



**FOURTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2016-2019)**

**FORTY NINTH REPORT**

**(Presented on 23-5-2017)**

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

**2017**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2016-2019)**

**FORTY NINTH REPORT**

**On**

**The action taken by Government on the Recommendations contained in the  
Hundred and Eighth Report of the Committee on Public Undertakings  
(2004-2006) relating to Kerala State Electricity Board based on the  
Report of the Comptroller and Auditor General of India for  
the year ended 31-3-1999 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)

**COMPOSITION**

*Chairman:*

Shri C. Divakaran

*Members:*

Shri T. A. Ahammed Kabeer

Shri K. B. Ganesh Kumar

Shri C. Krishnan

Shri S. Rajendran

Shri Thiruvanchoor Radhakrishnan

Shri P. T. A. Rahim

Shri Raju Abraham

Shri Sunny Joseph

Shri C. F. Thomas

Shri P. Unni.

*Legislature Secretariat :*

Shri V. K. Babu Prakash, Secretary

Smt. P. K. Girija, Additional Secretary

Shri P. B. Suresh Kumar, Deputy Secretary

Smt. Deepa.V., Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the report on their behalf, present this Forty Ninth Report on the action taken by Government on the recommendations contained in the Hundred and Eighth Report of the Committee on Public Undertakings (2004-2006) relating to Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the Year ended 31-3-1999 (Commercial).

The Statement of action taken by the Government included in this Report were considered by the Committee constituted for the year (2016-2019).

This report was considered and approved by the Committee at the meeting held on 2-5-2017.

The Committee place on record their appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the action taken statements included in this Report.

Thiruvananthapuram,  
2nd May, 2017.

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

## REPORT

This Report deals with the action taken by Government on the recommendations contained in the Hundred and Eighth Report of the Committee on Public Undertakings (2004-2006) relating to Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31-3-1999 (Commercial).

The Hundred and Eighth Report of the Committee (2004-2006) was presented to the House on 16th February 2006. The Report contained 12 recommendations and Government have furnished replies to all of them. The Committee (2014-2016) considered the replies received from Government on the recommendation in Para Nos. 28, 30, 31, 32, 34, 35, 36 and 37 at its meeting held on 14-1-2015 and para 27, 29 and 33 on 24-6-2015 except the reply to the recommendation in para No. 38. The reply to the recommendations Para No. 38 was considered by the Committee constituted for the year (2016-2019) at its meeting held on 30-11-2016.

The Committee accepted the replies to the recommendations in Para No. 27 to 34 and Para No. 36 to 38 without any remarks. These recommendations and their replies furnished by the Government form Chapter I of this Report.

The Committee accepted the reply to the recommendation in Para No. 35 with remarks. The recommendation, its reply furnished by the Government and the remark of the Committee form Chapter II of this Report.

CHAPTER I

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

Sl. No.	Para No.	Department Concerned	Recommendations of the Committee	Action Taken by Government
1	2	3	4	5
1	27	Power Department	<p>The Committee observes that ensuring adequate energy at minimum cost and achieving self sufficiency in energy production are the two broad and vital objectives of energy policy of Government of India. The Committee understands that the Kerala State Electricity Board had failed on both goals due to its improper planning flawed management and delayed execution of various projects.</p>	<p>As regards the recommendation of the Committee to attain the goals of ensuring adequate energy at minimum cost and achieving self sufficiency in energy production, it may please be noted that a realistic view on the matter can be taken only if the historical development of the Kerala power system with its peculiarities and constraints are known.</p> <p>The only natural resource available in Kerala for bulk power production is its water resources. Kerala has no known reserves of fossils fuels such as coal, lignite or natural gas for developing large power plants. The total electricity demand for the entire state was met from KSEB's own hydro stations till early 1980s; In 1980, the Forest Conservation Act was promulgated and consequently KSEB's plan to tap the cheapest natural resources suffered a setback. Major projects such as Athirapally,</p>

