C. P. U. No. 458

COMMITTEE ON PUBLIC UNDERTAKINGS (1981-82)

(SEVENTH LOK SABHA)

THIRTY-SEVENTH REPORT

Action taken by Government on the recommendations contained in the Sixteenth Report of the Committee on Public Undertakings (Seventh Lok Sabha)

ON

DAMODAR VALLEY CORPORATION

MINISTRY OF ENERGY

(Department of Power)

Presented to Lok Sabha and
Laid in Rajya Sabha on....

LOK SABHA SECRETARIAT
NEW DELHI

March, 1982/*Phalguna*, 1903 (*Saka*)

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CONTENTS

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(1981-82)

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3. Shri S. P. Chanana—*Senior Financial Committee Officer.*

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*Cased to be a Member w.e.f. 15 January, 1982 consequent on appointment as Deputy Minister.

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6. Shri Nagina Rai
7. Shri K. Ramamurthy
8. Shri Lal K. Advani
9. Shri Shrikant Verma

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 37th Report on Action Taken by Government on the recommendations contained in the 16th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Damodar Valley Corporation (Ministry of Energy—Department of Power).

2. The 16th Report of the Committee on Public Undertakings was presented to Lok Sabha on 7 April, 1981. Replies of Government to all the recommendations contained in the Report were received by 1 February, 1982. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 5 March, 1982. The Report was finally adopted by the Committee on Public Undertakings on 9 March, 1982.

3. An analysis of the Action Taken by Government on the recommendations contained in the 16th Report of the Committee is given in the Apendix.

NEW DELHI;
March 12, 1982
Phalguna 21, 1903 (*Saka*)

BANSI LAL,
Chairman,
Committee on Public Undertaking.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Sixteenth Report (Seventh Lok Sabha) on the Committee on Public Undertakings on Damodar Valley Corporation which was presented to Lok Sabha on 7th April, 1981.

2. Action Taken notes have been received from Government in respect of all the 31 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/Observatinons that have been accepted by Government:

Serial Nos. 1, 3 to 5, 8 to 10, 12 to 15, 17 to 26 and 28 to 31.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:

Serial Nos. 2, 11, 16 and 27.

(iii) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee:

Serial No. 7

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited:

Serial No. 6

The Committee will now deal with the action taken by Government on some of their recommendations.

A—Capital contribution by the participating Governments

Recommendation (Serial No. 5)

The Committee had desired that the existing financial arrangements should be examined with reference to the provisions of the DVC Act in consultation with the Comptroller & Auditor General of India to ensure that the liabilities of the participating governments for raising resources are fully discharged.

In reply, government have, *inter alia*, stated as follows:—

> "Considering that the participating governments may not contribute its share of capital in future, the Corporation submitted a proposal to the Government of India in 1975 to plough back the interest payable to the participating governments and their share of surplus, if any, after adjustment of any dues, to the capital account of the participating governments. The Central Government agreed to this proposal in principle for the period upto 1976-77 only and advised the DVC to obtain the views of the State Governments on this subject. While the West Bengal Government have not Communicated their final decision, the Government of Bihar have expressed their inability to agree to the proposal. The Corporation is in correspondence with the Government of West Bengal and the Government of Bihar have been requested to reconsider their decision."

The Committee wish to draw attention of Government to Section 31 of the DVC Act according to which each participating government shall provide its share of the capital on the dates specified by the Corporation and if any government fails to provide such share on such dates the Corporation may raise loan to make up the deficit at the cost of the government concerned. They trust that the proposal of the Corporation will ensure compliance with this provision of the Act. They, however, suggest that the Comptroller & Auditor General of India should be consulted in the matter, as already recommended.

B—*Constitution of Advisory Committee*

Recommendation (Serial No. 7)

The Committee were of the view that clearly the spirit of the Act would demand the constitution of the advisory committee (s) consisting of representatives of the various interests served by the Corporation in order to advise the Corporation and make it responsive to their needs. They, therefore, urged the government to formulate rules suitably and see that advisory committees were appointed as early as possible.

In reply, government have stated that according to the DVC Enquiry Committee the purpose of the relevant Section of the DVC Act was "to enable the Corporation to set up regional committees whose advise may be of use to the Corporation in dealing with problems of particular areas within the limits of the Damodar Valley. It does not envisage constitution of advisory committees in the nature of consumer consultative councils as recommended by the Committee on Public Undertakings."

The Committee are unable to agree with the reply of the government. They strongly feel that there ought to be advisory committee(s) consisting of representatives of various interests to be served by the Corporation. In this connection they would recall their recommendation contained in para 3.35 (Sl. No. 18) that the advisory committee should also include in it the representatives of consumers in core sectors like steel and coal. They, therefore, reiterate that government should formulate rules suitably and appoint the advisory committee(s) as early as possible.

C—*Completion Reports of Projects*

Recommendation (Serial No. 11)

It appeared to the Committee that the DVC had not brought out completion reports for virtually any of the projects undertaken by it. In view of the importance of completion reports, the Committee had observed that it was really a serious lapse on the part of the Corporation that it had not attended to the work with any sense of responsibility.

In reply, government have stated that completion reports had already been approved by the Corporation in respect of a few projects. In respect of certain other projects, the completion reports have been prepared and are being processed for Corporation's approval. However, in respect of a few projects the completion reports are not yet ready.

The Committee do not desire to pursue this further. However, they trust that the completion of this work would be watched in Audit by the Comptroller & Auditor General of India.

D—*Overhaul of Boilers*

Recommendation (Serial No. 24)

The Committee had pointed out that although Indian Boiler Act laid down that boilers should be shut down for annual inspection and overhauling on the expiry of 12 months of their overhaul, the DVC had been very lax. They were of the view that the relevant provision of the Boilers Act should be adhered to not only for proper maintenance of boilers but also for safety reasons and that delay, if at all, should be an exception rather than the rule and that too with the approval of competent authorities.

In reply, government have stated that the schedule of maintenance of boilers drawn up in DVC envisages overhauling of large-size boilers at intervals of 18 months and small-size boilers at intervals of 15 months and that efforts would be continued to reduce this interval.

The Committee wish to reiterate that the relevant provision of the Boilers Act requiring the overhaul of boilers at intervals of 12 months should be adhered to.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The DVC is a unique public undertakings having participation of Central Government and State Governments of Bihar and West Bengal, created in 1948 by an Act of the then Dominion Legislature on resolutions having been passsed by all the Chamber of Provincial Legislatures of the then provinces of Bihar and West Bengal to the effect that certain matters which were enumerated in the provincial legislative list should be regulated in those provinces by an Act of the Dominion Legislature. Although the Committee had mainly taken up the power portion of the DVC for examination, in view of the unique features of the Corporation, they also went into the structure of the DVC Act, 1948, and the control mechanism.

(Paragraph 1.32)

Reply of Government

The recommendation has been noted.

Recommendation (Serial No. 3)

It follows from Section 51 of the DVC Act that the Central Government should satisfy themselves from time to time that the Corporation carried out its functions properly. It is, therefore surprising that no systematic performance appraisal of the Corporation was made by the Government periodically. No congnisance seems to have been taken of the reports of the Comptroller and Auditor General of India on the Corporation. Even in the Corporation, the Audit Reports were not formally placed before the Board. The Committee were, however, assured that it would be done in future. Though the Annual Reports of the DVC are presented to Parliament alongwith a review by the Government, the review hardly adds to the Annual Reports and what is worse there was no review for the year 1975-75. (Paragraph 1.34)

Reply of Government

Quarterly performance review meeting of DVC for the quarter ending 31-3-81 and 30-6-81 was held on 21-10-81. The review for the quarters ending 30-9-81 and 31-12-81 is proposed to be held in February, 1982. Henceforth, the performance review will be made a regular feature.

Insofar as the Government's review of the Annual Report of DVC for the year 1975-76, it may be stated that the system of presenting a review* along with the Annual Report was started only w.e.f. 1976-77.

Recommendation (Serial No. 4)

Investment control in respect of the DVC is also weak. Prior to 1977, though clearance of the Central Electricity Authority and the Planning Commission was obtained for various projects undertaken by the Corporation, there was no expenditure control as such by Government. Since 1977, major investment proposals are approved by Cabinet after a scrutiny by the Public Investment Board also and specific expenditure sanction accorded by the Ministry as in the case of other public undertakings. However, there is still no control over the actual expenditure for the revised estimates do not come before the Government irrespective of the extent of excess over original estimates. (Paragraph No. 1.35)

Reply of Government

Prior to 1977, DVC power projects were cleared through CEA, Ministry and Planning Commission. But after 1977, approval of the projects was obtained through CEA, Ministry, Public Investment Board, Planning Commission and, finally by Cabinet. Excess over the sanctioned projects estimate frequently occurs owing to one or more of the following factors. Firstly, in the current inflationery situation, the inevitable time-lag between the preparation and submission of a project estimate by the DVC and its final approval by the Cabinet gives rise to escalation of the cost of Plan and equipment, other construction materials and civil works resulting in increase over the project estimate. Secondly, delayed delivery of major plant and equipment, which is not infrequent, increases the cost of erection and establishment charges. Thirdly, expansion of the scope of work in some cases leads to excess over

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*At the time of factual verification the Department of Power added the following as Para 2:—

"Though not formally placed in the Corporation meeting, Audit Reports received from C.A.G. were invariably circulated to the Chairmen and the members of the Corporation. However, audit reports from 1979-80 on wards are being formally submitted for perusal in the Corporation meeting. It has always been the practice in the Corporation to take action on the audit report in the draft para/draft audit report stage."

the original cost estimate. Lastly, owing to the policy of "no retrenchment" followed by the DVC, the time-lag between the completion of a project and absorption of the surplus work-force in another project increases the project cost. However, an up-dated cost estimate of the project explaining the reasons for the increase over the original estimate is prepared by the DVC for the annual plan discussions and submitted before the CEA, Ministry and Planning Commission after which allotment of funds is made by the Government. Thus, review of the annual expenditure on a sanctioned project is always made by the Government during the annual plan discussions.

DVC has already been asked to submit the detailed Project Reports and Revised Estimates, where necessary, to the Government for sanction. Thus, where the excess over original estimates is beyond the stipulated quantum, DVC schemes are being brought under the usual Government control through PIB/Cabinet.

Recommendation (Serial No. 5)

Capital expenditure of the Corporation is to be met from its internal resources and the capital provided by the participating Governments, who share the profits of the Corporation. However, the Governments did not make any capital contribution (since 1969-70 and the investment needs of the Corporation are met entirely by internal resources and borrowings. The total borrowings as at the end of March 1980 stood at Rs. 53.51 crores. Secretary, Department of Power, explained that the two participating State Governments refused to contribute to the capital investments on account of their not-so-good ways and means position whereupon the Centre also decided to stop its contribution. According to the Chairman, DVC, though certain advantages flow to the State Governments, the necessary obligations are not being fulfilled by them. The Committee are not clear as to how the liability for meeting the capital requirements through borrowing is shared by the participating Governments. They desire that the financial arrangements obtaining now should be examined with reference to the provisions of the Act in consultation with the Comptroller & Auditor General of India to ensure that the liabilities of the participating Governments for raising resources are fully discharged. (Paragraph No. 1.36)

Reply of Government

Under Section 30 of the DVC Act, the Participating Governments are obliged to provide the entire capital required by the Corporation for the completion of any project undertaken by it and, under Section 31 of the Act, they are required to provide their respective share of capital on the dates specified by the Corporation. Section 31 further empowers the Corporation to raise loan, in the event of failure on the part of the any Participating Government to provide its share on such dates, to make up the deficit at the cost of the Government concerned. However, DVC did not have to take recourse to Section 31 of the Act until 1968-69 when capital used to flow as a matter of course on requisition by the Corporation. But since 1969-70, the Participating Governments stopped contributing any capital for the projects undertaken by the DVC and the Corporation had to take recourse to market borrowing to reduce the gap between its capital requirements and the internal resources generated by it. This market borrowing was done under Section 42 of the Act. Market borrowing is of two kinds *viz.*,

(i) Bonds guaranteed by the Central Government, and

(ii) Debentures secured by assets of the Corporation.

