

Audit Inspection Report on the account of Executive Engineer, Electricity Distribution Division, Kotdwar for the period from 04/2015 to 03/2016 was carried out in exercise of the power conferred by section 19 of the C &AG, DPC Act 1971 read with section 143 of the Companies Act 2013. The transaction audit was conducted by Shri Amit Kumar Mishra, Asstt. Audit Officer, Shri A.P.Singh, Asstt. Audit Officer under the partial supervision of Shri Mukesh Kumar, Sr. Audit Officer during the period from 06-06-2016 to 13-06-2016.

The inspection report has been prepared on the basis of information provided by the Executive Engineer, Electricity Distribution Division, Kotdwar. The Office of the Accountant General (Audit), Uttarakhand, Dehradun will not be responsible for any incorrect information and information not made available to audit.

### **Part- I**

#### **(A) Introductory:-**

The last audit of the division was conducted by Shri Amit Kumar Mishra, Asstt. Audit Officer, Shri A P Singh, Asstt. Audit Officer under the partial supervision of Shri Mukesh Kumar, Sr. Audit Officer covering the period up to 04/2014 to 3/2015. During the present audit, accounts and records of the Division for the period from 04/2015 to 03/2016 was generally examined.

The following Officers/Officials held the charge of the Division

1. Shri Anil Mishra, Executive Engineer since last audit to 05.11.2015.
2. Shri Anil Verma, Executive Engineer 06.11.2015 to 31.03.2016
3. Shri P.K. Negi, held the charge of D.A. (R) since last audit to 31.03.2016
4. Shri S.S. Gusain, held the charge of D.A. (W) since last audit to 31.03.2016.

#### **(B) Outstanding paras of pervious AIRs:-**

<b>Sl. No.</b>	<b>Period</b>	<b>Part II A</b>	<b>Part II B</b>
1.	4/2000 to 3/2001	1 to 4	1,2
2.	4/2001 to 3/2002	1,2	1 to 12
3.	4/2002 to 5/2003	1 to 4	1,2,3
4.	6/2003 to 9/2004	---	3 to 6
5.	10/2004 to 9/2005	1	1 to 5
6.	10/2005 to 9/2006	1	1 to 5
7.	10/2005 to 9/2006	1	1 to 5
8.	10/2006 to 9/2007	1to 5	1to6
9.	10/2007 to 9/2008	1 to 7	1 to 2
10.	10/2008 to 3/2011	1 to 3	1 to2
11.	04/2011 to 03/2013	1 to 3	1 to 6
12.	04/2013 to 03/2014	1 to 4	1
13.	04/2014 to 03/2015	-	1 to 5

**(C) Persistent Irregularities:** -----Nil-----

**(D) Record not put up** -----Nil-----

## **PART- II A**

### **Para 1: Non recovery of additional Security amounting to ` 53.84 lakhs**

As per para 2.2.1 of UERC Regulations 2007, security of the consumers should be assessed in end of each financial year in respect of those consumers who have been given the connection for supply of electricity, the security should be equal to average consumption of two month bill of the financial year. In case security reassessed exceeds the amount of security already deposited, the differential amount will be demanded as additional security by giving a notice to the consumers within the 45 days. In case the additional security which is not deposited within the stipulated period, the electricity supply of such consumers can be disconnected.

Scrutiny of billing files and other related records of the large & heavy consumers, it was noticed that in case of 50 consumers, the average two months bills of consumers exceeded the amount of security already deposited which worked out to ` 53.84 lakhs which is outstanding from March 2015 to till date. As per circular in question, amount of this additional security was required to be recovered within 45 days. This amount should have been recovered from consumers which were not done.

Management in its reply stated that the notices are being issued to concerned consumer for depositing the additional security. Reply of management is not convincing as the same should have been recovered from the consumers with in 45 days.

## **PART- II B**

### **Para 1: Issue of temporary connection without Prepaid meters.**

As per Order of retail supply tariff of UPCL for 2012-13, Uttarakhand Electricity Regulatory Commission (UERC) provided in principal approval for implementing prepaid metering w.e.f. October 2012. Further, National Electricity Policy under clause 5.4 emphasis upon the use of modern technology for reducing distribution losses and improvement in quality of service to consumers and energy conservation. Prepaid metering provides better service to the consumers, improves cash flow of the Company and also leads to reduction in consumer grievances. Further, prepaid metering shall be mandatory for new temporary LT connections upto 30 KW from October 2012 subject to availability of meters and valid operational constraints.