			<p>Pooyamkutty, Silent Valley, Kerala Bhavani etc. designed to meet a sizeable portion of the increasing demand were shelved because of environmental clearance issues. Consequently KSEB focussed on developing Small Hydro Projects (SHPs). However, SHPs are not much helpful in meeting the increasing demand.</p> <p>Further, KSEB also pursued the alternate option of developing thermal projects based on Naphtha And Low Sulphur Heavy Stock (LSHS) diesel in the 1990s. However the cost of Naphtha and LSHS, which are dependent on international petroleum price, shot up exorbitantly during the past 15 years. Therefore these stations are run only during peak hours as and when necessary.</p> <p>KSEB had also taken up the project of developing a 1320 MW coal based power plant in Cheemeni in Kasargod District using coal from Baitarani West coal block in Odisha. Though Ministry If Coal had deallocated the Baitarani coal block, efforts are being made to implement the project with coal from other sources. Support of the local population is critical in implementing such projects.</p> <p>Though Gas based power projects are more clean and quicker to implement, gas is not available, domestically and the cost</p>
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			<p>of imported gas is exorbitantly high. Unless at least 60% of the fuel could be met from domestic gas supplied at cheaper rate, gas plants cannot be operated economically. Therefore, a very cautious approach is necessary for implementing gas plants.</p> <p>It may, therefore be seen from the above discussion that an insufficient internal generation cannot be attributed to defective planning or project management. The real cause of the issue lies with the geographical, ecological and socio-political status in Kerala.</p> <p>Kerala has been meeting the internal power demand by judiciously scheduling the operation of hydro power plants, availing central share and purchasing the cheapest power from outside the state. KSEB has already tied up long term contracts (25 years from 2014) for supply of 400 MW of power from traders, and is in the process of contracting another 850 MW. Scheduled load shedding or power cuts are imposed only in inevitable situations such as poor monsoon or problems with imported power such as external power plant stoppage or line faults.</p>
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				<p>Therefore 100% self sufficiency through internal generation may not be possible in kerala under the present condition as narrated above. Optimum operation of own hydel resources along with prudent purchase of power will be the achievable objective in order to meet the power demand.</p> <p>KSEB has also been pursuing development of renewable energy sources such as solar, wind etc. However, the renewable sources are technically considered 'infirm'. The power production from such sources is greatly dependent on availability of sun light or wind power. Production from these sources are not controllable to meet the continuously changing demands. Power system can absorb only a limited quantity if infirm energy. Otherwise there will be operational difficulties and black-outs would become frequent.</p> <p>Further, KSEB has been consistently reducing the Aggregate Technical &amp; Commercial (AT &amp; C) losses within acceptable limits. In 2001-02, the AT &amp; C losses were 30.76%, which has been reduced to 15.30% in 2012-13. This is a remarkable achievement when compared with the performance of other states in loss reduction, as evident from the attached document (Annexure I) prepared by the Ministry of Power, Government of India.</p>
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				<p>In addition to reduce losses at the utility level, a number of steps have been taken by the utility to improve the energy efficiency and reduced consumption at the consumer end. Schemes such as 'Bachat Lamp Yojana', 'Nalekkithiri Oorjam', 'Labhaprabha' etc. are a few among these, which are successfully implemented in Kerala. Recently, KSEBL has constituted a seperate wing name 'ESCO Team' to coordinate and implement various DSM and energy conservation projects among different consumer segments across the state. The team is undergoing capacity building in DSM activities with the help of Ministry of Power, Govt. of India and Bureau of Energy Efficiency.</p> <p>From the above, it is clear that K.S.E.Board Ltd. Is taking consistent multi-pronged efforts to ensure adequate energy to the consumers at the minimum possible cost.</p>
In the light of the above explanation, the Committee may kindly drop the recommendations				
2	28	Power	The Committee could learn that the KSEB had formulated a proposal for ₹ 1732 crore for the VIIth Plan. But Planning	Presently the Five year Plan outlay and Annual Plan outlay is determined and finalised after a series of discussions involving senior officials from the Generation, Transmission, Distribution and Finance Wings of the Board. The schemes

		<p>Commission sanctioned only 396.80 crore in the initial phase, which was later enhanced to 445.94 crore. Out of this, the actual expenditure came around 372.17 crore. Hence, Committee opines that this is a typical example of poor planning which led to the faulty execution of projects by KSEB. The Committee therefore recommends that in future the Board should be more realistic, and practical while computing plan outlay, which should invariably be based on modern scientific studies and evaluation.</p>	<p>are then finalised according to priority and submitted to State Planning Board. The plan size of the Board is provisionally finalised after further discussions with the State Planning Board. The Annual plan for the next year is ultimately finalised only after detailed discussion with the Planning Commission, New Delhi (Government of India) regarding progress of the Schemes etc.</p> <p>So it can be seen that capital schemes envisaged by the Board is being vetted at different stages by the Board, State Government and Government of India.</p> <p>Moreover, after the establishment of State Electricity Regulatory Commission(SERC), the capital expenditure outlay of the Board is also subject to review and approval of Hon'ble Commission which is again done only after public hearing.</p> <p>So it can be summarised that presently the plan outlays are envisaged after careful analysis by the Board and the same is finalised after approval by Planning Board/Planning Commission and KSERC. KSE Board has prepared the eleventh plan (2007-12) based on modern scientific studies and evaluation.</p>
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3	29	Power	<p>The Committee understand that the KSEB entirely depends on the Power Survey Report of the Central Electricity Authority [CEA] to calculate the overall power requirement of the state and to plan required projects for future. Since the survey is generally intended for all States and often shows variations with the actual power requirements of the States, the Committee recommends that the Board should consider the feasibility of conducting a power survey of its own, by taking into account of the requirement of power in the state for the next one or two decades.</p>	<p>The forecast of energy requirement for the year 2001-02 was made in the 16th Electric Power Survey (EPS) Report, which was prepared by the Central Electricity Authority (CEA) in September 2000. The 16<sup>th</sup> EPS report covers the electricity demand projection in detail up to the year 2004-05 and the prospective demand projection up to 2016-17. The projected energy requirement of Kerala as per 16th EPS and the actuals experienced during the period 2001-02 to 2004-05 are given in table below:</p> <table border="1" data-bbox="780 513 1450 720"> <thead> <tr> <th><i>Period</i></th> <th>2001-02</th> <th>2002-03</th> <th>2003-04</th> <th>2004-05</th> </tr> </thead> <tbody> <tr> <td><i>EPS</i></td> <td>15370</td> <td>16542</td> <td>17950</td> <td>19378</td> </tr> <tr> <td><i>Forecast</i></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>Actual</i></td> <td>12773</td> <td>12630</td> <td>12455</td> <td>12720</td> </tr> <tr> <td><i>Requirements-</i></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>It is true that the projected energy requirements as per the 16th EPS is rather boosted up when compared to the projections made in the earlier power surveys. The mismatch between the projections and actuals during the period 2001-02 to 2004-05 could be attributed to</p>	<i>Period</i>	2001-02	2002-03	2003-04	2004-05	<i>EPS</i>	15370	16542	17950	19378	<i>Forecast</i>					<i>Actual</i>	12773	12630	12455	12720	<i>Requirements-</i>				
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11/2/2017

