



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2014-2016)**

EIGHTY FOURTH REPORT

(Presented on 2nd July, 2015)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2015**

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2014-2016)**

EIGHTY FOURTH REPORT

On

**The Action Taken by Government on the Recommendations contained in the
Fifty Sixth Report of the Committee on Public Undertakings (2001-04)
relating to Kerala State Electricity Board based on the Report of
the Comptroller and Auditor General of India for the year
ended 31st March, 1998 (Commercial)**

CONTENTS

	<i>Page</i>
Composition of the Committee	.. v
Introduction	.. vii
Report	.. 1
Chapter I : Replies furnished by Government on the recommendations of the Committee which has been accepted by the Committee without remarks	.. 2
Chapter II : Replies furnished by Government on the recommendations of the Committee which has been accepted by the Committee with remarks	.. 37

COMMITTEE ON PUBLIC UNDERTAKINGS
(2014-2016)

Chairman:

Shri K. N. A. Khader.

Members:

Shri Abdurahiman Randathani

Shri A. A. Azeez

Shri P. K. Gurudasan

DR. N. Jayaraj

Shri Elamaram Kareem

Shri T. N. Prathapan

Shri Palode Ravi

Shri S. Sarma

Shri P. Thilothaman

Shri P. C. Vishnunadh.

Legislature Secretariat:

Shri P. D. Sarangadharan, Secretary

Smt. P. K. Girija, Additional Secretary

Smt. M. R. Maheswary, Deputy Secretary

Shri P. S. Selvarajan, 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 Eighty Fourth Report on the Action Taken by Government on the recommendations contained in the Fifty Sixth Report of the Committee on Public Undertakings (2001-04) on the working of the Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1998 (Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the committee constituted for the years (2008-11) and (2014-16)

This Report was considered and approved by the Committee at the meeting held on 19-6-2015.

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

Thiruvananthapuram,
2nd July, 2015.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

REPORT

The Report deals with the Action Taken by Government on the recommendations contained in the Fifty Sixth Report of the Committee on Public Undertakings (2001-04) relating to Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1998 (Commercial).

The Fifty Sixth Report of the Committee on Public Undertakings (2001-04) was presented to the House on 20th January, 2004. The Report contained 12 recommendations and the Government furnished replies to all the recommendations. The Committee considered the replies received from the Government at its meeting held on 23-9-2009 and accepted the replies to the recommendation Nos. 1(29), 2(30), 3(31), 6(34), 10(38), 11(39), 12(40) without remarks and sought clarifications to certain points in para No. 4(32). These clarifications submitted by Government was considered by the Committee at its meeting held on 14-1-2015 and the Committee accepted the reply without remarks. The Above recommendations and the replies furnished by Government form Chapter I of the Report.

The Committee accepted the replies to the recommendations in Paragraph Nos. 5(33), 7(35), 8(36), 9(37) with remarks. These recommendations, the replies furnished by Government and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

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

Sl. No.	Para No.	Department concerned	Conclusions/ Recommendations	Action Taken by Government
1	2	3	4	5
1	29	Power	<p>The Brahmapuram Diesel Power Plant was the first endeavour of the Kerala State Electricity Board in the field of Thermal Power Generation and second of its kind in the country. Due to improper monitoring and lack of co-ordination in the execution of the project not only had the expenditure on the project almost become double but the completion of the project had also been delayed considerably.</p>	<p>In order to overcome the power shortage, the Board decided to set-up a Diesel Power Plant at Brahmapuram, which was the first endeavour of the KSEB in the field of Thermal Power Generation. During the course of work, some of the equipments were redesigned and modified to improve the performance of D.G. sets due to technological improvements. Delay in completion of civil works, delay in supply of indigenous equipments, tender excess for civil works, appreciated value of cost of land, exchange rate variation etc. were the causes for the cost overrun.</p>

2	30	"	<p>The Committee finds that the works relating to Brahmapuram Diesel Power Plant was awarded to SEMT Pielstick, France without inviting global tender. The reason adduced by the Kerala State Electricity Board for not inviting global tender was that the Brahmapuram Plant was modeled on the diesel power plant at Yalahanka, Karnataka which was the first diesel plant in the country. SEMT Pielstick, France was the company which had executed the project. Hence they had ample experience in the field. Moreover, by avoiding a fresh global tender, the Board could save on time as well as procedural delay as inviting, finalizing and awarding global tender was a very cumbersome process. But the Committee is surprised to note that even though Memorandum of Understanding for the project was signed in January 1992 with SEMT agreement for the supply of DG sets and other equipments was concluded only in December 1993 after a lapse</p>	<p>Memorandum of Understanding was signed with M/s SEMT Pielstick and M/s Centrale Diesel Export on 19th January, 1992 for setting up the project with 5 units of Diesel generating sets, each having 20 MW capacities. Simultaneously, the Board moved for obtaining all statutory clearances and approval from State Government, Central Government and other agencies. On getting the statutory clearances, agreement was executed in December 1993 with M/s SEMT Pielstick and M/s Centrale Diesel Export for the supply of equipment and supervision of erection and commissioning the project.</p> <p>The recommendation of the committee is noted for future.</p>
---	----	---	---	--

