
51.	Paschim Champaran	Bihar	93.73	No
52.	Malkangiri	Odisha	94.14	No
53.	Palamu	Jharkhand	94.16	Yes

54.	Giridih	Jharkhand	94.39	No
55.	Dumka	Jharkhand	94.60	No
56.	Kishanganj	Bihar	94.79	Yes
57.	Katihar	Bihar	94.79	No
58.	Nawada	Bihar	94.81	Yes
59.	Madhepura	Bihar	95.31	No
60.	Gumla	Jharkhand	95.33	Yes
61.	Sahibganj	Jharkhand	95.34	No
62.	Pakur	Jharkhand	95.75	No
63.	Jehanabad	Bihar	97.08	No
64.	Gaya	Bihar	97.31	Yes
65.	Araria	Bihar	97.61	Yes

(Source: Draft Evaluation Study report of Planning Commission on RGGVY)

Annexe 6

List of district with high population of un-electrified Households: Census 2001

(Refer to para 3.5)

Sl. No.	Name of District	Name of State	Whether included for implementation in X Plan (Yes/No)
1.	Sawai Madhopur	Rajasthan	No
2.	West Khasi Hills	Meghalaya	No
3.	Mirzapur	Uttar Pradesh	Yes
4.	Mon	Nagaland	No
5.	Bastar	Chhattisgarh	No
6.	Panna	Madhya Pradesh	No
7.	Bikaner	Rajasthan	Yes
8.	Allahabad	Uttar Pradesh	Yes
9.	Agra	Uttar Pradesh	Yes
10.	Jajapur	Odisha	No
11.	Dhalai	Tripura	No
12.	Karauli	Rajasthan	Yes
13.	Mamit	Mizoram	No
14.	North Tripura	Tripura	No
15.	Baleshwar	Odisha	No
16.	Champhai	Mizoram	No
17.	Gorakhpur	Uttar Pradesh	Yes
18.	Jaunpur	Uttar Pradesh	Yes

19.	Ganjam	Odisha	Yes
20.	Dhaulpur	Rajasthan	Yes
21.	Bardhaman	West Bengal	Yes
22.	Lohit	Arunachal Pradesh	No
23.	Faizabad	Uttar Pradesh	Yes
24.	Bargarh	Odisha	No
25.	Dibrugarh	Assam	No
26.	Upper Subansiri	Arunachal Pradesh	No
27.	Nayagarh	Odisha	Yes
28.	Sarguja	Chhattisgarh	No
29.	Sultanpur	Uttar Pradesh	Yes
30.	Koriya	Chhattisgarh	No
31.	Kamrup	Assam	No
32.	Puri	Odisha	No
33.	Deoria	Uttar Pradesh	Yes
34.	Bankura	West Bengal	Yes
35.	Kendrapara	Odisha	No
36.	Birbhum	West Bengal	Yes
37.	Jalpaiguri	West Bengal	No
38.	Azamgarh	Uttar Pradesh	Yes
39.	Pratapgarh	Uttar Pradesh	Yes
40.	Rampur	Uttar Pradesh	Yes
41.	Tinsukia	Assam	Yes
42.	Sant Kabir Nagar	Uttar Pradesh	Yes

43.	Ambedkar Nagar	Uttar Pradesh	Yes
44.	Dhenkamal	Odisha	No
45.	Bhadrak	Odisha	No
46.	Chaundauli	Uttar Pradesh	Yes
47.	Sambalpur	Odisha	No
48.	Banswara	Rajasthan	No
49.	Angul	Odisha	Yes
50.	Lucknow	Uttar Pradesh	Yes
51.	North 24 Parganas	West Bengal	Yes
52.	Basti	Uttar Pradesh	Yes
53.	Balia	Uttar Pradesh	Yes
54.	Nadia	West Bengal	No
55.	Golaghat	Assam	No
56.	Hathras	Uttar Pradesh	Yes
57.	Jhansi	Uttar Pradesh	Yes
58.	Jaisalmer	Rajasthan	Yes
59.	Kushinagar	Uttar Pradesh	Yes
60.	Hazaribagh	Jharkhand	No
61.	Sonitpur	Assam	No
62.	Bareilly	Uttar Pradesh	Yes
63.	Kanpur Nagar	Uttar Pradesh	Yes
64.	Nagaon	Assam	No
65.	Aligarh	Uttar Pradesh	Yes
66.	Jashpur	Chhattisgarh	No

67.	Barmer	Rajasthan	No
68.	Firozabad	Uttar Pradesh	Yes
69.	Jagatsinhapur	Odisha	No
70.	Nalbari	Assam	No
71.	Sundargarh	Odisha	No
72.	Dantewara	Chhattisgarh	No
73.	Cachar	Assam	Yes
74.	South 24 Parganas	West Bengal	Yes
75.	Ghazipur	Uttar Pradesh	Yes
76.	Pilibhit	Uttar Pradesh	Yes
77.	Moradabad	Uttar Pradesh	Yes
78.	Siddharthnagar	Uttar Pradesh	Yes
79.	Bokaro	Jharkhand	Yes
80.	West Garo Hills	Meghalaya	No

(Source: Draft Evaluation Study report of Planning Commission on RGGVY)

Annexe 7
Status of notification of State-level RE Plans (as on August 2013)
(Refer to para 3.6)

Sl. No.	Name of the State	Date by which RE Plan should have been notified	Date notified	Delay
1.	Andhra Pradesh	February 2007	July 2011	52 months
2.	Arunachal Pradesh		March 2009	25 months
3.	Assam		April 2009	26 months
4.	Bihar		August 2012	66 months
5.	Chhattisgarh		November 2008	20 months
6.	Gujarat		January 2008	11 months
7.	Haryana		December 2011	58 months
8.	Himachal Pradesh		August 2009	30 months
9.	Jammu and Kashmir		Plan not yet notified	
10.	Jharkhand		October 2009	32 months
11.	Karnataka		June 2012	64 months
12.	Kerala		October 2011	56 months
13.	MP		December 2008	21 months
14.	Maharashtra		July 2009	29 months
15.	Manipur		September 2012	67 months
16.	Mizoram		June 2008	16 months
17.	Meghalaya		May 2009	27 months

18.	Nagaland		May 2007	3 months
19.	Odisha		June 2009	28 months
20.	Punjab		March 2013	73 Months
21.	Rajasthan		September 2008	19 months
22.	Sikkim		Plan not yet notified	
23.	Tamil Nadu		December 2007	10 months
24.	Tripura		July 2011	53 months
25.	Uttar Pradesh		October 2008	20 months
26.	Uttarakhand		April 2012	62 months
27.	West Bengal		September 2008	19 months

Annexe 8
Cases of Irregular charge of State/local tax from RGGVY fund
(Refer to para 4.8)

Sl. No	Name of the State	Tax	(₹ in crore)
1.	Bihar	Entry Tax The state Government reimbursed ₹ 21.13 crore up to March 2012. However, ₹ 4.34 crore was pending for reimbursement (March 2012) *Management while accepting the payment of entry tax from the RGGVY fund stated (February 2013) that the payment of entry tax is provisional and will be reimbursed by the Government.*	4.34
2.	Himachal Pradesh	VAT and Entry Tax The taxes were to be reimbursed by State Government but the same had not been reimbursed (up to October, 2012).	0.89
3.	Jammu and Kashmir	Work Contract Tax (three projects) On being pointed out, it was stated by PIA that the matter regarding reimbursement of the amount paid on this account has been taken up with the State Government.	4.89
4.	Karnataka	VAT and Work Contract Tax In Belgaum and Uttara Kannada Projects, the contract price included state taxes like VAT/WCT, which are to be claimed from the State Government. However, the issue has not been taken up with State Government for reimbursement or exemption	3.16
5.	Maharashtra	VAT and Service Tax (32 projects) The claims for reimbursement of ₹ 20.65 crore were not preferred so far (December 2012). *The Company stated (December 2012) that claims for reimbursement of taxes are being sent shortly.*	20.65
6.	Mizoram	State tax	21.23
7.	Punjab	State tax *The Deputy Chief Engineer /REP of the implementing agency stated that the amount of State tax will be adjusted after finalisation of works under the RGGVY.*	1.60
8.	Sikkim	VAT and CESS *The EPD stated (January 2013) that the Guidelines*	2.99

		of RGGVY Scheme do not interpret that the State Taxes on RGGVY works had to be borne by the concerned State Government/State Utility and no Notification/ Circular was issued. The reply is not convincing as the MOP's OM (February 2008) excludes the duties and taxes from the grants sanctioned for RGGVY projects.	
		Total	**59.75**

Annexe 9

Project wise details of delay cases in completion of work (as on 31-03-2012)

(Refer to para 5.5.3)

