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NATIONAL HYDROELECTRIC POWER
CORPORATION LIMITED

MINISTRY OF POWER

COMMITTEE ON
PUBLIC UNDERTAKINGS
1995-96

FIFTY-FIRST REPORT

TENTH LOK SABHA



संसद भवन

LOK SABHA SECRETARIAT
NEW DELHI

FIFTY-FIRST REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS
(1995-96)

(TENTH LOK SABHA)

NATIONAL HYDROELECTRIC POWER
CORPORATION LIMITED
(MINISTRY OF POWER)



Presented to Lok Sabha on 29-2-1996
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LOK SABHA SECRETARIAT
NEW DELHI

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COMMITTEE ON PUBLIC UNDERTAKINGS (1995-96)
ON NATIONAL HYDROELECTRIC POWER CORPN LTD.**

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1995-96)**

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* Elected w.e.f. 22nd August, 1995 vice Shri Vilas Muttemwar resigned from the Committee. Ceased to be a Member of the Committee consequent on his appointment as Minister in the Council of the Ministers w.e.f. 14th September, 1995.

\$ Ceased to be a Member of the Committee consequent on his appointment as Minister in the Council of Minister w.e.f. 15th September, 1995.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 51st Report (Tenth Lok Sabha) on National Hydroelectric Power Corporation Limited.

2. The Committee's examination of the subject was based on the Report of the Comptroller and Auditor General of India (No. 5 of 1995).

3. The Committee took evidence of the representatives of National Hydroelectric Power Corporation Limited on 7th, 8th and 9th August, 1995 and the representatives of Ministry of Power on 5th October, 1995.

4. The Committee considered and adopted the Report at their sitting held on 13th February, 1996.

5. The Committee wish to express their thanks to Ministry of Power and National Hydroelectric Power Corporation Limited for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministry of Power and National Hydroelectric Power Corporation Limited who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

6. The Committee also place on record their appreciation for the assistance rendered by the Comptroller and Auditor General of India.

7. They would also like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
February 26, 1996
Phalguna 7, 1917(S)

KAMAL CHAUDHRY,
Chairman,
Committee on Public Undertakings.

PART A
CHAPTER I
OBJECTIVES AND CORPORATE PLANNING

A. Introductory

1.1 The National Hydroelectric Power Corporation Limited (NHPC) was incorporated on 7th November, 1975 under the Companies Act, 1956 for development of the vast Hydroelectric potential of the country's rivers. The authorised capital of the Company is Rs. 2500 crores and paid up capital is Rs.2295.24 crores plus Rs.537.46 crores of Government of India fund adjustable to Equity.

The company has executed 5 hydro projects viz. Baira Siul, Loktak, Salal-I, Tanakpur and Chamera-I. In addition, the company is executing Salal-II (Unit-I commissioned in July, 1993, Unit-II. commissioned in March, 1994 and Unit-III commissioned in February, 1995), Dulhasti, Rangit, Chamera II and Uri Projects. In respect of Koel Karo Project, the Ministry is stated to have referred it to Central Electricity Authority to examine whether it is a viable project at all. Dhauliganga Stage-I is stated to have just been taken up.

B. Objectives

1.2 The main objectives of the Company are:

- (i) to plan, promote and organize an integrated and efficient system of hydro electric power in all its aspects including planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance of Hydro Electric power Stations and Projects;
- (ii) undertake the construction of inter-state transmission lines and ancillary work.

1.3 Asked how far the Corporation has been successful in achieving each of these objectives, the Corporation in their note stated as follows:

"NHPC has been successful in establishing its competence in all aspects of hydro development from conception to completion and beyond. NHPC has completed 5 hydro projects which are in operation and is executing 3 hydro projects in active construction. One more project Dhauliganga has just been taken up for implementation. A 45 MW Kurichu project in Bhutan has been entrusted to NHPC on an agency basis. In all these cases, the investigations, planning, design, construction, operation and maintenance for completed projects and preparation of feasibility and detailed project reports were carried out by NHPC. The construction of inter-state transmission lines was transferred to Power Grid with effect from November, 1991. NHPC has, however, been entrusted with the construction of