1	2	3	4	5
			<p>of 23 months. The Committee understands that the time interval between execution of Memorandum of Understanding and conclusion of agreement was for getting statutory clearance from Central Government. The Committee is of the opinion that the Board could not make use of the time saved by avoiding global tender and recommends that at least in future, the State Government should take up the matter directly with the Central Government to ensure timely clearance for major projects like this.</p>	
3	31	Power	<p>The Committee understands that the project was scheduled to be completed within a period of 25.5 months i.e., by July 1996. But it took 36 months, for commissioning the fourth unit and the fifth unit was commissioned only by the end of 1998. The Committee further understands that the main reason for the delay in commissioning the project in the non-adherence of supply schedule by M/s Centrale Diesel</p>	<p>The contract with M/s Centrale Diesel Export was for the supply of necessary equipments for the erection and commissioning of Diesel Generating sets. During the course of the execution of work, some of the equipments were redesigned/modified to incorporate technological improvements so as to improve the performance of the DG sets. In order to incorporate such modifications, the Board</p>

		<p>Export, France which is penalized by recovering a sum of Rs. 471 lakh as liquidated damages. The Committee opines that the Board has not assessed the impact of time overrun on the project cost and desires to know the basis which the above amount was worked out. The Committee recommends that hereafter the impact of time overrun should be worked out scientifically in cases where the completion of project was due to the delay on the part of the contractors and liquidated damages should be levied from them accordingly.</p>	<p>extended the supply period up to 1-10-1996. Liquidated damages amounting to Rs. 4.94 lakh was recovered from the firm towards supply effected after 1-10-1996, as per the conditions in the contract.</p> <p>The Recommendation of the Committee is noted for compliance.</p>
4	32	<p>The Committee observes that the estimated cost of the project was Rs. 281.11 crore which was subsequently revised to Rs. 345 crore. The Committee understands that the total expenditure was Rs. 445 crore but the accounts have not been finalized yet. The Committee expresses strong displeasure for not finalizing the revised estimate of the project even after the lapse of four years since the completion of</p>	<p>Due to change in original design, variation in quantities executed, rate revision etc. the original estimate has to be revised. For example the estimated cost of the Malankara Dam was Rs. 3404.5 lakh which was subsequently revised to Rs. 8828 lakh due to the increase in length of the Dam from 285M to 685M and increase in height by 4M. The revised estimate of Brahmapuram Diesel Power Plant (BDPPP)</p>

1	2	3	4	5
			<p>the project. The Committee is shocked to learn that this is the State of affairs in almost all the projects undertaken by the Board including Idukki Project. The Committee feels that the casual attitude of the Board in finalizing the accounts is mainly due to the fact that the Board itself is the supreme authority in granting the administrative sanction and technical sanction of the works executed by them. The Committee has every reason to believe that expenditure is made first and then revised estimate is prepared accordingly. The Committee opines that the Financial Management in the Board is very inefficient, improper and that the improper management of finance is the prime reason for the huge loss sustained by the Board. The Committee therefore recommends that steps should be taken to finalize the accounts of all completed projects. The details of steps taken and revised final estimate of each project should be intimated to the Committee.</p>	<p>was not prepared. The final claims of M/s Hindustan Construction Company (HCC), M/s TATA Project Limited (TPL) and M/s Crompton Greaves Limited (CGL) are yet to be settled due to litigation pending in the court of law. Hence the accounts of the project could not be finalised. Board has taken steps to prepare realistic estimate for the newly undertaken project.</p> <p>After the completion of the projects, Account Closing Units have been formed to finalise the accounts of each project. The Board has issued directions relating to revised estimates that if the estimate of any work/project is likely to exceed 25% of the originally sanctioned estimate, further execution of the work, incurring expenditure shall be stopped and the work resumed only after getting the revised estimate sanctioned by the appropriate authority.</p>

<p>The Board has issued further direction to all Chief Engineers that the name and designation of the officers who prepared the estimate; those who checked and approved the same should invariably be noted in the estimate. The officers who prepared the estimate and checked and approved the same will be held personally responsible and accountable for any discrepancy/overestimation or underestimation. The list of projects whose account closing has not been completed and reasons thereof will be furnished separately.</p>		
<p>The issues to be finalised in respect of Brahmapuram Diesel Power Plant before closing of accounts:</p> <ol style="list-style-type: none"> 1. M/s CDE, France—Local Supply, Transport, Erection, Supervision and commissioning of equipments—The amount booked under advance head can be adjusted only upon settling their final claim for extended supervision charges, the admissibility of which have to be decided at Board level. 	<p>The Committee sought additional information regarding the list of projects associated with Brahmapuram Diesel Power Plant whose accounts has not been finalized and directed the Government to furnish the reasons for non completion of the closing of accounts.</p>	<p>32 (Additional Information)</p>