Sl. No	Name of State	Projects	Date of release of 1st installment	Target date of completion (24 months from release of 1st installment)	Actual Date of Completion	Delay in completion of work (in months)
1.	Andhra Pradesh	Mehboob Nagar	21.03.07	20.03.09	In Progress	36 months
		Nalgonda	21.03.07	20.03.09	In Progress	36 months
		Prakasam	21.03.07	20.03.09	In Progress	36 months
		Khammam	29.09.06	28.09.08	In Progress	42 months
		Vizianangaram	21.03.07	20.03.09	In Progress	36 months
		West Godawari	21.03.07	20.03.09	In Progress	36 months
		East Godawari	19.01.09	18.01.11	In Progress	14 months
2.	Arunachal Pradesh	Pampumpare	31.03.08	30.03.10	In Progress	24 months
		Lower Subansiri	31.03.08	30.03.10	In Progress	24 months
3.	Assam	Goalpara	31.03.07	30.03.09	In Progress	36 months
		Karbi Analong	06.02.09	05.02.11	In Progress	13 months
		Barpeta	06.02.09	05.02.11	In Progress	13 months
		Morigaon	30.05.08	29.05.10	In Progress	22 months
		Bongaigoan	06.02.09	05.02.11	In Progress	13 months
		Sonitpur	24.12.08	23.12.10	In Progress	15 months
		Hailakandi	03.03.09	02.03.11	In Progress	12 months
4.	Bihar	Katihar	03.03.09	02.03.11	In Progress	12 months
		Supaul	03.03.09	02.03.11	In Progress	12 months
		Khagaria	03.03.09	02.03.11	In Progress	12 months
		Bhojpur	21.03.07	20.03.09	In Progress	36 months
		Kaimur	31.01.05	30.01.07	In Progress	62 months
		Nalanda	07.02.06	06.02.08	In Progress	49 months
		Nawada	21.03.07	20.03.09	In Progress	36 months
		Patna	31.01.05	30.01.07	In Progress	62 months
		Saran	31.01.05	30.01.07	In Progress	62 months
		East Champaran	04.03.05	03.03.07	In Progress	60 months

		West Champaran	16.10.08	15.10.10	In Progress	17 months
		Dharbhanga	04.03.05	03.03.07	In Progress	60 months
		Sheohar	04.03.05	03.03.07	In Progress	60 months
		Korba	06.06.08	05.06.10	In Progress	21 months
		Kawardha	21.03.07	20.03.09	In Progress	36 months
5.	**Gujarat**	**Bhavnagar**	30.05.08	29.05.10	In Progress	22 months
		Mehsana	30.05.08	29.05.10	In Progress	22 months
		Panchamahal	04.10.06	03.10.08	Approved for closure by REC	41 months
		Patan	16.10.08	15.10.10	In Progress	17 months
		Porbandar	03.12.09	02.12.11	In Progress	03 months
		Surat	04.03.09	03.03.11	In Progress	12 months
		Surender Nagar	03.12.09	02.12.11	In Progress	03 months
6.	**Haryana**	**Jind**	03.09.09	02.09.11	In Progress	06 months
		Sirsa	03.12.08	02.12.10	In Progress	15 months
		Bhiwani	11.12.08	10.12.10	In Progress	15 months
		Fatehabad	26.02.09	25.02.11	In Progress	13 months
		Mewat	26.02.09	25.02.11	In Progress	13 months
7.	**Himachal Pradesh**	**Chamba**	19.03.07	18.03.09	In Progress	36 months
		Hamirpur	03.03.09	02.03.11	In Progress	12 months
		Sirmour	03.03.09	02.03.11	In Progress	12 months
		Kinnaur	09.07.09	08.07.11	In Progress	08 months
8.	**Jammu and Kashmir**	**Rajouri**	21.12.09	20.12.11	In Progress	03 months
		Anatnag	19.01.09	18.01.11	In Progress	14 months
		Pulwama	21.12.09	20.12.11	In Progress	03 months
		Leh	03.12.08	02.12.10	In Progress	40 months
9.	**Jharkhand**	**West Singhbhum**	21.03.07	20.03.09	In Progress	36 months
		East Singhbhum	21.03.07	20.03.09	In Progress	36 months
		Deoghar	30.03.07	29.03.09	In Progress	36 months
		Lohardaga	08.09.08	07.09.10	In Progress	18 months
		Koderma	21.03.07	20.03.09	In Progress	36 months
		Hazaribag	31.03.08	30.03.10	In Progress	24 months
		Giridih	31.03.08	30.03.10	In Progress	24 months
10.	**Karnataka**	**Kolar**	17.04.06	16.04.08	In Progress	47 months
		Raichur	22.03.06	21.03.08	In Progress	48 months

		Bijapur	08.02.06	07.02.08	In Progress	49 months
		Gadag	08.02.06	07.02.08	In Progress	49 months
		Kodagu	06.10.09	05.10.11	In Progress	05 months
		Belgam	31.03.08	30.03.10	In Progress	24 months
		Uttar Kannada	31.03.08	30.03.10	In Progress	24 months
		Idukki	21.03.07	20.03.09	In Progress	36 months
11.	**Madhya Pradesh**	**Indore**	21.07.06	20.07.08	In Progress	44 months
		Dhar	05.02.09	04.02.11	In Progress	13 months
		Ratlam	05.02.09	04.02.11	In Progress	13 months
		Betul	06.03.09	05.03.11	In Progress	12 months
		Narasinghpur	16.12.09	15.12.11	In Progress	03 months
		Balaghat	30.03.09	29.03.11	In Progress	12 months
		Rewa	31.07.09	30.07.11	In Progress	08 months
		Shahdol	31.03.09	30.03.11	In Progress	12 months
		Ashok Nager	20.07.06	19.07.08	In Progress	44 months
12.	**Maharashtra**	**Ahmadnagar**	23.10.08	22.10.10	In Progress	17 months
		Buldhana	28.08.08	27.08.10	In Progress	19 months
		Nanded	29.03.07	28.03.09	Approved for closure by REC	36 months
		Aurangabad	26.02.09	25.02.11	In Progress	13 months
		Sangli	23.10.08	22.10.10	In Progress	17 months
		Nashik	23.10.08	22.10.10	In Progress	17 months
		Sindhudurg	26.02.09	25.02.11	In Progress	13 months
		Amravati	23.10.08	22.10.10	In Progress	17 months
		Thane	26.02.09	25.02.11	In Progress	13 months
		Jalna	28.08.08	27.08.10	In Progress	19 months
13.	**Manipur**	**Churachandpur**	06.10.09	05.10.11	In Progress	05 months
		Bishnupur	06.10.09	05.10.11	In Progress	05 months
		Imphal West	06.10.09	05.10.11	In Progress	05 months
14.	**Meghalaya**	**Jaintia Hills**	10.07.07	09.07.09	In Progress	32 months
		West Garo Hills	15.12.09	14.12.11	In Progress	03 months
		East Khasi Hills	15.12.09	14.12.11	In Progress	03 months
15.	**Mizoram**	**Lunglei**	08.09.08	07.09.10	In Progress	18 months
		Saiha	08.09.08	07.09.10	In Progress	18 months
		Aizwal	08.09.08	07.09.10	In Progress	18 months
16.	**Nagaland**	**Dimapur**	15.10.08	14.10.10	In Progress	17 months

		Mon	15.10.08	14.10.10	In Progress	17 months
		Wokha	15.10.08	14.10.10	In Progress	17 months
17.	Odisha	Nayagarh	20.03.07	19.03.09	In Progress	36 months
		Nuapada	28.08.08	27.08.10	In Progress	19 months
		Bhadrak	16.10.08	15.10.10	In Progress	17 months
		Sonipur	02.09.08	01.09.10	In Progress	18 months
		Sunder Garh	16.10.08	15.10.10	In Progress	17 months
		Nawarangpur	16.10.08	15.10.10	In Progress	17 months
18.	Punjab	Faridkot	08.10.08	07.10.10	In Progress	17 months
		Hoshiarpur	08.10.08	07.10.10	In Progress	17 months
		Mansa	08.10.08	07.10.10	In Progress	17 months
		Amritsar	08.10.08	07.10.10	In Progress	17 months
		Sangrur	08.10.08	07.10.10	In Progress	17 months
19.	Rajasthan	Udaipur	30.03.05	29.03.07	In Progress	60 months
		Banswara	04.06.08	03.06.10	In Progress	21 months
		Chittorgarh	16.03.05	15.03.07	In Progress	60 months
		Jhunjhunu	18.08.06	17.08.08	In Progress	43 months
		Rajasamand	12.04.06	11.04.08	In Progress	47 months
		Karoli	16.03.05	15.03.07	In Progress	60 months
		Churu	22.03.06	21.03.08	In Progress	48 months
		Tonk	05.06.08	04.06.10	In Progress	21 months
		Dausa	22.03.06	21.03.08	In Progress	48 months
		Dungarpur	12.04.06	11.04.08	In Progress	47 months
		Nagaur	01.12.08	30.11.10	In Progress	16 months
		Baran	30.05.08	29.05.10	In Progress	22 months
20.	Sikkim	East Sikkim	06.02.09	05.02.11	In Progress	13 months
		West Sikkim	06.02.09	05.02.11	In Progress	13 months
21.	Tamil Nadu	Villupuram	31.03.08	30.03.10	In Progress	24 months
		Krishna Giri	31.03.08	30.03.10	In Progress	24 months
		Tuticorin	31.03.08	30.03.10	In Progress	24 months
		Nagapattinam	31.03.08	30.03.10	In Progress	24 months
		Thiruvannamalai	31.03.08	30.03.10	In Progress	24 months
		Kanchipuram	31.03.08	30.03.10	In Progress	24 months
		Erode	31.03.08	30.03.10	In Progress	24 months
22.	Tripura	Dhalai	03.02.09	02.02.11	In Progress	13 months
		North Tripura	04.09.09	03.09.11	In Progress	06 months
23.	Uttar Pradesh	Lucknow	31.01.05	30.01.07	In Progress	62 months
		Barabanki	31.01.05	30.01.07	In Progress	62 months