				<p>the fact that load shedding had been imposed during these periods due to acute power shortages, the details of which are given below:</p> <table border="1"> <thead> <tr> <th><i>Period</i></th> <th>2001-02</th> <th>2002-03</th> <th>2003-04</th> <th>2004-05</th> </tr> </thead> <tbody> <tr> <td><i>Load</i></td> <td>1-3Hrs</td> <td>4Hrs</td> <td>4Hrs</td> <td>4Hrs (till june 04)</td> </tr> <tr> <td><i>Shedding/Day</i></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>The 17th EPS report was prepared in March 2007 and the report was for the 11th Plan period (2007-08 to 2011-12). The projected and actual energy requirement during the above period is tabulated below:</p> <table border="1"> <thead> <tr> <th><i>Period</i></th> <th>2007-08</th> <th>2008-09</th> <th>2009-10</th> <th>2010-11</th> <th>2011-12</th> </tr> </thead> <tbody> <tr> <td><i>EPS</i></td> <td>15217</td> <td>16096</td> <td>17025</td> <td>18077</td> <td>19230</td> </tr> <tr> <td><i>Forecast</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>Actual</i></td> <td>15375</td> <td>15606</td> <td>17340</td> <td>17742</td> <td>19352</td> </tr> <tr> <td><i>Requirements</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>It can be seen from the above that when compared to the projections made in the 16th EPS the projections of 17th EPS were more accurate as the projected values were close enough with the actuals. This shows that the correctness of the survey</p>	<i>Period</i>	2001-02	2002-03	2003-04	2004-05	<i>Load</i>	1-3Hrs	4Hrs	4Hrs	4Hrs (till june 04)	<i>Shedding/Day</i>					<i>Period</i>	2007-08	2008-09	2009-10	2010-11	2011-12	<i>EPS</i>	15217	16096	17025	18077	19230	<i>Forecast</i>						<i>Actual</i>	15375	15606	17340	17742	19352	<i>Requirements</i>					
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				<p>results depends upon the methodology, data and assumptions adopted for the survey. Even though the EPS is conducted on a national level by the CEA, the results of the survey more or less meet the requirement of the State in its planning purposes.</p>
4	30	Power	<p>The Committee is constrained to observe that there is gross mismanagement in the execution of projects in the KSEB. The Committee understands that while seven projects which remained incomplete during previous plan periods were carried over to VIIth plan period without taking efforts to complete them, the Board even dared to start five new projects also. The Committee is shocked to</p>	<p>The KSE Board constituted a project Monitoring Committee vide B.O. (FM) No. 3598/2005 (MG/General/2005) dated, 15-12-2005 to monitor the progress of ongoing and upcoming projects. The members of the Committee are:</p> <ol style="list-style-type: none"> <li>(1) The Chief of Generation-Chairman</li> <li>(2) Chief Engineer Civil Construction (North/South)- Convenor</li> <li>(3) Chief Engineer (Generation) Moolamattom</li> <li>(4) Financial Adviser</li> <li>(5) Deputy Chief Engineer/Project Manager as the case may be.</li> <li>(6) Deputy Chief Engineer Designs-North for projects located north of Thrissur.</li> </ol>

		<p>find that many projects are started without proper planning and investigation. Once the project work started, the Board faced a series of problems of different nature which resulted in additional investigation cost and paved the way for further delay in the completion of projects. Out of the 12 projects started, the Board could complete only four projects during the current plan period. Some of the projects were commissioned only after a delay of 5 to 8 years from the scheduled date of completion. The Committee is astonished to note that there is tremendous increase in the expenditure of twelve projects from the</p>	<p>The project committee will monitor the time bound implementation of projects are lapses should be made accountable.</p> <p>The Periodical review of various ongoing projects are being done in time by the Project Managers and also by the Chief Engineer, Civil Construction. The Malankara Small Hydro Electric Project and the Lower Meenmutty Small Hydro Electric Project have already been commissioned in the case of Neriamangalam Extension Scheme a high level Project Monitoring Committee has been constituted on the basis of the decision taken on the meeting convened on 3-8-2006 at Pamba by the Hon'ble Minister for Electricity.</p>
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		<p>original estimate of ₹ 200.17 crore to ₹ 703.35 crore, resulting to an additional expenditure of ₹ 503.18 crore. The board has not made any earnest attempt to identify the areas where expenditure could be curbed, but simply allowed the project cost to increase causing huge liability to the Board, and ultimately resulting in an additional burden to the consumers.</p> <p>The Committee therefore recommends that a high level project management cell should be constituted for every project and all concerned officers should be brought under the purview of it so as to monitor the time bound</p>	
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			implementation of projects and lapsed should be made accountable without fail.	
5	31	Power	<p>The Committee finds that the generation cost had increased from 39 paise in 1985-86 to 163 paise per unit in 1997-98. The main reason for this increase in hike in interest rate from 13 paise per unit in 1985-86 to 44 paise in 1997-98. The Board has not formulated any concrete steps to reduce the mounting cost. Instead, it has thrust the entire burden upon the consumers by way of tariff hike. The price per unit was 39 paise in 1985-86, but it was raised to 169 paise in 1997-98</p>	<p>The various stringent economy measures taken by the Board to curtail the rising expenditure are detailed below.</p> <p>Reduction of 50% in Fixed Charge by sharing electricity from NTPC Kayamkulam with Tamil Nadu Electricity Board.</p> <p>Employees have been re-allocated, minimum need based strength is being followed.</p> <p>By swapping of loans having high interest rate to that of low interest rate, expenditure on account of interest on loan has been reduced considerably.</p> <p>Action has been taken to reduce administrative expenses.</p> <p>Money Order facility for payment of pension has been limited which has led to a reduction of ₹ 5 lakhs every month in Money Order Commission</p> <p>Strict monitoring of the progress of implementation of the projects for timely completion.</p>