1	2	3	4	5
				<p>2. M/s ABB Limited—Supply, Erection, Testing and Commissioning of A/C system and ventilation system as there is discrepancy in the admissibility of supply of items.</p> <p>3. M/s TPL Limited—Erection of electrical, mechanical and instrumentation equipments RAB No. 15 and the bill for extra work has not been admitted by KSE Board. M/s TPL filed the suit and the judgment came during May 2010. The Board has decided to file appeal before the Hon'ble High Court.</p> <p>4. M/s HCC Limited—Construction of Power House building and DG set foundation of Member (Generation) recommending to close the contract on merit. No further direction has been given in this regard.</p> <p>5. M/s Fichtner Consulting Engineers, Chennai—Consulting service for detailed engineering drawing. The matter has been taken up with Board for closing accounts.</p>

KSEB had decided in 1987 to set-up one 100 MW Diesel Power Project at Brahmapuram. This 100 MW Power Plant is intended as a base load station. In October 1991, the consultancy work of the project was entrusted with M/s TATA Consultancy Engineering, Bangalore. M/s TCE prepared a project report amounting to a total cost of Rs. 281 crore.

Important Events

- (i) Foundation Stone for the project was laid by the Hon'ble Chief Minister of Kerala—17-10-1993.
- (ii) Agreement executed with M/s SEMT Pielstick, France for the supply of 5 DG Sets & Unit auxiliaries—16-12-1993.
- (iii) Agreement executed with M/s Centrale Diesel Export (CDE) France for supply of Indian equipments & Services—16-12-1993.

1	2	3	4	5												
				<p>(iv) Agreement executed with M/s HCC Limited, Mumbai for the construction of DG set foundation & PH Building and work started on—8-11-1994.</p> <p>(v) Arrival of Unit # 1 Engine, Alternator & Unit auxiliaries—11-9-1995</p> <p>(vi) Erection contract of all Mechanical, Electrical equipments and instruments M/s TATA Project Limited, Hyderabad started work—6-11-1995.</p> <p>Each of the D.G. Units were synchronised with the Grid on dates as shown below:</p> <table border="1" data-bbox="668 102 955 606"> <thead> <tr> <th>Units</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Unit # 1</td> <td>6-5-1997</td> </tr> <tr> <td>Unit # 2</td> <td>7-8-1997</td> </tr> <tr> <td>Unit # 3</td> <td>7-10-1997</td> </tr> <tr> <td>Unit # 4</td> <td>17-12-1997</td> </tr> <tr> <td>Unit # 5</td> <td>24-12-1998</td> </tr> </tbody> </table>	Units	Date	Unit # 1	6-5-1997	Unit # 2	7-8-1997	Unit # 3	7-10-1997	Unit # 4	17-12-1997	Unit # 5	24-12-1998
Units	Date															
Unit # 1	6-5-1997															
Unit # 2	7-8-1997															
Unit # 3	7-10-1997															
Unit # 4	17-12-1997															
Unit # 5	24-12-1998															

The major works of the project had been carried out by the following contractors, and the present status of the various contracts are given below:

1	M/s Steelage Industries	
	Name of work .. Supply, erection, testing and commissioning of fire protection systems.	
	Total Contract .. Rs. 78,39,126	
	Amount	
	Amount paid .. Rs. 78,39,126	
	Remarks .. Contract closed	
2	M/s Crompton Greaves	
	Name of work .. Construction of Auxiliary buildings and Miscellaneous Civil works	
	Total Contract .. Rs. 5,93,04,396	
	Amount	

1	2	3	4	5
				<p>Amount paid .. Rs. 6,06,14,521 (including service tax amounting to Rs. 13,10,125 reimbursed as per B.O.)</p> <p>Remarks .. Contract closed</p>
				<p>3 M/s Bajaj Electricals Limited, Mumbai</p> <p>Name of work .. Complete design, supply erection, testing and commissioning of the illumination system of the plant & Auxiliary including street lighting inside the plant area</p> <p>Amount paid .. Rs. 71,61,896.50</p> <p>so far</p> <p>Remarks .. Contract amount closed</p>

4	<p>M/s Armsell</p> <p>Name of work .. Design, supply, erecting, testing & commissioning of 2 Nos. EOT Cranes of 10 MT capacity each across the D.G hall and 2 Nos. EOT Platform Cranes of 5 MT capacity across the radiation bay</p> <p>Contract Amount .. Rs. 85,43,333 paid</p> <p>Remarks .. Contract closed</p>
5	<p>M/s SEMT Pielstick, France</p> <p>Name of work .. Supply and transportation of imported equipments as per the Agreement No. 71/93-4 dated 16-12-1993.</p>