Scrutiny of records of EDD Kotdwar it was noticed that during 2014-15 to 2015-16, division issued 154 temporary connections. Out of above only 12 connections were issued using prepaid meters. Division disconnected eight prepaid connections up to February 2016. Although, above connections were discontinued but security amount of these consumers were not refunded as the division do not have the required codes to generate the closing balance. Also, those connections which were released during 2014-15 were charged at the same rate during 2015-16 despite change of tariff because the division lacked expertise to amend the software of prepaid meters as per new tariff. Division issued very few prepaid meters in release of temporary connection and also failed to manage those connections. Due to non-installation of prepaid metering system division was deprived off its associated benefits viz better cash flow, reduction in consumer grievances & AT&C losses and energy conservation and also violated the UERC's order as it was mandatory.

Management in its reply stated that during 2014-15 and 2015-16, 154 temporary connections were released out of which 12 were released with prepaid meters. Division is not being able to disconnect the temporary connections as they do not have code for Permanent disconnection. Division released new temporary connections with ordinary electronic meters. Further necessary action is expected from UPCL's Headquarter. Fact remains that UPCL Headquarter had not shown due diligence in purchasing of prepaid meters. Due to non availability of source code the same has been lying idle with the divisions. As a result of which the division was deprived off benefits which could have been derived from use of prepaid meters.

**Para 2: Deficiencies in IT implementations**

- IT implementations includes IT applications for meter reading, billing & collection, energy accounting and auditing. Scrutiny of Consumer meter reading status ledger as on 1<sup>st</sup> June.2016, it was found that out of total 615 KCC consumers, most of which are commercial consumers Automatic Meter Reading of only 39 consumers (6.34 *per cent*) were being done and meter reading of remaining 576 consumers (93.66 *per cent*) were done manually. This shows poor implementation of IT applications in meter reading.
- For reflecting division's performance in revenue realisation and for energy accounting it prepares commercial dairy of each month. Despite implementation of RAPDRP and online billing the commercial diary of the division is prepared manually. Manual intervention in preparation of commercial diary may result in wrong data entry and manipulation.
- For accurate energy accounting without human intervention, there is a requirement that all the meters installed on 33/11 KV remain communicative and send real time data of power consumption through modem. During analysis of RAPDRP system of the division it was observed that 111meters were installed 33/11 KV system and out of above 35 (31.53 *per cent*) were non communicative. This may lead to inaccurate energy accounting.
- It was also observed that the network connectivity in the division was very poor. The poor speed was not only hampering the regular work of division but also affecting the billing collection efficiency and other routine work of the division. The instances of frequent breakdown in the network connectivity were also noticed

Management stated that in respect automatic meter reading of KCC consumers and non communicative modems action is expected from test division and in respect of online preparation of commercial diary it is expected from Headquarters' Office. Poor network of RAPDRP is the constant problem the same was intimated to BSNL as well as Headquarters' office. Reply of the division affirms the audit objections and management should take appropriate action to resolve these issues.

**Para 3: Non- realization of Revenue**

The purpose of establishing distribution division in different parts of the State is to provide electricity to the consumers of different categories. One of the most important functions of the division is to realize electricity charges consumed by the consumers. The realisation as per the targets fixed by the UPCL is intimated monthly to the division indicated efficiency of the division and good financial health of the UPCL. The revenue collected/ realised by the division is intimated through monthly commercial diary of the distribution division. Arrear of the division in respect of RTS-5 has increased marginally whereas; it has decreased in respect of RTS 6 and RTS 7 as detailed in the table below:

<b>RTS</b>	<b>Consumers</b>	<b>Arrear of March 2015 (` in lakh)</b>	<b>Arrear Ending month of February 2016 (` in lakh)</b>
RTS-5	Government irrigation system	999.21	1039.27
RTS 6	Public water works	1368.12	262.34
RTS 7	LT & HT Industry	5786.46	5580.40

The revenue collection of the division has resulted in overall decrease in the arrears of the division. However, still there is huge unrealized arrears which should be realized to improve the cash position of the UPCL.

Division stated in its reply that in respect of RTS 6 and RTS 7 they have reduced the arrears and arrears have increased in respect of RTS 5 only. Efforts are being made to reduce the arrear. Reply of the division is not convincing as there is still large amount of arrear which is to be realized by the division.