		Kanpur Nagar	09.03.05	08.03.07	In Progress	60 months
		Etawa	09.03.05	08.03.07	In Progress	60 months
		Jalaun	09.03.05	08.03.07	In Progress	60 months
		Lalitpur	09.03.05	08.03.07	In Progress	60 months
		Allahabad	31.01.05	30.01.07	In Progress	62 months
		Kaushambi	31.01.05	30.01.07	In Progress	62 months
		Moradabad	09.03.05	08.03.07	In Progress	60 months
		Mirzapur	31.01.05	30.01.07	In Progress	62 months
		Sidharthnagar	31.01.05	30.01.07	In Progress	62 months
		Basti	31.01.05	30.01.07	In Progress	62 months
		Raibareli	31.01.05	30.01.07	In Progress	62 months
		Sitapur	15.03.05	14.03.07	In Progress	60 months
		Kushinagar	04.03.05	03.03.07	In Progress	60 months
24.	**Uttarakhand**	**Tehri Garhwal**	19.12.05	18.12.07	In Progress	51 months
		Chamoli	09.12.05	08.12.07	In Progress	51 months
		Dehradun	22.03.07	21.03.09	In Progress	36 months
		Rudraprayag	09.12.05	08.12.07	In Progress	51 months
25.	**West Bengal**	**Burdwan**	18.02.05	17.02.07	Approved for closure by REC	61 months
		24 Pargana	18.02.05	17.02.07	In Progress	61 months
		Coochbehar	25.02.09	24.02.11	In Progress	13 months
		Malda	18.02.05	17.02.07	In Progress	61 months
		Hooghly	09.02.09	08.02.11	In Progress	13 months
		Purulia	31.01.05	30.01.07	30.06.07	05 months
		Bankura	31.01.05	30.01.07	31.01.2008	12 months
		Medinipur(W)	24.03.05	23.03.07	12.02.2010	35 months
		Medinipur (W) (Supp)	23.10.08	22.10.10	In Progress	17 months
		Uttar Dinajpur	28.08.08	27.08.10	Approved for closure by REC	19 months
		Murshidabad	28.08.08	27.08.10	Approved for closure by REC	19 months

Annexe 10
State-wise details of Liquidated Damages cases
(Refer to para 5.5.3)

Sl. No	State	Cause of action to levy LD	Whether LD levied	Undue benefit to contractor - Amount of LD (₹ in crore)
1.	Andhra Pradesh	Short-closure of contracts on the request of contractor as contractors expressed inability to complete the works due to steep price increase.	No	6.70
2.	Arunachal Pradesh	Test-check revealed that the contractors could not complete the works under eight districts. The delays ranged from five to 31 months, and the projects are yet to be completed (November 2012).	No	23.25
3.	Assam	None of the projects undertaken in the state could be completed on time and the delay ranged between 14 to 40 months.	No	31.01[1]
4.	Chhattisgarh	Work in Bastar and Dantewada district was not completed (as of September 2012) even after a lapse of 12 months from the scheduled date of completion as per LoA.	No	14.12
5.	Gujarat	None of the turnkey contractors appointed by the DISCOMs in six districts could complete the work within the scheduled time. There was delay of eight to 23 months in completion of works by the contractors. Even though the delay was attributable to the contractors in four districts yet extension of time was given by REC/DISCOMs.	No [2] The penalty in two districts was waived.	8.54[3]

[1] LD calculated in respect of five districts only - Barpeta, Bongaigaon, Morigaon, Goalpara and Karbi Anglong

[2] LD, as per contract, was to be levied at 0.5 *per* cent per week subject to maximum of 10 *per cent* of contract value.

[3] Calculated for four districts

6.	Haryana	In Bhiwani district, the contractor failed to complete the work as per schedule and the DISCOM granted (18 June 2010) extension of 189 days to the contractor at first instance and then up to 31 August 2010. The contractor failed to complete the work even after expiry of extended period of 31 August 2010.	Yes	Penalty of ₹33.42 lakh was deducted instead of ₹62.57 lakh. Hence short recovery - **₹ 0.29 crore**
7.	Himachal Pradesh	Test check of records revealed that 15 contractors in three districts (Chamba, Kinnaur and Sirmour) failed to complete the works within the specified time and no extension in time was granted by the DISCOM to them.	No	2.59
8.	Jammu and Kashmir	Review of records in five districts revealed that the respective contractors failed to complete the allotted works within stipulated period of twelve months. The delay ranged from 64 to 120 weeks. The projects were still in progress as of March 2012.	No	11.57
9.	Jharkhand	Liquidated damage @ 10 *per cent* of awarded cost of ₹ 410 crore was not recovered in selected districts. Board granted extension upto 31.12.2012 for West Singhbhum and 30.3.2012 for East Singhbhum with imposition of LD @ 10 *per cent*. However, the same was not recovered.	No	41.00
10.	Karnataka	The work in Gadag, Kodagu and Uttara Kannada projects was delayed beyond the stipulated period of completion. The reasons for non/short levy in respect of Gadag and Uttara Kannada were not kept on record. The contract period of Kodagu project was extended from time to time, the latest completion target being 31 December 2012 stating that 'Kodagu being a hilly terrain, Project was approved by REC belatedly and XI	No	6.10

		Plan projects were extended upto December 2012 by MoP'. None of these factors explain the delay in achievement of 36 per cent progress only by the contractor, who was bound by the contract terms and conditions.		
11.	Kerala	Despite non-completion of work within stipulated time, the State Electricity Board (KSEB) did not recovered liquidated damages (₹ 51.36 lakh) from the contractor for Wayanad district. KSEB replied that, *"in Wayanad district an amount of ₹ 13.40 lakh was recovered from the contractor against liquidated damages and balance will be recovered from forthcoming bills."*	Yes	Short recovery of LD of **₹ 0.38 crore**
12.	Madhya Pradesh	There was delay in completion of the projects in all the selected nine districts, despite REC extending the completion period to 24 months from the date of issue of LoA. The projects were still in progress as of March 2012; the delay ranging from three to 15 months as on that date.	An amount of ₹ 4.71 crore was recoverable, out of which ₹ 8.01 crore had been recovered.	Short recovery of LD of **₹16.70 crore**
13.	Manipur	In three projects, namely Imphal West, Bishnupur, Churachandpur, despite extension being granted till 30 November 2011, the contractors had not completed the works and were liable to pay liquidate damages.	No	7.25
14.	Mizoram	Letters of Award issued (September 2008) to contractors for supply and erection works envisaged levy of liquidated damages @ 0.5 *per cent* per week of the material value supplied beyond scheduled date, subject to a maximum of five *per cent* of the total material value not supplied within scheduled date.	No	5.62

		However, P&ED did not levy liquidated damages on the contractors for their failure to complete supply of materials before the scheduled date of completion of works.		
15.	Nagaland	As per LoA, the projects in the selected three districts were scheduled for completion in July 2010 and September 2010. The stipulated time for completion were extended till September 2012 by REC. However, as of November 2012, the works have not been completed even after expiry of the extended period and no action had been initiated to serve a notice to the defaulter intimating that liquidated damages shall be charged as per clause of agreement.	No	3.98
16.	Rajasthan	Under the X Plan, DISCOMs awarded 18 projects on turnkey basis. All the 18 projects were delayed against scheduled date of completion envisaged in work orders. The delay in completion ranged between four and 52 months. The DISCOMs imposed penalty of ₹ 73.68 lakh on the contractors for delay in execution of projects. However, in the case of one DISCOM (JVVNL), although it had initially imposed penalty of ₹ 4.44 crore for delay but it later refunded ₹ 4.21 crore after extending the date of completion on account of delay in supply of material and ROW problem. Another DISCOM, AVVNL awarded work orders with the condition that penalty in case of delay in completion of 100 *per cent* contract value within scheduled date of completion penalty was to be imposed at the rate of 0.25 *per cent* per week for first four weeks and 0.50 *per cent* per week thereafter not exceeding five *per cent* of contract	Yes but short recovery, improper levy	Short recovery of LD of ₹4.81 crore

		value. AVVNL, however, calculated LD of ₹ 37.28 lakh for only the delayed portion of work resulting in short recovery of ₹ 4.81 crore. As on March 2012, a total of 10 projects were awarded in the XI Plan. All projects had over-shot their scheduled dates of completion with delays ranging from 29 to 44 months (as of 31 December 2012). Information made available to audit showed that LD was deducted in case of eight projects to the extent of ₹ 11.57 crore.		
17.	Sikkim	EPD had awarded the works relating to RGGVY in eight packages to cover four districts to eight different contractors during February 2009 with the stipulated period of completion being 18 months. Only three works were completed till March 2012 and the remaining works were under progress. Till December 2012, the time over-run is by more than 29 months.	No	1.40
18.	Tripura	In two districts (Dhalai and North Tripura) involving two turnkey contracts; work was not completed within the scheduled time with a delay of more than two years.	No	3.27

Annexe 11
State-specific details regarding audit observations on Mobilisation Advance
(Refer to para 5.7)

