

POWER GRID CORPORATION OF INDIA LIMITED

MINISTRY OF POWER

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)**

TWENTIETH REPORT

(FIFTEENTH LOK SABHA)



LOK SABHA SECRETARIAT

NEW DELHI

CPU. No. 953

20

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POWER GRID CORPORATION OF INDIA LIMITED

MINISTRY OF POWER

(Action taken by the Government on the Observations / Recommendations contained in the Tenth Report of the Committee on Public Undertakings on Power Grid Corporation of India Limited)



Presented to Lok Sabha on 21.03.2013

Laid on Table of Rajya Sabha on 21.03.2013

LOK SABHA SECRETARIAT

NEW DELHI

March 2013 / Phalguna 1934 (S)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2012 – 2013)

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Shri Jagdambika Pal

Members, Lok Sabha

2. Shri Hansaraj Gangaram Ahir
3. Shri Ambica Banerjee
4. Shri Bansa Gopal Chowdhury
5. Dr. Mahesh Joshi
6. Shri Shailendra Kumar
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22. Dr. Janardhan Waghmare

Secretariat

- | | |
|--------------------------|---------------------|
| 1. Shri A. Louis Martin | Joint Secretary |
| 2. Shri M.K. Madhusudhan | Additional Director |
| 3. Shri Haokip Kakai | Executive Assistant |

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Twentieth Report on Action Taken by the Government on the Observations/Recommendations contained in the Tenth Report of the Committee on Public Undertakings on “Power Grid Corporation of India Limited”.

2. The Tenth Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 7 December 2010. Replies of the Government to the Observations/Recommendations contained in the Report were received on 16 November 2011. Subsequently, updated replies were received from the Ministry on 12 December 2012. The draft Report was considered and adopted by the Committee at their Sitting held on 19 March 2013.

3. An analysis of the action taken by Government on the Observations / Recommendations contained in the Tenth Report is given in Annexure.

**New Delhi
20 March 2013
29 Phalgun 1934(S)**

**JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.**

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Tenth Report (Fifteenth Lok Sabha) of the Committee on Public Undertakings (2010-11) on "Power grid Corporation of India Limited" which was presented to Lok Sabha on 7th December, 2010. The Report contained 12 observations/recommendations.

2. Action Taken notes have been received from Government in respect of all the twelve observations/recommendations contained in the Report. These have been categorized as follows:

- | | | |
|-------|---|-----------|
| (i) | Observations/Recommendations which have been accepted by the Government (Chapter II) Sl. Nos. 1, 2, 3, 4, 5, 7, 9, 10 & 12. | (Total 9) |
| (ii) | Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies (Chapter III) | Nil |
| (iii) | Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV) Sl. Nos. 6, 8, & 11. | (Total 3) |
| (iv) | Observations/Recommendations to which final replies of the Government are still awaited (Chapter V) | Nil |

3. The Committee desire that response to their comments in Chapter I of the Report should be furnished to them expeditiously.

4. The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

Recommendation at Sl. No. 6

AT&C LOSSES

5. The Committee pointed out that while the states like Manipur, Jammu & Kashmir and Madhya Pradesh reported astronomically high percentage of Aggregate Technical and Commercial (AT&C) losses to the extent of 81.01, 69.05 and 61.05 respectively, the percentage of such losses in the states of Himachal Pradesh, Andhra Pradesh and Tamil Nadu stood as low as 12.85, 12.99 and 15.33 respectively and required the Ministry of Power to formulate appropriate strategies to make use of experiences of better performing states in those states where the AT&C losses are in the highest brackets. The Committee also recommended that the Ministry of Power should keep a strict vigil over the progress of Restructured Accelerated Power Development Reform Programme.

6. In their action taken reply, the Government have stated that the responsibility of reduction in AT&C losses is with the State Utilities and to reduce the losses in their distribution sector, the State utilities have to initiate Technical and Administrative measures. The Government have further stated that under the technical measure, the distribution network should be strengthened to avoid frequent failure and overloading of system, under the administrative measure, the Distribution utilities should take stringent measures under the Electricity Act, 2003 legislated by Union of India which provides number of measures to check theft of Electricity.

Regarding the Re-structured Accelerated Power Development and Reform Programme(R-APDRP), the Government have inter-alia stated that the Power Finance Corporation Ltd. (PFC) nodal agency for R-APDRP on behalf of Ministry of Power, is regularly reviewing the programme/ achievements with States in implementation of R-APDRP projects. In addition, the Steering Committee constituted by Ministry of Power under the chairmanship of Secretary (Power) review the progress of R-APDRP schemes for expeditious implementation of schemes on regular intervals with the Nodal agency (PFC) and with the states officials and projects are sanctioned and disbursements are made evenly during the Year.

Present Status of R-APDRP is stated to be as follows:-

- Under Part-A of the Re-Structured APDRP 1402 projects worth of Rs 5,196.50Crore, to cover almost the entire country for establishment of IT enabled Baseline System have been approved by the GOI.
- Under Part-A total, SCADA Projects worth Rs 1,442.29 Crore. covering 63 towns have been sanctioned
- Under Part-B, and 1132 projects worth Rs 25,684.91 Crore for strengthening and upgrading of sub- transmission distribution system, have been sanctioned so far.
- The Ministry of Power has released an amount of Rs 6,502.10 Crore under the Restructured R-APDRP programme, out which Rs 6,304.97 Crore is the loan against Part-A and Part-B projects for disbursement to state utilities and Rs 197.13 Crore as grant against enabling component for implementation of R-APDRP”.

7. Taking note of the high percentage of Aggregate Technical and Commercial (AT&C) losses in the country, the Committee had, inter-alia, recommended that Government should formulate appropriate strategies to make use of experience of better performing States in respect of those States where the AT&C losses are very high. The Government appears to have drawn satisfaction by stating that the responsibility of reduction in AT&C losses is with the State utilities. The Committee are aware of this position. What the Committee wanted was that the Ministry of Power should take some initiatives in the matter in national interest and take up the matter with the States concerned. The Committee would like to be apprised of the action taken in this regard.

Recommendation at Sl. No. 7

BOARD OF DIRECTORS

8. Expressing concern over the delay in appointment of independent directors on the Board of PGCIL, the Committee in their earlier Report had recommended that an appropriate system should be put in place to ensure timely filling up of anticipated vacancies in the Board of Central Public Sector Enterprises.

9. The Ministry of Power in their Action Taken Reply has stated that with the reappointment of four Independent Directors on the Board of Power Grid w.e.f. 10.7.2010 vide GOI order dated 19.10.2010, the Board comprised seven Independent Directors till 24.4.2011, when the tenure of two Independent Directors got completed on 24.4.2011. The tenure of four Independent Directors and that of one Independent Director completed on 9.7.2011 and 3.8.2011 respectively. The Ministry has further stated that two Independent Directors have been appointed on the Board w.e.f. 27.12.2011 and the proposal for appointment of five directors have been sent for the approval of ACC.

10. There is nothing in the Government's reply to indicate whether any action has been taken as recommended by the Committee to put in place an appropriate system to ensure timely filling up of anticipated vacancies in the Boards of Public Undertakings. The Committee would like to know whether the matter was taken up with the Department of Public Enterprises, and if so, the outcome thereof.

Recommendation at Sl.No.8

DIRECTOR'S SHAREHOLDING

11. The Committee noted that one of the independent directors in the Board of POWERGRID had disclosed holding of 1, 25,000 equity shares of the Company in individual capacity as on 31st March 2009 and desired to be apprised of the manner in which such a large shareholding of the Company was acquired by an Independent Director and the circumstances under which he was permitted for such an acquisition by Compliance Officer. The Committee also desired the management of POWERGRID to examine the ethical and legal implications of such share transactions by an individual while working on the Board of the company as an Independent Director.

