ANDHRA PRADESH LEGISLATURE
(Twelfth Legislative Assembly)

TWELFTH REPORT

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS

(2006 – 2007)

ON

THE AUDIT PARAS CONTAINED IN THE REPORTS OF

THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31ST MARCH, 2001

(PARA 2C) AND

ALSO 31ST MARCH 2003 (PARAS 4.4 TO 4.7)
(Commercial)

ON

TRANSMISSION CORPORATION OF ANDHRA PRADESH

(AP TRANSCO)

(Presented to the Legislature on 31.8.2006)

ANDHRA PRADESH LEGISLATURE (P.U.C.) SECRETARAIT
PUBLIC GARDENS, HYDERABAD – 500 004.

SNO 1-26

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(PARA 2C) AND

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(Conjunctional)

ON

TRANSMISSION CORPORATION OF ANDHRA PRADESH

(AP TRANSCO)

(Presented to the Legislature on 31.8.2006)

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ANDHRA PRADESH LEGISLATIVE ASSEMBLY

COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2007)
(CONSTITUTED ON 28TH MARCH, 2006)

CHAIRMAN:

1. Sri N. Uttam Kumar Reddy

MEMBERS:

2. Sri Chanumolu Venkata Rao
3. Sri K. Vishnuvardhan Reddy
4. Sri V. Venkaiah
5. Sri M. Maheedhar Reddy
6. Sri Thota Gopalakrishna
7. Sri Jalagam Venkat Rao
8. Sri Chitturi Ravindra
9. Sri J. Ratnakar Rao
10. Sri P. Ravindra Reddy
11. Sri Puli Veeranna
12. Sri D. Uma Maheswara Rao
13. Smt. A. Uma Madhava Reddy
14. Sri E. Rajender
15. Sri Palla Venkat Reddy

LEGISLATURE SECRETARIAT:

1. Sri K. Tuljanand Singh, Secretary to State Legislature
2. Sri N. Anjaiah, Deputy Secretary to State Legislature
3. Sri K. Tulasi Ram, Assistant Secretary to State Legislature
4. Sri K. Satyanarayana Rao, Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2006-2007) having being authorized by the Committee to present the Report on their behalf, present this **Twelfth Report** on the **APTRASCO,** on the audit paras appeared in the Reports of the C, & A.G of India (Commercial) for the year ended 31st March, 2001 (Para 2C) and also 31st March, 2003 (Paras 4.4 to 4.7).

The Committee on Public Undertakings (2006-2007) have examined the Report of the Comptroller and Auditor General of India for the years ended 31st March 2001 and 31st March 2003.

The Committee (2006-2007) have considered and approved this Report at their sitting held on 25.8.2006.

A statement showing the summery of principal recommendations / observations of the Committee is appended to this Report.

A record of proceeding of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Special Chief Secretary to Government, Energy Department, the Chairman and Managing Director and other Officials of APTRANSCO for the co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (C&RA), Andhra Pradesh, the Senior Deputy Accountant General (Commercial) and other Officers and staff of the Accountant General Office.

The Committee also places on record their appreciation of the assistance rendered to the Committee by the Secretary to State Legislature and the other Officers and Staff of Legislature Secretariat, in the examination of the general working and audit paras relating to the APTRANSCO and in preparation of this Report.

Hyderabad,
Date : 25.8.2006

N. UTTAM KUMAR REDDY,
CHAIRMAN,
Committee on Public Undertakings.

Recommendations on the Review (2C) appeared in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001(Commercial),Government of Andhra Pradesh, in respect of Transmission Corporation of Andhra Pradesh Limited on Mid-Term appraisal on Execution of Externally Aided Projects. (APEEP)

2C.1 Introduction:

With the restructuring of erstwhile Andhra Pradesh State Electricity Board (Board) in October 1998 by enacting Andhra Pradesh Electricity Reforms Act, 1998 (Act No.30 of 1998), two separate companies (viz) Andhra Pradesh Power Generation Corporation Limited (APGENCO) and Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) were incorporated on 29 December 1998 under Companies Act, 1956 which started functioning from 1 February 1999. Consequently the three externally aided projects viz., (I) Andhra Pradesh Energy Efficiency Project (APEEP) funded by Department for International Development (DFID) U.K. with a loan amount of Rs. 282.14 crore (ii) Andhra Pradesh Hazard Mitigation and Emergency Cyclone Recovery Project funded by World Bank with a loan assistance of Rs. 122.81 crore with the participation of State and Central Government in the ratio of 68:30:2 and (iii) Integrated System Improvement Scheme funded by Overseas Economic Co-operation Fund (OECF) Japan with a loan of Rs. 322.57 crore which were being executed for improvement of transmission and distribution system by the erstwhile Board stood transferred to APTRANSCO.

2.C.2 Organisational set-up

The APTRANSCO is managed by a Board of Directors (comprising of seven full time and two part time directors) headed by a Chairman and Managing Director (C&MD). The C&MD is the Chief Executive of the Company who is assisted inter alia, by the Chief Engineer (CE), Department for International Development (DFID)/CE/Projects/Distribution in the execution of these schemes.

2.C.3 Scope of Audit

The execution of three externally aided projects was reviewed in audit from August 2000 to March 2001 with reference to their scope and objectives and points of interest noticed are discussed in detail in succeeding Paragraphs.

2.C.4 Andhra Pradesh Energy Efficiency Project (APEEP)

2.C.4.1 Scope of the Project

The Project (APEEP), under its first tranche envisages execution of the following 3 schemes:

a) Conversion of three phase low voltage distribution system (LVDS) covered by 33/11 KV sub-station at Nakrekal Mandal and installation of 2977 number of single phase agricultural motor pump sets in place of three phase pump sets at an estimated cost of Rs. 8.26 crore and Shivanagudem HVDS at a cost of Rs. 6.20 crore to reduce energy and peak load losses;

b) Reconfiguration of 33 KV system of Nalgonda, Mahaboobnagar and Khammam districts and construction of 11 KV lines, 33/11 KV lines and 33 KV sub-stations at an estimated cost of Rs. 11.04 crore; and

c) Supervisory Control and Data Acquisition (SCADA) Project at Hyderabad to work as a control centre serving the State capital and surrounding areas covered under 106 sub-stations, at an estimated cost of Rs. 39.10 crore with a view to save energy losses through on-line system, optimization and better voltage control and a reduction in time to restore supply interrupted by distribution faults.