Sl. No	Name of the State	Contents	Impact	Loss of Interest (₹ in crore)
1.	Arunachal Pradesh	An amount of **₹ 3.22 crore** as Mobilization Advance (₹ 0.48 crore for Ziro - I, ₹ 1.29 crore for Ziro - II and ₹ 1.45 crore for Raga) was paid to the contractors as initial advance @ 15 *per cent* and 10 *per cent* of supply of materials and erection respectively. However, there was no Clause in the Agreement for time-based recovery of the MA and recovery of interest thereon and so the Department adjusted part of the advance against Running Account Bills submitted by the contractor.	**Blockade of fund**: Funds to the extent of **₹ 3.22 crore** were locked up with contractors for periods ranging between three to 17 months. Interest loss to government	0.16
2.	Chhattisgarh	An amount of **₹ 2.28 crore** was released (August 2010) to the contractor (Chadalavada Infratech (P) Ltd.) as mobilization advance in Bastar district. The contractor presented eight bills upto July 2012. Out of these, three bills were passed for payment after recovering the principal portion of ₹ 21.70 lakh and interest portion of ₹ 28.77 lakh (upto May 2011) of the mobilization advance. Neither the outstanding principal nor the interest thereon was recovered from the bills passed after April 2012 as Chief Engineer had instructed (July	**Blockade of fund ₹ 2.06 crore** Interest loss to Government	0.35

		2012) not to deduct the mobilization advance and interest thereon from the bills of the contractor. Thus, undue financial benefit of ₹ 2.41 crore (advance ₹ 2.06 crore + interest ₹ 0.35 crore) was passed on to the contractor.		
3.	Gujarat	DGVCL, PGVCL and UGVCL granted interest free mobilisation advances of **₹ 10.74 crore** to the turnkey contractors. Audit scrutiny revealed that ➢ PGVCL initially granted advance equal to 20 *per cent* and subsequently also granted another 10 *per cent* mobilisation advance to the contractor. ➢ UGVCL granted mobilisation advance equal to 15 *per cent* for material cost and 10 *per cent* for labour cost. In Surat and Patan districts the mobilisation advance of ₹ 1.29 crore was **yet to be recovered** as on date of audit despite expiry of scheduled date of completion which is also contrary to CVC guidelines. CVC guidelines regarding release of mobilisation advance in instalments were also not followed as PGVCL and DGVCL released full amount of mobilisation advance in single installment.	**Excess MA:** **₹ 2.54 crore** as PGVCL provided 30 *per cent,* i.e. ₹ 5.09 crore, as mobilisation advance to contractor instead of ₹ 2.55 crore. **Blockade of fund:** Unadjusted amount of **₹ 1.29 crore** was blocked from May 2009 to November 2012.	0.85
4.	Madhya Pradesh	Among the three DISCOMS, West DISCOM included clauses regarding recovery of interest on unadjusted advances at the rate of 12 *per cent* per annum beyond the schedule date of completion in its bidding document and	Interest loss to government (East DISCOM ₹ 5.34 crore and Central DISCOM ₹ 0.95 crore) **Blockade of fund:**	6.29

		recovered ₹ 3.29 crore from the contractors in three districts, while other Discoms did not include the same and lost the opportunity to recover ₹ 4.40 crore by levying interest on unadjusted advances. The other DISCOMS have also not followed the REC guidelines and their contract clauses were at variance with guidelines. **(MA of ₹ 52.83 crore)**	Unadjusted amount of **₹ 49.54 crore** as on March 2012	
5.	Maharashtra	Test check of 5 Projects (Aurangabad, Amravati, Jalna, Nashik and Sangli) awarded (₹ 149.93 crore) between 2008-09 and 2010-11 indicated that interest free mobilization advance aggregating to **₹ 14.99 crore** was paid to the contractors by obtaining BGs. These projects were to be completed within a period of 12 to 18 months from the date of LoA, i.e. by March 2010 to August 2011. It was however observed that the progress of works in these five projects was not as per the schedule. However the Company had recovered the mobilization advance @ 10 percent of the value of work completed by the contractor instead of on the value of work to be completed as per the schedule.	**Blockade of fund:** Due to non-recovery of advances as per the schedule prescribed in the contract, excess funds of **₹ 11.43 crore** remained with contractors for a period ranging from 15 to 21 months. Interest loss to government	1.59
6.	Manipur	Scrutiny of records of the three connected divisions (Imphal Electrical Division-II, Churachandpur Electrical Division and Bishnupur Electrical Division) revealed that for the supply and erection component, the contractors were paid recoverable interest-free	**Blockade of fund:** Funds to the extent of **₹ 12.02 crore** were locked up with contractors for periods ranging between 31 to 35	4.20

		mobilization advance of ₹ **20.12 crore.** Both the supply and erection works could not be completed even after delay of more than one and half years (supply) and one year (erection) from the stipulated date of completion. However, a total amount of ₹ **12.02 crore** remained unadjusted during the scheduled date of completion (November 2011 *i.e.* extended date of completion).	months.	
7.	Nagaland	Sub-clause (a) of Clause 4 of the Terms and Conditions of Contract stipulated the terms for payment of mobilization advance at the rate of 15 *per cent* to the contractors. However, mobilization advance amounting to ₹ **30.37 crore** at the rate of 25 *per cent* were paid to the contractors of six districts. The Department also did not obtain prior approval from the Ministry or the Government for enhancement of the rate of mobilization advance. The Department awarded the LoA (January and June 2007) to two contractors in respect of Phek and Zunheboto under X Plan. Accordingly, the contractors were paid mobilization advance of ₹ 4.23 crore of which, an amount of ₹ 2.62 crore was recouped. Subsequently, the contract was cancelled and a fresh Tender was floated for the remaining works. As a result, the contractors were asked to refund the unadjusted	**Excess MA:** Undue financial aid to the contractor to the tune of ₹ **12.15 crore** on account of excess MA. **Blockade of fund:** Additional blocking of ₹ **1.61 crore** on account of non-refund of MA by defaulting contractor for 32 months.	0.66

		amount of ₹ 1.61 crore. However, the contractors did not refund the remaining mobilization advance for 32 months. No action was also initiated against the contractor for defaulting.		
8.	Sikkim	Energy Power Department (EPD) allowed initial advance of ₹33.46 crore at the rate of 25 *per cent* for both the supply and erection contract value. Failure on the part of EPD to adopt the procedures laid down in the guidelines issued by REC (15 *per cent* for supply and 10 *per cent* for erection), resulted in payment of excess mobilization advance.	**Excess MA:** Undue financial aid to the contractor to the tune of **₹ 14.92 crore** on account of excess MA. Interest loss to government	2.71
9.	Uttar Pradesh	The DISCOMs did not indicate the rate of interest in their NIT/Bid documents. Moreover, the DISCOMs released interest free advance to the extent of **₹ 103.11 crore** (15 *per cent* of the material cost – ₹ 88.32 crore and 10 *per cent* of the erection cost – ₹ 14.78 crore) to the contractors in respect of 12 projects. This was in violation of the CVC guidelines.	Interest loss to government	32.25 (from January 2006 to March 2012)
10.	Uttarakhand	Company granted (December 2005-January 2006) interest free mobilization advance amounting to **₹ 71.41 crore** to all the 13 contractors, engaged to carry out the RGGVY work in 13 districts. The following irregularities with reference to the guidelines of CVC were also noticed: • No time bound schedule was fixed by the Company for recovery of MA; • The Company recovered the MA during the period from	Interest loss to government	7.61

		April 2006 to October 2010 in piece-meal. *The Company replied that the contractors must have given consideration to the fact of interest free mobilization advance while quoting their rates and the same has been approved by the board of the directors of the company. It further stated that the facility of providing interest free mobilization advance was stopped by the company after 2007.* The reply is not tenable as CVC guidelines clearly prohibits the granting of the same and mere approval of the same by higher authorities does not make it regular.		
11.	West Bengal	The Company provided (April 2009 / March 2011) interest free mobilisation advances (supply: ₹ 112.74 crore, erection: ₹ 32.70 crore) to the contractors. It was noticed in Audit that the recovery of such advance was linked to the progress of the work and it was not time-based.	**Blockade of fund:** Advances amounting to **₹ 22.40 crore** (supply: ₹ 9.11 crore, erection: ₹ 13.29 crore) remained unrecovered till December 2012	1.66
	Total	**Amount of MA- ₹ 487.97 crore**	**Blockade of fund ₹ 103.57 crore Excess MA- ₹ 29.61 crore**	**Interest Loss- ₹ 58.33 crore**

Annexe 12
Cases of undue benefit to contractors in Uttar Pradesh
(Refer to para 5.9.1)

- Analysis of FOR prices of the items of supply as mentioned in the agreement and payment vouchers relating to the supply revealed that the contractor, while quoting his rates under the agreement added the element of Excise Duty and Trade Tax at the rate of 18 *per cent* and 14 *per cent* against the prevailing rates of Excise Duty of 16.32 *per cent* and Trade Tax of 4 *per cent* respectively. Thus, due to application of incorrect rates, the contractor was awarded the supply of each item at higher FOR rates by 1.68 *per cent* and 10 *per cent* in respect of Excise Duty and Trade Tax respectively. As a result of higher FOR rates, MVVNL made excess payment of ₹ 1.53 crore[4] against executed quantities up to February 2009.

- The contractor supplied 15,235 PCC poles to MVVNL during the period January 2006 to February 2009. Out of those, 10,090 poles were procured by S.T. Electricals from local manufacturers[18] who did not pay Excise Duty because of exemption from Excise Duty under the provisions of the Central Excise Act. MVVNL was, therefore, not required to pay the element of Excise Duty on the supply of the PCC poles procured from the local manufacturers. MVVNL did not ensure the adherence to clause 3.4 (iii) of the agreement which would have enabled the examination of invoices of the contractor as proof of Excise Duty paid. As a result, the MVVNL paid Excise Duty of ₹ 67.55 lakh to the contractor.

