

## CHAPTER-II

### 2. Compliance Audit Observations relating to Power Sector Undertakings

Important audit findings emerging from test check of transactions made by the Public Sector Undertakings relating to Power Sector are included in this Chapter.

#### Energy Department

#### Uttar Pradesh Power Transmission Corporation Limited

#### 2.1 Infructuous expenditure on construction of transmission line

**The construction of transmission line was poorly planned by the Company which resulted in loss of ₹ 2.08 crore being the cost of erection and interest on borrowed funds besides blocking of funds of ₹ 4.21 crore on material procured.**

The Transmission Works Approval Committee<sup>1</sup> (TWAC) of Uttar Pradesh Power Transmission Corporation Limited (Company) approved (17 May 2013) construction of a new 25 km 132 KV single circuit (SC) Bhadaura-Kundesar transmission line (Line) emanating from proposed new 220 KV substation, Bhadaura, Ghazipur to provide alternate source to 132 KV substation Kundesar, Ghazipur at an estimated cost of ₹ 8.34 crore. This was based on preliminary estimate submitted by the Electricity Transmission Division-II, Varanasi (Division). The Company awarded (July 2015) the work of construction of line to a contractor<sup>2</sup> for the contracted value of ₹ 5.73 crore on turnkey basis (excluding supply of conductor and earthwire) and executed an agreement with the contractor in August 2015.

Clause 1.2.3.1 of Technical Conditions of Contract (TCC) stipulated that on placement of order for erection, the contractor shall make a detailed survey of the route of the proposed transmission line and will prepare and submit drawings showing each and every proposed structure position, length of spans and type of structure. Further, Clause 1.2.7 of TCC stipulated that a check survey shall be conducted to check the detailed survey and thereafter, the contractor shall submit a final profile sheet and tower schedule for approval of the Supervising Engineer. The tower schedule shall show the position of all towers, type of towers, type of foundation for each tower and spans for river crossing *etc.* The work must not be started in any length until the schedule has been approved by the Supervising Engineer.

Audit noticed (October 2018) that the work of construction of transmission line involved crossing of Ganga river. However, the estimate prepared by the Division and approved by TWAC did not include the cost of special foundation required for river crossing towers. Moreover, the work was started (03 October 2015) without approval of tower schedule of all towers. The contractor had erected 40 towers upto October 2017 out of a total of 63 towers

<sup>1</sup> TWAC consists of Managing Director, Director (Finance), Director (Operation), Director (Works and Projects), Director (Commercial and Planning) and Superintending Engineer (Transmission Planning & Power System Study).

<sup>2</sup> M/s EMC Limited.

to be erected, against which the Company made payment of ₹ 5.22 crore<sup>3</sup> to the contractor. Besides, the Company also incurred an amount of ₹ 0.06 crore on crop compensation.

Audit further noticed that the Electricity Civil Transmission Division, Varanasi (ECTD) submitted (May 2017) an estimate of ₹ 30.32 crore for the special foundation required for river crossing towers. After cost-benefit analysis, the TWAC decided (February 2018) to construct a new 132 KV SC Kashimabad-Kundesar line with estimated cost of ₹ 10.40 crore to provide alternate source to 132 KV substation Kundesar to avoid the huge additional cost of ₹ 30.32 crore on river crossing work. The Company further decided (March 2018) to dismantle the already erected 40 towers of Bhadaura-Kundesar line but the same were not dismantled as of 31 July 2020.

Thus, due to poor planning by the Company and commencement of the work without approval of tower schedule of all towers as required under the contract, an amount of ₹ 1.07 crore<sup>4</sup> incurred on the work became infructuous and was a loss to the Company. Besides this, ₹ 4.21 crore released to the contractor on procurement of material for erection of towers remained blocked. Moreover, as the Company has borrowed funds from Rural Electrification Corporation Limited, it has to bear the burden of interest amounting to ₹ 1.01 crore on the work of the abandoned line as on 31 March 2019.

The Government and Management accepted (May/June 2020) the shortcomings on the part of field officers in preparation of estimate of Bhadaura-Kundesar line and stated that the shortcomings are being investigated separately and appropriate action shall be taken. The reply confirms the improper planning on part of the Company resulting in loss/blocking of funds.

### **Purvanchal Vidyut Vitran Nigam Limited**

#### **2.2 Undue benefit to the Contractor**

#### **The Company suffered loss of ₹ 99.27 lakh due to non-recovery of interest free mobilisation advance from a contractor in a time-bound manner.**

Central Vigilance Commission (CVC) guidelines (April 2007) provides that the recovery of interest free mobilisation advance (MA) should be time based and not linked with progress of the work. The amount of MA, interest to be charged, if any, its recovery schedule and any other detail should be explicitly stipulated in the tender documents. It further states that there should be a clear stipulation of interest to be charged on delayed recoveries.