So far as payment of interest on the Bonds and Debentures is concerned, the expenditure is charged to the revenue account. As for redemption of the Bonds and Debentures, a Sinking Fund has been created, under directions of the Central Government, by appropriation of the surplus generated from power so that these may be redeemed on maturity.

According to Section 38 of the DVC Act, the Corporation is required to pay interest on the amount of capital provided by each Participating Government at such rates as may be fixed from time to time by the Central Government. DVC continued to pay interest on the capital contributed by the Participating Governments upto 1968-69. Later, in view of the critical ways and means position and non-payment of the share of capital by the Participating Governments under Section 30 of the Act, the Corporation had to withhold payment of interest in order to supplement its requirements for the power expansion projects. This has been done with the concurrence of the Planning Commission and the Ministry.

Considering that the Participating Governments may not contribute its share of capital in future, the Corporation submited a proposal to the Government of India in 1975 to plough back the interest payable to the Participating Governments and their share surplus, if any, after adjustment of any dues, to the capital account of the Participating Governments. The Central Government agreed to this proposal in principle for the period upto 1976-77 only and advised the DVC to obtain the views of the State Governments on this subject. While the West Bengal Government have not communicated their final decision, the Government of Bihar have expressed their inability to agree to the proposal. The Corporation is in correspondence with the Government of West Bengal and the Government of Bihar have been requested to reconsider their decision.

As for the period after 1976-77, ploughing back of the interest on capital and of the power surplus payable to the Participating Governments is being done year by year with the concurrence of the Planning Commission and the Ministry. A final decision on this question is yet to be taken by the Government. It should be mentioned, however, that even after re-investment of the interest on capital and of the power surplus, borrowing from the market will have to be continued to meet the growing investment requirements of the DVC in the Sixth Five Year Plan.

Recommendation (Serial No. 8)

There were four projects (Chandrapura Units IV, V and VI and Durgapur unit IV) each costing Rs. 20 crores and above, commissioned/expected to be commissioned during the 5-year period 1974—79. In all these cases delay in commissioning was more than two years and one project (Durgapur unit IV) is yet to be completed. Though the delay was mainly due to slippage in the schedule of delivery of equipments by BHEL, the DVC cannot be absolved of the blame altogether. The result was that there was considerable shortfall in the creation of capacity for power generation during the 5-year period. Admittedly, consumer demand had to be restricted and production in vital sectors did suffer even after staggering of loads at the consumers' end. (Paragraph No. 2.22)

Reply of Government

Reasons for delay in the completion of the projects were submitted to the Committee on Public Undertakings. Slippage in the commissioning of Durgapur Unit 4 is due to delayed boil out, acid cleaning and steam blowing by BHEL, and certain technical problems in BHEL equipment. The unit 4 has been synchronised on 5-12-81 and is now under trial run. It is expected to be commissioned in March, 1982.

Recommendation (Serial No. 9)

Cost escalation, which was largely due to price rise and increased establishment cost consequent upon the prolongation of the construction period, was as high as nearly 100 per cent as against the original estimated overall cost of Rs. 85.83 crores in all these projects. In the case of Chandrapura units IV & V, the project estimates underwent revision thrice. The project estimates of Chandrapura unit VI were revised in May 1975, but the actual cost exceeded the revised estimates by more than Rs. 10 crores. Yet sanction for the excess has not been obtained so far. The Committee were surprised to hear from the Financial Adviser and the Chairman, DVC that it has become the usual practice in the Corporation in such case to await the completion report and seek sanction *ex-post facto*. What is even more curious is that in the case of Durgapur unit IV, though expenditure of Rs. 61.37 crores has been incurred upto March, 1980, expenditure sanction as such had not been obtained on the basis of detailed estimates. Strangely clearance by the Planning Commission was construed as sanction by the Corporation. It is obvious that the Financial Adviser did not consider the continued expenditure without proper sanction an irregularity and failed to bring it to the notice of the Government or the Board of the Corporation.

(Paragraph No. 2.29)

Reply of Government

The revised project estimate for Chandrapura Unit 6 is under scrutiny by D.V.C. and will be put up at the next meeting of the Corporation for sanction.

The revised estimated cost of Durgapur Unit 4, furnished to the Central Electricity Authority in July, 1978, was included in the D.V.C. Budget for the year 1978-79 which was placed in Parliament and the State Assemblies of West Bengal and Bihar. The estimated cost was also reported in the annual plan discussions from 1979-80 onwards. Corporation accorded *ad hoc* sanction for individual item of expenditure relating to this Project. The revised estimate of the project has now been prepared and approved by the Corporation.

In this connection, the Financial Adviser, DVC, has observed as follows:—

> "......it is a fact that techno-economical approval and investment clearance of Govt. of India does not authorise to incur expenditure unless a detailed project estimate is prepared by the Project Authorities and sanctioned by the Corporation. In the case of DTPS IVth Unit, *ad hoc* sanction and piecemeal sanction from time to time were accorded by the Corporation on the advice

of Financial Adviser in order that the various works thereunder may be carried out pending submission of detailed project estimate. The need for early preparation of a detailed project estimate was repeatedly stressed by Finance but the project authorities held the view that due to uncertain market condition the preparation of a realistic estimate could not be possible and any estimate made at the present moment would only give figures which would bear no relation to the final cost of execution. However, Finance would like to emphasise that it is essential in the interest of proper financial control and economy as well that the detailed project estimate should be worked out well in advance before the work is taken in hand."

Recommendation (Serial No. 10)

It is not clear to the Committee whether the successive revised estimates of projects went before the Planning Commission so that they could be reappraised to see whether the initial anticipations held good and if not, whether there was any scope for economy. Althought original project reports envisaged a financial return of more than 8 per cent in the case of Chandrapura units IV and V, the average actual annual return after commissioning of these projects was much less upto 1978-79. Though the Committee desired to have data on the economic/social cost benefits in respect of these projects, no such data were forthcoming.

(Paragraph No. 2.24)

Reply of Government

Up-date cost estimates (total figures) in respect of projects in hand and new schemes are submitted annually in the prescribed proforma to the Adviser (Energy), Planning Commission, with copies to all concerned by DVC. Subsequently, detailed discussions are held each year by the Power and Energy Division of the Planning Commission with the DVC for the purpose of approved of the annual capital outlay. Representatives of the Ministry of Finance (Plan Finance), Ministry of Engergy (Deptt. of Power) and CLA also participate in this discussion.

As desired by the Planning Commission during the Annual Plan outlay discussions held on 13th January, 1978, copies of the revised cost estimates of Chandrapura TPS Unit 6 and Durgapur TPS Unit 4 were furnished by DVC to the CEA in July, 1978.

It has been decided to subject DVC schemes to the PIB procedure and thus projects where cost escalation beyond specified limits takes place will be coming up to Government for formal sanction of the revised estimates.

The return on investment was less than anticipated owing to increase in O&M expenditure over what was estimated in the project reports and absence of tariff revision after December, 1974. Hence DVC has increased its tariff by five paise per KWH with effect from July, 1981 so that a reasonable return is ensured.

The completion report for Chandrapura Unit 4 and Unit 5 is currently under scrutiny in DVC. After its approval by the Corporation, Planning Commission will be requested to make an analysis on the economic/social cost benefits in respect of these projects.

Recommendation (Serial No. 12)

The observations of the Committee in the foregoing paragraphs of this section would unmistakably show that the system of project planning and coordinated implementation and control over cost is anything but satisfactory. In view of the serious implications of the kind of laxity that have become almost built-in, the Committee recommend that these aspects should be gone into by Government in consultation with the Planning Commission, Central Electricity Authority and Comptroller & Auditor General of India with a view to putting matters on a sound footing without loss of time. (Paragraph No. 2.26)

Reply of Government

The cost over-run in most of the projects adversely commented upon by the Committee could be attributed to various causes, the most important of which are:

(1) Escalation of cost.

(2) Change in scope of work.

A period of about five years lapses between the time of sanction of a project and the commissioning of the first unit. Over this period of five years there will naturally be escalation of cost. Even on a moderate rate of 8 per cent per annum, the accumulative effect will be 47 per cent escalation on the cost of the project. This escalation is not provided for while sanctioning the estimates as it was so decided on the consideration that provision for future escalation in estimates will only result in excessive expenditure on the project as the natural tendency for contractors and project authorities will be to spend more based on the sanctioned cost.

When there is time over run in completion of project due to dearth of materials like cement, steel etc. and Main Plants and equipment, the escalation becomes aggravated.

At feasibility report stage only conceptual ideas are formulated for projects and design and detailed engineering about the various systems are done only after the sanction of the project and a consultant is appointed. During such detailed studies and engineering many times, it becomes necessary to make changes in the scope of work or select an alternative which was not orginally provided for in the feasibility report.

It was to minimise such changes in scope of work that the project authorities have been advised to carry out detailed investigation of many projects so that they can always have a shelf of readily investigated projects which could be got sanctioned and taken up for execution at the appropriate time. To achieve the above objective perspective Plans for longer periods are being formulated by the various Electricity Boards and Generating Companies.

In the total cost of the project, the cost of boiler and T. G. alone amount to 40—45 per cent. Therefore, any steep variation in the cost of the main equipments alter the total cost of the project considerably.

Based on the report of the Bureau of Industrial Costs and Prices, the Ministry of Energy, Department of Power fixed the prices of four batches of BHEL generating units in November, 1977. For subsequent units prices have not been fixed. The prices quoted by BHEL or budgetary prices for 210 MW set over the years is furnished below:

Batch Four prices as fixed by the Harathe Committee. .	. Rs. 31 crores.
1976-77 prices for Bhusawal Unit-III .	. Rs. 35 crores.
1977-78 prices for Badarpur Unit .	. Rs. 41 crores.
1978-79 prices for Anpara 'A' Station . .	. Rs. 46 crores.
1980-81 prices for Ropar & Birsinghpur Units . .	Rs. 50 crores.
Current prices for Wanakbori Extn. and Gandhinagar Extn. .	Rs. 60 crores.

It may be seen from the above that during the last five years the prices of 210 MW set has increased by hundred per cent and the reasonableness of this price has to be ascertained by a competent group and a permanent effective mechanism has to be created for fixing the prices of future units of BHEL.

This is a major factor in high cost over-run of projects.*

The delays in regard to Durgapur Unit IV have been on account of:—

(i) Labour problem

(ii) The delay in completing civil works by NPCC;

(iii) delay in completion of coal handling plant by MAMC;

(iv) delay in completion of cooling tower by Paharpur;

(v) delay in supply of equipment and erection by BHEL; and

(vi) delay in supply of MCC by Kirloskar Electric.