132 KV Kurichu Transmission system in Bhutan alongwith the Kurichu Project.”

1.4 In this connection when the opinion of Ministry was sought, the Secretary, Power stated during evidence:

“.....About six projects have already been completed. That adds up to about 1653 MW. Four are under construction right now. These four projects add up to another 1210 MW. Thus, overall 2600 MW are either already completed or will be commissioned soon. If we take up Koel Karo also in Bihar it will add another 700 MW. But as we have no funds, we asked the Bihar Government to take over the project. But they have said that they do not have money. Then we posed it to OECF. Unfortunately it could have been a little faster both in conceiving the project as well as the implementation. Our two major projects are in J&K, at Uri and at Dulhasti. You know the situation there very well. Both the Minister and myself were in J&K last week and saw the progress in Uri which is quite satisfactory. We expect the first unit to start in December, 1996 and the fourth one in June, 1997. In Dulhasti work will be restarted soon, once the tender is finalised in December. In hydro projects the terrain is difficult and there is a long gestation period also. On top of it there are problems of funds in the NHPC. But we will try to overcome those problems.”

C. Corporate Plan

1.5 It has been pointed out by the audit that the Corporate Plan (1985-2000) containing the micro-objectives of the Company was sent to the Government for approval in 1988.

1.6 When asked what is the present status of the Corporate Plan, the company in their note *inter alia*, stated that the “Ministry of Power, Govt. of India *vide* letter No. 16/1-93-DO (NHPC) dated 21.12.93 directed NHPC to review and update the Corporate Plan for the period ending 2005 and submit the same to Government for approval. Separately, NHPC's Board of Directors has also desired that NHPC should prepare fresh Corporate Plan. Corporation's revised Corporate Plan for the period upto the year 2005 is under finalisation and a copy of the same shall be submitted to the Ministry soon.”

1.7 On being enquired about the reasons for which the Corporate Plan (1985-2000) remained pending in the Ministry for more than five years, the Secretary, Ministry of Power, during evidence stated:

“The Corporate Plan is a plan of the corporation. It does not really require the approval of the Ministry at all. Taking into consideration various objectives for which it was set up, the activities that they would like to undertake over a period of time, you prepare a plan. The first submission I would like to make is that though it was sent to the Ministry, Ministry's approval is not required.”

He also added:—

“When the Corporate Plan was prepared by the NHPC it is only an internal document. When it came to us, it came only for information. But we referred it back. By that time the private sector has already come into the picture and that is why we asked them, in view of the liberalisation and in view of the private sector getting into this field, how you would like to direct your Corporate Plan. Otherwise it does not really require the approval of the Ministry. In fact the Corporate Plan is prepared and approved by its Board of Directors where there will be official Directors also.”

1.8 When it was pointed out that as per the letter issued by the Bureau of Public Enterprises dated 20th June, 1974, the Corporate Plan is to be sent to the Government in the Administrative Ministry for formal ratification and before granting such formal ratification, the Administrative Ministry should obtain the formal concurrence of the Ministry of Finance, the Bureau of Public Enterprises and the Planning Commission, the witness stated:—

“Sir, after 1974, a lot of water has gone down the drain. After the Bureau of Public Enterprises, the Department of Public Enterprises has come into being. Now, we are having the MoU signed between the Ministries and the Corporations. The MoU, is very precise where every aspect of the functioning of the utility is being really listed out and the targets are set. Finally, when the corporate plan is broken into Annual Plans, the Annual Plans are much more accurate than the umbrella that the Corporate Plan is. The Corporate Plan basically states the objectives and the goals but when it comes to the implementation stage it is the Annual Plan and the MoU signed between the Corporation and the Ministry where every aspect of the working of the utility is taken into consideration.”

1.9 When asked to state the present status of the Corporate Plan, the Secretary, Ministry of Power stated:—

“As I mentioned, those instructions were there in 1974. Now, the Department of Public Enterprises being a specialised organisation, they are trying to find out a methodology by which every organisation will be able to prepare their Corporate Plan themselves on the basis of certain broad guidelines... They had prepared a Corporate Plan. The instructions issued by the Bureau of Public Enterprises are applicable to them. They do not require any further instructions from the Ministry of Power. They are all reviewed by the Planning Commission as also by the Bureau of Public Enterprises.”