The APEEP scheme was scheduled to be commenced in January 1995 and commissioned by December 1997. The Board approached the Government of Andhra Pradesh only in November 1996 for release of funds which were received in January 1997. Thus due to delay in requisition by the Board for release of funds, the project commenced in September 1997 was yet to be completed (August 2001). AP TRANSCO, however, obtained extension of time form Department for International Development (DFID) up to December 2002.

Funding (para 2.C.4.2)

The DFID, United Kingdom sanctioned (December 1994) 42.7 million Pounds (equivalent to Rs. 282.14 crore at the exchange rate of 1994) for AP Energy Efficiency Project as grant to the Government of India (GOI) for onward lending the same to the Board through the Government of Andhra Pradesh (GOAP). The grant was to be disbursed in two tranches i.e., 10 million pounds equivalent to

Rs. 63.34 crore in the first tranche; 31.6 million pounds equivalent to Rs. 218.80 crore in the second tranche and the balance 1.1 million pounds towards technical co-operation. So far, out of first tranche of Rs. 63.34 crore, GOAP released Rs. 25.83 crore equivalent to 4.5 million Pounds in three instalments viz., first instalment of Rs. 4 crore and second instalment of Rs. 4.26 crore in January 1997 and March 1997 respectively with an interest at the rate of 14.35 per cent per annum. The third instalment of Rs. 17.57 crore was released in March 1998 which carried interest at the rate of 13.55 per cent per annum. Out of the balance of Rs. 37.51 crore, Rs. 25.49 crore were paid by DFID direct to suppliers/contractors (selected on International Competitive Bid route) from 1998-99 to 2000-01 (January 2001). GOAP is yet to regularise Rs. 25.49 crore as loan to Board/ APTRANSCO. The remaining amount of Rs. 12.02 crore was yet to be released by DFID (March, 2001). The entire loan is re-payable in 15 equal annual instalments commencing from the following year of drawal of loan. The import duties and taxes were to be met by the Company through its own sources.

Clause 14.9 of the project report provides for pre-funding arrangements for which the Board was required to submit a request for funds based on the estimates of equipment required for the coming quarter. Audit observed that out of third instalment loan of Rs. 17.57 crore of first tranche released in March 1998, the Board could spend only Rs. 9.73 crore during 1998-99, Rs. 4.00 crore during 1999-2000 and Rs. 1.84 crore during 2000-01 (up to January 2001), thus keeping funds idle to the extent of Rs. 7.84 crore, Rs. 3.84 crore and Rs. 2.00 crore at the end of respective years. Though Board/APTRANSCO earned interest of Rs. 91 lakh (at the rates ranging from 5.5 to 9 per cent) on surplus funds drawn, it incurred an interest of Rs. 1.87 crore on these surplus funds resulting in avoidable loss of Rs. 96 lakh. Thus, not matching the funds requirement with progress achieved, resulted in avoidable payment of interest.

The Company stated (September 2001) that the expenditure in the initial years was less due to not taking up of Sivannagudem High Voltage Distribution System (HVDS) works and deferring of interconnecting lines of Khammam district to Tranche-II works. The reply is not acceptable as the Board/Company should have assessed the quarterly requirement for drawal of funds, as stipulated in clause 14.9 of the Project Report.

The Company in its explanatory notes stated that the low expenditure in the initial years was mainly due to non-taking off of HVDS Nakrekal project due to various problems encountered in the execution and not taking up Shivanagudem HVDS project due to the bad experience from Nakrekal project. It was stated that the erection of 33 KV inter linking lines in Khammam district were not taken up as these were the lines to be inter linked to the new 132 KV sub stations proposed to be erected with Board funds. As 132 KV sub stations were not taken up the 33 KV lines were not erected. Subsequently all these lines were covered in the Tranch II works where 132 KV sub stations were taken up under DFID second Tranch funds.The Interest earned on unutilized funds was Rs. 184.96 lakh to end of 31-3-2001 but not Rs. 90.63 lakh as pointed out in the Report.

The CMD in the oral evidence stated that the interest earned on the surplus funds upto the end of March 2001 was Rs. 184.96 lakh and there was really no loss.

The Principal Secretary in the oral evidence stated that, this was a pilot project and not always possible to achieve whatever that was contemplated.

Recommendation:

The Committee observed that the amount of interest earned as explained by the company was different from the amount mentioned in the Report. The Company should have given the details much earlier at the time of finalisation of Report and well before the Committee meeting

The Committee recommends that details of interest of Rs. 184.96 lakh earned as explained by the Company shall be produced to the Committee.

Conversion of Low Voltage Distribution System (LVDS) to High Voltage Distribution System (HVDS) (para 2.C.4.3)

The conversion of LVDS to HVDS 'lines covering 2977 agricultural connections in 16 villages with material to be supplied by the Board involved (i) conversion of three phase low voltage supply to single phase high voltage supply through single phase transformer with Aerial Bunch (AB) cable; neutralising second phase and dismantling third phase; and (ii) supply, erection and commissioning of new agricultural motor pump sets by replacing the existing old motor pump

sets at the consumer premises to reduce the energy losses which was to be returned to the contractors. The estimated cost of these works was Rs. 8.26 crore.

The Board concluded six agreements (valued at Rs. 25.31 lakh) (Labour works) between 1997 and 1998 with the contractors for the line conversion work to be completed within three months from the date of handing over the site. As two contractors had failed to execute the work, even after extension of time, the contracts were terminated in January and March 1999 and balance works were got executed by another two contractors. These contractors completed the line conversion work in all the 16 villages during the period from 1997 to February 2001. Board also concluded (January-February 1998) two lump sum agreements with M/s. Suguna Machine works Limited, Coimbatore, (Rs. 2.11 crore) and M/s. Kirloskar Brothers Limited, Secunderabad (Rs. 1.36 crore) for supply, erection and commissioning of 2977 agricultural motor pump sets to suit the single phase HVD Line. The works which commenced in April 1998 were to be completed by September 1998. Due to protests by consumers and obstructions created by illegal consumers, the contractors could supply and commission only 1591 pump sets in 11 villages. A Specialist Engineer appointed by DFID as Power consultant recommended (August 2000) foreclosure of the scheme as the project was affected inter alia due to lack of accurate information about the net work at the start, increase in number of consumers than those originally documented, substantial increase in number of pumpsets to be installed subsequently due to farmers (i) making several illegal connections (ii) substantial purchase of costly submersible pumps due to low ground water (iii) non obtaining of consent of farmers for conversion to single phase pump (iv) selection of bad contractors to carry out the work and (v) poor progress due to lack of materials and site conditions. The scheme was short closed by September 2000, after incurring an expenditure of Rs. 7.51 crore.