		<p>i.e., an increase of 356% . The Committee is of the opinion that had the Board been more pragmatic and realistic in the implementation of projects, inordinate delay in the commissioning of projects, could have been avoided. The Committee, therefore, recommends that the Board should adopt stringent economy measures to reduce the rising expenditure to the minimum possible and to relieve the consumers of a further tariff hike.</p>	<p>Employee cost is regulated as envisaged in KSER &amp; the long term settlement which has the approval of Government of Kerala.</p> <p>For the loan obtained by the Board for the last four years the Board is able to negotiate with banks/financial institutions without providing guarantee from Government of Kerala. Consequently guarantee commission @0.75% is being saved on all such loans.</p> <p>Further, Board is monitoring and taking appropriate steps by adopting stringent economy measures to minimize revenue expenditure.</p> <p>System of awarding the works as single package to a single contractor capable of doing both electrical work and civil; work or a consortium of contractors has been commenced to avoid lack of proper co-ordination between electrical and civil contractors.</p> <p>Some of the works awarded in 1990s and some works awarded around 2000 are given below for comparison:</p>
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**ELECTRO MECHANICAL WORKS AWARDED IN 1990s**

<b>Name of Projects</b>	<b>Date of award of work/Agreement date</b>	<b>Date of completion specified in the contract</b>	<b>Actual date of completion</b>	<b>Delay from date specified in the contract</b>
Malankara	29-11-1996/20-2-1997	Feb. 1999	Oct. 2005	6 years
Malampuzha	9-2-1989/16-3-1989	24-12-1990	Nov. 2009	10 years
Peppara	25-4-1989 & 7-9-1989 (Amended date)	7-9-1991	July 1996	5 years
Maduppatty	22-3-1989	22-10-1991	Jan. 1998	6years 3 months

**WORKS AWARDED IN AND AROUND 2000**

<b>Name of Projects</b>	<b>Date of award of work/Agreement date</b>	<b>Date of completion specified in the contract</b>	<b>Actual date of completion</b>	<b>Delay from date specified in the contract</b>
Lower Meenmutty (Single package)	20-1-2003/1-7-2003	20-1-2005	May 2006	1 year 4 months
Neriamangalam Extension Scheme (Single package)	3-4-2003 22-5-2003	3-5-2006	May 2008	2 years
Kozhikode diesel Power Project (Turnkey basis)	5-3-1998	Nov. 1999	Sept. 1999	1 month earlier

**KUTTIADY EXTENSION SCHEME**

Supply	14-10-1996 (Effective date of contract)	14-1-1999	19-12-1998	1 month early
Erection	14-7-1998	June 1999	January 2001	1 ½ years

				<p>A Project Monitoring Cell has been constituted in the office of the Chief Engineer (Corporate Planning) to closely monitor the progress of all ongoing projects and submit monthly report to the Board and Government. Board has constituted a Project Monitoring Committee for each ongoing project with intention to include local administration members and other representatives to review the progress of the project. Board has also taken necessary steps to avail as much grants as possible from Ministry of New and Renewable Energy (MNRE) for implementation of small Hydro Projects and wind projects. A special cell called Forest and Environment Management Unit headed by an Executive Engineer has been entrusted for availing grant from MNRE and carbon credit benefit for all eligible schemes.</p>
6	32	Power	The Committee understands that the Board has been drawn	As there was no specific provision in the agreement regarding the recovery rate of cement issued for preliminary