For their future projects, DVC have already been advised to prepare the contract plans and monitor the progress with respect of this chart so that delays are avoided.

Recommendation (Serial No. 13)

The Committee consider the position of demand and supply of power very dishearthening. As per 10th Annual Power Survey, the forecast on system demand for DVC was put at 1027 MW for the year 1978-79. However, maximum demand recorded during the period 1974-79 was stated to be 856 MW. As against this, the installed capacity for power generation was 1317 MW which has been derated to 1257.5 MW and the firm capacity adopting a ratio of 59 per cent of peaking requirement to the installed capacity as fixed by the Planning Commiossin for the eastern region worked out to 741 MW. This brings out the extent of shortfall in the creation of firm capacity to meet the demand. Further, the maximum demand allocated to all DVC consumers was only to the extent of 680 MW since October, 1977. This was less than the firm capacity. The actual average generation of power was 504 MW during the year 1979-80. This shows the extent to which there has been underutilisation of the capacity already available as well as the gap between the demand and supply.

(Paragraph No. 3.30)

*At the time off factual verification, Audit intimated that "The Projects of DVC ave been delayed and cost escalation have taken place on this account."

Reply of Government

Due to unsatisfactory performance of Chandrapura Thermal Power Station of DVC during 1979-80 the MW output was low as compared to the anticipated values. The details of the major outages are given in the Annexure I. Besides, pervasive indiscipline and irresponsible union militancy, neglect of plant maintenance, negligent operation and lack of training were the other reasons for under-utilisation of the available capacity of the DVC power system. From August 1980, a comprehensive strategy was adopted for improving the performance of the DVC as a result of which there has been considerable improvement in generation. During 1981-82 the average MW output from thermal units is of the order of about 700-750 MW as compared to 504 MW during 1979-80. DVC is giving an average output of about 60 per cent of its derated capacity (1257.5 MW).

With a view to bridging the gap between demand and supply on augment the existing capacity by undertaking the construction of Durgapur Unit 4 (210 MW), Bokaro 'B' Station (3×210 MW) and Panch Hill Reversible Pump Turbine Unit (40 MW). Durgapur Unit 4 was synchronised on 5-12-1981 and is presently under trial run.

In addition, DVC has submitted a proposal for the installation of two thermal power stations at Maithon, each of 5x210 MW capacity. The proposal is under examination.

ANNEXURE—I

DAMODAR VALLEY CORPORATION

Major Outages of Chandrapura and Durgapur Thermal Power Stations of D. V. C. during 1979-80 *upto Sept.* '81.

Sl. No.	Station/ Unit	Capacity (MW)	From	To	Days	Main causes of outrage remarks
1	2	3	4	5	6	7
1.	Chandrapura Unit—2	140 (combustion Engr. boiler & GE turbine)	04-11-79	8-4-80	157	Rotor earth fault and repair involved procurement of insulating material from the supplier. This unit is of GB USA and was commissioned in 1965.
2.	Chandrapura Unit—4	120	02-5-79	01-7-79	60	Heavy steam leak age from IES valves.

1	2	3	4	5	6	7
			23-4-80	3-6-80	41	Failure of unit transformer and the bushing badly damaged.
3.	Chandrapura Unit—5	120	20-6-79	8-8-79	49	Platen outlet header crack.
			27-2-80	21-11-80	268 (216 upto Sept. 1980)	Major repair works of turbine rotor.
4.	Chandrapura Unit—6	120	29-3-79	12-6-79	75	Bearing inspection and General check-up.
			18-8-80	24-9-80	37	Exciter trouble.
5.	Durgapur Unit—3	140	21-5-80	2-2-81	257 (132 upto Sept. 1980).	Major repair/major replacement of Boiler water wall tubes and renovation work. This is a B & W boiler and was commissioned in 1967.

Recommendation (Serial No. 14)

Judging by prescribed norms the performance of the DVC in regard to power generation has been poor during the period 1976-77 to 1979-80. The percentage of average generation to the derated installed capacity ranged from 42.9 to 56.3 compared to the norm of 59 percent. The plant load factor attained by the DVC was throughout falling behind the all India average except in one year, 1978-79, and it ranged from 40.1 percent to 52.3 per cent as against the norm of 58 per cent. The performance by any standard touched an all-time low during the period of 18 months, April 1979 to September 1980. That this should have been so in spite of the fact that a 120 MW unit was installed at Chandrapura in March, 1979 at a cost of Rs. 46.12 crores speaks volumes about the unsatisfactory way the DVC has been discharging its responsibilities of power generation and distribution.

(Paragraph 3.31)

Reply of Government

Unsatisfactory performance of Chandrapura Units Nos. 2, 4, 5 and Durgapur Unit No. 3 on account of major outages as per details given in Annexure IV to reply to recommendation No. 13. resulted in low generation in DVC during the 18 months period of April, 1979 to Sept., 1980. Unit No. 6 of Chandrapura was commissioned in March, 1979 and was out for 75 days for bearing inspection and general check up after commissioning. Being a new unit, this had only 43 per cent of availability during first year of its operation. The availability of unit has increased substantially to 70.68 per cent in the year 1980-81.

As a result of various steps taken to improve the generation, the actual generation during the first half of 1981-82 was* 2811 GWH as compared to 1822 GWH during the corresponding period of preceding year. The PLF achieved during the first half of 1981-82 nas been 50.9 per cent which is substantially more than the national average of 44.7 per cent.

The PLF of DVC during 1976-77 to 1981-82 (upto September 1981 are given below):—

Year	P.L.F. %	All India P.L.F %
1976-77	50·42	55·85
1977-78	49·28	51·53
1978-79	52·36	48·64
1979-80	40·09	45·41
1980-81 . .	37·57	45·64
1981-82 . (first half)	50·90	44·7

It may be seen that the PLF of DVC Power Station was almost 50 per cent throughout excepting during 1979-80 and 1980-81. The reasons for low PLF was caused by long duration outages of some units.

Recommendation (Serial No. 15)

The disappointing performance of the DVC, especially during the 18 months period, referred to in the foregoing paragraph, was attributed by the Chairman, DVC primarily to the lack of the necessary climate of motivation, discipline and accountability in the Corporation. However, it was conceded both by him, and the Secretary, Department of Power, that the position could well be attributed to the general failure of management. In this connection the Committee note that the management has not been professionally structured. There was no department of personnel management nor a proper

*At the time of actual verification, Audit intimated that "According to the information given by the corporation this works out to 2812.6 MKWh."

system of material management. It is also evident that no proper system of monitoring and reviewing of the performance of the DVC has been evolved as yet. The Committee have, however, been assured by the Secretary, Department of Power, that these deficiencies are now being looked into for remedy. It is unfortunate that such basic deficiencies and their deleterious consequences did not attract the attention of the Government so long and no directive was issued to the DVC. This can only be regarded as gross negligence on the part of the Government in the discharge of the responsibilities vested in them under the DVC Act. The Committee desire that immediate attention should be given to improve particularly the industrial relations in the DVC.

(Paragraph No. 3.32)

Reply of Government

From August, 1980 a comprehensive strategy was adopted for improvement of the performance of the DVC, especially in regard to power generation. This strategy compared the following:

(a) Inculcation of a climate of discipline and accountability.

(b) Activation of grievances redressal machinery and a policy of dynamic welfare.

(c) Formulation of time-bound action plans for the rehabilitation of plant and machinery and vigorous monitoring of their implementation.

The strategy started dividends from October, 1980 onwards. An all-time record generation of 1082 MW was achieved on 24-2-81. Power generation in March, 1981 was 535,000 MWH which was by far the highest ever in the history of DVC. Thermal generation increased progressively by 55 per cent during the nine month period from October, 1980 to June, 1981. While the average plant load factor (Thermal) was 33 per cent during April to September, 1980, it increased to 51.5 per cent during the quarter April to June, 1981. Thanks to the upsurge in generation, DVC has been able to meet the full requirements of all consumers most of the time during the last four months. This has enabled record production of steel and coal thereby giving a significant push to the national economy.

2. The Corporation did have a Department of Personnel right from its inception However, after August, 1980, steps were taken

to enhance the effectiveness of the Department, especially in the field, *viz.*:

(a) The power plant organisation did not have any senior Personnel Officer before. A Senior Personnel Manager has now been posted at each of the power stations at Chandrapura and Durgapur for the purpose of effective personnel management at the plant level.

(b) Sixteen posts of Labour Inspector have been created for the various field formations. The Labour Inspectors will collect grievances from individual employees and ensure their speedy settlement.

(c) Guidelines on disciplinary action with model forms have been issued to the Officers at all field formations so that they can act independently for the purpose of maintaining discipline in the organisation.

(d) An Incentive scheme was introduced from March, 1981 in order to motivate the employees for increased power generation and plant utilisation factor. This scheme has an in-built clause to discourage absenteeism.

3. The Corporation has adopted measures for streamlining the procurement of regularly used spare parts and for reducing the inventory level at the three thermal power stations. A scheme has been prepared for automatic replenishment of stores under which procurement of regularly used spare parts will be made once a year by co-ordinating the requirements of the three thermal power stations. As regards inventory control, Corporation has adopted an action plan, as detailed in the Comments of DVC on serial No. 29. in order to put an end to stagnated inventory. Responsibility for monitoring implementation of the action plan is vested in the Chief Engineer (O&M). In addition, it is proposed to induct the services of a consultancy for systems overhaul of materials management.

Recommendation (Serial No. 17)

One of the parameters for measuring the efficiency of the power system is to see how far the norm of generation of the power in terms of KWh per KW of capacity has been reached. Applying this norm, the Chandrapura power station fared consistently badly during the period 1976-77 to 1979-80 and all the 3 thermal stations, Chandrapura, Durgapur and Bokaro, fared poorly during 1979-80. According to the DVC, the shortfall in generation of power was mainly attributable to unsatisfactory performance of 2 BHEL generating sets, besides the poor quality of coal and increase in down-time for maintenance due to frequent breakdown of auxiliaries and boiler tube leakages. The Committee have dealt with these problems in the succeeding chapter of this Report.

(Paragraph No. 3.84)

Reply of Government

The poor performance of DVC stations during 1979-80 was due to unexpected damage on Unit Nos. 4 and 5 of BHEL make at Chandrapura. Considerable time was taken for the repairs since it required works to be undertaken at the manufacturer's works. Major renovation works of Durgapur Unit No. 3 of 140 MW was also taken causing low generation at DVC.

The units have since come back into service and the performance of DVC is now satisfactory.

