



**FOURTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2019-2021)**

**HUNDRED AND FIFTH REPORT**

**(Presented on 24<sup>th</sup> August, 2020)**

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2020**

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**HUNDRED AND FIFTH REPORT**

**On**

**The Action Taken by Government on the recommendations contained  
in the Hundred and Eighth Report of the Committee on Public  
Undertakings (2014-2016) relating to Kerala State Electricity  
Board Limited, based on the Report of the Comptroller  
and Auditor General of India for the years ended  
31<sup>st</sup> March 2010 & 2011 (Commercial)**

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**COMMITTEE ON PUBLIC UNDERTAKINGS (2019-2021)**

**COMPOSITION**

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Shri P. B. Suresh Kumar, Joint Secretary

Shri Harish G., Deputy Secretary

Smt. Reji D. O., Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2019-2021) having been authorised by the Committee to present the Report on their behalf, present this HUNDRED AND FIFTH Report on the Action Taken by Government on the Recommendations contained in the Hundred and Eighth Report of the Committee on Public Undertakings (2014-2016) relating to Kerala State Electricity Board Limited, based on the Report of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2010 & 2011 (Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the Committee at its meeting held on 25-9-2019.

This Report was considered and approved by the Committee at its meeting held on 5-3-2020.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala, and express gratitude to officials of Power Department and KSEB Limited during the examination of the Action Taken Statements included in this Report.

Thiruvananthapuram,  
5<sup>th</sup> March, 2020.

C. DIVAKARAN,  
*Chairman,*  
*Committee on Public Undertakings.*

## REPORT

This Report deals with the Action Taken by the Government on the recommendations contained in the Hundred and Eighth Report of the Committee on Public Undertakings (2014-2016) relating to Kerala State Electricity Board Limited, based on the report of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March 2010 & 2011 (Commercial).

The Hundred and Eighth Report of the Committee on Public Undertakings (2014-2016) was presented to the House on 18<sup>th</sup> February 2016. The Report contained 8 recommendations and the Government furnished replies to all the recommendations.

The Committee considered the replies received from the Government at its meeting held on 25-9-2019.

The Committee accepted the replies to the recommendations in para Nos. 3, 6, 10, 11, 13, 17 & 20 without remarks. These recommendations and the replies furnished by the Government forms Chapter I of this Report.

The Committee accepted the reply to the recommendation in para No. 21 with remarks. This recommendation, the reply furnished by the Government and remarks of the Committee forms Chapter II of this Report.

CHAPTER I

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS  
OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE  
COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department Concerned	Conclusion/Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	3	Power	The Committee is not satisfied with the method followed by the Board in submitting inaccurate estimated figures to KSERC, while actual figures of consumption by EHT/HT consumers were available. The committee disagrees with the statement made by the witness that the Board gained a benefit of ₹ 12 crore during 2008-09 and there was a loss of ₹ 2.52 crore when the Board was forced to spend extra cost for the purchase of additional unit. The Committee is of the opinion that the Board could not	Kerala State Electricity Board had imposed power restriction during 2008-09 to reduce the dependence on generation/power purchase from costly liquid fuel stations and to limit the additional financial liability to that extent. Power restriction was made applicable for both HT and LT consumers of the State. During power restriction period, the consumer was allowed to use a certain percentage of energy (75% for HT & EHT and 90% for LT) at normal rate. Over and above the quota, the consumer was charged with the weighted average of power purchase cost for which rate approval from KSERC had to be

claim that it gained a benefit of ₹ 12 crore. However it can only be considered as an inadvertent revenue gained by collecting excess amount from EHT/HT/LT consumers by adopting erroneous estimated figures for the fixation of tariff. Therefore, the Committee recommends that for tariff calculation, actual figures of consumption should only be adopted.

obtained before 5<sup>th</sup> of every month. Since the actual consumption was not available with the Board within the specified date, Kerala State Electricity Board had regularly approached the Commission with anticipated consumption and hence resulted in overcharged rates on few occasions. Later, though KSEB had approached the Commission with actual consumption, Commission did not revise the rate. Also considering the practical difficulties in deriving the rates, KSERC approved a fixed rate for the entire period of restriction during 2009-10 and 2011-12.

Now, the computerization of HT and LT billing has been completed and the system is equipped to provide actual consumption within any stipulated time. Hence, in future, there will not be any excess/short collection during power restriction period.