1	2	3	4	5
				<p>KSE Board entered into an agreement with M/s SEMT—Pielstick of France on 16th December, 1993 for the subject work.</p> <p>Total contract amount as per P. O. FRF: 30,44,85,000 (taking 1 FRF—6.6 Indian Rs. which comes approximately 201 crore.)</p> <p>Reasons for non closure of the contract . Local supplies and associated services were carried out by M/s CDE France, who are the local partners of M/s SEMT. They have requested for supervision charges of extended period of erection and commissioning. Since the supervision charges for the extended period has not been settled, their account closing has not been done. As per clause 1 & 2 of page 2 of the agreement with M/s SEMT Pielstick, it was their</p>

	<p>responsibility for the supervision and commissioning of all the plant including indigenous equipments. Hence their account closing can be done only after settling the above issue with M/s CDE, 1 France. The matter has been taken up with the Board vide this office note No. THG/BDPP/BRM-93/CDE/SE/891 dated 24-7-2007, the Board decision is pending. The matter needs to be taken up of FTM to analyse the facts of the case.</p>
6	M/s CDE, France
	<p>Name of work .. Supply and transportation of Indian equipments, supervision of erection and commissioning as per the Agreement No. 72/93-94 dated 16-12-1993.</p>

1	2	3	4	5
				<p>Total Contract .. Rs.5,62,00,000 + FRF Amount 33,00,000. (Taking 1 FRF = 6.6 Indian Rs.). The gross amount is around 2.18 crore.</p>
				<p>Split up details is given as below:</p> <p>(i) Indian Equipment Supply (including excise duty & taxes)— Rs. 4,85,40,000</p> <p>(ii) Transportation of Indian equipments—Rs. 2,60,000</p> <p>(iii) Indigenous Services: (a) Indian Agents Commission— Rs. 10,00,000</p>

<p>(b) Supervision of erection & Commissioning—Rs. 64,00,000 + FRF 33,00,000 (taking 1 FRF = 6.6 Indian Rs. Approx. 2.18 crore) (Exchange rate as on 1995)</p>	<p>Amount paid .. The work has already been completed and payments were settled for supply transportation and Indian Agents Commission, i.e., item Nos. i, ii, iii(a).</p>
<p>Total payment made for iii(b) for INR part comes to Rs. 53,37,411 + for FRF part comes to Rs. 27,31,355 (taking 1 FRF = 6.6 Indian Rs.)</p>	

An amount of Rs. 33,37,056 was released as advance payment for the free supply of 34 Nos. of connecting rod bearing shells. Even though the supply was affected the amount has not been adjusted for want of settling the final claim.

Reasons for non-closure of accounts

The firm requested for the supervision charges of extended period of erection and commissioning. The matter has been taken up with the Board vide this office Note No. THG/BDPP/BRM-93/CDE/SE/891 dated 24-7-2007. The Board decision is pending. To be taken up at FTM for deciding future course of action.

7	<p>M/s ABB Ltd., Bangalore</p> <p>Name of work .. Supply, erection, testing and commissioning of Air condition system for powerhouse control room and office room and ventilation system for powerhouse building and auxiliary building of BDPP.</p> <p>Total Contract .. Rs. 2,15,98,536</p> <p>Amount</p> <p>Amount paid .. Rs. 1,96,55,404</p> <p>so far</p>	<p>Reason for non-closure of accounts</p> <p>There is discrepancy in the amount to be paid with respect to the claim of the firm. This matter needs to be settled in a time bound manner.</p>

1	2	3	4	5
8	TATA Project Pvt. Ltd., Hyderabad			<p>Name of work .. Erection of all Mechanical, Electrical equipments and instruments including supply of miscellaneous equipments.</p> <p>Total Contract .. Rs. 10,82,24,108 Amount</p> <p>Amount paid .. Rs. 10,59,71,262 so far</p>
				<p>Reason for non-closure of accounts</p> <p>Running Account Bill (RAB) No.15 and the bill for extra works have not been admitted by K.S.E. Board. M/s TPL filed the suit before Hon'ble Sub Court, Thiruvananthapuram and the judgement came during May 2010. Board filed appeal before Hon'ble High Court and stay order obtained against the Judgement dated May, 2010. (Same status prevails now also). To take up the case with LA&DEO.</p>

9	<p>M/s HCC Pvt. Ltd., Mumbai</p> <p>Name of work .. Construction of Powerhouse Building and DG Set Foundation.</p> <p>Total Contract .. Rs. 20,06,69,465 Amount</p> <p>Amount paid .. Rs. 20,25,82,400 so far</p> <p>Details of .. Rs. 24,26,159 + L.D. if amount to any + Service Tax be recovered refunded if any</p>	<p>Reason for non-closure of accounts</p> <p>(i) Board's approval is pending for the extra works carried out and the rate at which the payment is to be made.</p> <p>(ii) Execution of supplementary agreement is pending.</p> <p>(iii) Board's decision is pending on imposition of L.D. and recovery of Service Tax.</p>
---	---	---