Recommendation (Serial No. 18)

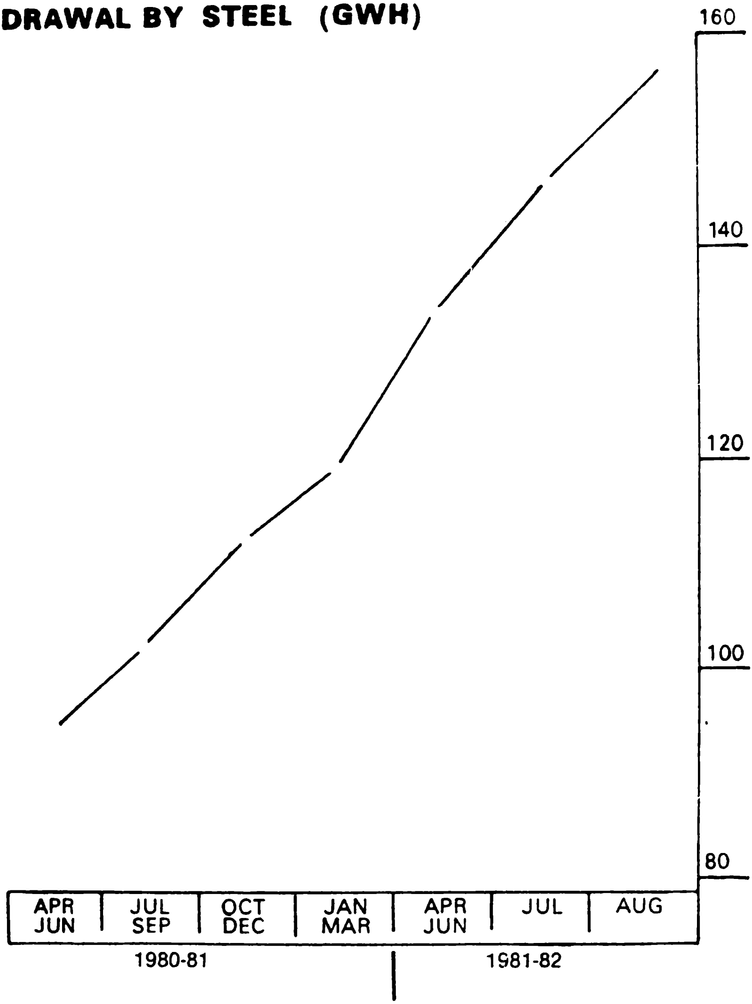
As the generation of power was always short of demand, load restrictions and load sheddings had to be imposed almost regularly. This affected production in vital sectors of industry in the country. The Committee were informed by Coal India that the power supply, which was unsatisfactory since 1977 took the worst shape during 1979-80 and that the loss of production in that year along was of the order of 6.927 million tonnes on account of lack of power. As regards steel plants, though the contract demand was 426.3 MVA, the actual supply during October, 1979 to September, 1980 ranged from 137.8 to 201.55 MVA. The Committee were, however, told in evidence by the Secretary, Department of Power, that lately in an unrestricted supply position, the steel plants were able to draw not more than 220 MVA. They were informed earlier by the Bokaro Steel Plant in October, 1980 that the matter had been taken up at all levels to ensure increased supply of power from DVC to their contractual level with no improvement. The Secretary held out a promise before the Committee that by February, 1981 things would stabilise when all the problems of steel requirements and coal requirements could be sorted out. In view of the serious implications of uncertain power supply, the Committee wish to caution Government that sorting out of such problems cannot be a one-time affair, but should get built into the system. In this connection, they would urge that the advisory committee which should be set up without delay, should also include in it the representatives of consumers in core sectors like steel and coal.

(Paragraph No. 3.35)

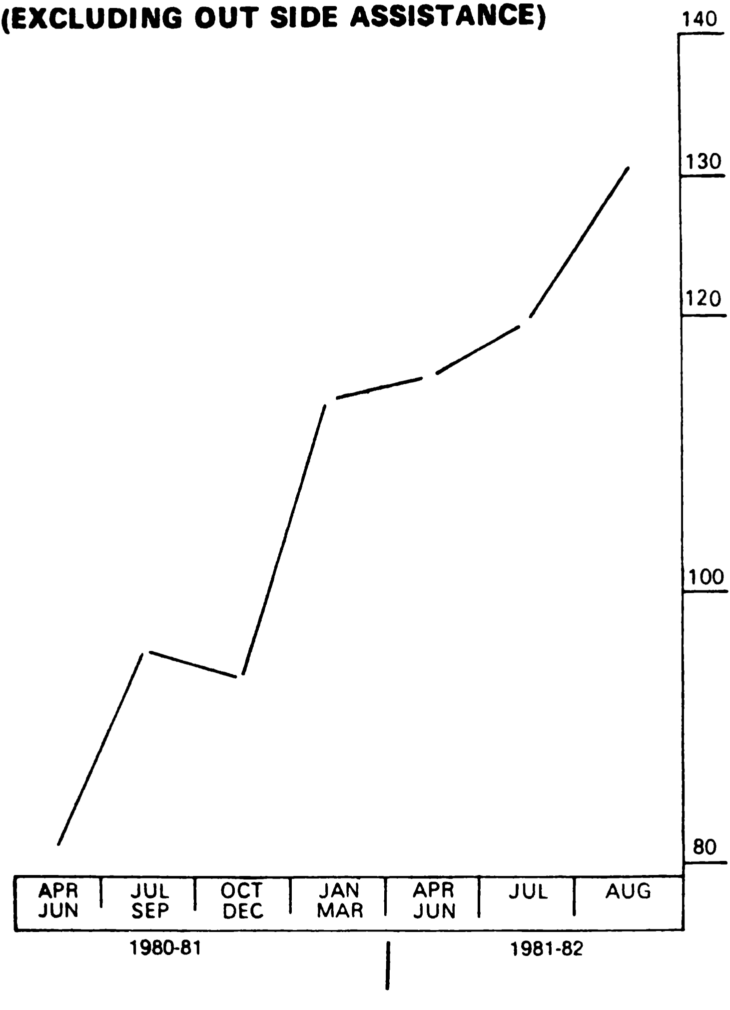
Reply of Government

A referrence is invited to para 1 of the comments of DVC on Sl. No. 15 of the recommendations of the Committee. Graphs showing progressive increase in supply of power to Steel and Coal industries since October 1980 are enclosed at Annexures II & III.

AVERAGE MONTHLY ENERGY DRAWAL BY STEEL (GWH)



AVERAGE MONTHLY ENERGY DRAWAL BY COAL (GWH) (EXCLUDING OUT SIDE ASSISTANCE)



Recommendation (Serial No. 19)

A major cause of lower generation of power by the DVC is unforeseen outages of generating units caused by a variety of factors. The details of forced outages furnished to the Committee revealed that during the years 1979-80, 7 out of 13 thermal units were down for more than a third of the total available time. The position in this regard is indeed alarming in respect of Chandrapura units IV & V which were installed with BHEL generating sets in March 1974 and March 1975 respectively. The forced outages of these units ranged from 37 per cent to 97 per cent and 51 per cent to 86 per cent respectively since 1976. As against the norm of 5000 KWHs of power generation per KW of capacity, the BHEL units generated between 1100 and 3391 KW during the period 1976—80, which was very poor compared to the imported GE and MAN units, though MAN units also seem to have developed some problems during the year 1979-80. The Committee agree that some price has to be paid for indigenisation of power equipments, but they feel that the country has already paid a heavy price and that the time has come for the indigenous power units to stabilise and give a good account of themselves.

Paragraph No. 4.27

Reply of Government

The forced outages on Chandrapura TG sets had been high in the initial years after commissioning. However, BHEL has supplied only the TG set but the boiler and auxiliaries have been supplied by AVB. The forced outages mentioned, include the forced outages from the boiler also which were again high.

The norms of 5,000 KWH per KW of capacity is generally not reached by any station in the eastern region, where the generation is principally thermal and the night load comparatively low.

The problem areas have been identified and a time-bound renovation programme is being followed for engineering solution of the problems. This programme has been undertaken in all the DVC thermal power stations for all the units.

Renovation programme for DTPS Unit 3 has been completed and that for Unit I is nearing completion. Work on Unit 2 will be taken up shortly and is expected to be completed in 4/5 months time.

For BTPS, the programme for Unit 4 is scheduled to be undertaken in December, 1981 and completed in four month's time. For

Units 1, 2 and 3 the renovation programme is tagged to statutory overhauling of the boilers.

Likewise renovation programme for CTPS units is also under execution. Renovation of Units 1 and 6 has been completed.

Results of the renovation of DTPS Unit 3 are encouraging. Down-time and forced outage of the unit have come down. Output during the last four months represents 76.62 per cent capacity utilisation factor. In fact, from this unit the maximum peak of 146 MW was achieved in May, 1981.

As regards CTPS, BHEL Units 4 and 5, a comparative study made in Annexure IV shows a trend of improvement both in respect of generation and availability. Full advantage of the renovation/rectification could not, however, be achieved owing to bad quality of coal and temporary, set-back due to the heavy rain. Although, full continuous rating of 120 MW could not be attained, steady improvement and less frequent outage of the units have been achieved.

ANNEXURE IV

PERFORMANCE OF UNIT 4, CTPS

Year	March			April			May			June			July		
	Gen-ration MWH	Avail-ability Hrs.	Out age Hrs.	Gene-ration MWH	Avail-ability Hrs.	Out age Hrs.	Gen-ration MWH	Avail-ability Hrs.	Out age Hrs.	Gen-ration MWH	Avail-ability Hrs.	Out age Hrs.	Gen-ration MWH	Avail-ability Hrs.	Out age Hrs.
1981 .	24650	356	388	49072	557	163	58512	683	61	60724	695	25	46029	703	41
1980 . .	11963	159	585	7788	104	616	nil	nil	744	28364	440	280	46185	710	34

PRFORMANCE OF UNIT 5, CIPS

Year	March			April			May			June			July		
1981 . .	64841	713	31	64098	685	35	55369	635	109	40596	448	272	42683	522	222
1980 . .	Nil	Nil	744	Nil	Nil	720	Nil	Nil	744	Nil	Nil	720	Nil	Nil	744
1979 . .	34187	445	299	58015	720	Nil	53873	689	55	25777	323	397	Nil	Nil	744

Recommendation (Serial No. 20)

The Committee note that the BHEL equipment of units IV & V of Chandrapura Station, which started giving trouble since installation, were rectified recently by the BHEL bearing the cost of their services, and spare parts. However, the expenditure incurred by the DVC on the extraordinary repairs carried out has not been identified, which ought to be done. In this context the Committee recommend that the DVC's system of determining cost centres and costing should be gone into for suitable refinement.

Paragraph No. 4.28

Reply of Government

Corporation has taken steps to implement the recommendations of the Committee. Accordingly, instructions have been issued to the effect that cost centres and sub-classifications of the expenditure on special repairs and maintenance of all power house plant and equipment should be categorically mentioned in all records/vouchers so that expenditure on this account may be booked properly by the Accounts Office to their respective heads and codes of accounts.

Steps are also being taken to identify the expenditure on the extraordinary repairs carried out on the BHEL equipment of Chandrapura Units 4 and 5 so that the Accounts Office can compile the expenditure under the prescribed codes.

Recommendation (Serial No. 21)

Even after the major rectification carried out by the BHEL, problems arose mainly on account of turbine key failures with consequential damages in unit V. The BHEL had claimed a sum of Rs. 38 lakhs for further rectification carried out. As this claim is considered to be very high and in view of repeated failures of turbine keys, the DVC is considering the advisability of filing a counter claim after taking the opinion of the Ministry of Law. Incidentally, the BHEL units are yet to stabilise in order to reduce oil consumption in flame support and start/stop operations, which is high at present.

(Paragraph No. 4.29).

Reply of Government

The Central Electricity Authority has been requested by DVC to set up an Enquiry Committee on Palm Key failure.