In the circumstances detailed above, the Committee may please drop further action in the matter.



(1)	(2)	(3)	(4)	(5)
2	6	Power	<p>The Committee is aggrieved to note that the Board did not invite fresh tenders during the delivery period of additional quantity to avail the benefit of falling prices which resulted in a loss of ₹ 1.10 crore. Disagreeing with the statement made by the witness the Committee remarks that very purpose of the clause provided in the purchase order for refixation of prices is misused by the Board. Therefore, the Committee recommends that in order to avail the benefit of fall in prices and to make savings to the Board's accounts, the Board should synchronise their procedure for the purchase of additional quantity.</p>	<p>As per Board's earlier conditions for tendering and purchase orders, the supplier shall be prepared to supply an additional quantity of 25% in excess of the ordered quantity at the same rate, terms and conditions, if called upon to do so. However the price for additional quantity of materials will be refixed if a fall in price occurs in the next purchase order or new bid opened during the delivery period fixed for the supply of the additional quantity.</p> <p>But while implementing the price refixation, certain confusions and ambiguity have cropped up in various offices on the effective date of tendering, applying price variation and selection of price of new bids on different situations. Hence in order to introduce more transparency in the purchase procedure and also to evolve a practical methodology for the price refixation of the purchase order, the Full Board of KSEBL in the meeting held on 12-1-2011, had decided that it</p>

			<p>shall not be mandatory that the Board's suppliers shall be prepared to supply additional quantity of 25% over and above the original ordered or tendered quantity. However, if the supplier is willing to supply the additional quantity against the original purchase orders at the same rate, terms and conditions and also accepts the Board's refixation clause, the Purchase Committee can sanction the purchase of additional quantity upto 25% of the original quantity only in case of <u>utmost</u> emergency. The refixation shall be done on the basic prices only when there is a fall in price noted in the basic prices of the materials, with the same specifications supplied and accepted by the Board on subsequent purchase orders.</p> <p>It may also please be noted that if there is a hike in the price during the next tender, the same will not paid to the supplier.</p> <p>The purchase procedure followed in KSEBL is to prepare the purchase plan, for year based on the requirement. After getting purchase plan approved,</p>
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(1)	(2)	(3)	(4)	(5)
				<p>a priority list will be prepared for inviting tenders based on the availability of the materials, ie. taking into consideration stock, pipeline quantity, tender under process, 25% additional quantity to be given etc. Hence arranging a fresh tender within the delivery schedule of the additional quantity in order to make use of the provision for refixation of prices is not always practical.</p> <p>Since the material requirement is consolidated annually, urgent works and unforeseen works may come up afterwards. The provision for 25% additional quantity is intended to meet these types of urgent material requirement arising during the course of a contract. Also, a tender cannot be invited merely for knowing the market price of a product. The quoted price may vary depending upon the quantum of requirement, period of delivery, nature of price variation allowed and also on the market completion at that time.</p> <p>Now 25% additional quantity order is sanctioned by Board only in very urgent situations.</p>

3	10	Power	<p>The Committee observes that by not imposing penalty for excess consumption, the Board lost an amount of ₹ 0.48 crore during the period from December 2007 to July 2010. The Committee is not at all convinced with the statement made by the witness regarding the inclusion of penal provision in the agreement, as it was contradictory to the reply furnished by the Government. The Committee directs that the department should verify the records properly and inform the Committee whether any agreement was signed between the licensees and the Board.</p>	<p>It is observed that the agreements for supply of power to different licensees were executed in different offices of KSEBL located all over Kerala and hence the specified agreements could not be traced out at that time. The supply to the specified licensees was carried out long back. On continued efforts, a copy of the agreement for supplying power to Mahe (Part of Union territory of Pondicherry) was traced out from Transmission wing. The condition for penalty is there in the agreement.</p>
4	11	Power	<p>The Committee suspects that the practice of not charging penal rate for consumption in excess of contract demand by licensees might result in putting burden on other consumers while implementing tariff revision. Therefore, the Committee recommends</p>	<p>The penalties for excess demand are being imposed in order to restrict consumers/licensees to use power within the allocated limits to ensure stability and reliability of power system. The agreements executed with Mahe (Union territory of Pondicherry) and Madikkery (Karnataka) are</p>