A reference is invited to para 3.3 of CAG's Audit Report on Public Sector Undertakings for the year ended 31 March 2018, wherein an observation on recovery towards interest on mobilisation advance by Madhyanchal Vidyut Vitran Nigam Limited (subsidiary of UPPCL) was reported. A similar issue has again been observed in another subsidiary of UPPCL i.e. Purvanchal Vidyut Vitran Nigam Limited.

<sup>3</sup> ₹ 1.01 crore towards cost of erection and ₹ 4.21 crore towards procurement of material.

<sup>4</sup> ₹ 1.01 crore towards cost of erection and ₹ 0.06 crore towards crop compensation.

Uttar Pradesh Power Corporation Limited<sup>5</sup> (UPPCL), resolved in its Board meeting (31 July 2013) that in respect of agreements finalised before 02 May 2013 under R-APDRP<sup>6</sup> Part B scheme, interest would not be charged on MA. However, MA would be recovered as per terms and conditions of the tenders. In respect of tenders finalised after 02 May 2013 under R-APDRP Part-B scheme, interest would be charged at the rate of 12 *per cent* per annum on MA and MA would be recovered within one year in installments. In both cases *viz.* pre and post 02 May 2013 tenders, recovery of MA was to be made in the prescribed time period.

Purvanchal Vidyut Vitran Nigam Limited (Company) executed (February 2013) two agreements with a contractor<sup>7</sup> for supply and erection work of System Improvement, Strengthening and Augmentation of Distribution System in order to bring down the AT&C<sup>8</sup> losses and to improve consumer supply in Mirzapur and Bhadohi towns of Uttar Pradesh under R-APDRP Part-B scheme on turnkey basis at a total cost of ₹ 66.82 crore (₹ 48.24 crore for Mirzapur and ₹ 18.58 crore for Bhadohi).

The scheduled completion date of the work was 15 April 2014 *i.e.* 15 months from issue (15 January 2013) of Letter of Indent (LOI). The payment to the contractor was to be made by the Superintending Engineer, Electricity Distribution Circle, Mirzapur (nodal officer) after approval of the Managing Director of the Company. As per terms and conditions of the tender and agreement, 10 *per cent* of the contract value was to be paid as interest free mobilisation advance. However, it neither stipulated the mode and period of recovery of MA nor the rate of interest in case of delayed recovery of MA.

Audit noticed (January 2019) that interest free MA of ₹ 6.68 crore was given (October 2013) to the contractor well after the Board decision of July 2013. As recovery of MA was to be made in the prescribed time period in compliance to the Board decision (31 July 2013) and the tender and agreement did not stipulate the period of recovery of MA and interest to be charged in case of delayed recovery of MA, the Company should have ensured recovery of MA within one year of its release and recovery of interest at the rate of 12 *per cent* per annum on the balance amount of unrecovered MA given after the date of decision of UPPCL's Board.

However, the nodal officer failed to recover MA within one year from its release (October 2013). The nodal officer deducted only 10 *per cent* of the value of bills against MA from the bills submitted by the contractor. Thus, only ₹ 2.71 crore could be recovered against the MA within one year *i.e.* upto September 2014. The process of recovery of MA in installments was completed only in February 2018 *i.e.* after four years and five months against the stipulated period of one year. Due to this, the Company suffered loss of interest of ₹ 99.27 lakh (*Appendix-2.1*) on unrecovered amount of MA during the delayed recovery period from October 2014 to February 2018.

The instant case points to the continuation of similar nature of irregularity in spite of the matter having been pointed in a previous Audit Report of the CAG.

<sup>5</sup> Holding Company of Power DISCOMs in Uttar Pradesh.

<sup>6</sup> Restructured Accelerated Power Development & Reforms Program.

<sup>7</sup> M/s Capital Power Infrastructure Limited.

<sup>8</sup> Aggregate Technical and Commercial.

In reply, the Management accepted the observation and apprised (May 2020) that the efforts were being made to recover the amount of interest from the Contractor. It was further stated that Audit will be informed after the interest is recovered.

The fact remains that the amount is yet to be recovered (June 2020) due to non-compliance of decision of the UPPCL Board in time.

The matter was reported to the Government (January 2020). The reply is still awaited (September 2020).