12. The Ministry of Power in their action taken reply has stated that the matter has been discussed with the concerned independent director. From the details given, it has been seen that he has not dealt in purchase/sale of shares, when the trading window was closed. During the period of trading window closure all employees & directors are prohibited from purchase/sale of shares of the Company, keeping in view of the price sensitive information during that period.

Further, it has been informed that on overall basis no profits have been made by him on account of trading in shares of the company. The quantum of share was 0.00029% of the pre-FPO equity shares. At the time of IPO all the independent Directors were eligible to apply under Employee quota. Further, there was no overall cap on acquisition except seeking pre-clearance from compliance officer for purchase of shares in excess of 10,000 for which, request for pre-clearance was not made. However, as stated above, the director has not purchased/sold shares during window closure period, nor made any profits out of the purchase/sale of shares of the company on overall basis.

The Ministry has also stated that the tenure of the Director completed on 9th July 2011.

13. The Committee had, inter-alia, desired to be apprised of the circumstances under which an Independent Director was permitted to acquire as many as 1,25,000 equity shares of the Company by compliance officer. The Ministry of Power, while admitting that no request for pre-clearance for purchase of shares in excess of 10,000 was made by the Independent Director, has apparently shied away from taking any action against the Director for the lapse. It appears that the Ministry of Power has taken the matter very casually even after the issue has been highlighted by the Committee. The Committee would await an explanation of the Ministry of Power in the matter.

Recommendation at Sl.No.11

MEGA POWER PROJECT STATUS TO TRANSMISSION SYSTEM

14. Taking note of the fact that the Government have been extending Deemed Export Benefit under EXIM Policy to Mega and Ultra Mega Power Generation Projects, the Committee were of firm view that Deemed Export Benefits should also be extended to associated power transmission projects so as to reduce the transmission project costs to the ultimate benefit of the consumer. The Committee, therefore, recommended that Ministry of Power should take up this matter with the appropriate authority at the earliest.

15. In their action taken reply, the Government have stated that the proposal for according Mega Power Project to Transmission system was sent to Ministry of Finance as a part of pre-budget consultations. However, the same has not been acceded to.

16. The Committee had recommended that Deemed Export Benefits allowed to Mega and Ultra Mega Power Generation Projects should also be extended to power transmission projects associated with such Mega and Ultra Mega Power Generation Projects so as to reduce the transmission project cost to the ultimate benefit of the consumer. The Government have replied that the

proposal in this regard was sent to the Ministry of Finance and the same has not been acceded to. The Committee regret to note that the Ministry of Power has not indicated the reasons for rejection and whether it is convinced of the same and if not, whether the matter would be taken up with the Ministry of Finance for its reconsideration. The Committee would like to be apprised of the position.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNEMENT

Recommendation at Sl. No.1

TRANSMISSION PROJECTS

The Committee have been informed that Government have planned power generation to the extent of about 78000 MW and 1,00,000 MW during the 11th and 12th Five Year Plan respectively and a number of power projects with large generation capacity are to be established at diverse places besides simultaneous capacity generation addition programs. During evidence, the Secretary, Ministry of Power deposed: "Today, the transmission capacity development is taking place faster and better than generation capacity addition." The Committee are not inclined to accept this averment made by the Secretary, Ministry of Power as the scrutiny of the information furnished by the POWERGRID brings out that a number of transmission projects undertaken by the company have been plagued with delays due to one reason or the other with the result that even the implementation schedule of some of the envisaged transmission projects is lagging behind the targeted dates. Although a perspective transmission plan is stated to have been evolved for strengthening the regional grids and enhance the inter regional power transfer capacity of National Grid, the Committee are constrained to observe and assert that the pace of implementation of transmission projects by POWERGRID will have to be accelerated matching with the ambitious power generation programs formulated for execution during the 11th and 12th Five Year Plan period. The Committee, therefore, recommend that the Government should accord high priority to timely execution of transmission projects and take concrete action to remove bottlenecks causing delays in implementation of such projects by POWERGRID. The Committee would like to be apprised of the precise steps taken by the government in this regard.

Reply of the Government

Power Grid Corporation of India Limited (POWERGRID) is responsible for establishment of inter-state transmission system for evacuation of power from Central Generating Stations, IPPs, Ultra Mega Power Projects and system strengthening schemes. Development of transmission network has to be in tandem with the envisaged growth planned in the generation capacity. Accordingly the Transmission schemes are being planned and taken up by POWERGRID after the same are agreed in the Standing Committee on Power System Planning and the constituents/beneficiaries agrees for signing of Bulk Power Transmission Agreement (BPTA)/Transmission Service Agreement (TSA).

However, POWERGRID has surpassed its capex target of Rs. 55,000 crore envisaged during the XI Plan and achieved Rs. 55,331 crore. Further, POWERGRID also achieved its physical targets as per MoU signed with MoP every year for Transformation Capacity (MVA) and Stringing (Ckm) during XI plan. POWERGRID follows the Integrated Project Monitoring and Control System to implement transmission projects within the scheduled date of completion. POWERGRID accords high priority to timely execution of transmission projects and takes concrete and prompt action to remove bottlenecks causing delays in implementation of such

projects. In case there are delays in generation the associated transmission systems are taken up at a later stage to match the generation schedule. Generally, time and cost overruns in transmission projects are encountered on account of delays in generation, severe Right of way problems, Forest clearances, Land acquisition etc. However, there has been no bottling up of generation on account of delay in readiness of associated transmission systems.

At the beginning of current financial year, 82 schemes were under implementation for commissioning during 12th Plan. Out of which 7 schemes are already complete. Majority of schemes are generally progressing on schedule except for those which are mainly affected due to the following reasons

- a) Due to revision in Generation Schedule Implementation of Associated Transmission System needs to be slowed down.
- b) Delay in Forest clearance/ Land acquisition.
- c) ROW problems.

To overcome the delays in project execution, POWERGRID has taken several measures, some of which are as follows:-

- i) To expedite the land acquisition process, POWERGRID is requesting all State governments / District Magistrates to acquire land on negotiated settlement or consent award basis. A monitoring committee has been setup at the corporate level to expedite land acquisition. Alternatively, POWERGRID has also started purchasing land directly on negotiated rate basis in association with local authorities on case to case basis, where excessive problems are being faced.
- ii) To curtail the bottlenecks of Forest clearance delays, detailed survey in forest stretch is to be carried out at the inception stage. Forest clearances, which generally take about 6 months to one year or more from the date of submission of proposal, are being pursued with the concerned authorities for timely implementation of projects.
- iii) Implementation of Enterprise Resource Planning (ERP) shall consolidate better project management and feedback mechanism.

Ministry of Power accords utmost priority to timely completion of transmission projects. The project implementation is monitored at the level of Secretary (Power) through quarterly review meetings of the MOU targets set for every financial year. To facilitate the timely completion of projects whenever severe problems of Right of Way and forest clearance are brought to the notice of the Ministry of Power by PGCIL, the matter is taken up with the concerned State Government and with the Ministry of Environment and Forests. Minister of Power vide his DO letter of 16.6.2011 also requested Minister of Environment and Forests to exempt transmission projects from the purview of Forest Rights Act (FRA), as transmission projects are non polluting in nature running in hundreds of kilometers and no land is acquired or subject to any change in land use pattern.

Ministry of Power (O.M.NO. 9/6/2010-PG dated December 12, 2012)

Recommendation at SI.No.2

PRIVATE SECTOR PARTICIPATION IN TRANSMISSION

According to Ministry of Power, private investors have an important role to play in the power sector growth. Further the stipulations made under section 63 of Electricity Act 2003 provide impetus to the participation of private sector in generation and transmission. The Committee have been informed that pursuant to issuance of guidelines by the Ministry of Power for encouraging competition in development of transmission projects and also guidelines for tariff based competitive bidding for transmission services, an empowered committee constituted by the Government identified certain transmission works for implementation by private sector during 11th and 12th Plan period. Nevertheless the available information before the Committee, does not in the Committee's view bring out a clear picture *vis-à-vis* the criteria adopted by the empowered committee for selection of such projects and lines /sub-stations for execution through private sector participation in transmission of power. The Committee would, therefore, like to be apprised in clear terms the factors taken into account and the methodology adopted by the empowered committee for selection of transmission projects to be taken up through private participation.