(1)	(2)	(3)	(4)	(5)
			<p>that for improving the financial position of the Board, they should enter into fresh agreement by incorporating penal provision for excess consumption to abide by the schedule of tariff and terms and conditions for retail supply by the Board.</p>	<p>standard form of agreements which include the clause on penalty also. Imposing penalty to these State and Union territory would strain the bilateral relations with them. The entire fixed charges and energy charges at normal rates were collected from them and the penalty is only additional revenue to KSEBL. Since the entire charges at normal rates were collected, it would not burden other consumers. It may please be noted that in case of Mahe, the Ministry of power has allocated power from Central Generating Stations and they are in the process of availing power from Central Pool. Madikkery of Karnataka, presently using KSEBL power only as stand by, as they have developed their own network in the area.</p> <p>It may also be noted that as part of rectifying issue of non availability of agreement with licensees, presently, KSEBL had taken steps to execute PPAs with licensees at Head office and Chief Engineer (Commercial &amp; Tariff) is entrusted to sign the agreement with licensees in future.</p>

5	13	Power	<p>The Committee remarks that the Board violated norms of financial propriety hence most of their advertisements were surrogate in nature for displaying the achievements of the Government rather than benefiting the Board or the consumers. The expenditure of the advertisement made by the Board might be imposed upon the consumers by way of tariff revision. Therefore, the Committee recommends that proper guidelines with regard to advertisements should be issued by Government to public sector undertakings to avoid financial loss.</p>	<p>All the display advertisements at a cost of ₹ 3.19 Crore. Released during 2008-09 to 2010-11 were meant for conveying various consumer friendly developmental activities and programmes being implemented by KSEB Ltd., as per the prevailing policy of the then Government. Based on the recommendation from power Department, Planning (BPE) Department has issued circular No. PLGEA-BPE3/43/2019-PLGEA dated 15-3-2019 as per which strict and detailed instructions have been issued to public sector undertakings while issuing advertisements.</p>
6	17	Power	<p>The Committee remarks that average generation cost from hydel projects are more profitable than the average purchase cost from traders and hydel generation capacity of the Board is sufficient enough to meet off-peak hour requirements. Therefore, the Committee recommends that maximum</p>	<p>The present cost of generation from Hydro Electric Projects is around 75ps./unit. The power purchase cost from the traders/ Generators/ Independent Power Producers (IPPs) including Central Generating Stations(CGS) comes to ₹ 3.70 per unit approximately.</p>

(1)	(2)	(3)	(4)	(5)
			<p>utilisation of hydel power should be encouraged to minimise the purchase of power at high cost from Independent Power Producers or traders during off-peak hours.</p>	<p>The observation of the Committee that the hydel generation capacity of the Board is sufficient enough to meet off-peak hour demand is not fully correct. The hydel plants are operated with 30-40% Plant Load Factor. Hence continuous operation of Hydro plants during non-peak hours is not possible and off-peak hour requirement cannot be met from Hydel stations alone. Besides, the contracted power from IPPs and CGS are on Round the Clock (RTC) basis and contractual obligations are to be satisfied. However, scheduling the power during off-peak hour is done on merit order basis.</p> <p>KSEBL is formulating a power management strategy by efficiently utilizing the Hydel storage by maintaining maximum storage in Group I stations (Idukki, Sabarigiri, Idamalayar, Sholayar, Pallivasal) during monsoon season so that this can be utilized during summer when the rate from</p>

			<p>market/short term power purchase is comparatively high. Other generating Stations having low storage capacity is fully engaged in the monsoon season to avoid spill due to heavy rain.</p> <p>At present KSEBL is in an alarming situation as only less than 30% of the demand is met from hydel power. Execution of new Hydel stations is not happened due to environmental issue/public protests etc. Even in the midst of this precarious situation, KSEBL is meeting the demand by efficiently utilizing the Hydro-Thermal mix so that power purchase cost is kept low (around ₹ 3.60/- - 23.70/-)</p>
7	20	Power	<p>The Committee is surprised to note that the officials of the Board did nothing when the four pumps become non functional from January 2006 and August 2008 onwards and the officials took steps only after three years by ignoring the fact that all the four pumps were essential for pumping operations.</p> <p>Sabarigiri pumping station has four pumps of capacity 315HP each. Out of the four pumps, one pump was standby and the other three pumps were used to pump water from the Kochupampa weir to Pampa dam. Water is pumped from the reservoir during rainy season i.e 5-6 months, depending on the availability of water. The water from the</p>