Audit observed that :

(i) Although Board proposed to recover 50 per cent cost of motors along with current consumption charges in three equal instalments from the consumers by entering into revised supply agreements, agreements were not concluded with the farmers before the award of works to the contractors.

(ii) As the agricultural consumers protested and did not allow installation of pumpsets, lines converted at a cost of Rs. 1.93 crore in 5 villages in full and in 11 villages in part remained unutilised resulting in locking up of funds besides loss of interest of Rs. 27.67 lakh at 14.35 per cent per annum.

(iii) Board's material valued at Rs. 34.69 lakh remained with the two contractors, whose contracts were terminated. The amount was not recovered so far (March 2001). Thus issue of materials without monitoring the progress of work resulted in loss of Rs. 34.36 lakh after taking into account the earnest money deposit of Rs. 0.33 lakh.
(iv)As the farmers did not return the old motors (1591 numbers) after commissioning new motors, the Board had to make full payment to the contractors without deducting Rs. 15.96 lakh being the cost of old motors. This has resulted in an avoidable expenditure.

(v) Materials consisting of 92 numbers of three phase transformers and 293 Kms of conductor valued at Rs. 99 lakh in 11 out of 16 villages were not dismantled and returned or devoluted to stores even after completion of works as per terms of contracts.

The Company stated (September 2001) that fifty per cent recovery was not effected due to unwillingness of the farmers; the lines converted are being used either on three phase or single phase and non-utilisation of the lines does not arise; the recovery would be effected out of performance guarantee; and three phase transformers and one phase conductors were not removed as the farmers did not allow officers for dismantling the lines with the apprehension that they have to switch over to three phase system, in case single phase system fails.The reply is not acceptable as agreements with farmers should have been concluded before implementation of scheme to make the scheme successful.

The Company in its explanatory notes stated that

(i) regarding recovery of 50% cost from the farmers the Company stated that it was only a proposal before the Board and there were no final orders for recovery of the amount. But, an alternative proposal to take back the three phase motors after installation of single phases motor (buy back arrangement) was considered and these proposals were approved by the Board while placing orders on M/s Kirlosakar and M/s Suguna Motors manufacturers.

(ii) regarding locking up of funds due to non utilization of lines due to non installation of pump sets the Company stated that the lines are always in service irrespective of three phase system or single phase system in use.

(iii) regarding recovery of cost of material laying with the contractors the Company stated that all the material issued to contractors were collected and used on other DFID works.

(iv) regarding non return of motors, the Company stated that the farmers did not return the motors as they were apprehending that they might have to switch over to three phase system in case single phase system fails.

(v) regarding dismantling and return or devolution of material to stores the Company stated that 7 nos of transformers were removed and the balance would also be dismantled and devoluated to stores.

The company in the oral evidence stated that :

i) regarding recovery of 50 % of cost of motors, it was stated that it was only a proposal mooted and not a decision and it was taken to the field to understand practical problems. Afterwards, the proposal was once again put up to the Board and was informed that it was not possible to recover because no consumer was prepared to pay 50 % cost of motor. Hence, a revised proposal was approved by the Board to take back three phase motors after installation of single phase motors. Hence, there was no order of the Board to recover 50 % of cost of motors.

ii) & iv) to a query the company in its oral evidence stated that objective (savings in current consumption) was partly achieved. Besides, it was stated that as it was a pilot project a number of problems were faced while executing the project and it could not be implemented finally. v) regarding non return of 3 phase transformers it was stated that the farmers did not allow to remove them to replace with single phase motors. As this being a pilot project, inspite of best efforts it could not be implemented.

Recommendation:

The Committee recommends that

i) **the company should conduct field study before starting such pilot projects with huge investment,**

ii) **proper agreements should be entered into with all the parties involved**

iii) **The progress of work and issue of material to contractors should be closely monitored to avoid the situation of material being lying with the contractors after completion of works.**

iv) **The Three phase transformers and conductors should be dismantled and devoluated to stores.**

Bench marking works (para 2C.4.4)

In order to record the energy consumed by consumers before and after conversion of low voltage distribution to high voltage distribution, Resident Project Manager, DFID approved (December 1996) bench marking schemes at an estimated cost of Rs. 36.50 lakh by providing 10 numbers trivector meters, 6 numbers data loggers, and 500 number three phase energy meters. The scheme was revised to Rs. 13.90 lakh (November 1997) by deleting 500 energy meters from the scope, as 3000 energy meters were provided in HVDS scheme itself for all agricultural services.

Under the scheme sample site would be chosen for bench marking exercise. All 11 KV feeders at the 33 KV/11KV sub-station feeding the chosen area would be fitted with electronic trivector meters. The consumers who were supplied power from chosen sub-station would be provided with meters to obtain sample energy consumption to estimate losses of the existing system and the level of improvement after conversion to high voltage distribution system. The work was completed in September 2000.

Audit observed that the APTRANSCO failed to record the sample of consumer consumption (Bench marking) before and after conversion of services as well as the level of improvement. Further 2633 (out of 3000 numbers) single phase 5-25 Amps electronic energy meters procured at a cost of Rs. 47.27 lakh to be fixed to agricultural connections to evaluate the level of improvement and consequent savings in energy remained in

stock as they were not considered suitable for agricultural connections. Board ordered (July 1997) the utilisation of balance single phase meters for releasing new service connections in Nalgonda town.

The Company stated (September 2001) that bench marking was completed in four villages and huge energy saving was noticed. The meters could not be installed due to protest from farmers. The reply is not acceptable in view of the fact that neither three phase nor single phase meters were installed and hence the question of saving did not arise. DFID also observed that bench marking was not completed by Board. As regards non-utilisation of meters, the reply is not acceptable as the meters were not used due to their unsuitability. The entire investment of Rs. 61.17 lakh (cost of Bench Marking Rs. 13.90 lakh and cost of meters Rs. 47.27 lakh) thus became infructuous.

The Company in its explanatory notes stated that

Out of 3000 meters procured about 350 meters were erected in various villages initially. The farmers were apprehending that they might be billed on the consumption recorded by the meters and have disconnected the meters. Hence, meters could not be installed as envisaged in the scheme. In view of this these single phase meters would be used in urban areas for release of new connections.