The Committee also feel that the role of a public sector enterprise like POWERGRID which has registered consistent growth over the years as largest transmission utility in the country and which has excellent rating, should not in any manner be undermined in the wake of private sector participation in power generation and transmission network. While emphasizing the need for ensuring transparency and competitiveness in power sector to protect the interests of the consumers, the Committee would like to emphatically hasten to caution the Ministry of Power in the matter of venturing into the domain of private sector participation in a sensitive area. Private Sector Participation in transmission network should be undertaken in a phased manner by executing pilot projects in specific areas. Needless to say that a subsequent review of the performance of such pilot projects will go a long way in determining the efficacy of private sector participation in augmentation of transmission network matching with planned power generation in the country.

Reply of the Government

The Empowered Committee while recommending the transmission projects to be taken up through Tariff based competitive bidding keeps in view a balanced mix of both difficult and less difficult projects. The nature of the terrain and issues relating to Right of Way, land to be acquired and issues involving in Environment and Forests clearances are material factors to determine difficult or less difficult projects. Further, for transmission lines to be built through tariff based bidding, a period of 240 days is specified for the two stage bidding process. The time period required for constructing a 400 kV transmission line is about 30 months and for 765 kV line the time period is about 36 months after start of implementation. Thus, total period of about four years is required from the date of firming up for the transmission lines to be built through tariff based bidding route. Therefore, only such transmission lines / projects were suggested which will be required in a time frame of not earlier than four years. While suggesting System Strengthening Schemes, Empowered

Committee had also considered that alternate parallel corridors were available / under implementation or would be implemented by PGCIL.

As per the existing tariff policy, all inter-State transmission lines are to be implemented through tariff based competitive bidding w.e.f 6.1.2011. However, exemption from the mandatory competitive bidding has been granted to the following:

- (i) First two experimental works for 1200 KV HVDC line.
- (ii) Works required to be done to cater to an urgent situation or which are required in a compressed time schedule by CTU/ STUs as decided by the Central Government on case to case basis.
- (iii) The intra-state transmission projects by STUs will be exempted from competitive bidding route for further 2 years beyond 6.1.2011.

Ministry of Power (O.M.NO.9/6/2010-PG dated December 12, 2012)

Recommendation at Sl. No. 3

POSOCO

The Committee have been informed that in accordance with the provisions of the Electricity Act 2003 and the National Electricity Policy, the Government reviewed the arrangement of Regional Load Dispatch Centres and National Load Dispatch Centre functioning as part of POWERGRID and decided to set up a wholly owned subsidiary company of POWERGRID responsible for independent system operation with separate accounting and board structure. Accordingly, POWERGRID incorporated Power System Operation Company (POSOCO) as its subsidiary on 20th March 2009. Elaborating on the rationale for creation of POSOCO, the Secretary, Ministry of Power deposed during evidence that POWERGRID is largely performing two functions, one being construction of lines/substations etc., and the other being dispatch of electricity. While POWERGRID would carry on with major construction operations, its subsidiary POSOCO would function as an independent authority to oversee the operations of dispatch of electricity. The Secretary, Ministry of Power further clarified that the function of dispatch of electricity was earlier discharged by Central Electricity Authority before the same was assigned to POWERGRID where this function is being performed by an arm of POWERGRID which has now been carved out as a subsidiary company. In the light of the fact that POSOCO would be made functional immediately after National Load Dispatch Centre and Regional Load Dispatch Centres are transferred to it, the Committee strongly recommend that appropriate and timely steps should be taken to lay down clear rules and guidelines for independent system operations before POSOCO starts functioning. The Committee enjoin the Government to take appropriate steps with a view to ensure that there is no conflict or overlapping of authority between POWERGRID and POSOCO.

Considering the fact that POSOCO will be gradually made independent from POWERGRID and will continue to function as subsidiary of POWERGRID only for five years, the Committee desire the Government to take appropriate measures to ensure that POWERGRID is adequately compensated for the assets base provided by it in formation of POSOCO after the same is made independent.

REPLY OF THE GOVERNMENT

Power System Operation Corporation Limited (POSOCO), a wholly owned subsidiary of POWERGRID was established for operation of RLDCs and NLDC as per Government of India directive dated 4.7.2008. The assets to be transferred to POSOCO were identified based on recommendation of Pradhan Committee and Satnam Committee. These assets are mainly the equipment's located in the control centres of RLDCs & NLDC and are already in physical possession of POSOCO. The legal transfer to POSOCO w.e.f 1.10.2010 on net block amounting to Rs. 76 crores (gross block Rs. 271 crores) has been carried out. The employees of RLDCs, NLDC and System Operation Department have been posted in POSOCO on secondment basis on the same terms and conditions as applicable to POWERGRID. The operation of RLDCs and NLDC was entrusted to POSOCO with effect from 01.10.2010 as per Gazette Notification dated 27.9.2010. Since then, POSOCO is functioning satisfactorily.

As per the provisions of the Electricity Act, Central Electricity Regulatory Commission (CERC) has notified CERC (fees and charges of Regional Load Despatch Centre and other related matters) Regulations, 2009. POSOCO has already filed petitions with CERC to determine the fees and charges for various RLDCs and NLDC. Tariff orders for all RLDC's and NLDC were issued by CERC in March 2011 for the block period 2009-14. The books of POSOCO have already been bifurcated and separate auditors appointed. As per the provisions of the above CERC Regulations, LDC Development Fund has been created to fund the CAPEX requirement for upgrading and modernizing the RLDCs and NLDC. The Power System Operation Company may utilize the money deposited to the LDC development fund for loan repayment, if required servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from the financial institutions and for funding R&D projects.

Ministry of Power (O.M.NO. 9/6/2010-PG dated December 12, 2012)

Recommendation at SI. No. 4

INTEGRATED POWER TRANSMISSION GRID

The Committee note that the existing inter-regional transmission capacity of about 20800 MW of POWERGRID connects northern, western, eastern and north-eastern regions synchronously operating as a single grid and the southern region is interconnected with a single grid through asynchronous HVDC links. The Committee have been informed that synchronous inter-connection of Southern Region with rest of the all India Grid is planned to be achieved by 2014-15 after commissioning of Krishnapatnam UMPP and 765 kV Raichur - Solapur line. The Committee recommend that the Government should rev up the implementing agencies to execute both the projects within the stipulated timeframe so that a synchronously integrated Grid is available for inter regional power transfer throughout the country.

Reply of the Government

Presently, Eastern, Western, Northern and North-Eastern regions are operating as a single grid while Southern region is interconnected through asynchronous HVDC system. The present inter-regional capacity of the National grid is about 27,750 MW, which shall be enhanced to about 66,000MW by 2017. Further, synchronous interconnection of Southern region with rest of the Indian grid is envisaged through establishment of 765kV 2xS/c Raichur-Sholapur Inter-regional transmission lines. Out of this, one transmission line is being implemented by a private company under tariff based competitive bidding route and the other transmission line is being constructed by POWERGRID. Both the Transmission lines are scheduled for commissioning by first quarter of 2014.