While the turbo-generators for CTPS units 4, 5 and 6 were supplied by BHEL, boilers for these units were supplied by AVB, Durgapur. Oil is consumed in the boilers. Both BHEL as well as AVB are attending to the equipment supplied by them, in association with DVC engineers, in order to establish greater stability and reduce oil consumption.

Recommendation (Serial No. 22)

Even as the DVC's performance has to be judged with reference to its capacity to meet contractual demands for power and not with reference to financial profits that it may have made, the performance of the BHEL has to be judged on the basis of the consumer satisfaction, both in regard to timely deliveries of equipments and their trouble-free service. In this connection, the Committee have been informed that the Government are working alongwith the Central Electricity Authority on a model contract to be entered into by the purchasers with the BHEL in order to provide for clearly quality test, delivery schedules and penalities, defining responsibilities and obligations of both the parties to the contract. The Committee desire that this should be finalised early and the contracts in future should provide for a satisfactory performance test and guarantee for a sufficiently long period in the light of the past experience.

(Paragraph No. 4.30).

.. Reply of Government

Ministry of Energy has constituted a committee comparising of S/Shri L. R. Suri, Member (Operations), CEA, M. L. Shisho, Tech. Director, MSEB, D. J. Ramarakhiani, Member (Gen.) Retd., MPEB and V. Sundarajan, Dy. General Manager (Contracts) NTPC for finalisation of a Model Contract for the supply of Main Plant and equipment to be entered into by the purchasers with BHEL. The Draft Model Contract for supply and supervision of erection portion has since been prepared by the Committee and is expected to be finalised shortly after discussions with M/s. BHEL are completed. The Draft Model Contract takes care of all points covered in the above item of report.

Recommendation (Serial No. 23)

The Committee are clear that all the problems cannot be attributed to the design or manufacture defects of the power equipments. They are conscious of the fact that the maintenance and operation by the DVC are not quite sound. This requires a critical study in consultation with supplies of equipments and improvement backed by adequate training to the operatives and engineers on a planned basis.

(Paragraph No. 4.31)

Reply of Government

The problem areas have been identified and action plans for plant betterment and renovation are being implemented in association with suppliers of the plant and equipment. Vigorous monitoring of operation and maintenance has resulted in steady and significant improvement in power generation, as detailed in para 1 of the comments of DVC in Sl. No. 15 of the recommendations of the Committee.

DVC is availing of the training facilities provided by the Power Engineering Training Society. The Corporation is considering the setting up of a training institute of its own.

Recommendation (Serial No. 24)

As pointed out earlier, lack of proper maintenance is also a factor in causing forced outages of generating units. Although the Indian Boiler Act lays down that boiler should be shut down for annual inspection and over-hauling on the expiry of 12 months of their last overhaul, the DVC has been very lax. Between 1964 and 1974, boilers were kept in service for extended period varying from 12 to 29 months and a technical advisory committee, while reviewing the working of Chandrapura Station, had warned that such long intervals between two overhauls would contribute to uneconomical and inefficient generation of power, increase in forced outages and planned outages and occurrance of certain damages necessitating costly replacement. Evidently this warning went unheeded as even subsequently the position did not improve in as much as 33 overhauls out of 46 were delayed during the period 1975—80 and the maximum delay between two overhauls was 80 weeks. The explanation given to the Committee that "owing to acute power crises, the DVC had to continue steaming of the boilers beyond the scheduled date in many cases in order to ensure maximum supply" of power does not impress the Committee, as this practice is counter-productive. The Committee are, therefore, of the view that the relevant provision of the Boilers Act should be adhered to not only for proper maintenance of boilers but also for safety reasons, and that delay with approval of competent authorities, if all should be an exception rather than the rule that it has come to be in the DVC.

(Paragraph No. 4.46)

Reply of Government

In the DVC power system there are altogether 16 boilers. The schedule of maintenance of the boilers is drawn up keeping in view the following points, viz.;

(a) Avoid overhauling of two boilers simultaneously in the same station.

(b) Not more than one large unit/boiler (140 MW) should be taken down for overhaul at the same time.

(c) Overall position of system generation.

The schedule thus prepared envisages overhauling of large size boilers at intervals of 18 months and small-size boilers at intervals of 15 months. Efforts will be continued to reduce this interval.

Since later half of 1980-81 over-riding priority has been given to scheduled and organised maintenance. Simultaneously, all spare and standby auxiliaries have been rehabilitated. This has yielded the following benefits:

*Remarkable improvement in the condition of plant and machinery.

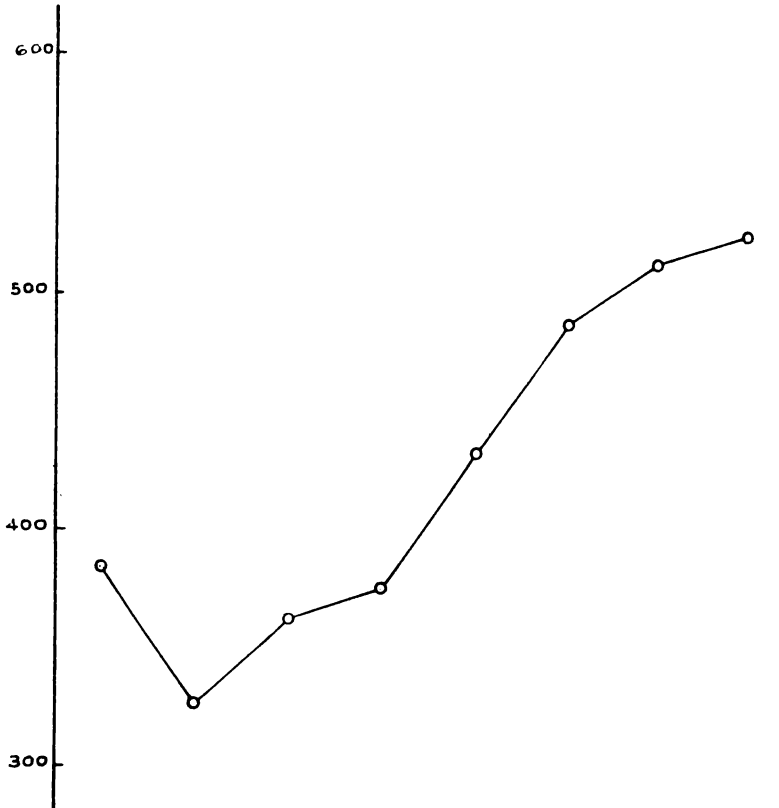
*Much higher utilisation of installed capacity.

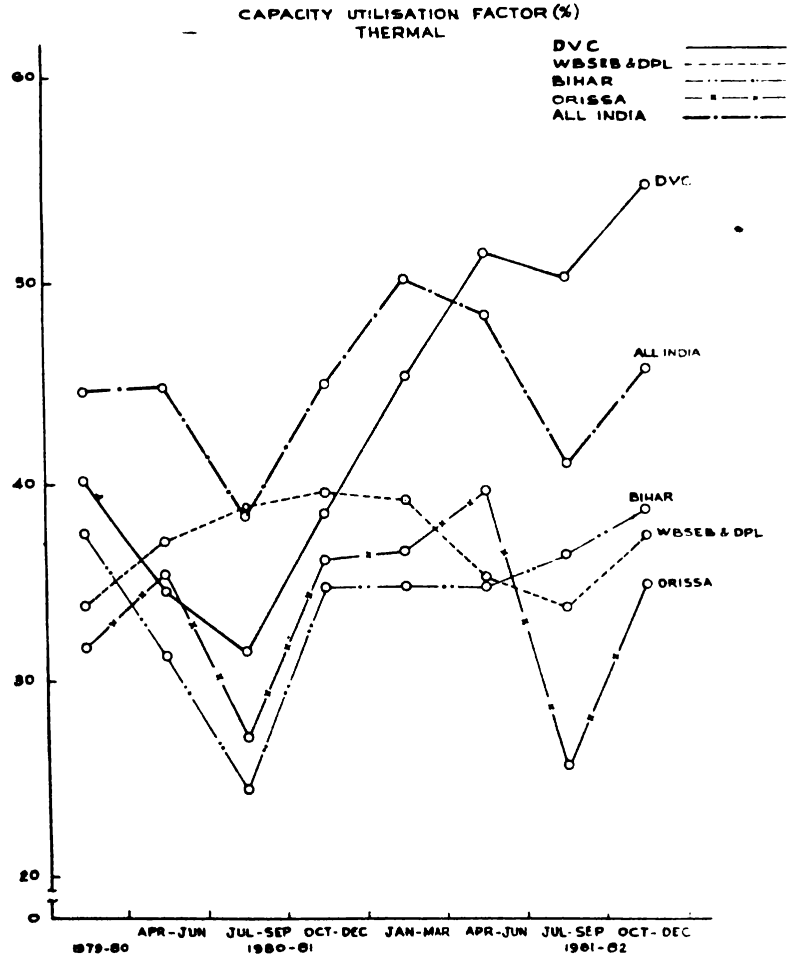
*Reduction in forced outages.

In this context, recent trends of power generation and utilisation factor are enclosed at Annexures V & VI respectively.

ANNEXURE V

AVERAGE MONTHLY
ENERGY GENERATION (MU)
TOTAL




CAPACITY UTILISATION FACTOR (%)
THERMAL
DVC
WBSEB & DPL
BIHAR
ORISSA
ALL INDIA
60
50
40
30
20
0
DVC
ALL INDIA
BIHAR
WBSEB & DPL
ORISSA
APR-JUN
JUL-SEP
OCT-DEC
JAN-MAR
APR-JUN
JUL-SEP
OCT-DEC
1979-80
1980-81
1981-82

Recommendation (Serial No. 25)

The position in regard to the time taken on overhaul of boilers and turbines is also not satisfactory. A committee called "Vij Committee", appointed in 1967 had recommended a period of 8 weeks for overhaul of boilers and 12 weeks for overhaul of turbines. An analysis by Audit has revealed that the time taken was on an average more than twice as much as it should have been during the period of about 8-9 years up to March, 1974. Though the Corporation had intimated Audit in 1975 that they were endeavouring to limit the period of overhaul to 4 to 8 weeks, the position did not improve. Out of 46 overhauls, 22 took longer than 8 weeks and the maximum time taken was 24 weeks. That this should be so in spite of the fact that double shift for the work was introduced in 1975 is indeed disappointing. Further out of 8 turbine overhauls during the period 1975—80, 5 took longer than 12 weeks and the maximum time taken was 32 weeks. The Committee note that recently two shifts have been introduced for the turbines overhaul also. They hope that the time taken on overhaul will now be reduced. They need hardly point out that if the boiler and turbines are maintained properly and the time taken on the overhauls reduced, the power generation in DVC would certainly be better than what it is today.

(Paragraph No. 4.47)

Reply of Government

The recommendations has been noted. Necessary steps such as introduction of two-shift work, adherence to a time-bound programme, have been taken to reduce the time for overhauling of boilers and turbines.

Recommendation (Serial No. 26)

In the earlier chapters of this Report, the Committee have dealt with the lack of control over the management of the DVC, the delay in implementation of major projects and their cost escalation, under-utilisation of the capacity for power generation and the forced outages of generating units. In the concluding section of this Report they have also dealt with the transmission losses, sundry debtors and inventory holding of the Corporation. It is no wonder that the cost of generation of power per unit jumped from 9.75 p. in 1975-76 to 16.31 p. in 1979-80. Although the power tariff of the Corporation has been fixed keeping in view the required rate of return of 9.5 per cent on capital plus internal resources as per a directive of the Government of India, the actual rate of return fell short of this in all the years during 1975-80 except in one year, 1976-77. The total shortfall is stated to be of the order of Rs. 40 crores during the last 6 years. The Committee have on doubt that granting good management and effective cost control, the working results of the Corporation would be much better even with the existing tariff structure.