- MVVNL made payment to IVRCL Infrastructure Limited for 1,155 transformers of 10 kVA and 610 transformers of 16 kVA at the rate of ₹ 31,393 and ₹ 36,440 per transformer respectively without deducting 15 *per cent* erection charges. Though MVVNL deducted 15 *per cent* from June 2006 and onward supplies, it did not recover the excess paid amount of ₹ 94 lakh on supplies prior to June 2006, even after a lapse of more than five years

[4] Excise Duty: ₹ 0.19 crore and Trade Tax: ₹ 1.34 crore

Annexe 13
A. VAT not deducted
(Refer to para 5.9.4)

(₹ in crore)

Sl. No.	**Name of State**	**Irregularity found**	**Amount**
1.	Assam	Clause 14.3 of the Bid Document provided for payment of VAT as per actual. Audit has calculated the undue benefit received by the contractor on account of excess payment of VAT (as the rates were reduced from 12.5 *per cent* to five *per cent)* on PSC Poles, conductors and transformers at ₹ 38 lakh.	0.38
2.	Chhattisgarh	The GoC directed (May 2012) that in case of works contract awarded by Government departments and Government undertakings, it is compulsory to deduct tax (TDS portion of VAT) at source at the rate of two *per cent* prior to release of payment to the contractor. The Company awarded (March 2010) work of village electrification in Bastar and Dantewada districts to five turnkey contractors (eight work orders) under the scheme. On scrutiny of LoAs and RA bills of supply portion of the contractors in SE, Jagdalpur and Kanker, it was observed that the Company had not deducted the VAT of ₹ 2.08 crore from the contractor. Management replied (November 2012) that "*VAT are being deducted from the contractors after submission of their bills to the Company. In case of earlier bills it would be recovered / deducted from them in due course.*"	2.08
3.	Manipur	Scrutiny of records of the three sampled districts revealed that a total amount of ₹ 1.69 crore was deducted from 83 bills and deposited under the VAT @ 5.6 *per cent* out of the funds released for implementation of RGGVY schemes. However, no such deductions were made from 155 bills amounting to ₹ 2.71 crore in violation of the instructions of GoM. Thus there was short recovery of ₹ 2.75 crore of VAT. Reasons for inconsistencies in deductions and deposits of funds were not found on record.	2.75
		Total	**5.21**

B. Non-deduction of Cess

(₹ in crore)

Sl. No.	Name of State	Irregularity	Amount
1.	**Assam**	The Company had not deducted building and other construction workers' cess of ₹ 75.93 lakh from the progressive payment of ₹ 73.95 crore to various contractors towards erection component of the RGGVY work.	0.76
2.	**Gujarat**	It was observed that DISCOMs except PGVCL for Bhavnagar district did not recover the Cess of ₹ 92.80 lakh at the time of payment of RA bills as required under the Building and Other Construction Workers' Welfare Cess Act, 1996, which has resulted in a liability on the company to the extent of ₹ 92.80 lakh in addition to interest and penalty as per provisions of Section 8 of the Act. The Management (DISCOMS/Government of Gujarat) stated (February/March 2013) that, '*said Cess is applicable on Building and other Construction Works and not on the Supply of Equipments and its Erection work.*' The management, further, cited the Government Resolution dated 2 June 2006 which prescribe the Cess on the basis of Super Built up Area. The replies are not acceptable as the work of "transmission and distribution of power" is covered under the definition of "building or other construction work" as per Section 2 (d) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. Further, the order of Honourable High Court of Madhya Pradesh dated 3 May 2012 reiterated the applicability of the Act to RGGVY turnkey contractors and also held that the Cess should be deducted on the total value of the contract.	0.93
3.	**Kerala**	In Idukki district, recovery of labour welfare cess @ one *per cent* from the contractor's bill amounting to ₹ 15.80 lakh was not made, as required in the Building and Other Construction Workers Welfare Cess Act 1996. KSEB replied that, *"conditions of contract and Letter of Award does not stipulate the recovery of welfare fund and it is usually applied for civil works."* The reply is not tenable as Building and Other Construction Workers Welfare Cess Act clearly stipulates recovery @ one *per cent* from contractor's bill for work relating to generation, transmission and distribution of power.	0.16
4.	**Maharashtra**	Based on payment of ₹ 504.64 crore made to contractors between April 2008 and October 2012, labour welfare cess amount not so recovered worked out to ₹ 5.05 crore. Thus the statutory requirement in the levy and payment of Cess was not complied by the Company that led to undue benefit to the Contractors.	5.05

5.	**Manipur**	Scrutiny of records of the three sampled districts revealed that Based on payment of ₹ 83.24 crore made to contractors, labour welfare cess @ one *per cent* amounting to ₹ 0.83 crore not recovered so far.	0.83
6.	**Tripura**	It was observed that TSECL had not recovered Workers' Welfare Cess amounting to ₹ 8.27 lakh at the prescribed rate of one *per cent* of the total expenditure on erection and civil works from the contractors. This has resulted in short recovery of ₹ 8.27 lakh from the contractors.	0.08
		Total	**7.81**

C. Non-deduction of TDS

(₹ in crore)

Sl. No.	**Name of State**	**Irregularity**	**Amount**
1.	**Chhattisgarh**	On scrutiny of LoAs and RA bills of supply portion of the contractors in SE, Jagdalpur and Kanker, it was observed that the Company had not deducted the TDS of ₹ 2.08 crore at the rate of two *per cent* on the bills amounting ₹ 104.14 crore paid to the Contractors and this resulted in extension of undue financial benefits to the contractors Management further replied (December 2012) that, *"the concerned authorities have been instructed to deduct applicable IT (TDS portion) from bills of the contractors in compliance with the terms and conditions of LoA. Instructions were also issued for recovery of IT (TDS portion) applicable on payments released to the contractors for material already supplied. Similarly, contractors have also been advised to submit the details of returns submitted by them to the IT Department."*	2.08

Annexe 14

Cases of Deficiencies in taking remedial action (1st Tier monitoring) (refer to para 6.2.1)

Sl. No.	Name of the State	Remarks
1.	**Chhattisgarh**	Defects pointed out by TPIA in its reports (February and April 2012) were intimated to the contractor after a lapse of three to four months (July 2012) and compliance of the same was not reported from field offices (September 2012). Further, defects pointed out (August 2012) in its report though intimated (September 2012) to contractors but the compliance of the same was awaited till the date of audit (November 2012).
2.	**Haryana**	Third party inspections were conducted by ERDA in Fatehabad, Sirsa, Bhiwani, Mewat districts and by TCIL in Jind district. Audit found that observations ranging between 291 and 2,552 remained unattended against observations which were raised ranging between 740 and 2,552. It was seen that in Jind, all 2,552 observations raised by TCIL remained unattended. As regards non attending to the observations of third party inspection, the Managements of DISCOMs stated that this would be complied with before submission of closure reports.
3.	**Karnataka**	During Audit survey of beneficiaries in Mulbagal, Bagepalli and Sidlaghatta blocks, it was found that deficiencies like improper earthing, improper fixing of fuse, meter boxes etc., remained unattended.
4.	**Madhya Pradesh**	In Betul of Central DISCOM, there were delays ranging from one month to three months in setting the defects right. In Alote package of Ratlam district, TPIA visited 95 villages and submitted its reports but, no compliance report was given by the contractor. It was also observed that same kinds of defects in field were repeated by the contractor, indicating non-effectiveness in field work and non-issuing necessary instructions to its field employees to avoid defects in work and delay in project. Central DISCOM replied (September 2012) that "*due to shifting of labour from one place to another, rectifications were delayed.*"
5.	**Rajasthan**	As per the TPIA report, there were shortages valuing ₹ 97.60 lakh in Rajsamand, ₹ 24.64 lakh in Sikar and ₹ 22.08 lakh in Jhunjhnu. Further, TPIA reported (March 2010) shortage of material of ₹ 36.95 lakh in Churu for which only provisional recovery was made by Jodhpur Vidyut Vitran Nigam Limited (JdVVNL).

6.	**West Bengal**	WBSEDCL appointed REC Power Distribution Company Limited and RITES[5] whereas REC selected Voyants Solution Pvt. Ltd and INTERTEC as the TPIA. All the four parties inspected 2,400 villages. Out of 11,037 defects reported by the third party, only 693 (six *percent*) defects were rectified by the turnkey contractors. However, no action was taken against the turnkey contractors for non-rectification of defects.

[5] Rail India Technical and Economical Services.