Ministry of Power (O.M.NO.9/6/2010-PG dated December 12, 2012)

Recommendation at SI.No. 5

RIGHT OF WAY PROBLEMS

The Committee note with concern that POWERGRID has not been able to complete and commission some of its power transmission projects as per schedule. The Committee have been informed by POWERGRID that the main reason for delay in completion of these projects is attributable to the constraints being experienced in acquiring right of way which includes getting forest clearances etc., from Statutory Authorities. The process of obtaining such clearances has always involved a tortuous procedure with a number of official channels at state(s) and central government levels in terms of Forest (Conservation) Act 1980 and seeking of no objection certificates from concerned gram sabhas under Forest Rights Act 2006. According to the Ministry of Power, the following initiatives have been taken with a view to minimizing right of way requirements:

- exploring new technologies like hybrid system comprising of HVDC and EHVAC system,
- compact towers and extra high towers with multi circuits,
- Upgrading and uprating existing transmission corridors etc.
- taking up the matter of delay in execution with state administration at the highest level on case to case basis; and
- organizing meetings between Secretary (Power) and Secretary (Environment and Forest) on regular basis to expedite the issues on environment and forest clearances. The Committee feels that the mismatch between demand and supply of power in the country can be narrowed down only when the hindrances coming in the way of power projects under implementation are overcome in a timely manner. Now that the Government is encouraging private sector participation in transmission network projects, the Committee can very well foresee that this problem of right of way is likely to aggravate in future. The Committee, accordingly, recommends that an institutionalized mechanism involving all concerned agencies / stakeholders should be evolved with a view to removing the difficulties of recurring nature being encountered in timely execution of power projects so as to ensure that all such projects are implemented in time and in a cost effective manner to the best advantage of the country.

Yet another difficulty stated to be encountered by POWERGRID relates to the process of land acquisition besides general resistance on rate of compensation from the land owners both on the countryside and the urban areas. Although POWERGRID follows provisions of Land Acquisition Act 1894 as amended in 1984 and has also adopted "Social Entitlement Framework" based on National Resettlement and Rehabilitation Policies of 2003 and 2007, the Committee is of considered view that this problem needs to be addressed in a right perspective. They, therefore, recommend that the Government should undertake a review of the relevant provisions of the Land Acquisition Act to facilitate smooth land acquisition for projects of national importance in the light of the present day scenario and bring about suitable amendments giving due consideration to the legitimate expectations of the land owners who are made to part with their land holdings for national cause.

Reply of the Government

- Transmission line projects are environmentally clean and do not involve any disposal of solid waste, effluents and hazardous substances in land, air and water.
- Require approval under Forest (Conservation) Act, 1980, if the line is passing through notified forest area.
- POWERGRID, as a responsible organization, is utilizing all available technological resources (GIS & GPS etc.) to optimize route alignment with emphasis on avoidance of forest, National Parks, Wildlife Sanctuary and other ecological sensitive areas even to the extent of adopting more circuitous routes and setting up of state of the art substations en route. However, in a few cases line through forest area becomes unavoidable due to certain specific sites of a project and the overall topography of the area.
- POWERGRID while finalizing the route of transmission lines follow the policy of Avoidance, Minimization and Mitigation with the following parameters:
- As a rule, alignments are generally cited 10-15 km away from major towns, whenever possible, to account for future urban expansion.
- Similarly, forests are avoided to the extent possible, and when it is not possible, a route is selected in consultation with the local Divisional Forest Officer, that causes minimum damage to existing forest resources.
- Alignments are selected to avoid wetlands and unstable areas for both financial and environmental reasons.
- In addition, care is also taken to avoid National parks and sanctuaries and any other forest area rich in wild life.
- Transmission line projects are linear in spatial distribution and minimally invasive of permanent land use changes and are drawn substantially high above the ground avoiding possible encounter with ecological sensitive areas as well as habitations.
- For construction of towers, POWERGRID does not take possession of land it continues to remain in the possession of the original owners i.e. Forest department.
- Only a width clearance of 3 meter is allowed below each conductor for the movement of tension stringing equipment, trees on such strips are felled but after stringing is completed, these spaces are regenerated (naturally and project interventions) with shrubs and small trees thereby maintaining, and many a time even enhancing, the greenery. In addition to that, POWERGRID is

also bearing the cost of compensatory Forestation on twice the area of degraded forest land towards loss of vegetation.

- Due to long drawn process of forest clearance involving different stages in State and at Ministry of Environment and Forests many projects got substantially delayed.

POWERGRID had taken many initiatives to expedite forest clearance by systemic approach like applying for forest clearance well in advance to meet the strict limitation of time. Moreover, when in 2006 the Hon'ble Supreme Court has stayed the constitution of Forest Advisory Committee of MoEF and no forest clearance were issued, POWERGRID moved to Supreme Court requesting for lifting of stay to complete the important national projects. While hearing the application of POWERGRID, Hon'ble.

Court ordered lifting of stay with certain additional conditions. This initiative has resulted in completion of many projects that were held up for want of forest clearance. Apart from this POWERGRID management issued instructions to all regional heads and site official for proper follow up at each level of hierarchy ranging from Range Officer at field level to Secretary (Forest) at State government level this has also helped in expediting the recommendation of forest proposal from state to MoEF and early approval. During the FY 2011-12 POWERGRID has obtained "in-principle" approval from MoEF for approx. 480 hectares of forest land for lines like 400 kV Baripada – Mendhasal, Mundra – Vadavi, Maithan – Gaya, etc. and "final approval" for 645 hectares of forest land after complying with the stipulated conditions of in-principle approval for lines like 400 KvWardha - Parli, Lonikhand – Kalwa, Maithon – Ranchi, Gerukamukh – Biswanathchariali, Mysore – Kozhikode.

However, with the issue of MoEF Circular dated 30/7/09 & 03/08/09 vide which written consent of concerned Gram Sabha has been made compulsory under the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006 (FRA, 2006) for the entire proposal involving diversion of forest land under the Forest (Conservation) Act, 1980 has further complicated the process of two-stage forest clearance that has resulted in enormous delay. The compilation of data for forest clearance, where in-principle approval has been obtained after the FRA become applicable shows that stage-II could not be issued due to non-compliance of FRA provisions or for want of NOC from Gram Sabha is presented below :-

| S. No. | Name of Line/Length | Forest Stretch (Ha.) | State | Status Indicated on 26.7.2011 | No. of Gram-Sabha involved | Latest Status |
|--------|--------------------------------------|----------------------|--------|---|----------------------------|-----------------------------------|
| 1 | Rourkela-Raigarh 400KV, 210 KM | 111.399 | Orissa | Stage-I approval obtained on 14.10.2009. Special permission to take up the work in the forest area received on 26th July, 2010. Compliance report awaited from state Government for final approval. | 56 | Stage-II clearance still awaited. |

| | | | | | | |
|---|--|--------|------------------|--|----|---|
| 2 | Kameng-Balipara 400KV D/C line(Plain), 100 KM | 98.25 | Assam | Stage-I approval obtained on 06.01.2010. Compliance report awaited from state Government for final approval. | 01 | Stage-II clearance still awaited. |
| 3 | Biharsharif- Kodarma 400 KV D/C, 111 kM | 13.007 | Bihar | Stage-I approval obtained on 22.04.2010. Stage-2 clearance obtained on 03.03.2011 Days between stage -1 & 2 is 314 apprx 10.5 months | 07 | |
| 4 | Raipur- Wardha 400KV D/C, 363.50 KM. | 15.37 | Chattis- garh | Stage-I approval obtained on 31.05.2010. Compliance report awaited from state Government for final approval. | 12 | Stage-II clearance obtained on 09.03.201 1 after a gap of 10 moths. |
| 5 | LILO of 400 KV Lonikhand /Pune – Kalwa line at Navi Mumbai, 10 KM | 26.432 | Maha- rashtra | Stage-I approval obtained on 02.06.2010. Compliance report awaited from state Government for final approval. | 05 | Stage-II clearance obtained on 18.05.201 1 after a gap of 11 months. |

As per the present provisions, FRA certificate has to be submitted with Stage-I Application of Forest Proposal, which has resulted in delay in formulation of Forest proposals at the initial stage itself.