(Paragraph No. 5.7)

Reply of Government

As stated earlier, power generation of the DVC has been steadly improving from October, 1980 onwards. A graph showing progressive improvement in generation is enclosed Annexure VII.

Notwithstanding the increases in fuel cost, cost of thermal generation has been brought down from 22.48 paise per unit in April-September, 1980 to 18.47 paise per unit in April-June 1981. This represents a reduction of 17.84 per cent.*

The financial picture has brightened. Against a net loss of Rs. 203 lakhs during the first six months of 1980-81 DVC generated a net profit of Rs. 733 lakhs during the last six months of 1980-81. During the first three months of 1981-82, the net profit is estimated at Rs. 465 lakhs. Net profit for the whole year 1981-82 is estimated at **Rs. 3682 lakhs having regard to tariff increase of 20 per cent with effect from 1-7-1981.

Recommendation (Serial No. 28)

The transmission losses of the DVC are somewhat erratic. These were as high as 4.04 per cent in 1974-75 and came down to 1.92 per cent in 1978-79. In monetary terms the losses aggregated Rs. 13.71 crores for the period 1971—79. There has to be some norms to control these losses as admitted by the Chairman, DVC, in evidence before the Committee.

(Paragraph No. 5.28

Reply of Government

The system losses in DVC during the past 5 years were as follows:—

1975-76	3·26%	
1976-77	2·95%	
***1977-78	2·01%	
***1978-79	1·88%	
***1979-80.	1·45%	(Provisional)

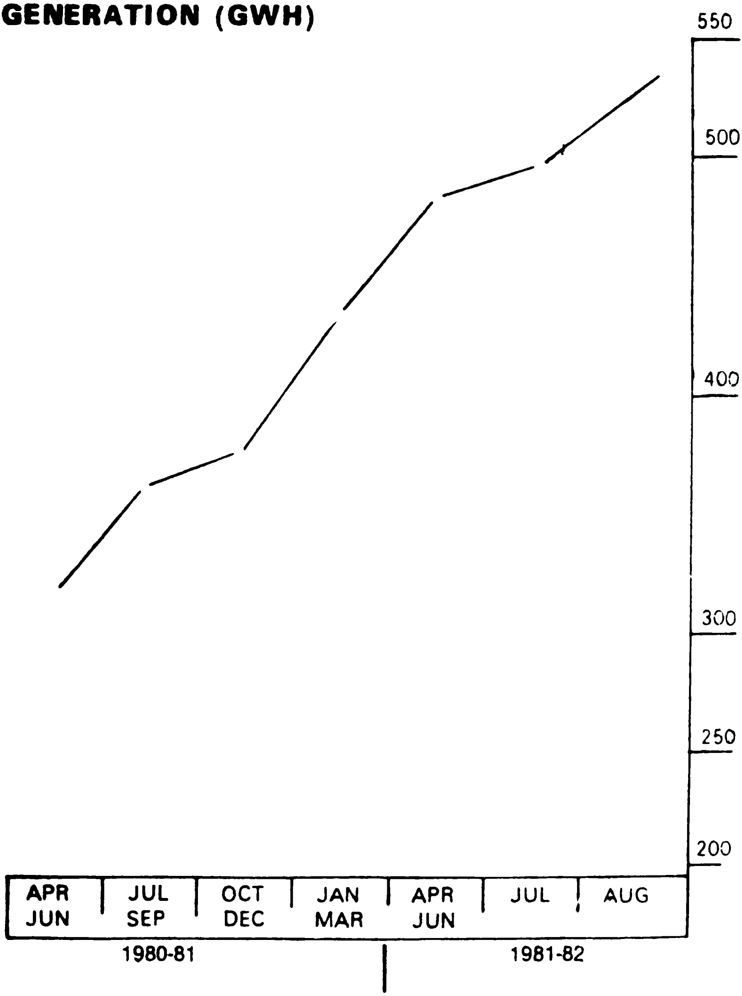
*At the time of factual verification. Audit intimated that "Cost per unit for parts of two years is not susceptible of verification. The cost of thermal generation during 1980-81 was 21·47 paise as against 16.09 paise in 1979-80 per unit."

**At the time of factual verification. Audit intimated "that Rs. 3682 lakhs was not vetted by M.A.B. & Ex-officio D.C.A., Calcutta." At the time of factual verification the Deptt. of Power intimated that "Rs. 3682 lakhs" indicated in the last but one line of para 3 of Govt. reply is not correct and that this should read as "Rs. 2440 lakhs (as per revised estimated for 1981-82)."

***At the time of factual verification, Audit intimated that as per Audit Reports on the Accounts of DVC for the respective years the transmission losses were as under :—

1977-78	1·96%
1978-79	2·05%
1979-80	1·50%

AVERAGE MONTHLY ENERGY GENERATION (GWH)



2. As seen from the above Table, the system losses in the DVC system are on the decline. There seems to be no reason for any alarm as the present figure of 1.45 per cent loss for 1979-80 is much lower then the comparable system losses in the other State systems even taking into consideration the fact that the bulk of the power system by DVC is EHT (132 KV) and partly at 33 KV.

3. It would not be quite correct to convert the system loss into financial terms and view it as aggregated monetary loss over the years. In the transmission and distribution of power there is always an inherent loss of energy. Without loss, power cannot be transmitted. As such loss cannot be eliminated altogether but can only be brought down upto an optimum limit.

As per the power system studies carried out by the CEA for the Eastern Region corresponding to conditions obtaining in 1983-84, the losses in EHT system alone work out to about 1.53 per cent compared to this, the 1979-80 loss of 1.45 per cent is quite reasonable.

4. The DVC has been advised to undertake Energy Audit studies to determine the quantum of losses occuring in different component of the system viz. Generator Transformer, 220 KV transmission line, 220/132 KV transformation, 132 KV transmission lines, 132/33 KV Transformation, 33 KV transmission lines etc. This would help to identify the weak spots of the distribution system to evolve norms for losses in the different system components and to take further corrective action.

Recommendation (Serial No. 29)

The extent to which the working capital of the DVC is blocked up can be seen from its inventory holding and outstanding recoveries. The inventory holding of the 3 thermal stations at the end of March 1980 was of the order of Rs. 9.64 crores. Of the inventory holding, general stores worth Rs. 63 lakhs did not move for more than a year and spares worth Rs. 2.99 crores did not move for more than 3 years. Though the Committee agree that some high priced insurance spares will have to be maintained irrespective of actual use, what is deplorable is that there is no system of analying the inventory to identify such spares and ascertain the extent of obsolescent and unserviceable stores and spares which require disposal or writing off of their value. Admittedly, materials management in general did not receive the attention that it deserved. The Committee have, however, been assured that the Government have addressed themselves to the task of improving the materials management. They would await the outcome.

(Paragraph No. 5,29

Reply of Government

Corporation has adopted an action plan to put an end to stagnated inventory. A copy of the action plan is enclosed at Annexure VIII. Responsibility for monitoring implementation of the action plan is vested in the Chief Engineer (O&M). He is required to submit a monthly statement to the Chairman, the Principal Chief Engineer and the General Manager containing information on the non-insurance materials, which have not moved for one to two years, two to three years and over three years, action taken to liquidate the surplus materials and action taken to computarise the inventory. The Chief Engineer (O&M) will also ensure that the list of materials considered surplus to the requirement to each plant is circulated to the other plants every quarter by the 15th of the month following the quarter.

In addition to the above measures, it is proposed to induct the services of a consultancy for systems overhaul of material management.

ANNEXURE-VIII

DAMODAR VELLY CORPORATION

Proposed action plan to put a stop to stagnated inventory is given below:—

(i) To put an embargo on the future purchase of these items of stores. In respect of general stores, power stations may examine whether these are absolute surplus and can be disposed off. For spare parts, these should be carefully preserved as their disposal through public sale does not arise.

(ii) Future purchases of stores and spare parts costing each item over Rs. 10,000/- should be critically examined by M.S.|E.S.|GS(M). The critical examination shall mean to keep in view all the present drawbacks of stocking policy, the culmination of which is the high rise of inventory level. The following check lists should be scrupulously observed before an indent is placed on central purchase for procurement:

Item code number is to be given in the indent and check list:

(a) Present stock of the item;

(b) Quantity on order;

(c) When these are likely to be consumed keeping in view whether these are imported and indigenously available;

(d) If these are indigenously available, a dependable supplier explored to ensure uninterrupted supply.

(iii) Controller of Stores, Maithon, should send a monthly statement of stores indicating trend of inventory. The acquisition of items of stores costing Rs. 10,000/- above which are the case of rise of inventory level should be listed in duplicate. M.S.|E.S.|G.S. of power stations shall go through the list and indicate against each item the likely date of consumption and a copy forwarded to CE(O&M), Maithon, for information.

(iv) Future stocking policy should be taken by the power stations on the basis of past consumption of the items. The DCS of power stations should provide regular and routinised information to the Technical Section.

(v) Power Stations may prepare a list of standard items of spare parts which are required round the year regularly and send it to the Purchase Section through CE(O&M) so that these can be included in the scheme of automatic replenishment of stores as being done in respect of general consumable stores.

(vi) Thereafter power stations shall send indents only for non-standard items of spare parts after exercising critical examination as set out in para (ii) above. This will reduce number of indents and multiplicity of paper works both at the Central Purchase and power stations.

(vii) Computerised stores accounting which is in bed shape should be activised. DCS of each power station and ACAO|Controller of Accounts should ensure timely submission of input documents and take adequate steps to make them error-free. They should be held responsible and accountable for the same.

(viii) The Head of the power Stations shall held a meeting on Ist and 3rd of every month. The DCS, ACAO|Controller of Accounts|M.S.|E.S. and the Technical Section must participate in the meeting. Assessment of the following works and position thereof shall be examined:

(a) The IDM stores ledger of the month must be made reasonably correct and obtained before 15th of the following month. It is a basic document over which the entire account is dependable. Errors in the store ledger have far-reaching consequence leading to serious financial irregularities and indiscipline.

(b) Whether the input documents have been sent before 7th of the month.

(c) To ensure that IDM stores ledger is received before 15th of the month.

(d) The numbers of errors in the IDM ledger should be examined and compared with the errors of previous month and steps taken to reduce them.

(e) If the errors are due to carelessness of the person, he should be made accountable, since rectification cost is about Rs. 1/- per error.

(f) The monthly list of items of stores obtained from the Controller of Stores, Maithon, and are causing the rise of inventory level should be discussed and the reasons for not consuming them as anticipated earlier examined.

(g) Copies of minutes of the meeting should be endorsed to GM and CE(O&M), Maithon for information and its reference shall be linked in the subsequent meeting.

(h) Progress of disposal of old & unserviceable stores watched including fixation of reserve price.