The company in its oral evidence stated that the entire lot of energy meters which were meant for agricultural connections were diverted for new urban service connections in Nalgonda circle with the approval of the funding agency and the Board. All the meters were put to use.

Recommendation:

The Committee observed that detailed reply as to utilisation of single phase electronic energy meters meant for agricultural connections for releasing new urban service connections should have been given before finalisation of Audit Report and directed the company to furnish the details of service connections where those meters were utilized.

Non-Utilisation of 33 KV lines (para 2C.4.5)

The Board awarded works for construction of 14 inter linking lines of 33 KV sub-station at a cost of Rs. 5.80 crore during the years 1997-99. Out of these, four lines viz., (1) line form Choutuppal to

Malkapur completed (September 1999) at a cost of Rs. 34.20 lakh was under idle charge (March 2001). (2) The lines from Marriguda to Chandur, Ghattuppal and Madanapur (TK Pally) completed (September 1999) at a cost of Rs. 1.15 crore could not be charged as the 132 KV sub-station at Marriguda was planned for construction under second tranche funds.

Although the Project Report envisaged that the works should be independent and should not depend on financing from second tranche funds, the above three works constructed at a cost of Rs. 1.49 crore remained idle as the connected sub-station works are to be completed with second tranche funds. Thus, improper planning had resulted in loss of interest of Rs. 32.15 lakh (upto March 2001).

The Company stated (September 2001) that the lines were utilised for charging 11KV supply and there was no loss of interest. The reply is not acceptable as the connected sub-station is yet to come up (September 2001) and the line was charged with 11KV supply of power (Idle charge) to prevent theft of conductor but not for the objective for which it was erected.

The Company in its explanatory notes stated the erected 33 KV lines were charged at 11 KV supply which resulted in voltage improvement and reduction in line losses and also avoiding theft of conductor. These lines were charged again to 33 KV after commissioning of sub stations.

The company in its oral evidence stated that in respect of Choutuppal the work was completed and at Marriguada the work was going on.

The Principal Secretary, Energy, Government of Andhra Pradesh, in his oral evidence stated that there was delay in completion of sub station works. However, the line which were erected were being utilized.

Recommendation:

The Committee observed that inordinate delays occurred in construction of 132 /33 KV sub station with the result lines laid were not charged rendering huge investment un - fruitful. There was no planning and co coordinated effort on the part of company. The 132 KV sub station at Marriguda should be completed early and lines charged.

2C.4.6 Delay in utilisation of lines

The Board completed laying of line from Wanaparthy to Solipur in Mahaboobnagar district (July 1998) at a cost of Rs. 53.40 lakh but the line could not be charged till December 1999. Similarly the line from Shaligauraram to Akkinepally in Nalgonda district completed (September 1999) at a cost of Rs. 37.96 lakh could be charged only from August 2000. These lines could not be charged due to delay in completion of sub-stations which were taken up from other than DFID funds. The delay in charging of lines resulted in loss of interest of Rs. 13.11 lakh (at 14.35 per cent per annum), besides delay in realisation of anticipated benefits under the scheme.

The Company stated (September 2001) that the delay in completion of sub-station was due to non-flow of material and funds. The reply is not acceptable as the Company received funds from Rural Electrification Corporation for these two sub-stations during 1995-96 to 1996-97 and the delay was in placing purchase order/concluding agreements.

The Company in its explanatory notes stated that till the sub stations were completed these lines were charged at 11 KV and beneficially used by bifurcating the loads on existing 11 KV feeders.

The company in the oral evidence stated that the sub stations works were completed, and lines were also erected.

Recommendation:

The Committee observed that there was no planning and coordinated effort on the part of Company. There were delays in placing purchase orders/concluding agreements.

The Committee recommends that power lines which were erected with huge costs shall be utilized without any delay by constructing sub stations in time.

Non-availment of customs duty concession (para 2C.4.8)

The erstwhile Board awarded (April 1998) design, manufacture, supply, erection and commissioning of equipment and its annual maintenance of SCADA at Hyderabad to M/s. Asea Brown Boveri (ABB) Limited, Bangalore for Rs. 25.46 crore plus 757353 UK pounds after inviting International competitive bids (ICBs). Another contract for application software was also awarded to the same firm for Rs. 70 lakh.

Though this project was also financed by DFID UK (formerly overseas Development Authority), and was eligible for project import concessions under the Schedule to Chapter 98 of the Customs Tariff, the Board did not apply to GOI for according project import concession under Project Import Regulation, 1986, for payment of concessional rate of customs duty. The Board, however, obtained similar concession in May 1997 in respect of Urban Distribution Development Projects in Hyderabad and Tirupati towns. Audit also observed that, had the exemption been obtained from GOI and the contract got registered with the Customs authorities, the Board/APTRANSCO could have availed Customs duty concessions to the extent of Rs. 2.08 crore.

Non-availment of concessional rate of customs duty has thus resulted in loss of Rs. 2.08 crore.

The Company stated (September 2001) that SCADA equipment was not exempt from payment of customs duty. The reply is not acceptable as though exemption was already available under Chapter 98 of Customs Tariff for projects or entire equipment imported against projects financed by ODA, the Company applied for exemption for only part of the project component under deemed export benefits which resulted in refusal by Government of India on the plea that the benefit cannot be extended for part of the project component.

The Company in its explanatory notes stated that since SCADA equipment is not falling under the above head, a separate exemption under item 30 of the general exemption no 121 was issued vide No16/2000 dated 1-3-2000 and it was clarified by the Assistant commissioner that the above exemption is not applicable to SCADA project.

The company in the oral evidence stated that customs duty exemption was not available for SCADA projects.

Recommendation:

The Committee recommends that the company should submit whether the project was registered under appropriate provisions of The Customs Act to get concessions under the Act, also whether the claims have become time-barred. If registered and it was not time barred, the Committee ordered to prefer claim for concession, under appropriate section of the Act..