(1)	(2)	(3)	(4)	(5)
				<p>Kochupampa weir is also intended for the use of Sabarimala Pilgrimage during Sabarimala Festival Season and water is released to Pampa river during the above period.</p> <p>All pumps except pump No. I (standby pump) was working satisfactorily till 2005. Pump number III was damaged in 2006. Since minor repairs were required for pump No II &amp; IV for making these in operational condition, parts of damaged pumps were used for running these two pumps. Pumping was carried out with the available two pumps so that there was no loss of water due to spill at Kochupampa weir. These two pumps were operated to pump surplus water from Kochupampa for 2970 hrs in 2007 and 2550 hours in 2008.</p> <p>Pumping was resorted to till the fire mishap in Moozhiyar Power House which occurred in May 2008. Because of the mishap, drift to Moozhiyar Power House was stopped and the water level in the reservoir was maintained almost at Full</p>

			<p>Reservoir Level (FRL). Any pumping into Pampa reservoir (by expending energy) will cause further rise in water level which will necessitate opening of gates to let surplus water out. For this reason it was decided to regulate pumping till the machines at Moozhiyar Power House were put back into operation and pumping was carried out up to 10/2008.</p>
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Earnest attempts were made during 2007 itself to arrange the repair of the damaged pumps. But it was delayed due to the following reasons.

1. The Pumps and other installations at the station were more than 25 years old and replacement of exact spares was difficult.

2. The pumps were located at Kochupampa which is deep inside the forest and about 40-45 kms from the nearest town.

3. Since the work was of special nature, which required expertise, and only a few firms were available and they were reluctant to inspect and submit proposal.

(1)	(2)	(3)	(4)	(5)
				<p>Owing to the above mentioned difficulties the preparation of the estimate was delayed.</p> <p>Even in the midst of the above difficulties an estimate for the rectification works of pump No. I was prepared and sanctioned in 5/2008 first as a test case, since it was very difficult to get competent firms for the repair works.</p> <p><b>The repair work of Pump No. I was tendered on 29-5-2008, but no response was received and the work was again tendered on 27-6-2008. This time also there was no response. Hence, the work was tendered for the third time on 21-11-2008 and the work was awarded to the contractor in 3/2009.</b> Several difficulties were experienced during the repair works. The pumps were to be taken to the contractor's workshop for repairs and after shop testing and trial operation, brought back to the site and erected. But many times during trial operation, and initial running, many parts got</p>

				<p>damaged (being very old) by breaking or burning causing pump/motor to be again detached and transported to the contractor's workshop for rectification. <b>Finally the repair of pump No. I was completed on 20-2-2011</b></p> <p>In the meantime the estimate for the repair of remaining three pumps were also prepared and sanctioned during 11/2009 and tenders were invited by the Executive Engineer during 4/2010. The estimate for rectification works as suggested by the Electrical Inspectorate were also sanctioned by this time. These works were awarded on 5-7-2010 and 19-2-2011 respectively (The second work was awarded after re-tender). All the above works were completed satisfactorily in 2/2011, 5/2011 and 6/2011 respectively and all the delay was due to the peculiar nature of the pumps such as the age of more than 25 years and non-availability of spares. No deliberate/purposeful delay was ever made by the field officers.</p>
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**CHAPTER II**  
**REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE**  
**COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE**  
**COMMITTEE WITH REMARKS**

Sl. No	Para. No.	Department Concerned	Conclusions/Recommendations	Action taken by the Government
(1)	(2)	(3)	(4)	(5)
1	21	Power	The Committee is grieved to note that while the cost for repairing pumps was merely ₹ 23.13 lakh negligence of the officials to repair them in time forced the Board to purchase power from external sources at high cost which resulted in a loss of ₹7.37 crore. Hence, the Committee recommends that liability should be fixed against the responsible officers who did not take any action to repair the pumps in time.	Consequent to fire mishap in Moozhiyar Power House during 05/2008, the station was under total/partial shutdown till 12/2009. The machines of Moozhiyar Power House were repaired one by one and put into service on completion of the rectification works. For this reason, even if sufficient water was available for pumping and pumps were available, pumping could not be done for the reasons detailed below:  <i>(1) the draw of water to Power House was very small as the machines were shutdown from 5/2008 to 12/2009 due to fire mishap.</i>