1 . 2	3	4	5
			Request for closing the account on merit has been forwarded from this office vide letter No. THG/5/94/BDPP/PH/HCC/3194/6-3-2010 to the Board.
			<p>10 M/s Fichtner Consulting Engineers, Chennai</p> <p>Name of work .. Consultancy service for detailed engineering drawing</p> <p>Total Contract .. Rs. 28,43,605.46</p> <p>Amount</p> <p>Amount paid .. Rs. 22,83,506.69</p> <p>so far</p>
			<p>Reasons for non closure of accounts</p> <p>Audit has objected the amount to be paid to the firm as per Board's calculation. The matter has been taken up with the Board vide this office Note No.THG/2/94/BDPP/Consultancy/FCEIL/1740/8-10-2009 for taking decision and closing the contract. The decision is pending before Board. To be taken up on FTM.</p>

11	M/s Span Consultant Pvt. Ltd.
<p>Name of work .. Consultancy service for Township planning and landscaping at BDPP.</p> <p>Total Contract .. Rs. 8,00,000 Amount</p> <p>Amount paid .. Rs. 3,43,670 so far</p> <p>Remarks .. Work was not completed within the stipulated time. Contract was terminated at the risk and cost of the contractor.</p>	
	<p>The total amount capitalised for BDPP in the year of commissioning 1997-98, as per accounts is Rs. 346,18,32,898 (Rupees Three Hundred and Forty Six crore Eighteen Lakh Thirty Two Thousand Eight Hundred and Ninety Eight only).</p>

5

At this verge of transfer scheme of all assets and liabilities of K.S.E.Board, Government has given direction to complete all necessary steps for re-vesting assets and liabilities of the Board.

In order to properly assess the value of assets and for cleaning up of accounts of the Board, the accounts in respect of various projects have to be finalized. It is true that litigations were there with regard to the claims of the contractors. In order to settle such disputes and to present the correct facts and accounts before the judicial fora, the accounts of the K.S.E.B. as per the records has to be finalized. Pendency of litigations filed by contractors cannot be a reason for not finalizing the accounts relating to the commissioned projects. On the other hand it is all the more a reason to expedite finalization of accounts. Only if the accounts are finalized as per the records of K.S.E.Board, a clear view

4

3

2

1

6	34	Power	<p>The Committee is surprised to note that the Board given the schedule of delivery of various items without assessing the time of requirement and without charting out a priority list. The Committee observes that it led to blocking of funds, which led to a loss of Rs. 13.98 lakh by way of interest. The Committee is perturbed to note that one oily water system costing Rs. 19.42 lakh received in April 1996 is put to use only after a gap of two years. The Committee opines that the Board should have taken reasonable care while fixing the delivery schedule and recommends that such instances should not be repeated in future.</p>	<p>on the claims of the contractor on the settlement of the disputes can be formulated and presented before the Courts.</p> <p>The matter was placed before FTM (Full Time Members) and it is decided to take necessary steps to close the pending issues and to issue general guidelines for closing accounts of all those completed projects within a specific time.</p>
				<p>Agreement for supply and erection of DG sets comprises supply and assembly of a number of items both foreign and indigenous. At times it may be difficult to regulate the supply of each and every item strictly on the chronological order of erection. Certain parts are received earlier than they are actually used. This is because, only on getting certain items of the equipments, their connecting parts can be procured. The observation of the Committee is noted for future guidance.</p>

1	2	3	4	5
10	38	Power	<p>The Committee finds that the Board has extended undue benefits of Rs. 1.11 crore to the powerhouse contractor by way of concessions in electricity, water and departmental supply of material when the Board did not get any benefit in return. The Committee notes that an additional amount of Rs. 13.12 lakh is paid to the contractor towards supervision charges for realignment and grouting of foundation bolts of DG set. The Committee recommends that steps should be taken to recover the additional amount paid as supervision charges to the contractor.</p>	<p>As per Clause 80 of General Conditions of Contract (G.C.C.)-(Power) it is specified that power will be given to the contractor at tariff rates in force from time to time. Consequently, from each CC bill, the energy charges were recovered at tariff rates. The Board vide order B.O. No. 314/95 (TC2-THS/18/94) dated 24-2-1995 issued sanction to apply LT IV tariff to the power connection as above for Brahmapuram Diesel Power Plant (BDPP).</p> <p>The excess quantity of cement consumed for the works was issued for bona fide purpose for the satisfactory completion of the work such as minor excess quantities provided for each particular job, flushing motor for pumping concrete, quantity of concrete consumed for making CC blocks for testing in laboratory. The Chief Project Co-ordinator has recommended to ratify the action taken by the Project/Field Officers in recovering the excess quantity of cement at issue rate as per note on file</p>