Annexe 15
State wise target and achievement of electrification of un-electrified villages
(Refer to para 7.1)

Sl. No	Name of State	Target [6]	Achievement	Percentage achievement
1.	Andhra Pradesh	0	0	0.00
2.	Arunachal Pradesh	2,327	1,313	56.42
3.	Assam	6,412	7,829	122.10
4.	Bihar	25,130	22,029	87.66
5.	Chhattisgarh	1,171	857	73.19
6.	Gujarat	0	0	0.00
7.	Haryana	0	0	0.00
8.	Himachal Pradesh	106	78	73.58
9.	Jammu& Kashmir	317	148	46.69
10.	Jharkhand	23,313	17,905	76.80
11.	Karnataka	75	61	81.33
12.	Kerala	0	0	0.00
13.	Madhya Pradesh	904	504	55.75
14.	Maharashtra	0	0	0.00
15.	Manipur	981	616	62.79
16.	Meghalaya	1,895	1,172	61.85
17.	Mizoram	177	89	50.28
18.	Nagaland	73	79	108.22
19.	Odisha	15,900	14,226	89.47
20.	Punjab	0	0	0.00
21.	Rajasthan	3,584	3,999	111.58
22.	Sikkim	18	25	138.89
23.	Tamilnadu	0	0	0.00
24.	Tripura	160	127	79.38
25.	Uttar Pradesh	33,611	27,759	82.59
26.	Uttarakhand	1,777	1,511	85.03
27.	West Bengal	5,670	4,169	73.53
	Total	**1,23,601**	**1,04,496**	**84.54**

(Source : Figures provided by REC)

[6] Number 0 in target denotes absence of un-electrified village in the State

Annexe 16
State wise target and achievement of electrification of rural households
(Refer to para 7.1)

Sl. No.	Name of the State	Target/Sanctioned coverage of RHH	Achievement	Achievement in *per cent*
1.	Andhra Pradesh	39,54,128	32,72,724	82.77
2.	Arunachal Pradesh	76,407	26,771	35.04
3.	Assam	14,14,828	8,07,290	57.06
4.	Bihar	60,22,036	21,49,834	35.70
5.	Chhattisgarh	12,85,545	9,15,407	71.21
6.	Gujarat	15,95,853	8,02,818	50.31
7.	Haryana	5,69,686	2,15,942	37.91
8.	Himachal Pradesh	36,479	18,811	51.57
9.	Jammu and Kashmir	2,95,221	57,232	19.39
10.	Jharkhand	29,26,260	12,72,755	43.49
11.	Karnataka	19,32,797	10,02,259	51.86
12.	Kerala	92,736	17,238	18.59
13.	Madhya Pradesh	26,53,536	8,81,877	33.23
14.	Maharashtra	26,33,742	12,47,172	47.35
15.	Manipur	1,92,148	28,814	15.00
16.	Meghalaya	1,88,648	62,768	33.27
17.	Mizoram	44,334	14,743	33.25
18.	Nagaland	1,42,992	38,200	26.71
19.	Odisha	48,58,292	27,48,137	56.57
20.	Punjab	4,05,023	53,925	13.31
21.	Rajasthan	22,29,442	17,12,530	76.81
22.	Sikkim	28,166	16,372	58.13
23.	Tamil Nadu	16,92,235	7,67,125	45.33
24.	Tripura	2,28,759	80,986	35.4
25.	Uttar Pradesh	16,94,075	10,44,494	61.66
26.	Uttarakhand	3,57,309	2,30,041	64.38
27.	West Bengal	37,37,761	20,18,165	53.99
	Grand Total	**4,12,88,438**	**2,15,04,430**	**52.08**

(Source : Figures provided by REC)

Annexe 17
State wise target and achievement of electrification of BPL housesholds
(Refer to para 7.1)

Sl. No.	Name of the State	Target/Sanctioned coverage of BPL	Achievement	Achievement in *per cent*
1.	Andhra Pradesh	24,84,665	26,02,283	104.73
2.	Arunachal Pradesh	40,810	21,646	53.04
3.	Assam	11,50,597	8,07,290	70.16
4.	Bihar	27,61,010	21,49,834	77.86
5.	Chhattisgarh	8,95,500	9,15,407	102.22
6.	Gujarat	7,29,955	7,05,333	96.63
7.	Haryana	2,52,555	1,94,442	76.99
8.	Himachal Pradesh	13,196	10,078	76.37
9.	Jammu and Kashmir	81,217	44,014	54.19
10.	Jharkhand	18,30,722	12,72,755	69.52
11.	Karnataka	9,54,673	8,34,196	87.38
12.	Kerala	54,614	17,238	31.56
13.	Madhya Pradesh	13,28,462	7,17,394	54.00
14.	Maharashtra	12,02,575	11,60,732	96.52
15.	Manipur	1,07,369	28,814	26.84
16.	Meghalaya	1,09,696	62,768	57.22
17.	Mizoram	27,417	14,743	53.77
18.	Nagaland	69,899	28,514	40.79
19.	Odisha	30,56,580	27,48,137	89.91
20.	Punjab	1,48,860	53,925	36.23
21.	Rajasthan	12,89,942	10,43,522	80.90
22.	Sikkim	11,458	9,366	81.74
23.	Tamil Nadu	5,02,865	2,64,038	52.51
24.	Tripura	1,07,506	80,986	75.33
25.	Uttar Pradesh	9,70,668	10,44,494	107.61
26.	Uttarakhand	2,23,067	2,30,041	103.13
27.	West Bengal	26,04,387	20,18,125	77.49
	Grand Total	**2,30,10,265**	**1,90,80,115**	**82.92**

(Source : Figures provided by REC)

Annexe 18
State-specific details of performance of franchisees
(refer to para 7.5.5)

<table>
<tr><th>Sl. No</th><th>Name of State / Type of franchisee</th><th>Issue</th><th>Details</th><th>Loss suffered</th></tr>
<tr><td>1.</td><td>Bihar / Input-based</td><td>Non-fixation of BST</td><td>Though franchisees had been appointed, the bulk supply tariff (BST) had not been determined by the Board as of March 2012.</td><td>--</td></tr>
<tr><td>2.</td><td>Himachal Pradesh / Revenue collection</td><td>Collection efficiency</td><td>The franchisees were not following bi-monthly billing cycle strictly as prescribed. In the non franchisees sub-divisions, the billing cycle ranged between bi-monthly to four monthly.</td><td>--</td></tr>
<tr><td>3.</td><td>Karnataka / Revenue collection</td><td>Poor performance and collection efficiency</td><td>A review of functioning of Micro Feeder Franchisees (MFFs), in the selected seven Projects[7] revealed that the role of MFFs was restricted to meter reading, serving electricity bills and collection of revenue. There was no evidence to show that MFFs had carried out their other vital responsibilities like, checking power theft, redressal of consumer complaints, public awareness on energy savings and safety methods etc. BESCOM replied (December 2012) that, 'MFFs were also discharging duties like checking theft of power, consumer complaints etc.' These facts were not supported by any evidence.

Although MFFs were to be appointed in each Gram Panchayat, there were large numbers of vacancies. The inadequate appointment of franchisees, as on 31 March 2012, is reflected in the table below.

<table>
<tr><th>Project</th><th>No. of GPs existing</th><th>No. of MFFs appointed</th><th>No. of vacancies</th></tr>
<tr><td>Belgaum</td><td>386</td><td>372</td><td>14</td></tr>
<tr><td>Bijapur</td><td>199</td><td>182</td><td>17</td></tr>
</table>
</td><td>--</td></tr>
</table>

[7] Belgaum, Bijapur, Gadag, Kodagu, Kolar, Raichur and Uttara Kannada

<table>
<tr><td></td><td></td><td></td><td><table><tr><td>Gadag</td><td>108</td><td>84</td><td>24</td></tr><tr><td>Kolar</td><td>307</td><td>176</td><td>131</td></tr><tr><td>Raichur</td><td>160</td><td>138</td><td>22</td></tr><tr><td>Uttara Kannada</td><td>63</td><td>63</td><td>0</td></tr></table>The revenue collection efficiency in respect of LT installations during 2007-08 to 2011-12 in the above Project areas was very poor, especially in Raichur where the collection efficiency was less than 10 per cent, while in other project areas it ranged from 24 to 67 per cent except in Uttara Kannada where it was 83 per cent.</td><td></td></tr>
<tr><td>4.</td><td>Uttarakhand / Revenue collection</td><td>Collection efficiency</td><td>A huge amount of ₹ 8.48 crore was recoverable from the BPL consumers, as on 31 March 2012 in four selected districts which itself speaks at poor revenue collection efficiency.</td><td>₹ 8.48 crore</td></tr>
</table>

Annexe 19

(Refer to para 8.3)

F. No. 44/10/2011-RE
Ministry of Power
Govt. of India

Shram Shakti Bhawan, Rafi Marg,
New Delhi dated 2nd September, 2013

OFFICE MEMORANDUM

Subject: Continuation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) in 12th & 13th Plan - Scheme of Rural Electricity Infrastructure and Household Electrification.

In continuation of Office Memorandum No. 44/19/2004-D(RE) dated 18th March 2005 and Order No. 44/37/07-D(RE) dated 06.02.2008, sanction of the President is conveyed for continuation of "Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) - Scheme of Rural Electricity Infrastructure and Household Electrification", in the 12th & 13th Plan for :

(i) Completing spillover works of projects sanctioned in 10th and 11th Plan

(ii) Continuing the scheme for covering all remaining census villages and habitations with population of above 100

(iii) Providing free electricity connections to BPL households at the rate of Rs. 3000 per connection in villages and habitations with population of above 100

(iv) Extending DDG to grid connected areas to supplement the availability of power in areas where power supply is less than six hours a day

2. The approval has been accorded for total capital subsidy of Rs.35,447 crore, of which Rs. 23,397 Crore will be met through GBS for 12th Plan and remaining Rs.12,050 Crore would spillover to 13th Plan. Details are enclosed at **Annexure-I.**

3. Rural Electrification Corporation (REC) will continue to be the nodal agency for the scheme.

4. Ninety per cent capital subsidy would be provided towards overall cost of the projects under the scheme, excluding the amount of state or local taxes, which will be borne by the concerned State/State Utility. 10% of the project cost would be contributed by states through own resources/loan from financial institutions.