		<p>into unnecessary legal wrangles. A loss of ₹ 115.08 lakh was incurred in the contract with HCC for the construction of power tunnel of the Lower Periyar Project, due to the serious mistake committed by the legal cell of the Board. In the agreement made with HCC, provision to charge actual cost of the cement was omitted by the Board without any sound reason. Even after obtaining a decree in favour of the Board from Sub Court, Thiruvananthapuram, the Board preferred to refer the matter to an Ad hoc Committee, instead of trying to vacate the stay order obtained by the contractor from the Hon'ble</p>	<p>and enabling (P. &amp; E. word, the Board vide Order No. TC-21732787 dated, 1-3-1988 decided to effect recovery of cement issued to HCC for P &amp; G, works at issue rate + 20% of market rate + 20% whichever is higher with ST and AST as applicable.</p> <p>HCC challenged the decision of the Board in OS 978/88 at the Hon'ble Munsif Court, Thiruvananthapuram. The case was decreed in favour of the Board. HCC filed an appeal suit in AS 417.91 in the Hon'ble District Court, Thiruvananthapuram. The appeal was allowed setting aside the decree in CS 978/88. Hence the Board filed SA 432/02 before the Hon'ble High Court of Kerala. Judgement in the case is awaited.</p> <p>During excavation of Power Tunnel, some over breakages have occurred due to the lack of reasonable care and skill in excavation on the part of contractor. In the case of over cuts not considered payable, the agreement provides for filling it with cement concrete of the same mix and specification as the concrete lining, by the contractor at his expense. As the work was to be done at the expense of the contractor, the Board vide order No. TC 2-2091/89, dated, 23-7-1989 had fixed the cost of recovery of cement issued for filling non payable over</p>
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		<p>High Court for reasons best known to them. The Committee expresses its displeasure at the action of the Board and desires to be furnished with the out-come of the SLP filed before the Supreme Court.</p>	<p>cuts at purchase cost – 20% transport cost to the Board. HCC challenged the Board's decision in the Sub Court, Thiruvananthapuram in OS No.709/89. The verdict was in favour of the Board. HCC filed an appeal suit in the Hon'ble High Court of Kerala in AS 531 &amp; CMP 3287/94 against the judgement in OS No. 709/89. The judgement in the case is also awaited.</p> <p>The work of construction of Power Tunnel of Lower Periyar Project was entrusted with M/s HCC Ltd., Bombay, vide agreement dated: 27-2-1984. The estimated PAC of the work was ₹ 14.92 crores inclusive of cost of departmental materials and the agreed PAC was ₹ 23.59 crores (79% above estimate rate less cost of departmental materials). Time of completion as per the agreement was specified as 68 months which ended on 26-10-1989. The work go delayed by 53 months due to various reasons and completed in all respects on 31-3-1994.</p> <p>M/s HCC submitted a Memorandum to the Chairman, KSE Board, on 6-5-1992 with a request to compensate for delay in the execution of the Project. The Board constituted an Ad hoc Committee on 2-3-1993 to examine the claims of the contractor and the Committee submitted its report on 30-9-1993. The Committee recommended to pay</p>
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				<p>₹ 8.08 crores as against the claim of Rs. 16.88 crore made by the firm. Subsequently then Board constituted a Sub Committee to study the recommendations of the Ad hoc Committee and to submit a note to the Board.</p> <p>AS recommended by the Ad hoc Committee, the Full Board in its meeting held on 12-4-1994 decided to pay an interest free Ad hoc advance of ₹ 2.50 crore to M/s HCC as interim payment, which should be adjusted against the amount payable if any, to the company based on the recommendations of the Ad hoc Committee. The above decision was communicated vide B.O. No. 674/94 (TC3(C) 136/92) dated 19-4-1994. But the payment was not effected. M/s HCC Ltd. Filed O.P. 7623/96 before the Hon'ble High Court of Kerala seeking enforcement of the Board's decision regarding payment of compensation. The Hon'ble High Court of Kerala disposed the O.P. 7623/96 as per its judgement dated 4-10-1996, directing the Board to take a decision within two months. The full Board in its meeting held on 25-1-1997 decide to cancel the earlier decision taken on 12-4-1994. The cancellation order was issued vide B.O. No. 701/97 (TC3(C) 136/92) dated: 29-3-1997.</p>
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			<p>Writ Appeal No. 343/97 was filed by M/s HCC against O.P. 7629/96. The Hon'ble Court in an interim order dated 24-11-1997 directed the Board to pay the interim payment of ₹ 250 lakh to M/s HCC. Against the interim order, the Board filed SLP before the Hon'ble Supreme Court of India. The Hon'ble Supreme Court disposed of the SLP directing the Board to deposit the amount with Hon'ble High Court of Kerala and the amount shall be kept in deposit in the High Court, subject to the orders passed by the High Court in the Writ Appeal. Accordingly the Board deposited the amount of ₹ 250 lakh in the Hon'ble High Court of Kerala on 6-2-1998. The Hon'ble High Court of Kerala in its judgement dated, 15-12-1998 quashed the B.O. dated 29-3-1997 and directed the Board to implement the order of the Board dated, 19-4-1994 by effecting payment of ₹ 2.50 crore to M/s HCC.</p> <p>Against the above decision, the Board filed SLP 2733/99 before the Hon'ble Supreme Court of India. Meanwhile the Hon'ble Supreme Court of India as per the order dated 19-4-1999 directed that the amount of Rs. 2.5 crore deposited during February 1998 in the Hon'ble High Court of Kerala be permitted to be released to M/s HCC.</p>
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			<p>The Hon'ble Supreme Court also directed the State of Kerala to call both parties and resolve the dispute amicably. But the State of Kerala took the stand that the matter should be decided by the Hon'ble Supreme Court on merits.</p> <p>When the matter came up for hearing in the Supreme Court, the Additional Solicitor General Mr. KIRTI.N.RAWAL who appeared for the Board pointed out in his arguments that the Ad hoc Committee's decision is not binding on KSE Board. After hearing the case the Hon'ble Supreme Court of India directed the Board to make further interim payment of ₹ 2.50 crore to M/s HCC within a period of 8 weeks. This amount was paid to M/s HCC on 9-5-2000. Thus a total amount of ₹ 5 crore was paid to M/s HCC as per the directions of the Hon'ble Supreme Court.</p> <p>Later Hon'ble Supreme Court of India, as per order dated 2-5-2006 directed the KSE Board to deposit a sum of ₹ 3 crore with Registry of Supreme Court of India to be invested in a fixed deposit initially for a period of six months.</p> <p>Based on the above direction, the Board has accorded sanction for depositing ₹ 3 crores in the Supreme Court Registry (B.O. (CM) No. 1652/2006 (LAI/5459/96) dated 16-6-2006). Accordingly, the Board has deposited the</p>
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				amount. Now M/s HCC has filed a petition before the Hon'ble Apex Court to release the payment. The case is pending before the Hon'ble Court.
7	33	Power	<p>The Committee finds that the Board has paid an amount of ₹ 33.64 lakh as escalation charges to Tungabhadra Steel Products Limited (TSPL) in the work associated with the installation of steel liners in violation of the contractual provisions. Even though the time duration allowed for the completion of the said work was two years, the contractor took four more years to supply the items, and the Board readily paid the escalation charges. Further, the Board is constrained to entrust the erection work to M/s FEW, the former contractor, NTPC failed to execute the works in time</p>	<p>K.S.E.B. Board vide B.O. (FM) No. 1261/2007 (GPC 1/212/2007) dated 31-5-2007 had constituted a four member committee to conduct time bound detailed enquiry on not incorporating clause in the agreement to safeguard the interest of the Board and furnish a report to the Board within 3 months.</p> <p>The Member of the Committee were:-</p> <ol style="list-style-type: none"> <li>I. Sri M. M. Varghese, Deputy Chief Engineer, Civil Circle, Kothamangalam – Chairman.</li> <li>II. Sri A. Shanavas, Executive Engineer &amp; Team Leader, Maniyar Tail Race &amp; Perunthenaruvi-Member.</li> <li>III. Sri Binu Jacob Kurian, Deputy Chief Accounts Officer, Office of the Financial Adviser-Member.</li> <li>IV. Smt. Anu Francis, Assistant Executive Engineer, Account Closing Sub Division, Kothamangalam-Member.</li> </ol>