				<p>No. BDP/DB1/852/1139 dated 21-11-1996 of the Chief Project Co-ordinator. The Board, vide its order No. B.O. No. 1203/99 (TC2-THS.18/94) dated 28-5-1999 have accorded sanction for recovering the excess usage of cement at issue rate.</p>
				<p>(iii) The relevant clause in respect of water supply i.e., Clause 66.2.0 (G.C.C.) of conditions of contract, Specifications & Drawings and also 10.2.0 of the Special Conditions of Contract deal with the treatment of cost of water supply. Even though as per Clause 66.2.0 arranging water for construction purpose is the contractor's responsibility, as per clause 10.2.0, the contractor may avail free of cost the water supply made available at the work site by KSEB subject to availability. In the data provision, cost for usage of water is given @ 1.5% of cost of material and labour. As the contractor has used Boards water for construction purposes, proportionate deduction was made.</p>

1	2	3	4	5
<p>Access Road The construction of access road to plant and auxiliaries were awarded to M/s Sulaiman M. E. The bill amount was Rs. 25,45,839. The actual date and official date of commencement of work was on 7-11-1994 and the actual date and official date of completion of the work was on 6-1-1995. M/s HCC has started the construction work of PH building and DG set foundations on 7-11-1994.</p> <p>No road has been constructed for the exclusive use of the Powerhouse contractor. In fact it was not at all essential for the powerhouse contractor to construct the road to Environmental Station and also the road in the auxiliary area as the firm was concerned with the approach to the powerhouse only. Hence the contention of the audit that entire expenditure was avoidable as it was to be done as enabling work by the contractor for the powerhouse is not based on facts.</p> <p>The construction work of the Powerhouse building and DG set foundation was awarded to M/s Hindustan Construction Company Limited</p>				

(HCC), Mumbai; that of the erection works of all equipments, machinery were entrusted with M/s TATA Projects Limited (TPL) and the required drawings to be prepared and issued by M/s FITCHNER Ltd., Chennai.

The erection contractor M/s TPL had submitted various extra claims amounting to Rs. 13,12,187 (Rupees Thirteen Lakh Twelve Thousand One Hundred and Eighty Seven only) vide their letter No. TPL/BDPP/F-13-944 dated 14th October 1996 towards additional works carried out by them due to various deviations. The Chief Engineer (E) (Thermal) had recommended rates for works amounting to Rs.60,41,770 to the Board vide letter No. THG/17/BDPP/31/dated 18-11-1998. None of the items included in the extra claim of Rs. 13.12 lakh were included in the recommended rates. As these rates for extra items are not yet sanctioned by the Board, no payment, neither Rs. 13.12 lakh nor Rs. 60.42 lakh were made. These facts are also verified with various CC Bills and contractor's bill passing register maintained in Brahmapuram Diesel Power Plant.

1	2	3	4	5
				<p>The civil work contractor, M/s HCC is not given any undue benefits as such, as pointed out in the audit para. When the para 38 was interpreted, it was wrongly considered that the recovery of Rs. 1.01 crore including Rs. 13.12 lakh are attributable to M/s HCC, the powerhouse contractor. Actually the observation of Rs. 13.12 lakh pertains to M/s TPL—Since payment of Rs. 13.12 lakh is not effected to M/s TPL, the case of recovery also doesn't arise.</p> <p>It is true that the erection contractor M/s TPL had submitted an additional claim amounting Rs. 13.12 lakh towards supervision charges for realignment and grouting of foundation bolts of the DG sets. But the Chief Engineer had not admitted this claim and no payment had been paid on this account. It may also be noted that M/s TPL had neither raised this amount in their pending claims for final settlement nor included</p>

				<p>in the recommended list of extra works done by M/s TPL to the Board. Hence there is no chance of effecting this payment to M/s TPL in the final settlement also. These facts are verified with various records at BDPP. The action towards recovery from M/s HCC shall not arise as this claim is not existing.</p>
11	39	Power	<p>The Committee is perturbed to see that the work of certain mechanical and electrical equipment was awarded to TATA Project Limited bypassing BHEL, a Public Limited Company. It is surprising to note that the rate quoted by TPL was very high when compared to their own rate for Yalahanka Project and the difference between the rates quoted by the TPL and BHEL was more than Rs. 1.38 crore. The Committee could not digest the argument of the Board that TPL had previous experience in such work and is of the view that the Board had shown unwarranted favour to TPL for reasons best known only to them.</p>	<p>Tenders were invited on 5-4-1995 for erection of all mechanical, electrical equipments and instruments including supply of miscellaneous equipments at Brahmapuram Diesel Power Plant. The probable amount of contract was Rs. 650 lakh.</p> <p>Tender documents were issued to the following two bidders who were <i>prima facie</i> found possessing requirements for qualifications specified in tender notice:</p> <p>(1) M/s TATA Projects Limited, Hyderabad (2) M/s BHEL, Madras</p>