(ix) There should be a central agency and identified accordingly to monitor the entire process of work. The central agency must be senior in position than DCS, ACAO| Controller of Accounts, so that he will guide, demonstrate, train the personnel and ensure result. In fact, he must have authority to make things happen. He will submit a report every month to GM, CE(O&M) and Power Plant Heads outlining the progress of work for their information and necessary action.

(x) The Personnel Section, Calcutta, shall recall the proposal of training of stores personnel and introduction of examination system for their carrer development in line with the Accounts and Operators etc. and implement them on priority basis. The Controller of Stores may be made as implementing agency to the training and examination scheme in collaboration with the Personnel Branch.

No. S/MM/TV/78(Sectt.)-365

April 15, 1981.

Sd|- S. N. Sarkar
General Manager.

Distribution

1. Principal Chief Engineer, DVC, Calcutta-27.
2. Financial Adviser, DVC, Calcutta-27.
3. Chief Accounts Officer, DVC, Calcutta-27.
4. Chief Engineer (O&M), DVC, Maithon.

5. Director of Personnel, DVC, Calcutta-27.
6. Power Plant Manager, DVC, CTPS, Chandrapura.
7. General Superintendent, BTPS, Bokaro.
8. General Superintendent, DTPS, Durgapur.
9. Controller of Accounts (O&M), CTPS, Chandrapura.
10. Addl. Chief Accounts Officer, CTPS, Chandrapura.
11. Controller of Accounts (O&M), DTPS, Durgapur.
12. Controller of Accounts (Constn.), Durgapur.
13. Controller of Accounts (O&M), BTPS, Bokaro.
14. Accounts Officer, Bokaro 'B', DVC, Bokaro.
15. Dy. Controller of Stores (O&M), CTPS, Chandrapura.
16. Dy. Controller of Stores (Constn.), Chandrapura.
17. Dy. Controller of Stores (O&M), DTPS, Durgapur.
18. Dy. Controller of Stores (Constn.), Durgapur.
19. Dy. Controller of Stores (O&M), BTPS, Bokaro.
20. Dy. Controller of Stores (Constn.), Bokaro 'B', Bokaro.
21. Controller of Stores, DVC, Maithon.
22. Dy. Controller of Stores (IC), DVC, Maithon.

Recommendation (Serial No. 30)

The sundry debtor position revealed outstanding dues of the order of Rs. 37.88 crores. Of these, Rs. 17.12 crores were outstanding for more than 2 years. The bulk of the outstanding payments are due from Government organisations, including State Governments. Although the DVC is imposing penalty for delayed payments. it is at a rate less than the rate of commercial interest leaving no incentive to the parties to pay their dues. The Committee feel that the DVC ought to function as a commercial organisation and pursue the recoveries with vigour which has not been in evidence so far. If for speeding up the recoveries it becomes necessary to charge commercial rate of interest and in extreme cases even to disconnect power supply, these should be resorted to.

(Paragraph No. 5.30)

Reply of Government

Outstanding dues from power consumers are attributable to disputes over the bills and financial stringency of the consumers.

Vigorous efforts are being made to recover the outstandings. Out of the total outstandings of Rs. 39.11 crores as on 31-3-1981 on account of Sundry Debtors for energy supplied and rental charges, an amount of Rs. 20.33 crores has already been realised and a balance of Rs. 18.78 crores was actually outstanding on 30-6-1981.

In the agreements executed prior to 1977, the surcharge for delayed payment was at the rate of 1 per cent per month i.e. 12 per cent per annum. This surcharge was increased to 1½ per cent per month i.e. 18 per cent per annum, starting with agreements executed frim 1977 onwards. The current rate of surcharge is at per with commercial rate of interest. Provision has been made in the revised form of agreement for upward revision of the rate of surcharge as and when necessary.

Power supply agreements contain a provision for disconnection of supply, after giving seven days' notice, when the consumer fails to pay the amount of his bill within sixty days from the date of receipt of the bill. This penal clause has been seldom applied in the part. Total disconnection of supplies hardly feasible in the case of bulk consumers.

Recommendation (Serial No. 31)

General:

Besides the issues dealt with in this Report, a number of outstanding points arising out of Audit Reports were also brought to the notice of the Committee by the Comptroller & Auditor General of India. These were taken up by the Committee with the Government and the Corporation. The Committee trust that suitable action, as may be necessary, will be taken in consultation with the C & A.G. In future this should be a continuous arrangement and action on Audit Reports should be monitored by the Board of the Corporation as well as the Government.

(Paragraph No. 5.31)

Reply of Government

The recommendation has been noted.

CHAPTER III

RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Serial No. 2)

The structure of the DVC Act envisaged a control board for the Corporation to formulate policies and exercise supervision leaving the execution to the Secretary, who should be the Chief Executive Officer. Unfortunately it is not the position in actual practice. The Chairman of the Board has become the *de-facto* Chief Executive Officer. Besides being legally untenable, this has led to blurring of executive responsibility and dilution of the Board's control over the Corporation. This assumes seriousness especially since the degree of autonomy enjoyed by the DVC is uncommon among public undertakings. The Government seem to think that restructuring of the Corporation is necessary in order to remove certain anomalies and improve the control mechanism. The Committee are, however, unable to resist a feeling that the anomalies are largely the creation of the Corporation and the Government acquiesced in it.

(Paragraph No. 1.33)

Reply of Government

The position in DVC should be viewed in its historical context.

Under Clause 2 of Section 6 of the DVC Act, the Secretary is no doubt designated as the Chief Executive Officer of the Corporation. But the extent of his powers and functions have not been defined either in the DVC Act or under the Rules issued thereunder. Corporation is the source of all authority vested in it under the Act and under various Regulations framed in pursuance of Section 60 of the Act. Under Regulation 11 of the DVC (Conduct of Business) Regulations, 1951, the Secretary or for that matter any other executive officer is authorised to excercise only such powers as are delegated to him by the Corporation for the proper discharge of the functions and business of the Corporation. Accordingly, various administrative and financial powers were delegated to the Secretary (subsequently re-designated as the Secretary & General Manager) by resolutions adopted by the Corporation from time to time.

2. When in April, 1959 the DVC Board was reconstituted with a part-time Chairman and two part-time Members, the day-to-day activities of the Corporation had to be run by the General Manager & Secretary, and therefore, a much wider delegation of powers was made by the Corporation to the General Manager & Secretary by an order, dated March 14, 1960 issued in pursuance of Corporation resolution No. 342 (Annexure IX) adopted in the 245th meeting held on 22-4-1959. Under this order all administrative and financial powers of the Corporation were delegated to the General Manager & Secretary, except for certain important matters which were reserved for decision by the Corporation. In order that the business of the Corporation may not be held up the Secretary was authorised to pass orders in respect of the reserved matter also, subject to a report to the Corporation.

3. Subsequently, the initial practice of providing a full-time Chairman of the Corporation was revived and in this context the question of delegation of powers to the Chairman and the General Manager & Secretary was reviewed by the Corporation in its 359th meeting held on 6-11-1970. Recognising the fact that there was now a full time Chairman of the Corporation, the Corporation by Resolution No. 2650 (Annexure X) adopted in this meeting withdrew the powers earlier delegated to the General Manager & Secretary to pass orders on reserved matters in emergent cases as per Resolution No. 342 of the 245th meeting of the Corporation held on 22-4-1959. It was also decided that the remaining powers delegated to the General Manager & Secretary by the aforsaid Resolution No. 342 "shall be subject to such directions as the Chirman may issue generally or in specific cases". So, as it is but natural, the Chairman is fully authorised to issue guidelines or instructions to the General Manager & Secretary in the exercise of his powers.

4. It will be noticed from the proviso to Regulation 3 of the DVC (Conduct of Business) Regulations, 1951 that the Regulations had taken into account the contingency of the DVC Board functioning with a whole-time Chairman along with part-time Members

as it has been in vogue for the last so many years. This proviso runs as follows:—

> "Provided that in urgent cases of the nature specified by resolution of the Corporation, the Chairman may exercise the powers of the Corporation subject to a report being made to the Corporation in the next or subsequent meeting."

5. From what has been stated above, it is clear that the powers of the General Manager & Secretary are derived from the Corporation and the Corporation has authorised the Chairman to issue such directions as he may deem necessary either generally or in specific cases in the exercise of his delegated powers. Subject to these directions, the General Manager & Secretary is free and does exercise his powers fully. In fact, his powers of acceptance of tenders/contracts have recently been enhanced by Corporation Resolution No. 4396 (Annexure XI) adopted in the 435th meeting held on 29-6-1981. The observation of the Committee on Public Undertakings that "the anomalies are largely the creation of the Corporation and the Govt. acquiesced in it" do not appear to be correct.

6. As already pointed out by the Chairman in his evidence before the Committee, the existence of a whole-time Chairman becomes meaningless if he cannot or does not exercise necessary direction in the management of the Corporation. This is exactly the reason why the post of whole-time Chairman has been combined with that of Managing Director in most of the public sector undertakings. The Chairman, DVC, explained before the Committee that restructuring of DVC was necessary to leave no ambiguity about Chairman functioning as an effective head of the organisation and, later, the Secretary (Power) confirmed that such restructuring was already on the anvil.

ANNEXURE-IX

DAMODAR VALLEY CORPORATION

Resolution No. 342 adopted in the 245th meeting of the Corporation held on 22-4-59.

"Resolution No. 342 : The supplementary item concerning conduct of Corporation's business was discussed. The following decisions were taken:

(1) (a) In order that the business of the Corporation may not be held up because of the replacement of the whole-time Chairman by a part-time Chairman, the Secretary be authorised to pass orders in respect of reserved matters also in the same way as the whole-time Chairman has been doing so far, subject to a report to the Corporation.

(b) The following classes of cases be placed before the Corporation for consideration and orders:

(i) Cases which the Secretary or the Financial Adviser desires to be referred to the Corporation.

(ii) Cases in which Financial Adviser is unable to agree with the Secretary.

(iii) Cases of sanction of project and budget estimates.

(iv) Cases relating to Audit Reports and comments of the Public Accounts Committee.

(v) Cases of acceptance of (a) tenders other than the lowest tender where the value exceeds Rs. 1 lakh; and (b) tenders exceeding Rs. 25 lakhs in value.

(vi) Cases of award of contracts based on quotation or negotiations of value exceeding Rs. 1 lakh.

(vii) Cases of acceptance of single tender of value exceeding Rs. 2 lakhs.

(viii) Cases of write-off of losses of all kinds exceeding Rs. 1 lakh or where disciplinary or penal action or fraud is involved;

(ix) Cases relating to allocation of power to consumers;

(x) Cases of creation of, and appointment of posts the minimum pay of whose pay scales is Rs. 1300/- or more;

(xi) Cases of disciplinary action where dismissal is proposed in respect of officers the minimum pay of whose pay scale exceeds Rs. 600/-;

(xii) Cases of administrative approval of new schemes or works involving more than Rs. 20,000/-:—

Provided that in urgent cases relating to item Nos. (iii) to (xii) the Secretary will be competent to pass orders subject to a report being made to the Corporation in the next or subsequent meeting.

(xiii) Cases relating to amendments to statutory Regulation and Rules.

2. For proper and timely discharge of the business and functions of the Corporation, the Secretary be authorised to entertain and dispose of all cases except those mentioned in para (1) above. He is also authorised to exercise powers under Regulation 5 in consultation with FA and submit a monthly report of such cases to the Corporation.