5. Prior commitment to be given by the respective State Government for a minimum daily supply of 6-8 hours of electricity in the RGGVY network with the assurance of meeting any deficit in this context by supplying electricity at subsidized tariff as required under the Electricity Act 2003.

Scope of the scheme

6.1 Spillover works of 10th and 11th Plan projects

Spillover works of projects sanctioned in 10th and 11th Plan will be completed in accordance with the applicable guidelines for 10th & 11th Plan respectively unless otherwise specified. State-wise details of projects sanctioned during 10th and 11th Plan including DDG projects are enclosed at **Annexure-II.** The total requirement of capital subsidy for spillover works is Rs. 12,849 Crore as detailed in **Annexure-III.**

6.2 Coverage of remaining Census villages and habitations with population of above 100

The villages and habitations which have not been covered under RGGVY in 10th and 11th Plan projects would be eligible for consideration in 12th Plan. Besides these, villages and habitations covered in 10th and 11th Plan projects would also be eligible for coverage in 12th Plan only for the purpose of covering remaining BPL households as explained below in sub-para 6.3(ii).

6.3 Free electricity connection to Below Poverty Line (BPL) households:

(i) BPL households will be provided free electricity connections with LED lamp at the rate of Rs. 3000 per connection in villages and habitations with above 100 population.

(ii) Free electricity connections to BPL households would also be provided in villages and habitations already covered in sanctioned projects of 10th and 11th Plan from available infrastructure (either available before or provided under RGGVY) and cost of providing connections at the rate Rs. 3000 per connection will be reimbursed to the concerned implementing agency. No funds will be made available to augment or strengthen infrastructure in such already covered villages on account of such BPL connections except for about 17,000 villages; mainly in Bihar and Uttar Pradesh; covered in 10th Plan projects with only 10% of BPL households. Any required expenditure for upgrading or strengthening infrastructure will have to be borne by respective State Government or utility.

(iii) Households above poverty line would be paying for their connections at prescribed connection charges and no subsidy would be available for this purpose from this scheme.

(iv) Wherever SC/ST population exists amongst BPL households and subject to being eligible otherwise, they will be provided connection free of cost and a separate record will be kept for such connection.

6.4 Decentralized distribution-cum-generation

Decentralized distribution-cum-generation from conventional or renewable or non-conventional sources such as biomass, bio fuel, bio gas, mini hydro, geo thermal and solar etc. is envisaged for villages where grid connectivity is either not feasible or not cost effective. DDG will also be extended to grid connected areas to supplement the availability of power in areas where power supply is less than six hours a day. Rs.900 crores as subsidy has been earmarked for DDG Projects. However, the allocation under DDG would be flexible to meet any additional requirement within the overall cost of the scheme. While considering DDG projects it may be ensured that these do not overlap with the schemes of MNRE.

7. Implementation Framework

(i) REC will prepare detailed guidelines for formulation of projects including technical specifications of material / equipment, construction standards, codification scheme for identifying habitations with unique code etc. and guidelines for procurement of goods & services including standard bidding document incorporating cluster based approach for execution of works. REC will get these guidelines approved by the Monitoring Committee.

(ii) REC will formulate an appropriate Quality Control Mechanism through a suitable Quality Control Manual for concurrent evaluation of quality of material/equipment & construction and get it approved by the Monitoring Committee.

(iii) Implementing agencies may also be allowed to execute projects departmentally in exceptional cases with the approval of Monitoring Committee instead of mandatory condition of execution of projects on turnkey basis only. REC will prepare suitable guidelines for departmental execution of projects in such cases to ensure proper utilization of material / equipment in the project areas only and proper accounting of project expenditure and get it approved by the Monitoring Committee.

(iv) REC will formulate a suitable tripartite (Quadripartite – in case CPSU is the implementing agency) agreement to be executed amongst REC on behalf of Ministry of Power, State Government and Implementing Agency to ensure implementation of scheme in accordance with the guidelines prescribed under the scheme and get it approved by the Monitoring Committee.

(v) Each State Government shall set up a State Level Standing Committee, headed by the Chief Secretary and consisting of Secretaries of Energy, Rural Development, Finance, Panchayat Raj, Forest, Revenue and a representative of REC etc.. The Committee shall vet the district-wise list of villages, habitations, BPL households to be covered under the scheme and recommend the project proposals formulated by the implementing agency in accordance with the guidelines. The State Committee, while considering project proposals for its recommendations, shall ensure adequacy of upstream network commensurating with the proposed distribution network and availability of adequate power supply to cater to the load demand of project area. The Committee shall also monitor progress, quality control and resolve issues relating to implementation of sanctioned projects viz. allocation of land for sub stations, right of way, forest clearance, railway clearance, safety clearance etc.

(vi) State Government shall identify implementing agencies amongst State Power utilities, DISCOMs and identified CPSUs for implementation of scheme in various districts of the State.

(vii) The Implementing Agencies shall first conduct field survey and identify the list of eligible villages and habitations to be covered in 12th Plan. The list of such identified villages and habitations shall be verified by REC on the basis of its records of 10th and 11th Plan projects. REC, while verifying such list of eligible villages and habitations, shall also ensure that all habitations are identified with unique code. Implementing agency shall prepare district-wise Detailed Project Report (DPR) for electrification works in such selected and verified villages and habitations as per the detailed guidelines and technical specifications and submit the project proposal for recommendation by the State Committee. DPRs shall be prepared and submitted for consideration based on actual field survey and as per updated schedule of rates to arrive at the actual quantity/scope and to avoid any cost revision in future. Cost overruns, if any, on the ground of quantity variation shall not be entertained by MOP subsequently and shall be borne by the State Government.

(viii) The projects implementing agencies shall create a dedicated team for implementation of projects at district and project implementing agency level and to enhance level of awareness and to redress grievance of public and public representatives of the project areas. Payment of agency charges would be contingent upon deployment of such dedicated teams by implementing agencies for management of projects.

(ix) The projects recommended by the State Committee shall be submitted to REC for techno-economic appraisal. REC after detailed techno-economic appraisal, submit its recommendations to the Monitoring Committee for consideration of administrative and financial sanction.

(x) The load per BPL household and APL household to be considered as 250 Watts and 500 Watts respectively.

(xi) It may not be economically viable or technically feasible to extend grid to electrify certain habitation on account of either their size or location. Such habitations may be electrified by using suitable scheme of MNRE. State level committee and monitoring committee will examine this aspect while covering all habitations under the project.

(xii) A suitable mechanism shall be put in place in consultation with Ministry of Finance and with the approval of the Monitoring Committee to avoid any overlap between RGGVY scheme and schemes of MNRE.

8. Service Charges / Fees

i) The State Utilities and Central Public Sector Undertakings will be provided 5% of the project cost (excluding the cost of providing connections to BPL households) as agency charges (inclusive of all taxes like service tax etc.) for implementing the scheme including field survey, preparation of DPR, deployment of dedicated manpower and also for meeting additional expenditure on compulsory third party monitoring at the first tier of the Quality Control Mechanism. Release of agency charges shall be linked to fulfillment of specified conditions like detailed survey, deployment of dedicated team etc..

ii) Rural Electrification Corporation Limited (REC) will be given 0.5% of the project cost as the fee (inclusive of all taxes like service tax etc.) for establishing frameworks for implementation, meeting the scheme related expenditure, appraisal and evaluation both at pre-award and post award stage, monitoring and complete supervision of the programme from concept to completion of the scheme and for quality control of projects at second tier (REC Quality Monitors) of the Quality Control Mechanism. For spillover works of 10th and 11th plan, REC fee would remain same as earlier i.e. @ 1% of the project cost.

iii) For supporting/enabling activities and Quality Monitoring at Third Tier (National Quality Monitors) to be undertaken by Ministry of Power, a provision of 0.5% of the project cost for the projects to be sanctioned in future would be kept. The supporting activities would be in the nature of capacity building, awareness and other administrative and associated expenses, franchisee development and undertaking of pilot studies and projects complementary to the rural electrification scheme.

9. Monitoring Committee

A Monitoring Committee shall be constituted by the Ministry of Power under the Chairmanship of Secretary (Power), Government of India consisting of representatives from Department of Expenditure, Planning Commission, Ministry of Rural Development, Ministry of Panchayati Raj, Ministry of New and Renewable Energy. This Committee will consider projects for sanction based on the recommendation of the respective State Level Standing Committee and REC. The Committee will also monitor implementation of the scheme in addition to issuing / amending guidelines from time to time. The Committee will also be empowered to review and revise the benchmark cost norms.

10. Sustainability of RGGVY assets

Deployment of franchisees for management of rural distribution shall not be mandatory for new as well as ongoing projects already sanctioned in 10th and 11th Plan. However, States should mention the alternative arrangement that would be adopted by them to ensure maintenance of the assets created and revenue sustainability at the DISCOM level. The States through DISCOM would be submitting an undertaking to MOP regarding maintenance of assets created under RGGVY projects, at the time of submission of DPRs.

11. The services of Central Public Sector Undertakings (CPSUs) have been offered to the states for assisting them in the execution of Rural Electrification Projects as per their willingness and requirement. With a view to augment the implementation capacities for the programme, REC will enter into Memorandum of Understanding (MOUs) with various CPSUs working in power sector with approval of Monitoring Committee to make available project management expertise and capabilities to states wishing to

use their services. This will be operationalised through a suitable Tripartite / Quadripartite Agreement.

12. In the event the projects are not implemented satisfactorily in accordance with the conditionalities indicated above, the capital subsidy would be converted into interest bearing loans.