1	2	3	4	5
				<p>The pre-qualification bid was opened on 15-6-1995. Both the bidders had commercial deviation and technical in their offer from the tender. The Chief Engineer invited both the firms for discussions for withdrawing the deviations in their offer. Yet some deviation remained pending as both the firms were not willing to withdraw all deviations. The Chief Engineer (O&M) Thermal recommended the Board to pre-qualify both the firms accepting the deviations in their offer from tender subject to loading wherever possible.</p> <p>Since BDPP is included in the 15-points programme announced by Chief Minister, the Member (Electrical) called for two separate meeting on 20-9-2005 between K.S.E. Board and M/s BHEL & K.S.E. Board and M/s TATA Projects Limited to know-how the various activities are scheduled by them so that the project could be commissioned at the earliest.</p>

After conducting the meeting, the Member (Technical) was of the opinion that M/s BHEL, could not give a realistic programme by which they intend to carry out the work. So it was sure that the Board could not depend on them to achieve target. M/s TATA Projects gave a realistic program of work after going through all aspects of work, based on their experience in commissioning of an exactly similar Diesel Engine at Yelahanka in Karnataka. Since BHEL did even provide a realistic work plan it would not have been appropriate to give them the work even though they quoted lesser amount.

The Board pre-qualified M/s TATA Projects Limited, Hyderabad for the work of erection of all mechanical and electrical equipment and instruments including supply of Miscellaneous equipment at Brahmapuram Diesel Power Plant, vide B.O. No. 1999/95 (IC2-THS.37/95) dated, Thiruvananthapuram, 26-9-1995.

1	2	3	4	5
				<p>The work of erection of all mechanical and electrical equipment and instruments including supply of Miscellaneous equipment at Brahmapuram Diesel Power Plant was awarded to M/s TATA Projects on 30-10-1995 at their rock bottom offer for Rs. 10,82,24,108 [B.O. No. 2109/95 (TC2-IHS.37/95) dated, Thiruvananthapuram, 30-9-1995].</p> <p>As per the agreement, M/s TATA Project Limited should have completed the entire work on 31-10-1996, but they completed the work on 15-12-1998. The amount of liquidated damages envisaged in the contract, worked out to Rs. 6,16,112. So, on receiving 15th RA Bill for Rs. 54,89,882 of M/s TPL deduction of liquidated damages of Rs. 6,16,112 and recovery of liabilities amounting to Rs. 50,68,612 were initiated. But M/s TPL filed</p>

a suit vide O.S. No. 185/2003 before the Honourable Sub Court of Thiruvananthapuram challenging recovery liabilities and liquidated damages. The suit is now under trial before the Court. Hence the closure of contract is pending.

Reason for hike in the contract amount for BDPP (Rs. 10.82 crore when compared to that of Yelahanka) (Rs. 4.5 crore)

The period of agreement of Yelahanka Diesel Power Plant was during 1989 to 1990. But the agreement with M/s TPL for BDPP was in 1995 i.e. 5 years after that of Yelahanka. By this time the rates of all items including labour has increased. Thus there was a moderated hike in the contract amount.

In the light of the above facts, the Committee may consider dropping the recommendation.

1	2	3	4	5
12	40	Power	<p>The Committee is astonished to note that the transformers purchased at a cost of Rs. 597.96 lakh in October 1995 were commissioned only in April 1997 to January 1998, i.e., after a gap of 16 months. This led to a loss of Rs. 1.44 crore as interest on blocked up capital. It is interesting to note that by the time the transformers were commissioned, their guarantee period had also expired. The Committee opines that this is one of the best examples of the lack of control and proper monitoring by the project co-ordination officials in the Board and recommends that steps should be taken to avoid the recurrence of such instances in future.</p>	<p>The purchase order for transformers were placed as per original schedule of the project by which the first DG set had to be commissioned within 7 months from 30-9-1995 and all other units within 13 months. These transformers were custom built according to the specific technical requirement and they are not available in the open market as and when required. They are manufactured only against firm order. Hence they had to be purchased as per original schedule. But due to delay of the project, the transformers could not be commissioned in time.</p> <p>The observation of the Committee is noted. Now the Board have taken steps to effect purchase only at the required time and hold up of material is avoided.</p>

CHAPTER II

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations	Action Taken by Government
1	2	3	4	5
5	33	Power	<p>The Committee notices that as per provisions in the contract with SEMT, liquidated damages could be levied ranging from 0.5% to 10% of the equipment price for the delayed supply. The Committee finds that there were delays ranging from 25 to 38 days in the delivery of Diesel Generating sets and 235 to 529 days in the delivery of common auxiliary mechanical and electrical equipments. The Committee is distressed to note that even though an amount of Rs. 4.71 crore could be charged as liquidated damages, the Board has not recovered any amount from the SEMT till date. The Committee strongly condemns the inaction of the Board in this matter and recommends that immediate steps should be taken for the realization of the amount. The details of recovery should be reported to the Committee.</p>	<p>The DG sets and connected mechanical and electrical equipment were supplied from France. The delay of 25 to 38 days in the supply of engine has not directly affected the commissioning of the project. In fact due to the non-completion of civil works, such as construction of Power House Building, approach road etc. the DG could not be installed and commissioned in time. There was delay in finalizing the design for engine foundation. Had they supplied the DG set within the scheduled time, the Board would have been forced to keep the DG sets in open yards due to non-completion of approach road. Thus due to delayed supply by 25 to 38 days, additional transportation charges and re-handling charges of the DG sets was avoided.</p>