3. Cases of creation of, and appointment to posts to the minimum of whose pay scale is above Rs. 600/- and below Rs. 1300/- are to be reported to the Corporation in the form of a monthly list.

4. The Secretary may accord approval to new schemes or works involving Rs. 20,000/- or less subject to availability of funds within the overall budget".

ANNEXURE-X

DAMODAR VALLEY CORPORATION

Extract from the Minutes of the 359th meeting of the Corporation held on 6th November, 1970.

Resolution No. 2650:

The Corporation considered the question of delegation of powers to the Chairman and General Manager. In view of the fact that there is a full-time Chairman of the Corporation at present the powers delegated to pass orders on reserved matters in emergent cases as per para 1(a) of Resolution No. 342 of the 245th meeting of the Corporation held on 22-4-59 is withdrawn and at the end of para 2 of the aforesaid Resolution the following clause be inserted:—

> "The authorisation in this para shall be subject to such directions as the Chairman may issue generally or in specific cases".

ANNEXURE-XI

DAMODAR VALLEY CORPORATION

Extract from the Minutes of the 435th Meeting of the Corporation held on 29-6-1981.

Resolution No. 4396:

Corporation accorded approval to the enhancement of the existing powers of the General Manager referred to in sub-paragraphs 1(v), (vi) and (vii) of the O.M. No. WG-81/55-2048 dated 14-3-60 to the following extent:

Enhancement Approve	*Existing Power*
Acceptance of (a) tenders other than the lowest tender where value does not exceed Rs. 10 lakhs and (b) tender not exceeding Rs. 1 crore in value.	1. Acceptance of (a) tenders other than the lowest tender where the value does not exceed Rs. 1 lakh and (b) tender not exceeding Rs. 25 lakhs in value.
Award of contracts based on quotation or negotiation if the value does not exceed Rs. 10 lakhs.	2. Award of contracts based on quotation or negotiation if the value does not exceed Rs. 1 lakh.
Acceptance of single tender of value not exceeding Rs. 5 lakhs.	3. Acceptance of single tender of value not exceeding Rs. 2 lakhs.

The above enhanced power will be exercised subject to the prior concurrence of the Financial Adviser in each case.

Recommendation (Serial No. 11)

It appears that the DVC has not yet brought out completion reports for virtually any of the projects undertaken by it so far. In respect of a number of old projects, the Corporation has now pleaded that the preparation of completion reports at this late stage would not serve any useful purpose. As the detailed completion reports are expected to give a comparison and explanation of differences between quantity, rate and cost of the work executed and those entered in the estimates and the object is to enable the superior authorities to scrutinise the excess, it is really a serious lapse on the part of the Corporation that it has not attended to his work with any sense of responsibility so far.

(Paragraph No. 3.25)

Reply of Government

The Committee's observation that "the DVC has not yet brought out completion reports for virtually any of the projects undertaken by it so far" is not correct. The actual position is indicated below:—

(a) *Completion reports already approved by the Corporation*:

(1) Tilaiya, Konar, Maithon and Panchet Hill Dams

(2) Tilaiya Hydel

(3) Bokaro Thermal Power Station Units 1 to 4

(4) Transmission and Distribution System (A to F stages)

(b) *Completion reports prepared and being processed for Corporation's approval*:

(1) Durgapur TPS Units 1, 2, and 3	These will be placed in the next meeting of the Corporation for approval.
(2) Chandrapura Units 1, 2, and 3	
(3) Transmission & Distribution system (G&H Stages).	
(4) Chandrapura Units 4 & 5	Completion report is under scrutiny of the Corporation and will be placed at the next meeting for approval.

(c) *Completion reports not yet ready*:

(1) Maithon Hydel	(Expected to be prepared by 31-5-82).
(2) Panchet Hydel	
(3) Barrage and Irrigation Project.	
(4) Chandrapura Unit 6	(This will take another one year as there are some outstanding jobs, mostly civil works to be completed).

Recommendation (Serial No. 16)

As stated earlier, the norm of 59 per cent for the ratio of peaking requirements to the installed capacity to be reached by the power system in eastern region has been adopted, although the Planning Commission has fixed the ratio for all the regions as 64 per cent for the purpose of planning for power production in the cuntry. The Chairman, Central Electricity Authority, explained the lower ratio for the eastern region as due to the absence of adequate hydro support unlike in other regions. The Secretary, Department of Power, however, stated that lower norm for the eastern sector was predominantly on account of Industrial relations problems. According to him, the performance, of late having been slightly better that that of the southern region, there was already a case for a second look at the norm fixed for the eastern region. The Committee desire that the matter should be taken up with the Planning Commission and a reasonable norm fixed so that the efficiency of the DVC could be properly assessed.

(Paragraph No. 3.33)

Reply of Government

The ratio of peak demand to installed capacity fixed at 59 per cent for Eastern Region against 64 per cent for all India is based on the existing hydro-thermal mix in the total installed capacity of the system.

As on 31-3-1981, the hydro capacity was 19.23 per cent of the total installed capacity in the region compared to 45 per cent in the Northern Region and 63 per cent in the Southern Region. It is due to absence of adequate hydro support that a higher allowance was given in respect of the Eastern Region.

This figure has been adopted by the working Group on Power for 1980—85 constituted by the Planning Commission and in which representative of the Planning Commission also participated.

Any better performance than the Southern region mentioned in the report of the Committee may be in respect of individual units as a passing phase. Unless the improvement is sustained and pervades among all the plants of the region, there would be no justification in modifying the norms that have been adopted.

Recommendation (Serial No. 27)

Since the DVC has to mainly depend upon the internal resources for investment during Sixth Plan period, the Planning Commission has suggested that there could be a 5 paise increase in the tariff of the Corporation. The DVC sells power to bulk consumers and the Committee note that the Electricity Boards of West Bengal and Bihar are given a rebate of 10 per cent on the power tariff. In view of the fact that the profits of the Corporation are shared by the participating State Governments, there does not appear to be strictly any need for subsidising their Electricity Boards alone in the matter of supply of power, leaving out the bulk consumers in the Central Sector. The propriety of this practice should, therefore, be gone into. Incidentally, the rates charged by the Electricity Boards from their consumers are much higher compared to the rate at which they get power from the DVC.

(Paragraph No. 3.8).

Reply of Government

In March, 1981, the Central Government issued a directive to the DVC under Sec. 48(1) of DVC Act to the effect that its power tariff should be enhanced by 5 paise per kwh in overall rate to all the consumers. The 10 per cent rebate on power tariff in favour of the State Electricity Boards of West Bengal & Bihar was a pre-existing feature of the tariff structure and, therefore this rebate continues to be operative even after issue of the said directive in March, 1981. In fact, Members representing the two State Governments, in the DVC Board are pressing for enhancement of the existing rebute to 15 per cent under the new tariff effective from July, 1981.

While the bulk consumers of the DVC in the Central Sector receive electricity for direct comsumption, the State Electricity Boards of West Bengal and Bihar function as agencies for the retail distribution of the power purchased in bulk from the DVC. The rationale behind the 10 per cent rebate is that the SEBs have to incur heavy additional expenditure over the transmission and distribution of the electricity purchased from the DVC to numerous consumers scattered in their area of operation.

CHAPTER IV

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

Recommendation (Serial No. 7)

It appears to the Committee that the DVC Act contemplated the constitution of advisory committees in the nature of consumer consultative councils. But the rules that the Central Government framed in May 1959 on the appointment of an advisory committee did not give it such a character. It was in the nature of a governing advisory council. The advisory committee formed as per the rules, which functioned for a brief period of about 6 years, but was rightly regarded extra legal and wound up. The relevant rules were also rescinded. The Corporation thus has gone without any advisory committee for 25 years now, and the mechanism that the Act envisaged for making the Corporation continuously responsive to consumer interests has not been in existence for all these years. In this connection, the Secretary, Department of Power, in evidence took protection under the strict letter of the law saying that the Corporation had discretionary power as the Act provided that the Corporation "may" appoint an advisory committee. Clearly, the spirit of the Act would demand the constitution of advisory committee(s) consisting of representatives of the various interests to be served by the Corporation in order to advise the Corporation and make it responsive to their needs. The Committee would, therefore, urge the Government to formulate rules suitably and see that advisory committees are appointed as early as possible.

(Paragraph No. 1.44)

Reply of Government

Section 10 of the DVC Act reads as follows:

"10. *Appointment of Advisory Committee*:

Subject to any rules made under section 59 the Corporation may from time to time appoint one or more Advisory

Committees for the purpose of securing the efficient discharge of the functions of the Corporation, and in particular for the purpose of securing that those functions are exercised with due regard to the circumstances and requirements of particular local areas."

As has already been explained, the Act does not make it obligatory on the part of the Corporation to set up an Advisory Committee. It will be recalled that the Advisory Committee, which was once set up by the Corporation in July 1949, turned out to be a controlling committee rather than an advisory committee and was, therefore, deemed to be extra-legal by the DVC Enquiry Committee in its report dated July, 1953 (para 55, Chapter VIII). Consiquently, the Advisory Committee was abolished in April, 1955.

According to the DVC Enquiry Committee the purpose of Section 10 of the DVC Act was "to enable the Corporation to set up regional committees whose advice may be of use to the Corporation in dealing with problems of particular areas within the limits of the Damodar Valley". It does not envisage constitution of advisory committees in the nature of consumer consultative councils as recommended by the committee on Public undertakings. So far as representation of local interest is concerned, it may be mentioned that the DVC Board includes two members representing the State Governments of West Bengal and Bihar respectively. As the areas of operation of the DVC lie within these two States, the regional interests are adequately represented in the DVC management Constitution of an Advisory Committee to represent regional interests is. therefore considered redundant.

CHAPTER V

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

Recommendation (Serial No. 6)

The Committee agree that the participating Governments having made no capital contribution for the last more than 10 years, the structure with which the DVC was set up in 1948 seems to have lost its relevance. Any restructuring of the Corporation should, however, carry conviction with the participating State Governments and whatever form the restructured Corporation might take, it should provide for effective control over the Corporation and in this respect the Committee's observations in the foregoing paragraphs should be taken note of. The Committee would await the outcome of the examination by the Government on the restructuring of the Corporation.

(Paragraph No. 1.37)

Reply of Government

Owing to non-contribution of capital by the Participating Governments from 1969-70 onwards, a certain imbalance has crept into the capital structure of the D.V.C.

The observations of the Committee have been noted, and will be kept in mind at the time of restructuring the Corporation.

NEW DELHI;
March 12, 1982
Phalguna 21, 1903 (*Saka*)

BANSI LAL
Chairman,
Committee on Public Undertakings.

APPENDIX

(*Vide* Para 3 of Introduction)

Analysis of Action taken by Government on the recommendations contained in the 16th Report of the Committee on public undertakings (Seventh Lok Sabha)

		Pages
I.	Total Number of recommendations	31
II.	Recommendations that have been accepted by Government—Serial Nos. 1, 3 to 5, 8 to 10, 12 to 15, 17 to 26 and 28 to 31.	25
	Percentage to total	81%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies—Serial Nos. 2, 11, 16 and 27 . ..	4
	Percentage	13%
IV.	Recommendations in respect of which replies of Government have not been accepted by Committee—Serial No. 7	1
	Percentage	3%
V.	Recommendations in respect of which final replies of Government are still awaited—Serial No. 6	1
	Percentage	5%