- As per commercial diary of the Kotdwar division for the month of March 2016 there were 17714 BPL and Kutir Joyati consumers of the division. It was noticed that there is no arrangement in master data of R-APDRP software to highlight the updating of Know your consumer (KYC) & details of consumer status. UPCL releases power connection to BPL consumers at minimum tariff (subsidized rate per unit). However, once the connection was released to a BPL consumer initially, after a specified period, the system never asks about the requirement of status of consumer whether the consumer has been upgraded to APL or not. None of the BPL consumer was surveyed for their status.
- As per rate tariff of UPCL approved by UERC, if consumers installs and uses solar water heating system, rebate of ` 100 per month for each 100 litre capacity of the system or actual bill for that month whichever is lower shall be given subject to the condition that consumer gives an affidavit to the licensee to the effect that he has installed such system, which the licensee shall be free to verify from time to time. If any such claim found to be false, in addition to punitive legal action that may be taken against such consumer, the licensee will recover the total rebate allowed to the consumer with 100 % penalty and debars him from availing such rebate for next 12 months. Kotdwar division of UPCL had 151 consumers with installed capacity of solar heaters of 34250 litres. It was noticed that the system never gives alerts to the licensee (UPCL) for verification of these consumers.

Division stated in its reply that such changes in RAPDRP software can be made at Headquarter office. The reply of the division is not convincing as division should have itself ensured regular verification of such consumers as these consumers are availing benefit of discount due to their status.

**Para5: Manual billing of consumers**

UPCL has implemented RAPDRP software for billing and revenue collection purpose and it also uses KCC software for billing of three phase consumers. During scrutiny of the billing records of the division audit observed 58 connections of Jal Sansthan are running with defective meters since December 2015 till date (June 2016). Billing of these consumers (RTS 6 i.e. Jal Sansthan) is being done manually. Division has been raising electricity bill to the Jal Sansthan consumer on assessment basis. As the billing of these consumers is done on assessment basis the division is not aware about the power factor of the consumer and thus cannot levy low power factor surcharge on these consumers. Due to non replacement of IDF meters division is unable to recover the actual cost of electricity as per approved tariff.

### **Manual Billing of Open Access consumers**

Open access consumers are those consumers which buy power directly from generator and pay only pre determined charges to UPCL for using its network. It was noticed that, division has 4 open access consumers. The billing of these consumers is done through in house developed excel formula sheet.

Division first raise bill to open access consumer as per meter reading. Later, it gives credit to the same consumer in electricity bill of next month when SLDC provides details of Open access power purchased by the consumer. The division gives credit to these consumers by feeding manually the power purchase data in the said excel sheet. The above excel sheet is also not validated therefore, the accuracy of credit provided to these consumers can not be verified. The process of netting of open access consumer is not synchronized with RAPDRP network of the UPCL as a result of which consumer gets delayed credit of the power purchased and also there are chances of error due to manual feeding of records.

Division stated in its reply that they have already communicated to headquarters and test division about the IDF meters of 58 Jal sansthan connections and in respect of manual billing of above consumers as well as open access consumers. The action in this regard is to be taken at headquarters level.

The reply of the division is not convincing as it is the joint responsibility of test and distribution division to ensure that the IDF meters are replaced in time. Also, as per General conditions of supply of UPCL rate schedule UPCL can raise electricity bill on assessment basis in case of IDF consumers for three months only. Thereafter, UPCL shall not be entitled to raise any bill without correct meter.

Also, UPCL headquarter should incorporate billing /netting of open access consumers through RAPDRP system to avoid wrong billing and excess credit to consumers.

### **Para 6: Non updation of IDF meters through system.**

The consumers whose meter malfunction or stop working or gets defective are categorized as IDF meters. After any meter is identified as IDF, these meters are replaced by new meter by TEST division concerned. Test division sends sealing of new meter to the distribution division concerned for updating the same in the system. Till the time consumer's status is updated it is billed on assessment basis.

Scrutiny of the system of the division revealed that the meters of 115 consumers were replaced during January 2013 to March 2016 but the same consumers still reflect in the list of IDF consumers.

This shows that the system lacks the provision for automatically updating the status of the IDF consumer despite feeding new sealing of the replaced meter in the system .Due to non removal of corrected/replaced meters from the list of IDF meters the system show erroneous list of IDF comprising of even the replaced meters.

Division accepted the audit observation and stated that it is a system related error which can be rectified at headquarters. However, the fact remains that due to this error fictitious IDF consumers reflect in the system and consumer is billed on assessment basis instead of actual consumption.



**PART III**

-----NIL-----

**Sr. Audit Officer/ES-I**