In order to facilitate timely implementation of power transmission projects matching the power generation / requirements as well as considering negligible impact on forest / environment and its habitants including the tribal people by transmission projects, the issue of exemption of transmission project or granting relaxation by providing extra time for compliance of FRA provisions has been taken up with MoEF by POWERGRID as well as through Ministry of Power. Minister of Power has taken up with the Minister of State (Independent Charge) of Environment and Forests vide DO letter dated 16.6.2011 requesting that transmission projects may be exempted from the purview of the circulars of Ministry of Environment and Forests dated 3.8.2009 and 30.7.2009 as a special case relating to compliance of Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights Act 2006 for Transmission projects.

It was also requested that as this provision is affecting all transmission lines where forest clearance process has not yet completed even if, in-principle, approval has been issued but final approval has not been issued by MOEF. Such exemption on the above mentioned ground shall go a long way in facilitating timely implementation of transmission projects. It is relevant to mention that on request of MoP, Forest Advisory Committee (FAC) of MoEF had recommended the exemption for Transmission line from Forest Regulation Act (FRA) and the recommendation had been forwarded to Ministry of Tribal Affairs for their observation on the issue vide letter dt. 26.7.11. Committee on Restructuring of Centrally Sponsored Schemes,

headed by Member, planning commission has also recommended exemption of transmission line projects from the conditions of FRA certificates. Group of Minister headed by Hon'ble Finance Minister has also recommended for relaxation of FRA for transmission projects. However, final decision is still awaited from MoEF.

Land Acquisition

Transmission projects generally do not require large area of land and the land is only acquired for sub-stations. For substation land also PGCIL is following the practice of land management to minimize the land requirement to the barest minimum. Generally 20 to 60 hectare of land is required for constructing a substation depending upon the type and voltage level. Even for this 20 to 60 hectare land, POWERGRID try to locate substation on Government land as far as possible and in the absence of Government land private land is acquired. In order to ensure that indigenous (Tribal) people do not suffer adverse effects during the development process and that they receive compatible social and economic benefits utmost care is taken to avoid acquisition of land belonging to tribal community.

POWERGRID, within the overall corporate ethics, has internalized the principles of sustainable development. Towards its commitment of a responsible corporate citizen, a corporate Environmental and Social Policy and Procedures has been developed and adopted to address the environment and socio-economic issues arising from its activities. The policy outlines POWERGRID's approach and commitment to deal with environmental and social issues, relating to its transmission projects, and lays out management procedures and protocols to mitigate the same. Similarly, the company towards its social responsibility mission ensures, that it acts as socially responsible corporate entity with thrust on environment protection, community development, and energy conservation. The major features of such activities are as follows:

- Detailed social assessment and socio-economic survey conducted by a third party like Indian Institute of Management or any Social Institute or NGOs in consultation with affected people.
- POWERGRID provides Rehabilitation Assistance (Rs.20,000/- to 90,000/- per family)in the form of Income Generating Scheme (IGS) to sustain/improve livelihood of affected persons/ their families.
- One of the unique mandates is that these measures so drawn are discussed with the affected people, Grampanchayat and district officials and displayed in POWERGRID Website for wider circulation.

In addition to above measures, POWERGRID based on outcome of social assessment also undertake need based community Developmental work, like in the affected village for overall up-liftment of surrounding, village and community:

- Construction of road/ renovation of village road;
- Renovation of Primary School in the village;
- Construction of additional room in the existing primary School;
- Community hall;
- Providing furniture & other amenities in school;
- Construction of room for health and veterinary hospital;
- Bus Stand/shelter;

- Tube well;
- Worship place;
- Drainage system in the village;
- Village street lighting;
- Imparting Training (ITI) to the eligible members of affected families;
- Augmentation of Dairy unit;

POWERGRID's policy on Resettlement and Rehabilitation (R&R) is to provide "people displaced/affected by its projects, means to improve or at least restore their former living standards, earning capacity and production levels" through a process in which they participate through their own social and cultural institutions.

Apart from this, POWERGRID is requesting all State governments / District Magistrates to acquire land on negotiated settlement or consent award basis which entails compensation of land through mutual understanding with agreement that land owner will not move to court for enhancement of compensation. The State Governments of Uttar Pradesh, Andhra Pradesh, Tamil Nadu have already issued order that land acquisition shall be carried out based on negotiated settlement in first go and in case of complication only compulsory acquisition under Land Acquisition Act shall be carried out. Accordingly, lands for Ballia and Warangal substations have been acquired using the mode of consent award without any problem and reference to court. Moreover, land for Solapur 765 kV and Aurangabad is being acquired using the same mode on POWERGRID request.

The Government of India is seized of the matter. The proposed bill viz. "THE LAND ACQUISITION, REHABILITATION AND RESETTLEMENT BILL, 2011" which falls under the domain of the Ministry of Rural Development is yet to be enacted.

[Ministry of Power O.M. No. H-9/6/2010-PG dated 12 December 2012]

Recommendation at Sl. No. 7

BOARD OF DIRECTORS

The Committee note that seven Independent Directors are required to be appointed in the Board of POWER GRID in accordance with the guidelines on Corporate Governance issued by the Department of Public Enterprises. However, the company has presently only three Independent Directors as the tenure of four Independent Directors has since expired on 9th July, 2010. Although the appointment of four Independent Directors in POWERGRID is stated to be under process, the Committee are constrained to observe that no timely action was taken by the Government to appoint these Independent Directors. The Committee are of the considered view that the Board of the company will not be able to effectively discharge its functions in the absence of Independent directors whose contribution is stated to be helpful in giving direction to policy decisions as well as to overall functioning of the Company. The Committee, therefore, recommend emphatically that all out efforts should be made by the Government for filling up the vacancies of Independent Directors on the Boards of POWERGRID without any loss of time. The Committee further recommend that an appropriate system should be put in place to ensure timely filling-up of the anticipated vacancies in the Boards of Central Public Sector Enterprises.

Reply of the Government

With the re-appointment of four Part Time Non-official (Independent) Directors on the Board of POWERGRID w.e.f. 10.07.2010 vide Government of India Order dated 19.10.2010, POWERGRID Board comprised seven Independent Directors till 24.04.2011 when tenure of two Independent Directors got completed. The tenure of four Independent Directors completed on 09.07.2011 and tenure of one Independent Director completed on 03.08.2011.

Two Independent Directors have been appointed by the President of India on the Board of POWERGRID w.e.f. 27.12.2011 vide Ministry of Power Office Order No. 1/38/96-PG dated 27.12.2011. POWERGRID's Board presently comprises CMD, four functional Directors, two Government Directors and two Part Time Non-official (Independent) Directors. The proposal for appointment of 5 non-official Directors has been sent for the approval of ACC.

Ministry of Power (O.M.NO. 9/6/2010-PG dated December, 2012)

Recommendation at SI.No.9

OUTSTANDING DUES

The Committee note that the outstanding dues pertaining to erstwhile Delhi Electric Supply Undertaking period amounting to Rs. 57.79 crore are payable to POWERGRID. This amount has swelled to Rs. 96.40 crore as on 31st March, 2010 on account of overdue interest. The Committee have been informed that this matter stands referred to the Group of Ministers comprising the Minister of Power, the Minister of Home Affairs, the Minister of Science and Technology and Earth Sciences in consultation with the Chief Minister of Delhi. The Committee feel that this long impending issue needs a prompt consideration by the Government to the best financial interest of the Company.

Reply of the Government

Ministry of Power had taken up the settlement of dues of DESU period payable to Power Grid Corporation of India Limited with the Cabinet in 2005. The Principal amount payable as on 23.2.1997 is Rs. 57.79 crore. Currently, the outstanding including interest has grown upto Rs. 102.93 crore as on 31.3.2012.