Andhra Pradesh Hazard Mitigation and Emergency Cyclone Recovery Project (para 2C.5)

The Project envisages reinforcement and augmentation of transmission and distribution (T&D) network in the cyclone affected areas in the 14 districts of Andhra Pradesh to make them withstand cyclonic wind conditions and floods. The scheme covers erection of 11 KV to 220 KV lines, erection of 132 KV and 33 KV sub-stations, 33 KV to 220 KV bay extensions and 11 KV and 33 KV line crossings. The project was estimated to cost Rs. 122.81 crore covering Rs. 56.55 crore for transmission, Rs. 60 crore towards distribution works and Rs. 6.26 crore towards establishment charges. The project which was to be implemented during the period from June 1997 to July 2000 was extended up to July 2001 due to delay in execution of works by contractors on account of right of way problems and railway clearances etc.

Funding(para 2C.5.1)

The project cost is proposed to be met from the loan to be shared in the ratio of 68:30:2 by World Bank, GOAP and GOI. The loan is repayable in 15 equal annual instalments commencing from the following year of drawal of the loan with an annual interest rate of 13.55 per cent. As against the sanctioned Project cost of Rs. 122.81 crore, GOAP released Rs. 113 crore during the period from April 1998 to July 2000 and Board utilised Rs. 95.87 crore only diverting Rs. 11 crore for other works in April 1999 and leaving Rs. 6.13 crore unutilised. The Board kept the entire releases in the current account of State Bank of Hyderabad which did not earn any interest. Had the Board kept the loan amount in Bank of India Star account" which earns interest, as was done in the case of DFID Funds, it could have earned interest of Rs. 95 lakh.

The company in its explanatory notes stated that as per the advice of the audit an amount of Rs.4.5 crore was put in FD at SBH and earned an interest of about Rs.14 lakh.

To a query in respect of depositing remaining amount in Bank, the Company in the oral evidence stated that it did not have required information readily and assured that the point would be taken care and funds would be kept in bank.

Recommendation:

The Committee ordered to submit details as to how the balance amount was invested and interest earned thereon.

2C.5.2 Diversion of materials

A test check in audit of stores records of Rajahmundry, Eluru, Ongole, Tirupathi and Nellore circle offices, revealed that materials valued at Rs. 3.41 crore were diverted for other works in those districts which are yet to be recouped.

The Company stated that the materials diverted have been recouped. The reply is not correct as the materials are yet to be recouped.

The Company in its explanatory notes stated that all material diverted was recouped and targets envisaged were achieved.

The CMD of the company in the oral evidence stated that the five stations were completed and materials were completely utilized.

On satisfactory reply submitted by the company, the Committee dropped the objection.

2C.5.3 Cost of local supplies paid in foreign currency equivalent

For procurement of materials/equipment required under the Project, Board invited (September 1997) 14 and 17 International Competitive Bids (ICBs) respectively for distribution and transmission works. As per the bid conditions of the World Bank, the bidders from purchaser's country shall quote in the currency of purchaser's country unless otherwise specified in the bid data. This clause was not made applicable and the local bidders were also allowed to quote their prices in foreign currency. The bids in foreign currency were evaluated by converting them into Indian currency on the bid opening date. Out of 40 purchase orders placed on Indian suppliers, six purchase orders were placed on firms who quoted supply of equipment in U.S dollars. While payment to all other suppliers were made in Rupees at the firm prices agreed in the purchase orders, payment to six local suppliers were made by converting U.S dollars into Indian rupees at the exchange rates prevailing on the date of payment. Due to depreciation in the value of the rupee, the suppliers whose bids were in U.S dollars were paid more by Rs. 4.23 crore compared to the amount computed on the date of evaluation of the bids. As there was no exchange risk to local suppliers, inviting and accepting bids in foreign currency for local supplies was not in order and resulted in loss of Rs. 4.23 crore.

The Company stated (September 2001) that the execution of the contract was made as per the guidelines of the World Bank. The reply was not acceptable as it was contrary to clause 12.1.(a) of Section II of the bid documents which stipulated that the bid for supplies from within the country had to be quoted in the currency of purchaser's country. The Company, however, accepted prices quoted in foreign currency. Thus, inviting and accepting bids for payment in foreign currency had resulted in an undue benefit of Rs. 4.23 crore to the suppliers.

The Company in its explanatory notes stated that the clauses were amended in the bid data sheet which was also part of bid document by the Word Bank as below:

Clause 12.1 (a) is not applicable and Clause 12.1(b) applies to all goods and services and the words *from outside the purchasers country shall not apply*.

The CMD of the company in the oral evidence stated that the company could not do any thing against the norms of World Bank. It was stated that the clauses were amended subsequently. It was also explained that if necessary, the same would be taken to the notice of appropriate authorities to take appropriate action to avoid confusion in the clauses.

Recommendation

The Committee felt that both the clauses were contradictory to each other and not in favour of the company but in favour of contractors only. Hence, the Committee recommends changing section-2 also to get synchronization in the clauses of agreement, in the interest of the company.

2C.6 Integrated System Improvement Scheme

The Integrated System Improvement scheme envisages improvement/regulation of voltage, reduction in transmission losses etc in Warangal district at a cost of Rs. 53.99 crore and in Chittoor, Cuddapah, Kurnool, Ananthapur and Nizamabad districts at a cost of Rs. 268.58 crore comprising of construction of 132 KV/33 KV sub-stations, laying of 132/33 KV/11 KV lines and erection of capacitor banks.

2C.6.1 Funding

The Japanese Bank for International Co-operation (JBIC) formerly Overseas Economic Cooperation Fund (OECF) sanctioned a loan of Rs. 448.09 crore for implementing the scheme through Rural Electrification Corporation (REC), subject to submission of approved schemes. The Board/APTRANSCO had submitted schemes for an estimated cost of Rs. 322.57 crore in Chittoor, Kurnool, Anantapur, Cuddapah, Nizamabad and Warangal districts and drawn a loan of Rs. 315.81 crore up to 31 March 2001 at 14.66 per cent interest per annum out of which expenditure to the extent of Rs. 299.61 crore was incurred and final bills were pending to the extent of Rs. 16.20 crore. Out of the balance amount of Rs. 16.20 crore, Rs. 14.18 crore was diverted from March to December 2000 for purposes other than those covered under the scheme.

The Company in its explanatory notes stated that Rs. 14.18 crore was diverted to head quarters for better utilisation of funds as they were kept idle in the absence of bills on hand. The AP Transco is restoring the funds whenever required to clear the bills.

The CMD in the oral evidence stated that as works were not taken up at that time funds were diverted. But, subsequently, the money which was allotted was released and works were completed and all the sub stations were erected.

On satisfactory reply submitted by the company, the Committee dropped the para.