13. The expenditure involved on above scheme would be debitable to approved budget grant No. 76 of Ministry of Power for the year 2013-14 and the subsequent years.

14. This issues with the concurrence of Finance Wing vide their diary No. 1017/JS&FA/13 dated the 19.08.2013.

(B. N. Sharma)
Joint Secretary to the Government of India

To

1. **Chief Secretaries of all States**
2. **Secretary (Power/Energy) of all States**
3. **Chairman of all State Utilities**
4. **Chairman & Managing Director, REC, SCOPE Complex, New Delhi.**

Annexure-I

ESTIMATION OF CAPITAL SUBSIDY FOR 12th and 13th PLAN

A. FOR SPILLOVER WORKS 10th PLAN , 11th PLAN

1. Total requirement of capital subsidy for 10th plan,11th plan incl. DDG projects (Details in Annexure-III) — Rs.39000 Crore
2. Capital Subsidy utilised up to 31/03/2012 — Rs. 26151 Crore
3. Capital Subsidy required for spill over works (1-2) — Rs. 12849 Crore

B. FOR NEW PROJECTS

Sl. No	Particulars	Unit Cost (Rs. In Lakh)	Total Quantity (No. in Lakh)	Total amount (Rs. In Crore)
1	Estimated cost of electrifying villages including one habitation (i.e. 0.88*2=1.76 Lakh villages/habitations)	9.00	0.88	7920
2	Estimated cost of electrifying habitations above 100 population	9.00	0.77	6930
3	Estimated Cost of providing free connections to 2.73 Crore BPL households @ Rs.3000/household	0.03	273	8190
4	Cost of DDG Projects in 12th plan	-	-	1000
5	Agency Charges @5 % on (1+2+4) - Excl. BPL cost			792.50
6	Total project cost (1+2+3+4+5)			24832.50
7	REC fee @0.5 % of total project cost			124.16
8	Provision for MoP for enabling actlvties @0.5 % of total project cost			124.16
9	Total cost to cover remaining villages,habitations and BPL Households (6+7+8)			25080.83
10	Subsidy ratio	90:10		
11	Capital subsidy required for projects (against sr.no. 6 above)			22349.25
12	Capital subsidy against REC Fee/MoP activities			248.33
13	Total requirement of subsidy including REC fee and provision for MoP for 12th plan projects (11+12)			22597.58 Say 22598

C. TOTAL REQUIREMENT OF CAPITAL SUBSIDY FOR 12th AND 13th PLAN (A+B) — Rs.35447 Crore

D. CAPITAL SUBSIDY TO BE MET THROUGH GBS FOR 12th PLAN — Rs. 23397 Crore

E. CAPITAL SUBSIDY TO BE SPILLOVER TO 13th PLAN (C-D) — Rs. 12050 Crore

Annexure-II

PROJECTS SANCTIONED IN 10TH PLAN AND 11TH PLAN (As on 31/03/2012)

Sr. No.	State	No. of Projects	No. of Districts	Coverage							Sanctioned Project Cost (Revised) (Rs.Cr)
				Un-electrified villages (UEV) (Nos)	Partially electrified villages (EV) (Nos)	Total Villages (Nos)	Habitations with population above 100 Including Census villages (Nos)	Habitations with population above 100 excluding Census villages (Nos)	Habitations with population 100 or below	BPL Households (BPL H/H) (Nos)	
1	Andhra Pr.	26	22	0	27477	27477	60508	33031	8942	2484665	896.52
2	Arunachal Pr.	16	16	2129	1780	3909	2251	-1658	211	40810	942.09
3	Assam	23	23	8326	12984	21310	53520	32210	491	1150597	2762.76
4	Bihar	54	38	23847	19244	43091	68103	25012	0	5659338	7625.26
5	Chhattisgarh	18	16	1594	17375	18969	36795	17826	0	979834	1346.21
6	Gujarat	25	25	0	17667	17667	30835	13168	362	729955	352.02
7	Haryana	21	21	0	6610	6610	6813	203	7	273987	227.95
8	Himachal Pr.	12	12	95	10650	10745	14426	3681	6578	13196	342.03
9	J & K	14	14	239	4442	4681	10946	6265	330	61217	926.68
10	Jharkhand	22	22	19281	7223	26504	59282	32778	17153	1830722	3455.04
11	Karnataka	27	27	61	28504	28565	44646	16081	2887	982455	971.17
12	Kerala	14	14	0	1273	1273	4079	2806	3	73453	237.58
13	Madhya Pradesh	52	48	862	49897	50759	86492	35733	5740	1825176	2697.20
14	Maharashtra	35	34	0	41981	41981	77575	35594	1328	1221854	843.57
15	Manipur	9	9	882	1378	2260	2045	-215	0	107369	381.83
16	Meghalaya	7	7	1866	3239	5105	4470	-635	0	109696	441.99
17	Mizoram	8	8	137	570	707	615	-92	39	27417	268.58
18	Nagaland	11	11	105	1140	1245	1376	131	9	69899	264.35
19	Orissa	32	30	14747	29320	44067	69374	25307	4281	3056580	3782.51
20	Punjab	17	17	0	11840	11840	12728	888	0	148860	186.91
21	Rajasthan	40	33	4350	34845	39195	61592	22397	0	1289942	1333.92
22	Sikkim	4	4	25	418	443	1651	1208	22	11458	196.54
23	Tamilnadu	29	29	0	10738	10738	76739	66001	0	527234	484.68
24	Tripura	4	4	148	658	806	5229	4423	176	107506	108.41
25	Uttar Pradesh	86	65	28136	22980	51116	112539	61423	0	1914309	7285.15
26	Uttranchal	13	13	1511	13820	15331	13155	-2176	25598	223067	768.43
27	West Bengal	29	17	4454	24311	28765	83722	54957	0	2628810	2841.66
	Total	**648**	**579**	**112795**	**402364**	**515159**	**1001506**	**486347**	**74157**	**27569406**	**42060.44**

DETAILS OF DDG PROJECTS SANCTIONED UNDER RGGVY (As on 31/03/2012)

Sr.No	State	No. of projects	Coverage			Sanctioned Project Cost (Rs.Crore)
			Un-electrified villages (Nos)	Un-electrified Habitations (Nos)	BPL Households (Nos)	
1	Andhra Pradesh	96	39	96	3500	26.55
2	Bihar	48	48	127	10143	37.85
3	Chhatisgarh	19	19	31	1440	10.53
4	Madhya Pradesh	48	48	122	3367	28.83
5	Uttar Pradesh	62	38	65	4821	64.09
6	Uttarakhand	1	2	5	225	2.74
7	West Bengal	9	39	0	23276	109.97
	Total	**283**	**233**	**446**	**46772**	**280.56**

A. Spillover Works

Item	Un-electrified Villages (Nos.)	Partially Electrified Villages (Nos.)	BPL Households (Lakh Nos.)
Coverage	112795	402364	275.69
Progress (Up to 31/03/2012)	104496	248553	194.25
Spill over to XII-Plan	8299	153811	81.44

B. Fund Requirement for spillover works of 10th plan , 11th plan and DDG projects

1. Total sanctioned project cost		**42341 Rs. Crore**
(i) Sanctioned project cost of X Plan projects	13263.68 Rs. Crore	
(ii) Sanctioned project cost of XI Plan-Phase I projects	20832.44 Rs. Crore	
(iii) Sanctioned project cost of XI Plan-Phase II projects	7964.32 Rs. Crore	
(iv) Sanctioned project cost of DDG projects	280.56 Rs. Crore	
2. Expected further increase in project cost @ 1 % of total sanctioned project cost		**423.41 Rs. Crore**
3. Total expected revised project cost		**42764.41 Rs. Crore**
4. Total Capital subsidy involved @ 90% of total expected revised project cost		**38487.97 Rs. Crore**
5. Capital subsidy already released towards project cost		**25880.15 Rs. Crore**
6.Contribution made by States (Including loan from REC) = (5)*0.1/0.9		**2875.57 Rs. Crore**
7. Cost of spillover =(3)-(5)-(6)		**14008.69 Rs. Crore**
8. REC Fees		**366.09 Rs. Crore**
(i) REC Fees for X Plan projects	72.41 Rs. Crore	
(ii) REC Fees for XI Plan projects @ 1 % of expected revised project cost of XI Plan projects	290.85 Rs. Crore	
(iii) REC Fees for DDG projects @ 1 % of expected revised project cost of DDG projects	2.83 Rs. Crore	
9. REC fee already released by MOP		**226.37 Rs. Crore**
10. Balance REC fee to be released =(8)-(9)		**139.72 Rs. Crore**
11. Provision for MoP for enabling activties (Out of provision of 1% of total project cost)		**90 Rs. Crore**
12. Amount utilised by MOP		**44.25 Rs. Crore**
13. Balane provision for MOP for enabling activities =(11)-(12)		**45.75 Rs. Crore**
14.Total cost towards Spill over works of 10th and 11th plan projects including REC fee & enabling activities of MOP =(7)+(10)+(13)		**14194.16 Rs. Crore**
	Say	**14194.00 Rs. Crore**
15. Total requirement of capital subsidy =(4)+(8)+(11)		**38944.06 Rs. Crore**
	Say	**39000.00 Rs. Crore**
16. Capital subsidy utilised up to 31/03/2012		**26151.00 Rs. Crore**
17. Capital subsidy required for spillover works of 10th plan , 11th plan and DDG projects		**12849.00 Rs. Crore**