		<p>and the additional expenditure incurred on this account amounted to ₹ 172.47 lakh. The Board is not in a position to levy the liquidated damages against the defaulter as there is no clause in the agreement to safeguard the interest of the Board. The Committee views this as a serious flaw in the agreement between the Board and the Company and recommends that a time bound detailed enquiry should be conducted about this issue and the matter should be reported to the Committee. The Committee further recommends that in future appropriate safety clauses should be introduced in all the Board's contracts, to safeguard the interests of the Board.</p>	<p>The Committee conducted a detailed study and concluded that “the provision of escalation clause in the agreement led to the payment of escalation in the extended period of the contract also. While extending the time of completion, penalty was not imposed because as per the recommendation of Chief Engineer there was no negligence on the part of the contractor. Since these clauses were prevailing in other agreements executed during the period as cited above no lapse could be attributed.”</p> <p>The Board vide B.O. (FB) No. 2464/2006 (GPC 2/Sen. Aug./14/2005) dated 28-9-2006 had constituted a committee for streamlining the procedures for implementation of Hydro Electric Projects. The functions of the Committee were:</p> <ol style="list-style-type: none"> <li>1. to formulate standard general conditions of tender and contract.</li> <li>2. to suggest the general conditions especially with respect to supply of departmental materials, excess quantities, extra items, over breakages, force majeure conditions, which are likely to affect progress of implementation and cause financial implication to the Board.</li> </ol> <p>The Committee submitted their report to the Board and the Board vide B.O. (FB) No. 1468/2007 [M(T&amp;D)/Genl/07]</p>
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				<p>dated 23-6-2007 approved the document for standard general conditions of bid and contract, pre-qualification document and the guidelines to be followed for the implementation of hydro electric projects.</p> <p>Further the conditions of bid and contract adopted by the Board as per B.O. (FB) No. 1468/2007 [M (T &amp; D)/Genl/07] dated 23-6-2007 specifically stated that no escalation will be allowed on whatever reasons and ground (Clause 5.2.167). By including clause liquidated damages (Clause 5.3.11) and clause prohibiting escalation claims in the 'conditions of bid of contract' Board has taken measures as recommended by the committee of public undertakings to avoid recurrence of such instance in future.</p> <p>The guidelines in the above document will be incorporated in all future tenders to safeguard the interest of the Board.</p>
8	34	Power	<p>The Committee clearly finds that absence of proper and full-fledged investigation coupled with undue delay in taking timely decision have made the Board to spend much more than anticipated in the project</p>	<p>The hydro electric projects are planned after carrying out geological investigation at random, as per the recommendations and approval by the Geological Survey of India. But during actual execution several geological problems are often encountered. This in turn necessitates revised design for the execution, supplemental agreements etc., which delay implementation of a project. The above</p>

			<p>associated with Malankara Small Hydroelectric Project. Even though the project was proposed to be commissioned in 1990, the number and capacity of machines to be installed was decided only in 1996 and the land required for the construction of the power house was got transferred only in 1998. This lagging of work led to a locking up of funds for more than 15 years as the project was expected to be completed only in May 2004. This is a clear testimony of how projects are executed in the Board without foresight and proper planning. The Committee therefore, recommends that the Board</p>	<p>factors cannot be attributed to the implementing officers. The Board vide B.O. (FB) No. 2464/2006/GP(2) SEN AUG 14, 2005 dated 28-9-2006 constituted a committee for streamlining the procedures for implementation of HEP. The Board vide B.O. (FB)1468/2007/ M(T&amp;D)Gen/2007, Dated 23-6-2007, has issued guidelines to be followed by the officers for the implementation of Hydro Electric Project for streamlining the procedures and for avoiding the undue delay which could affect timely completion of the project and cause financial loss to the Board. For completing the projects individual responsibility is now fixed on each officer entrusted with a specific work and team leader/project manager shall have the total responsibility in implementing a project entrusted with him.</p>
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			<p>should take utmost care while projects are prepared, so that no aspect of the project is omitted. The Committee also recommends that the officers responsible for undue delay in the implementation of such projects should be made accountable for the loss.</p>	
9	36	Power	<p>The Committee desires to be furnished with the latest position with regard to the work associated with Chimney small Hydroelectric Project and Mattupetty small Hydroelectric Project and recommends that immediate steps should be taken to implement the project so as to avoid further loss.</p>	<p><u>Chimney small Hydro Electric Project</u> Modified detailed project report for implementing the project is being prepared.</p> <p><u>Mattupetty small Hydro Electric Project</u> The Mattupetty small Hydro Electric project was commissioned on 14-1-1998. The Power station is in operation since then.</p>