2C.6.2 Procurement of surplus materials

i) The Board awarded (March to June 1998) the works for construction of 33/11 KV sub-stations, augmentation of Power transformers, erection of circuit breakers, extension of 33 KV bays, laying of 33 KV/11 KV lines, erection of Automatic voltage boosters at Cuddapah, Rajampet and Yerraguntla to three turn key contractors. The works were to be completed within one year from the date of award. After five to eight months after award of contracts, Board, however, issued deviations (November 1998) deleting part of the works, diverting certain works to other locations as these works were already completed with Board's funds, before award of turn key contracts. Meanwhile, the turn key contractors supplied the material, for all the works including those deleted/ transferred. This resulted in unnecessary procurement of materials through

turn-key contractors. No action was taken on these surplus materials valued at Rs. 9.46 crore so far. Thus, procurement of materials for deleted works resulted in locking up of Rs. 9.46 crore as well as loss of interest of Rs. 3.22 crore from February 1999 to April 2001.

The Company stated (September 2001) that in view of operational urgency some of the works covered under the scheme were already completed by the Board earlier with other sources of funds. The reply is not acceptable as there was no prudence in procuring materials for the works already completed.

The Company in its explanatory notes stated that the extent of materials used by the erstwhile APSEB in execution of works prior to receipt of sanction and release of funds are recouped from the scheme.

The CMD in the oral evidence stated that as the funds were received late, transformers were purchased with own funds and were also erected. But, when the actual funds were received, the transformers purchased with these funds were installed in other new locations. Hence, the transformers were fully utilized.

(ii) The Board concluded two agreements in August 1995 and December 1996, with M/s. BSES Limited Mumbai respectively for execution of L.T restructuring system of Chityal and Chelpur-Parkal system in Warangal district on turn-key basis at a contract value of Rs. 10.06 crore and Rs. 12.30 crore respectively. The scope of works provided for conversion of 7414 agricultural services from LT three phase supply to H.T. Single phase supply and by erecting 10 KVA/15 KVA distribution transformers along with erection of neutral wire. Against actual requirement of 356 KM of AB Cable, 2038 numbers of 10 KVA/15 KVA distribution transformers and 306 KM of neutral wire, the contractors procured 1718 KM of AB cable, 3220 numbers of 10/15 KVA distribution transformers and 415 KM of neutral wire resulting in excess procurement of 1362 KM of AB Cable, 1182 numbers of 10/15 KVA distribution transformers and 109 KM of neutral wire valued at Rs. 7.61 crore. Audit observed that the Board procured these materials based on the estimates of 1990-91 without considering the requirements as on the date of awarding the works during 1995 to 1997. While diversion orders for 1115 KM of AB cable were issued (March 2000) for utilisation on other than OECF works, no action was initiated for utilisation of the other surplus

materials. This resulted in locking up of funds to the tune of Rs. 7.61 crore with consequential loss of interest of Rs. 5.58 crore up to March 2001.

The management in its reply (September, 2001) has accepted the facts.

The Company in its explanatory notes stated that 425KMof LT AB cable was identified as surplus. The main reason for low consumption of AB cable was due to increase in concentration of pump sets and laying of new LT lines to nook and corner of villages. The balance material with contractors was taken over from the contractor at the cost data rates which are less than the contractor rates as per the approval accorded by APTransco and utilised as per the necessity.

(iii) Similarly, the Board awarded (May 1998) four works in Chittoor district and one work in Nizamabad district for supply, erection and commissioning of sub-stations, 33 KV/11 KV lines, circuit breakers, automatic voltage boosters, power transformers etc., to five contractors for a total contract value of Rs. 100.39 crore. After completion of works (between December 1999 and March 2000), the contractors handed over to APTRANSCO surplus materials viz., 33 KV/11 KV line circuit breakers, automatic voltage boosters, power transformers, conductors, 63 nos 11 KV switched shunt capacitor 600 KV AR and overhead line materials valued at Rs. 8.70 crore. This resulted in locking up of funds to the tune of Rs. 8.70 crore with consequential loss of interest to the tune of Rs. 2.55 crore up to March 2001.

Audit observed that the excess procurement of materials was due to non-assessment of requirement afresh before drawal of 10 per cent loan from REC. The excess procurement resulted in excess drawal of loan by Rs. 25.77 crore with consequent avoidable payment of service charges of Rs. 77 lakh to Rural Electrification Corporation Limited (at the rate of 3 per cent).

The Company in its explanatory notes stated that the excess material was taken over by AP Transco at the procurement rates for effective utilisation as per necessity.

Regarding surplus materials, the CMD stated that theses materials were taken to stores at the prevailing rates at that time, as per the agreement.

Recommendation:

The Committee felt that there was some problem in foreseeing or assessing requirement of material which had resulted in excess procurement of materials of different nature.

Hence, the Committee recommends that assessment of requirement of material, in future, should be made on realistic basis to avoid locking up of funds of the company.

2C.6.3 Non-Consideration of lowest bid

The Board invited (September 1994) International Competitive Bids (ICBs) for design, manufacture, installation, testing and commissioning of equipment for L.T restructuring of Chityal system. One of the bid conditions stipulated was that the tenderer should have achieved annual turnover of 25 per cent of bid price in any of two out of last five years. M/s. Klen and Marshalls, Chennai (first lowest) and M/s. BSES Limited, Mumbai (second lowest) submitted their offers for Rs. 7.24 crore and Rs. 11.23 crore including CST/ APGST/Works contract tax but excluding excise duty (ED) respectively. The offer of M/s. Klen and Marshall though lowest and satisfying the bid condition, was rejected on the grounds that the tenderer did not achieve a turnover of 25 per cent of construction work in any two of the five years (as per bid condition 4 (2) (b)). After conducting negotiations, orders were placed on M/s. BSES for Rs. 10.06 crore including CST/APGST/Works contract tax but excluding ED. Thus, wrongful rejection of lowest offer and placement of order on M/s. BSES (second lowest offer) resulted in an additional expenditure of Rs. 2.82 crore.

The Company stated (September 2001) that the bidder did not achieve annual turnover of 25 per cent of bid price in any two of the last 5 years in terms of construction work. The reply of the Company is not acceptable since rejection was contrary to the bid condition.

The Company in its explanatory notes stated that the lowest bidder had not achieved the annual turnover in construction work ie., 25 % of bid price in any two years of the last 5 years.

The CMD in the oral evidence stated that he was not having with him and promised to verify and furnish detailed information to the Hon'ble Committee.