While considering the note dated 23.12.2008 from the Ministry of Power regarding settlement of dues of DESU period, the Cabinet in its meeting held on 2.1.2009 decided that the matter may, in the first instance, be considered by the Group of Ministers (GoM). The GoM comprising the Minister of Power, the Minister of Home Affairs and the Minister of Science & Technology and Earth Sciences in consultation with the Chief Minister of Delhi as Special Invitee was constituted on 12.1.2009. The Note for GoM circulated by the Ministry of Power on 20.4.2009 but could not be considered because of general elections. The GoM was reconstituted on 29.1.2010 to examine issues relating to the settlement of dues of DESU period comprising Minister of Home Affairs, Minister of Power and Minister of Human Resource Development and Chief Minister, Delhi as Special Invitee. Note for GoM was circulated on 3.5.2010. The meetings of GoM were held on 20.5.2010,

07.09.2010 and 29.03.2012. Based on the minutes of the meeting of GoM, a draft Cabinet Note has been prepared and sent to Ministry of Finance for obtaining the approval of Hon'ble Finance Minister on 21.5.2012. based on the comments received from Ministry of Finance, a draft Cabinet Note has been circulated on 15th November, 2012 to various Ministries/ Departments for their comments.

Ministry of Power (O.M.NO. 2010-PG dated December 12, 2012)

Comments of the Committee

Please see para 13 of Chapter I

Recommendation at Sl. No. 10

SAFETY OF TRANSMISSION LINE WORKERS

The Committee feel that safety of transmission line workers is one of the key and pressing areas of concern. According to POWERGRID, the numbers of fatal and non fatal accidents during the years 2006-07 to 2009-10 are 61 and 5 respectively and the same resulted in 76 casualties besides injury to 43 persons. The majority of these accidents is stated to have occurred during construction of transmission lines and sub-station where contractors personnel were involved. The Committee have been informed that the causes of accidents in construction and transmission lines are significantly high due to the cumbersome nature of the works executed and that proper safety measures are taken care of at all locations. It has also been stated that besides ensuring payment of compensation under the Workmen Compensation Act 1923, POWERGRID has also taken a number of steps to enhance safety of transmission line workers such as introduction of Contractors Safety Plan in the Bid document, Daily Safety Drill, organizing regular safety transmission programmes for regular and casual workers, Safety Audit etc. The Committee would like to categorically assert that ensuring safety of workers of any PSU is a sine qua non for its very credibility. While taking due note of the initiatives taken by the Company to ensure safety of transmission line workers, the Committee recommend that in order to minimize occurrence of accidents in transmission network the following measures should also be undertaken by POWERGRID, namely:-

- (i) More emphasis be laid on training programmes for workers responsible for execution of Power Grid works.
- (ii) Modern technologies in construction and operation of transmission lines be introduced with a view to reducing the manual operations to the barest minimum and effective steps be taken to familiarize the workers with new technologies as and when introduced.
- (iii) Systems be put in place to ensure that the recommendations of the safety officers on various safety aspects are implemented within the prescribed time limit in letter and spirit; and
- (iv) Stringent punitive action be taken against those who are found responsible for accidents due to negligence on their part.

Reply of the Government

POWERGRID has been taking appropriate measures regarding safety of its transmission assets and resources which are enumerated below:-

1. **Apex Safety Board:** POWERGRID is having an apex Safety Board which is headed by CMD and all functional directors as its core members. The Apex body meets periodically to review the implementation of safety aspects in POWERGRID.
2. **POWERGRID Safety Policy:** POWERGRID has its own Safety Policy in place which has also been revised recently in March 2012 incorporating modifications.
3. **Organization of Safety Meet:** Safety Meet is being organized annually in the region or at Corp. Centre. All Regional Heads along-with the Regional Safety Co-ordinators are invited to deliberate on the safety issues and take appropriate measures for enhancing safe working environment in organization.
4. **Safety Manual:** POWERGRID has developed its safety manuals which incorporates the various safety measures and safe practices required to be followed while working in transmission system. Recently in year 2012 the POWERGRID safety Manual has been revised. These manuals are also available on POWERGRID intranet site for its easy accessibility and usage by employees.
5. **Deployment of Safety officer:** A safety officer / Safety co-ordinator is available at all regional headquarters and corp. centre for effective supervision and implementation of safety policy and guidelines. Further, Safety steward are also in place at POWERGRID sites to ensure safety at work place.
6. **Safety Audit :** Regular safety audits are being conducted at various levels on construction and operational work sites as per approved procedures and the same are being reviewed at regional / Corporate level.
7. **Organization of Contractor's Safety Meet / Workshop:** POWERGRID has always given utmost importance in enhancing the safety culture and adoption of safe work practices by its turn key contractors and their workers. In this regard safety meet / workshop are being organized at site / regional / corporate level.
8. **Review of Safety at PRM / ORM Meetings:** Safety is always being considered as a essential discussion point of agenda in the Progress Review Meeting (PRM) / Operational Review Meeting (ORM) meetings for ensuring implementation/review of safe work practices at site.
9. **Personal Protective Equipment (PPE) and Tool and Plant (T&P) :** POWERGRID is taking adequate care for procurement and use of standardized (ISI Mark) Personal Protective Equipment and tools and plants for its work sites. Further, regular checks are made to ensure the healthiness of PPE & T&P before its use at work sites.

10. Accident Enquiry Committee: Whenever any accident occurs a committee is constituted to enquire into the cause of the accident, fixing of responsibility and to give their recommendation to avoid its reoccurrence. The committee reports are being further circulated across all regions.
11. Safety Training Programs: POWERGRID gives special emphasis to inculcate safe working culture and practices among its own employees including contractor personnel's. In this direction POWERGRID at corporate centre and at regional levels conducts regular safety training programs. POWERGRID has advised its contractors to provide ten days introductory training regarding the jobs undertaken by the worker before they are deployed on site works. During "Daily Safety Drill" before commencement of the work contractor's gang leaders/supervisors/senior most member available at construction site shall brief the workers about safety requirements and warn them about imminent dangers and also the precautions to be taken against the imminent dangers. For Skill development of Power Transmission Line Construction workers, POWERGRID has started 3 months training of construction workers for each module of Tower Erection and stringing in collaboration with contractor's viz. KEC, JSL, L&T etc. under Public Private Partnership mode. These courses also cover Safety procedures, use of Personal Protection Equipments and First Aid arrangements. This programme envisages providing training to about 1000 personnel. The scheme is being considered under Corporate Social Responsibility (CSR).
12. "Safety plan" of POWERGRID has been incorporated as a part of Bid document, which shall include first aid training to all workers, daily safety drill before commencement of work, mandatory ten days training to new workers before deployment on site works etc. Compliance of safety requirement's before release of first progressive payment to the contractor.
13. Punitive actions :Provisions are made in contract to deduct an amount of Rs Ten Lakhs from bills of contractor in case, any fatal accident takes place on construction site and the same is paid to kith of victim. This is in addition to Workmen Compensation being made.
14. Penalizing the contractor with a penalty of Rs 10000/- per day per incident as per safety plan for violation of safety norms and guidelines, by agency, if found any during safety audits till it is complied.
15. Subsequent to Bidder's involvement in three cumulative fatal accidents during any financial year, bids submitted by such bidder during next three months period reckoned from the date of the last accident, shall be considered non-responsive. However, if there is no bid from such bidder during the said three months period, any one bid submitted after three months will be considered non-responsive.
16. Introduction of Modern Technology during construction and operation
POWERGRID has always laid emphasis on utilization of new and modern technologies in its transmission system and its construction projects. A few of the new technologies & mechanized techniques adopted by POWERGRID in its construction and operation of Transmission system are as follows:

- Use of Tension Stringing Equipment's (TSE) for stringing of Bundle conductors & earth wires.
- Deployment of hydraulic rotary rigs for pile foundations for river crossings in place of conventional techniques.
- Use of excavators for execution of foundation excavation activity.
- Use of Jib-cranes during the tower erection in 765 kV D/C Lines.
- Utilization of Modern survey techniques involving satellite imagery, total stations, Global Positioning system (GPS) for route alignment, detailed survey of transmission lines.
- Emphasizing usage of mechanized means by its contractors during tower erection.
- Utilization of new Personal Protective Equipment's(PPEs) like Retractable/Mobile fall arrestors, Double lanyard safety belts during tower erection/stringing activity .
- Remote operation of switchyard equipment's to reduce manual operation in operating sub-stations. POWERGRID has taken further initiative to set up a National Transmission Asset Management Centre (NTAMC) at Gurgaon for facilitating centralized control and monitoring of operation of its Sub-stations.
- Aerial Patrolling of Transmission Lines.
- POWERGRID has bolstered its effort to train larger groups of employees for Emergency Restoration System and new technologies in Hot Line maintenance of transmission lines. Transmission line employees are being trained for the changed technologies in Construction, Operation and Maintenance of lines like Thermo graphic scanning, use of new Tools and Plans for construction etc. Whenever the new technologies are introduced, POWERGRID takes time bound steps to train the concerned employees for familiarization to changed technologies and procedures for effective utilization

Ministry of Power (O.M.NO. 9/6/2010-PG dated December 12, 2012)

Recommendation at Sl. No. 12

TRANSMISSION ASSETS

The Committee's examination of Annual Report 2008-09 of the company brings out that the Regional Load Dispatch Centres (RLDCs) of Central Electricity Authority were transferred to POWERGRID during the years 1994 to 1996 as per orders of the Ministry of Power and these assets of RLDCs are being used by the company pending transfer of ownership and determination of cost of assets so taken over. Meanwhile POWERGRID has also incurred an expenditure of Rs. 2000 crore on modernization of all the RLDCs. While expressing their displeasure over unduly longer time being taken in settling such an important matter having direct bearing on the assets base of the company, the Committee would like to exhort POWERGRID to expeditiously take up this issue with the Ministry of Power particularly when action for transfer of operation of these RLDCs to the newly created subsidiary of POWERGRID has already been initiated giving a new dimension to the structure of the company.

Reply of the Government

Regional Load Despatch Centres (RLDCs) were transferred from Central Electricity Authority (CEA) to POWERGRID in phased manner from 1.4.1994 to 1.4.1996. The RLDCs at Northern region, Western region, Eastern region and Southern region along with the Regional Power Committee (RPC) Secretariats are located in the same building. The ownership of such immovable assets of RLDCs and all the facilities are bestowed with CEA/ Government of India. A suitable arrangement regarding immovable assets was made between CEA, Ministry of Power and POWERGRID at the time of transfer of the RLDCs from CEA to POWERGRID. This arrangement has been working satisfactorily.

The assets to be transferred to the POSOCO were identified based on the recommendations of Pradhan Committee and Satnam Committee. These assets are mainly the equipments located in the control centres of RLDCs and NLDC and are already in physical possession of POSOCO. The legal transfer to POSOCO w.e.f 1.10.2010 on net block amounting to Rs. 76 crores (gross block Rs. 271 crores) has been carried out. The employees of RLDCs, NLDC and System Operation department have been posted in POSOCO on secondment basis on the same terms and conditions as applicable to POWERGRID. The operation of RLDCs and NLDC was entrusted to POSOCO with effect from 1.10.2010 as per Gazette Notification dated 27.9.2010. Since then, POSOCO is functioning satisfactorily.

Ministry of Power (O.M.NO. 9/6/2010-PG dated December 12, 2012)

CHAPTER III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

-- NIL --

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation at SI. No. 6

TRANSMISSION AND DISTRIBUTION LOSSES

The Committee's examination has revealed that the transmission and distribution (T&D) loss in the country during the year 2006 were as high as 27.20% of the total power available for sale as against the world's average of 8.58%. Since the T&D loss was not able to reflect all the losses, a concept of Aggregate Technical and Commercial (AT&C) loss was introduced in 2001-02 to assess total losses in the power network. According to the information made available to the Committee, the percentage of AT&C loss stood at 28.44 at the national level. While the states like Manipur, Jammu & Kashmir and Madhya Pradesh reported astronomically high percentage of such losses to the extent of 81.01, 69.05 and 61.05 respectively, the percentage of such losses in the states of Himachal Pradesh, Andhra Pradesh and Tamil Nadu stood as low as 12.85, 12.99 and 15.33 respectively. The Committee have been informed that while the prime responsibility for reigning in financial losses of distribution utilities lies with State Governments, the Central Government have launched Restructured Accelerated Power Development Reform Programme (R-APDRP) in July 2008 with an objective of reducing AT&C losses to 15%. While appreciating the initiative taken by the Ministry in this regard, the Committee require the Ministry of Power to formulate appropriate strategies to make use of experiences of better performing states in those states where the AT&C losses are in the highest brackets. The Committee also recommend that the Ministry of Power should keep a strict vigil over the progress of Restructured Accelerated Power Development Reform Programme.

Reply of the Government

The responsibility of reduction in AT&C losses is with the State Utilities. To reduce the losses in their distribution sector, the State utilities have to initiate Technical and Administrative measures. Under the technical measure, the distribution network should be strengthened to avoid frequent failure and overloading of system, under the administrative measure, the Distribution utilities should take stringent measures under the Electricity Act, 2003 legislated by Union of India provides number of measures to check theft of Electricity. As per Section 135 of the Electricity Act, 2003 theft of electricity is a cognizable offence.

The Government of India has launched the Re-structured Accelerated Power Development and Reform Programme (R-APDRP) for State Distribution Utilities to make their distribution system IT enabled and strengthening of sub –transmission systems, so that the energy auditing and accounting could be carried out and the reasons for losses are known and through the strengthening of distribution systems, the overloading and frequent power failure could be minimized. The R-APDRP scheme comprises of two parts-Part-A & Part-B. Part-A of the scheme being dedicated to establishment of IT enabled system for achieving reliable & verifiable

baseline data system. Part-B deals with regular Sub Transmission & Distribution system strengthening & up-gradation projects. The target under R-APDRP is to bring AT&C loss below 15% in project areas. The Utilities are also to achieve the following target of AT&C loss reduction at utility level:

- Utilities having AT&C loss above 30%: Reduction by 3% per year
- Utilities having AT&C loss below 30%: Reduction by 1.5% per year

For Part-A schemes Initially 100% funds for the approved projects being provided in the form of a loan from the Government of India on such terms, decided by the Ministry of Finance. The applicable rate of interest and other Terms and Conditions will be as notified by GoI from time to time. The loan along with interest thereon shall be converted into a grant once the establishment of the required system is achieved and verified by an independent agency appointed by the Ministry of Power (MoP) through the Nodal Agency. No conversion to grant will be made in case projects are not completed within 3 years from the date of sanctioning of the project. In such cases the concerned utility will have to bear the full loan and interest repayment. The project will be deemed to be completed on the establishment of the required system duly verified by an independent agency appointed by the Ministry of Power (MoP) through the Nodal Agency.