10	37	Power	<p>The Committee is surprised to note that T&amp;D loss of Kerala State Electricity Board is higher than that in all the neighbouring states. Though Central Electricity Authority has stipulated a specific norm for T&amp;D loss at 15%, Kerala State Electricity Board's loss during the VIII plan period ranged between 21.97 and 28.98 percent, which valued at about Rs. 433.65 crore. Further, the present data regarding T&amp;D loss is only a worked out figure, as the board is treating the difference between power available for sale and power actually sold as T&amp;D loss. The Committee therefore recommends that</p>	<p>Kerala State Electricity Board has been giving high priority for T&amp;D loss reduction. The T&amp;D loss of 32.15% in 2001-02 was brought down to 30.41% in 2002-03, 28.46% in 2003-04 and 26.22% in 2004-05 and 24.59% in 20-5-2006. The Board has taken following action to reduce the T&amp;D losses:</p> <ol style="list-style-type: none"> <li>1. Redefining the method of estimation of the losses.</li> <li>2. Replacement of faulty and sluggish electromechanical meters by electronic meters.</li> <li>3. Intensification of theft detection by anti-power theft squad</li> <li>4. Computerisation of billing and revenue collection</li> <li>5. Conducting every energy audit</li> <li>6. Development of transmission &amp; distribution system</li> <li>7. Installing transformer and border meters to determine loss points.</li> </ol> <p>The Consumers in Kerala are evenly distributed throughout State unlike in other Southern States where the consumers are</p>
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immediate and concrete steps should be taken to curb the present level of T&D loss

The Committee also recommends, that proper energy auditing system should be introduced at the grass root level, so that pilferage can be detected and fine imposed.

in clusters. As a result the length of LT lines in Kerala is more compared to other States. The ideal HT:LT ratio for a healthy power system is 1:1 whereas in Kerala the HT:LT ratio is about 1:6

This is mainly due to the topography especially hilly areas and dispersed pattern of housing in rural areas in the State. The less HT/LT ratio contribute major portion of the T&D loss. KSE Board is taking maximum efforts to reduce the T&D loss to minimum level with the following activities.

1. The board constructed more substations and lines during the last 3 years as given below:

*Substations*

Particulars	2003-04	2004-05	2005-06
220 KV	1	1	1
110 KV	6	8	5
66 KV	3	2	4
33 KV	7	15	10

				<p>Total line length constructed from 2003-04 to 2005-06.</p> <table border="1"> <tr> <td>220 KV</td> <td>62.96 ckm</td> </tr> <tr> <td>110 KV</td> <td>283.95 ckm</td> </tr> <tr> <td>66 KV</td> <td>59.69 ckm</td> </tr> <tr> <td>33 KV</td> <td>380.59 km</td> </tr> </table> <p>2. The number of faulty meters replaced during the last four years is given below:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Faulty meter replacement in lakhs</th> </tr> </thead> <tbody> <tr> <td>2002-03</td> <td>4.21</td> </tr> <tr> <td>2003-04</td> <td>8.67</td> </tr> <tr> <td>2004-05</td> <td>4.35</td> </tr> <tr> <td>2005-06</td> <td>6.38</td> </tr> </tbody> </table>	220 KV	62.96 ckm	110 KV	283.95 ckm	66 KV	59.69 ckm	33 KV	380.59 km	Year	Faulty meter replacement in lakhs	2002-03	4.21	2003-04	8.67	2004-05	4.35	2005-06	6.38
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3. The performance of Anti-power theft squad during 2001-02 to 2004-05 is given below:

Year	Amount Assessed Rs. (crore)	Amt. Realized Rs. (crore)
2001-02	5.69	3.45
2002-03	17.48	3.82
2003-04	12.27	5.24
2004-05	40.46	8.11
2005-06	21.69	9.82

4. Accelerated Power Development & Reforms Programme was introduced in 3 circles and 46 Towns for strengthening the sub-transmission and distribution network which includes replacement of faulty meters and electromechanical meters with static meters, construction of 11 KV lines, reconductoring

				<p>of 11 KV lines and installation of 100 KVA distribution transformers. Computerisation of billing and accounting in 15 sections out of 601 sections is completed and in the remaining sections works are in progress. A scheme for implementation of sub-transmission and distribution system in 3 cities namely Trivandrum, Kochi and Kozhikode was also sanctioned. The work includes energy audit laying of optical fibre network, RMUs computer systems and GIS for distribution automation, installation of transformers and replacement of LT line with insulated conductors.</p> <p>5. The targeted capacitor installation of 200 MVAR in substations during 2002-03 were completed. During 2004-05, work of installation of 350 MVAR were also completed.</p> <p>6. The Board proposes to install energy meters in all distribution transformers all over Kerala under APDRP scheme. The installation of energy meters in all distribution transformers along with the existing meters in all 11 KV feeders will make energy auditing more effective.</p>
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Through the above action, T&D loss in the system has been reduced from 32.15 % in 2001-02 to 26.22% in 2004-05 and 24.59% in 2005-06, as detailed below:

Year	Gross Loss		
	Total loss (MU)	%	Extent of reduction (%)
2001-02	4106.05	32.15	
2002-03	3877.84	30.41	1.73
2003-04	3544.53	28.46	1.95
2004-05	3335.32	26.22	2.24
2005-06	3349.16	24.59	1.63

KSE Board will intensify the measures of T&D loss reduction in 2006-07 so as to further bring down the losses with the following measures:

- (a) Faulty meter replacement: In 2006-07, the Board targets to replace 4 lakh faulty meters

				<p>(b) During 2005-06, Anti Power Theft Squad has detected 4075 cases of theft involving an amount of ₹ 21.69 crore. The Board will continue the efforts of theft detection.</p> <p>(c) The Board has planned to construct 4 Nos. of 220 KV, 15 Nos. of 110 KV, 5 Nos. of 66 KV and 67 Nos. of 33 KV substation during 2006-07.</p> <p>(d) The proposed works in the distribution sector are addition of 6000 kms of 11 KV line, 17000 kms of LT line and 8500 Nos. of distribution transformers.</p> <p>(e) The strengthening of sub transmission and distribution network through APDRP schemes will also be undertaken.</p>
11	38	Power	The Committee understands that electricity is given free of charge to consumers who consume upto 20 units per month. The Committee recommends that charges of	As per G.O. (Ms.) 21/91/PD dated 30-11-1991, Government had ordered that the economically backward domestic consumers using electricity less than 20 units per month would be exempted from payment of electricity charges till further orders. Subsequently, the free supply was limited to consumers having connected load not exceeding 500 W

			<p>electricity consumed by non-paying groups should be clearly worked out and the same should be reimbursed by the Government so that the Board may not face any severe financial crisis.</p>	<p>and monthly consumption not exceeding 20 units. The Kerala State Electricity Board (KSEB) had been implementing this concession in full without any subsidy from the Government since 1991.</p> <p>The Kerala State Electricity Regulatory Commission (KSERC), in the Tariff order dated 25-7-2012 of KSEB for the financial year 2012-13, had not recognised the aforesaid non-paying group of domestic consumers. Commission to communicate the decision on the same and had clarified that "any concession beyond the tariff approved by the Commission can be extended only after getting subsidy from the Government under Section 65 of Electricity Act 2003".</p> <p>Accordingly Government have examined the matter in detail and placed it before the Council of Ministers. Consequent on this Government as per G.O. (Ms.) No. 27/13/PD dated 20-6-2013 ordered KSEB to continue exemption on the condition that the revenue shortfall of around ₹ 40 lakh per annum will be compensated by providing the amount to KSEB, each year through Budget allocation, as advance cash subsidy as provided under Section 65 of the Electricity Act, 2003.</p>
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				<p>Government have taken up a detailed process of netting off of dues of KSEBL towards Government on account of electricity duty and surcharge, collected from consumers and payable to Government by KSEBL and the arrears to be paid to KSEBL by Government, such as various subsidies on account of 3% Rate of Return (RoR) and exemption from revised tariff/thermal surcharge, MD waiver etc., as on 31-10-2013, the date of re-vesting the assets and liabilities of erstwhile KSEB into KSEB limited. As per G.O. (Ms.) No. 17/2015/PD dated 13-5-2015, the dues between Government and KSEB Limited have been netted off, as on 31-10-2013. In the aforesaid G.O., netting off of dues upto 31-12-2014 has also been ordered provisionally.</p> <p>As per the position on netting off of dues as on 31-3-2008, attached to the aforesaid G.O. as Annexure 1, the total amount of subsidy payable to KSEB on account of subsidy for 3% Rate of Return (RoR), subsidy for allowing pre-92 tariff, subsidy on account of reduction in Tariff for 2006-07 &amp; 2007-08 etc. netted off against the electricity duty and surcharge collected from the consumers and payable to Government by KSEB Limited is ₹ 5231.97 crore. The subsidy netted off for</p>
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				<p>the period from April 2008 to 31-10-2013 and from 1-11-2013 to 31-12-2014 is ₹ 438.21 crore and ₹ 323 crore respectively. This would obviously reveal that a huge amount has been provided by Government as subsidy over years to KSEB Limited for various purposes.</p>
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The total subsidy for exemption of the non-paying group from electricity charge for the financial years 2012-13, 2013-14 and 2014-15 has not been included or netted off as part of the netting off process. Action is being taken to release the subsidy @ ₹ 40 lakh from 2012-13 onwards to KSEB Limited.

As regards the question of providing subsidy retrospectively i.e., for the years prior to 2012-12, it may kindly be noted that the present stringent financial position of the State does not allow such liberty of granting more and more revenue subsidies in view of the rigidities of fiscal consolidation path being pursued by Government under the Fiscal Responsibility Act.

The Committee may, therefore, be pleased to drop the recommendation.

CHAPTER II

REPLIES FURNISHED BY GOVERNMENT WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE  
WITH REMARKS

Sl. No.	Para. No.	Department Concerned	Recommendations of the Committee	Action taken by Government
2	35		The Committee is further shocked to learn that Malampuzha Small Hydro electric project could not be commissioned in scheduled time due to the dispute with the M/s Best and Crompton Limited with respect to the length of penstock pipe. The committee opines that the Board should have specified the required length in the contract itself so as to avoid any dispute in future. The Committee consider this as a serious lapse on the part of the Board and recommends that a detailed enquiry should be conducted in this regard and action should be taken against those responsible	The issue of fixing responsibility for the defective estimate prepared for the item penstock for Malampuzha Small Hydro Electric Project was entrusted with the Vigilance Wing of K.S.E. Board for carrying out an enquiry (technical) in the matter. The outcome of the enquiry will be intimated as soon as the same is obtained from Vigilance Wing.
<i>Remarks of the Committee :-</i> The Committee desires to be informed of the present position of the Vigilance enquiry				

Thiruvananthapuram,  
2nd May, 2017.

C. DIVAKARAN,  
Chairman,  
Committee on Public Undertakings.

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