Recommendation:

The Committee felt that the two bid conditions were contrary to each other. It was not clear whether the condition was to have 25 per cent of the bid price or 25 per cent of construction work as experience to be possessed by the contractor to quote against the tender enquiry. Both of them convey different meanings. Hence, the Committee recommends that the company should study both the clauses and submit a note to the Committee.

Recommendations on 5 paras appeared in the Report of C&AG of India for the year ended 31 March 2003 pertaining to Transmission Corporation of Andhra Pradesh Limited.

Avoidable expenditure in procurement of energy meters (para No. 4.4):

AP Transco procured energy meters on two occasions @ Rs. 866/- (July 2000) per meter and subsequently at Rs. 647/-(December 2000). As per the terms of purchase orders, the quantity of meters to be supplied could be varied up to plus or minus twenty five percent during the period of supply. To meet further urgent requirement the Company decided(May 2001) to procure 1.60 lakh energy meters of the same specification and accordingly, directed the four DISCOMS to procure 40,000 meters each at Rs.866/- per meter instead of Rs. 647/- per meter. Specific reasons for non extension of orders placed in December 2000 at the rate of Rs. 647/- per meter were not on record.This resulted in avoidable extra expenditure of Rs. 3.50 crore on purchase of 1.60 lakh meters. Procurement of energy meters at earler higher rate of Rs. 866 per meter not justified as one of the DISCOMs procured additional quantity of 2.25 lakh meters (April 2002) at Rs. 647 per meter by extending purchase order of December 2000 mentioned above.

In the explanatory notes it is stated that total provision available for procurement without calling for fresh tenders was fully availed for the meter costing Rs. 647/-. Since the meters procured from the above were insufficient AP Transco had to place extension orders on the companies from whom meters had been procured on open tender system even though the meters were costly. It was also stated that though the specification of both the meters procured at Rs. 866/- and Rs.647/- is same, the meters procured at Rs.866/- are of superior quality.

The CMD in oral evidence stated that the cheaper meters costing Rs. 647/-have been exhausted. Hence, the company went back to earlier orders and procured costly meters at Rs. 866/- per meter. These meters were meant for high value consumers viz., domestic services and commercial services that give good returns. By fixing these meters Rs. 3.50 crore was recovered within two months by ensuring correct bills. Quality of both meters differ and quality of meters costing Rs. 866/- is higher than the other meters costing Rs.647/-.

Recommendation:

The Committee recommends that, in future, procurement of energy meters would be made in more transparent manner by the DISCOMS to whom autonomy of purchases have been given to avoid any confusion between quality of meters required for specific consumer categories and that procured and utilized. The Committee also recommends that to ensure difference in quality of both the types of meters these two types shall be sent to Central Power Research Institute (CPRI) to get them tested and result shall be intimated to the Committee, so that the necessity of procurement at a higher rate becomes clear.

Incorrect fixation of fuel cost adjustment (Para No. 4.5):

Additional expenditure towards increase in cost of fuel is recovered by levy of fuel surcharge at fixed rate per unit. FCA was not leviable on power sold to Rural Electric Co operative Societies (RESCOS) and inter state sales as they were treated as separate licensees and were not covered by tariff notifications. Accordingly up to 1995-96 FCA was levied by the erstwhile Board on total power sold to HT (excluding RESCOS and inter state supplies) and LT category III consumers. However, from the year 1996-97 to 1998-99 (31 January 1999) FCA was levied on the total power sold to HT and LT category consumers without excluding the units sold to RESCOS and inter state supplies resulting in determination of lower recovery rate of FCA and consequent short recovery of Rs. 20.38 crore.

The Company in its explanatory notes stated that there was no mention about exemption of FCA to RESCOS and inter state sales either in tariff notification or notified Annual Accounts after completing audit by A.G. In this regard, most of the consumers have filed writ petitions in the Hon'ble High Court and the matter is subjudice.

The Company accepted the objection. The CMD in oral evidence stated that the company could not collect the amounts from RESCOS. The matter regarding fixation of FCA has been taken over by the APERC and therefore, such an issue would not rake up in future where the company is concerned. Subsequently, when the reforms took place, amount, that was shown as loss, was adjusted by Government. Now, fuel surcharge is collected from all categories except from agriculture consumers.

The Committee noted the explanation.

Delay in recovery of fuel surcharge adjustment (para No. 4.6) :

Fuel surcharge adjustment (FSA) to be recovered from all non agricultural consumers, is an important aspect being finalised by the A P Electricity Regulatory Commission (Commission). For this purpose the Company submits quarterly proposals and on approval by the Commission the same would be implemented by the company with out any delay as orders of the Commission are mandatory. In respect of 2nd quarter of 2000-01 Commission approved recovery of Rs. 39.22 crore by issuing notification. But, the company issued notification with a delay of 4 months, adjustments bills were not raised and approached Government (November 2001) for clearance which is not necessary. In the same way bills for 3rd quarter were also delayed with the pretext that clearance is pending with Government, even though the Commission has given orders for this quarter also. Thus, there was abnormal delay in raising FSA bills for 2nd quarter by 12 months and for 3rd quarter by nine months. The FSA bills could have been raised without delay and the realisation utilised to reduce borrowings to save interest to the extent of Rs. 5.98 crore at the rate of 11.5 per cent per annum.

The Company in its explanatory notes stated that APTRANSCO felt that it would be appropriate to obtain clearance of Government of A P as levy of FSA on domestic consumers is a sensitive matter and may cause public uproar.

The CMD in oral evidence stated that the amounts were charged and collected subsequently.

The Committee noted the explanation in view of the collection made by the Company.

Loss due to non collection of rental charges (from cable TV operators) (Para No.4.7)

Non-implementation of orders by DISCOMS to recover rentals from cable TV operators for using Company's poles resulted in non realisation of rentals to the extent of Rs. 12.03 crore. As per the data available in the records of the Company the cable TV operators in the state were using 2,96,703 poles. As against the rental charges of Rs. 12.12 crore recoverable from cable TV operators for 2001-03 in respect of above mentioned poles Rs. 0.09 crore only could be realised upto August 2003 resulting in short recovery of

Rs. 12.03 crore. Consequent upon inclusion of para in the Audit Report the Company issued (April 2001) orders for collection.