1	2	3	4	5
<p>Remarks : The Committee enquired the details of liquidated damages from the firm and the present position of the project.</p>				
7	35	Power	<p>The Committee is alarmed to note that M/s Central Diesel Export purchased and delivered certain items from local market at cheaper rates and claimed higher price as per contract conditions. The Committee understands that against the market price of Rs. 353 and Rs. 278 for pipe and pipe fittings CIDE charges Rs. 551 and Rs. 854 respectively as per the contract conditions. The Committee opines that the Board had failed miserably to protect its interest even in ordinary transactions and recommends that project execution wing in the Board should be professionalized with the help of Management experts.</p>	<p>The contract with M/s Centrale Diesel Export was for supply and erection of Indian equipments required for the commissioning of the DG sets. They have arranged the materials from local market according to requirement, quality and availability. The alternate way of procurement of such items from local market by the Board was impractical and it would have caused further delay in the execution of the project.</p> <p>As directed by the Board a professionally qualified Engineer is appointed as Project Manager for each project. The Project Manager</p>

will be in over all charge of the project and will be responsible for the progress of the project in the civil as well as electrical side. The Project Manager will have the administrative and financial powers of the Deputy Chief Engineer with regard to sanctioning of expenditure for the project.

A Monitoring Committee is also appointed for monitoring the timely completion of each project. It consists of four members viz.—Member (Generation/Transmission) as Chairman, two Chief Engineers as members and the Project Manager as Convener.

Remarks : The Committee expressed it's dissatisfaction over the reply and sought explanation regarding the conditions for the purchase of equipments from local market for the commissioning of DG sets.

1	2	3	4	5
8	36	Power	<p>The Committee deprecates the action of the Board in reducing the period of completion of construction of DG set foundation to 7 months from 8 months which in turn resulted in hike in the tender amount from Rs. 8.81 crore to Rs. 20.01 crore incurring additional expenditure to the tune of Rs. 11.21 crore. The Committee observes that had the Board been more vigilant in the execution of the project, the additional expenditure could have been avoided and recommends that project execution wing should be made accountable for such avoidable expenditure.</p>	<p>The observation of the Committee is admitted. As already mentioned, for the new projects, the execution wing is made accountable to avoid unnecessary expenditure. Project Managers have been appointed with more powers, which are responsible and accountable for the proper and timely execution of the Project.</p>
<p>Remarks : The circumstances which led to reduction of period for the construction of foundation for DG set shall be informed to the Committee.</p>				

9	37	Power	<p>The Committee is shell shocked to see that the Board had issued completion certificate to HCC in December 1996 who had only completed 65% of the work exempting them from carrying out the remaining items of work. As per the agreement with the HCC, payment was to be made within 30 days from the date of the certificate of engineers-in-charge. The Committee understands that HCC had put forward a claim for Rs. 595.09 lakh towards additional expenditure on establishment overheads etc. The Committee opines that Board should calculate the loss sustained by it due to delay in the execution of the project and management of the work. The damages thus calculated should be realized from HCC. The Committee further recommends that the circumstances that had led to the issue of</p>	<p>The major portion of the work was completed by M/s HCC on 31-3-1997. The items of work left undone by M/s HCC were executed with outside agencies and later charged to HCC. An additional claim put forth by M/s HCC was not admitted. An amount of Rs. 411,58,185 charged towards liquidated damages is still pending. The accounts with the firm are yet to be settled due to the case pending before the Hon. High Court of Kerala. The Completion Certificate was issued on the basis of the recommendation of the project co-ordinator on the condition that the balance work and rectification work would be completed in time. The Project Manager, HCC Limited, Kochi has agreed to this. The Board will comply with the recommendation of the Committee by conducting an enquiry.</p>
---	----	-------	---	---

1	2	3	4	5
			<p>Completion Certificate should be enquired into and stringent action should be taken against those found responsible for issue of Completion Certificate when 35% of the work was still pending.</p>	
<p>Remarks: The Committee enquired about the current status of the case pending before the Hon'ble High Court of Kerala, which is referred in the Government reply. The Committee also requires the details of the action taken against the M/s HCC for demanding the completion certificate after completing only 65% of the work and the circumstances that led to the issue of the certificate to M/s HCC.</p>				

Thiruvananthapuram,
2nd July, 2015.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.