For Part- B, projects, initially upto 25% funds for the projects shall be provided as a loan from the Government of India on such terms decided by the Ministry of Finance. The applicable rate of interest and other Terms and Conditions will be as notified by GoI from time to time. The balance funds for Part B projects shall be raised from Financial Institutions (FIs), namely PFC/REC / multi-lateral institutions and/ or own resources. The loan from the FIs will be governed by the respective terms of the FIs. For Special Category States (all North-Eastern States, Sikkim, Uttarakhand, Himachal Pradesh and Jammu & Kashmir), GOI loan for Part B projects will be upto 90%. All other conditions / methodology applicable to non-special category states shall also be applicable to the special category states. The project-wise requirement of Gross Budgetary Support (GBS) will be decided by the Steering Committee. If the Distribution Utilities achieve the target of 15% AT&C loss on a sustained basis for a period of 5 years in the project area and the project is completed within the time schedule fixed by the Steering Committee, which shall in no case exceed five years from the date of project approval, upto 50% (90% for Special Category States) loan against Part-B projects will be convertible into a grant in equal tranches, every year for 5 years starting one year after the year in which the base-line data system (Part A) of project area concerned is established and verified by the independent agency appointed by MoP through the Nodal Agency. If the utility fails to achieve or sustain the 15% AT&C loss target in a particular year, that year's tranche of conversion of loan to grant will be reduced in proportion to the shortfall in achieving 15% Aggregate Technical & Commercial (AT&C) loss target from the starting base-line assessed figure. The loan from GOI shall be the first converted into grant. Loans from FIs shall be converted into grant only after the conversion of full GOI loan into grant. Whenever the loan from GoI / FIs will be converted into grant, interest and other charges paid on the converted amount will also be treated as grant and reimbursed to the Utility. For the loan and interest which could not be converted into grant on account of not meeting the conditions of conversion, the utility / state will have to bear the balance burden of loan and interest repayment.

The Power Finance Corporation Ltd. (PFC) nodal agency for R-APDRP on behalf of Ministry of Power, is regularly reviewing the programme/achievements with States in implementation of R-APDRP projects. In addition, the Steering Committee constituted by Ministry of Power under the chairmanship of Secretary (Power) review the progress of R-APDRP schemes for expeditious implementation of schemes on regular intervals with the Nodal agency (PFC) and with the states officials and projects are sanctioned and disbursements are made evenly during the Year.

Present Status of R-APDRP:

- Under Part-A of the Re-Structured APDRP 1402 projects worth of Rs 5,196.50Crore, to cover almost the entire country for establishment of IT enabled Baseline System have been approved by the GOI.
- Under Part-A total, SCADA Projects worth Rs 1,442.29 Crore. covering 63 towns have been sanctioned
- Under Part-B, and 1132 projects worth Rs 25,684.91 Crore for strengthening and upgrading of sub- transmission distribution system have been sanctioned so far.
- The Ministry of Power has released an amount of Rs 6,502.10 Crore under the Restructured R-APDRP programme, out which Rs 6,304.97 Crore is the loan against Part-A and Part-B projects for disbursement to state utilities and Rs 197.13 Crore as grant against enabling component for implementation of R-APDRP.

Ministry of Power (O.M.NO. 9/6/2010-PG dated December 12, 2012)

Comments of the Committee

Please see para 7 of Chapter I

Recommendation (Sl. No. 8)

DIRECTOR'S SHAREHOLDING

The Committee note that one of the independent directors in the Board of POWERGRID has disclosed holding of 1, 25,000 equity shares of the Company in individual capacity as on 31st March 2009. Since the POWERGRID Board has laid down "Code of Conduct for prevention of Insider Trading" in pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations1992, the Committee would like to be apprised of the manner in which such a large shareholding of the Company was acquired by an Independent Director and the circumstances under which he was permitted for such an acquisition by Compliance Officer. The Committee also desire the management of POWERGRID to examine the ethical and legal implications of such share transactions by an individual while working on the Board of the company as an Independent Director.

Reply of the Government

The matter has been discussed with the concerned independent director. From the details given, it has been seen that he has not dealt in purchase/sale of shares, when the trading window was closed. During the period of trading window

closure all employees & directors are prohibited from purchase/sale of shares of the company, keeping in view of the price sensitive information during that period.

Further, it has been informed that on overall basis no profits have been made by him on account of trading in shares of the company. The quantum of share was 0.00029% of the pre-FPO equity shares. At the time of IPO all the independent Directors were eligible to apply under Employee quota. Further, there was no overall cap on acquisition except seeking pre-clearance from compliance officer for purchase of shares in excess of 10,000 for which, request for pre-clearance was not made. However, as stated above, the director has not purchased/sold shares during window closure period, nor made any profits out of the purchase/sale of shares of the company on overall basis.

The tenure of the Director completed on 9th July 2011.

Ministry of Power (O.M.NO. 9/6/2010-PG dated December 12, 2012)

Comments of the Committee

Please see para 10 of Chapter I

Recommendation at Sl.No.11

MEGA POWER PROJECT STATUS TO TRANSMISSION SYSTEM

The Committee have been informed that the Government have been extending Deemed Export Benefit under EXIM Policy to Mega and Ultra Mega Power Generation Projects on investment in hydro and thermal generation projects of capacity of more than 700MW and 1000 MW respectively. However, these benefits are not being extended to the power transmission projects associated with such Mega and Ultra Mega Power Generation Projects. Since execution of transmission projects form an integral part of the accelerated development planned in power sector, the Committee are of firm view that Deemed Export Benefits should also be extended to associated power transmission projects so as to reduce the transmission project costs to the ultimate benefit of the consumer. The Committee, therefore, recommend that Ministry of Power should take up this matter with the appropriate authority at the earliest.

Reply of the Government

The proposal for according Mega Power Project to Transmission system was sent to Ministry of Finance as a part of pre-budget consultations. However, the same has not been acceded to.

Ministry of Power (O.M.NO. 9/6/2010-PG dated December 12, 2012)

Comments of the Committee

Please see para 16 of Chapter I

CHAPTER V

**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE
GOVERNMENT ARE STILL AWAITED**

-- NIL --

New Delhi
20 March 2013
29 Phalgunā 1934(S)

JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.

COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-13)

MINUTES OF THE TWENTY FIRST SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 19 March, 2013 from 1500 hrs to 1530 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Jagdambika Pal - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Bansa Gopal Chowdhury
4. Dr. Mahesh Joshi
5. Shri Shailendra Kumar
6. Dr. (Smt.) Botcha Jhansi Lakshmi
7. Shri Vilas Muttemwar
8. Shri Ponnam Prabhakar
9. Shri Nama Nageswara Rao
10. Dr. Prabha Kishore Taviad

Rajya Sabha

11. Shri Anil Desai

SECRETARIAT

1. Shri A. Louis Martin Joint Secretary
2. Shri M.K. Madhusudhan Additional Director

2. At the outset, the Chairman welcomed the Members to the Sitting of the Committee. The Committee then took up Memoranda Nos. 3 to 7 containing following draft Reports:

- (i). XXXX XXXX XXXX.
- (ii). XXXX XXXX XXXX.
- (iii). XXXX XXXX XXXX.
- (iv). Action taken by the Government on the Observations / Recommendations contained in the Tenth Report on Power Grid Corporation of India Limited.
- (v). XXXX XXXX XXXX.

3. The Committee approved the Memoranda and adopted the draft Reports without any modification and authorized the Chairman to present these Reports after getting them factually verified from the concerned Ministries / Departments.

The Committee then adjourned.

XXXX Matter not related to this Report.

ANNEXURE*(Vide para 3 of the Introduction)***Analysis of the Action Taken by Government on the recommendations / observations contained in the Tenth Report of the Committee on Public Undertakings (Fifteenth Lok Sabha) on Power Grid Corporation of India.**

| | | |
|-----|--|---------------|
| I | Total number of recommendations | 12 |
| II | Recommendations that have been accepted by the Government [vide recommendations at Sl. Nos.1, 2, 3, 4, 5,7, 9,10 and 12] Percentage of total | 09 75% |
| III | Recommendation which the Committee do not desire to pursue in view of Government's replies | Nil |
| IV | Recommendations in respect of which replies of the Government have not been accepted by the Committee [vide recommendations at Sl. No. 6, 8 and 11] Percentage of total | 03 25% |
| V | Recommendations in respect of which final replies of Government are still awaited. | Nil |