The Company in its explanatory notes stated that actual number of poles that are used by the cable TV operators now is merely 7.2 % (2,38,690)of total number of poles (33,29,004). Rental charges to the extent of Rs.77.63 lakh were recovered. After the issue of orders Dt. 9-4-2001 A.P. Transco is constantly pursuing with the DISCOMS to enter into agreements with Cable TV operators and collect rental charges.

The CMD in oral evidence stated that TV cable operators were called for discussions and informed either to remove the cables from the Transco poles or to lay under ground cables. But, the CMD informed the Committee that cable operators requested for some time to remove the cable line from the poles. The CMD also informed if the cables are cut by force there would be hue and cry as it was a sensitive issue which involve general public. Hence, a big campaign about the danger of electric poles being used for stringing cables and the necessity to remove them was being conducted.

Recommendation:

The Committee has taken a serious view of the issue and desired that, Government should take a view on the matter regarding utilisation of electricity poles by cable TV operators, keeping in mind the capacity of the poles to bear this additional load. The Committee recommends that the Government considers recovery from the cable TV operators of the amount outstanding in the form of penalty charges to cover the period during which Company' s poles have been utilized for their purposes by cable TV operators.

Non recovery of cost of shunt capacitors (para no. 4.8)

The terms and conditions of power supply by the company stipulate that every low tension(LT) consumer using induction motors shall install shunt capacitors of specified rating to reduce power losses and improve power factor. The then Board decided to install 1 to 6 KVAR shunt capacitors to all the then existing 14.84 lakh agricultural services using induction motors including eight lakh services which required 2 KVAR capacitors. However, the expected one third cost subsidy promised by

State Government was not received. The matter was not pursued with government and decision was not implemented. In March 1997 the then Board suo moto procured and installed 1,90,000 capacitors at a cost of Rs.20.51 crore (including transportation) which was unwarranted as the primary responsibility of installation lies with the consumer. Even though Board has decided to recover the amount from the consumers no recovery was made.

The Company in its explanatory notes stated that the recovery of cost of capacitors payable by the farmers will be included in the CC charges and proposed the same for reimbursement by the Government of AP to AP Transco.

The CMD in oral evidence stated that this issue is being campaigned during 'rythu sadassus' to educate the farmers. If the farmers do not install the capacitors by March 2006, charges would be collected from April 2006 onwards.

Recommendation :

The Committee shall be informed about reimbursement of the amount from Government to APTransco/DISCOMs since all arrears outstanding against agricultural consumers have been decided to be written off. The Company was asked to intimate the Committee regarding recovery of the amount. The Government at all levels, shall take steps to ensure that agricultural consumers are being asked to instal shunt capacitors to improve the power factor and reduce power loss.

SUMMARY OF RECOMMENDATIONS

1. The Committee observed that the amount of interest earned as explained by the company was different from the amount mentioned in the Report. The Company should have given the details much earlier at the time of finalisation of Report and well before the Committee meeting

The Committee recommends that details of interest of Rs. 184.96 lakh earned as explained by the Company shall be produced to the Committee.

Conversion of Low Voltage Distribution System (LVDS) to High Voltage Distribution System (HVDS) (para 2.C.4.3)

2. The Committee recommends that

i) the company should conduct field study before starting such pilot projects with huge investment,

ii) proper agreements should be entered into with all the parties involved

iii) The progress of work and issue of material to contractors should be closely monitored to avoid the situation of material being lying with the contractors after completion of works.

iv) The Three phase transformers and conductors should be dismantled and devoluated to stores.

3. The Committee observed that detailed reply as to utilisation of single phase electronic energy meters meant for agricultural connections for releasing new urban service connections should have been given before finalisation of Audit Report and directed the company to furnish the details of service connections where those meters were utilized.

4. The Committee observed that inordinate delays occurred in construction of 132 /33 KV sub station with the result lines laid were not charged rendering huge investment un - fruitful. There was no planning and co coordinated effort on the part of company. The 132 KV sub station at Marriguda should be completed early and lines charged.

5. The Committee observed that there was no planning and coordinated effort on the part of Company. There were delays in placing purchase orders/concluding agreements.

The Committee recommends that power lines which were erected with huge costs shall be utilized without any delay by constructing sub stations in time.

Non-availment of customs duty concession (para 2C.4.8)

6. The Committee recommends that the company should submit whether the project was registered under appropriate provisions of The Customs Act to get concessions under the Act, also whether the claims have become time-barred. If registered and it was not time barred, the Committee ordered to prefer claim for concession, under appropriate section of the Act..

7. The Committee ordered to submit details as to how the balance amount was invested and interest earned thereon.

8. The Committee felt that both the clauses were contradictory to each other and not in favour of the company but in favour of contractors only. Hence, the Committee recommends changing section-2 also to get synchronization in the clauses of agreement, in the interest of the company.

9. The Committee felt that there was some problem in foreseeing or assessing requirement of material which had resulted in excess procurement of materials of different nature.

Hence, the Committee recommends that assessment of requirement of material, in future, should be made on realistic basis to avoid locking up of funds of the company.

10. The Committee felt that the two bid conditions were contrary to each other. It was not clear whether the condition was to have 25 per cent of the bid price or 25 per cent of construction work as experience to be possessed by the contractor to quote against the tender enquiry. Both of them convey different meanings.

Hence, the Committee recommends that the company should study both the clauses and submit a note to the Committee.

11. The Committee recommends that, in future, procurement of energy meters would be made in more transparent manner by the DISCOMS to whom autonomy of purchases have been given to avoid any confusion between quality of meters required for specific consumer categories and that procured and utilized. The Committee also recommends that to ensure difference in quality of both the types of meters these two types shall be sent to Central Power Research Institute (CPRI) to get them tested and result shall be intimated to the Committee, so that the necessity of procurement at a higher rate becomes clear.

12. The Committee has taken a serious view of the issue and desired that, Government should take a view on the matter regarding utilisation of electricity poles by cable TV operators, keeping in mind the capacity of the poles to bear this additional load. The Committee recommends that the Government considers recovery from the cable TV operators of the amount outstanding in the form of penalty charges to cover the period during which Company' s poles have been utilized for their purposes by cable TV operators.

13. The Committee shall be informed about reimbursement of the amount from Government to APTransco/DISCOMs since all arrears outstanding against agricultural consumers have been decided to be written off. The Company was asked to intimate the Committee regarding recovery of the amount. The Government at all levels, shall take steps to ensure that agricultural consumers are being asked to instal shunt capacitors to improve the power factor and reduce power loss.