				<p>(2) <i>The pumping was regulated to avoid spill as the fire mishap occurred just before the monsoon of 2008, and the water level was near FRL in these seasons. If pumping was arranged, spill was definite in which case KSEBL would be and to loss on account of energy expended for pumping.</i></p> <p>There are some other ground realities worth consideration in this context.</p> <p>Kochupampa weir is a small weir with storage capacity of 0.40Mm<sup>3</sup> (4,00,000 m<sup>3</sup>) only. This storage is also used to release water to Thriveni Pampa during pilgrimage seasons like Mandalapooja, Makaravilakku, Vishu, Masapooja etc. The flushing of the river is also done by using this water.</p> <p>The release of water made under Swami Saranam Scheme (from Kochu Pampa Weir) for the last 8 years is shown below:</p>
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(1)	(2)	(3)	(4)	(5)	
				Year	Quantity released (m <sup>3</sup> )
				2005	1,75,704.00
				2006	1,84,503.00
				2007	2,89,669.00
				2008	3,14,596.00
				2009	7,06,838.00
				2010	10,60,388.00
				2011	5,14,607.00
				2012	6,00,680.00
<p>From the above, it may be seen that the water stored in this reservoir had to be released every year. In some years, the storage was not sufficient and KSEBL had to release the water from other Dams such as Pampa, kullar etc. The Board has been leniently releasing this water to Thriveni from the year 2000 onwards. It may please be noted that the release of water during the year 2009, 2010 &amp; 2011 as per the</p>					

			<p>request of the District Administration Pathanamthitta is 7,06,838, 10,60,388 and 5,14,607m<sup>3</sup> respectively, which was more than the quantity of water released during the previous years. From the year 2009 onwards, KSEBL had to release more water than the storage capacity of the Kochupampa weir and had to meet the additional requirement from other dams like Kullar and Pampa Dams. So the facts remain that even if the water at Pampa reservoir of Sabarigiri Hydro Electric Project was stored for power generation by pumping from the Kochupampa reservoir, water would not have been sufficient to meet the requirement at Thriveni, for Sabarimala. Hence the Board was forced to find additional water to release for flushing Pampa river during festival season.</p> <p>The officers of KSEBL had taken timely action to prepare the estimate, tender and execute the work. But due to the peculiar</p>
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(1)	(2)	(3)	(4)	(5)
				<p>nature of the work and the remote location, and all the reasons stated earlier, there was some unavoidable delay in arranging and completing the repair of pumps in time. The audit has assessed the loss due to disruption in pumping operations during the year 2009 and 2010 but the quantity of water released to Sabarimala Pilgrimage as per the direction of District Administration Pathanamthitta for the year 2009, 2010 and 2011 was 7,06,838, 10,60,388 and 5,14,607m<sup>3</sup> respectively which was two to three times more than that of previous years.</p> <p>It may please be noted that Government vide letter No. 10069/B2/13/PD dt: 7-2-2015 communicated that the Committee on Public Undertakings in its meeting held on 8-10-2014 considered all the facts and concluded that there was no loss to Board on account of the delay caused in executing the work. However, it was remarked that the officers of the Board being responsible for maintaining the assets of the board should have acted with utmost vigil and promptness.</p>

				<p>Based on the direction of the Committee on Public Undertakings, strict instructions were issued to the field officers to be more vigilant and proactive in maintaining the assets of KSEBL. For the delays on the part of the Contractor, penalty as per audit was imposed and recovered from the contractor.</p> <p>As the life of the pump was already over KSEBL had ordered to replace the existing 4 numbers of more than 25 years old pumps and LT Panels with new ones and allied works at an estimated cost of ₹1.85 Crore vide B.O. (FTD) No. 1957/2015 [D(GE)/G1/Kochupampa/rennovation/2015-16] dated 7-8-2015.</p>
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**Remarks:-** The Committee noted that even though Govt. reply stated that the penalty imposed by Audit had been recovered from the contractors, the exact amount recovered is not mentioned in the same. Hence, the Committee desires to know the exact amount which has been recovered from the Contractor by the way of penalty imposed by the Audit.

Thiruvananthapuram,  
5<sup>th</sup> March, 2020.

C. DIVAKARAN,  
*Chairman,*  
*Committee on Public Undertakings.*

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2020**

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