1.10 The Committee desired to know whether micro objectives of NHPC have been prepared in terms of guidelines issued by BPE in 1979 and 1983. The Secretary, Power stated during evidence:—

“.....When the Annual Plan for the organisation is prepared, the entire resource position is taken into consideration; what exactly are the financial and physical requirements to achieve the objectives, etc. These Annual Plans are considered and approved by the Planning Commission. Apart from the Annual Plans, when we are talking about the micro-objectives, another thing which goes into the fixing of targets and rating of the achievement of targets is the MoU. The Annual Plans and the MoU constitute the micro plans.”

D. Generation of Hydel Power

1.11 The Committee were informed by Audit that at the end of the Seventh Plan, the total installed power generation capacity was 63986 MW comprising 18287 MW of hydel, 43404 MW thermal, 1565 MW nuclear and 730 MW others (gas based and wind mill). The share of hydel generation in the total capacity of the country declined from 34% at the end of Sixth Plan to 29% at the end of Seventh Plan. At the end of Eighth Plan, the hydel capacity is likely to be 28.58% and by the end of Ninth Plan, the Government proposes to raise the share of hydel capacity to 40% of the total installed capacity.

1.12 In response to a question about the factors responsible for the declining share of hydel capacity, the Secretary, Ministry of Power, stated:—

“..... As per the assessment of Central Electricity Authority, India's economically exploitable hydro potential is 84044 MW at 60% load factor which would yield a total energy of 600 billion units. This hydroelectric potential is equivalent to an installed capacity of over 1,50,000 MW. We have only exploited a small portion of the potential and as on date about 21.84% of the potential has either been developed or is under development.... The total installed hydel capacity in the country as on June, 1995 is 20,830 MW which is about 26% of the total installed capacity of 81,166 MW. The share of hydro power in the total installed capacity was quite high till 1960, whereafter there was a steady decline in the share of hydro capacity. One explanation for this could be that in the early years, the country accorded higher priority to agriculture sector which paved the way for accelerated development of multipurpose river valley projects primarily for irrigation and incidentally for power benefits. The period saw the implementation of prestigious multipurpose projects like Bhakra, Hirakud and Damodar Valley Projects. In the 70s, a shift in priority to the industrial sector became perceptible which triggered a steep demand for power. Hon'ble Members are aware that hydro electric projects have a longer gestation period and in order to provide much needed power to the industrial sector quickly, coal based thermal stations especially at the pithcads were developed. With the requirement of power continuing to be becoming more intense in the subsequent Plan years, priority continued to be

accorded to the coal and gas based projects which unfortunately led to a marked decline in the hydro development. Environment concerns have since also contributed partly to the slowing down of hydro development."

1.13 On the question about the tapping of hydro-potential, the Secretary, Ministry of Power replied in evidence:—

"If you take 1956 as the base, we had a hydro capacity of about a thousand megawatts. We have now brought it to 20,000 MW. We have not stopped developing the hydro. Whatever natural resources we possess, they should be developed. That is the only way to exploit the natural resources and to contribute to the development of the country. Apart from the requirements of the power sector, hydro has a great potential for load management in the country. The hydro stations can really be started or stopped within ten minutes. In thermal operations, you can bring it to a particular level and thereafter, you cannot bring down totally, because a minimum level is required. Hydro has a very big role in the system management and system reliability as far as power sector is concerned. Hydro power should never be under-rated. In fact, even in the present Plan, during the current year we gave more Budget support to hydro stations of NHPC, NJPC and Tehri. We gave two-third of the net Budgetary support to hydro and only one-third to others. As far as we are concerned, we would like to give high priority to hydro. You will have to examine this in a greater perspective. Thermal stations have come up primarily because we have got coal deposits which have to be exploited. We want pithead stations. Otherwise, it will be a load on infrastructure. Say, if instead of putting up the project near the coal mines, you want to put it in Ahmedabad, you have to transport the coal to Ahmedabad. In order to save the infrastructure cost, we have developed a system of going in for pithead stations. The maximum size of a hydro set installed in the country at present is 180 MW. In thermal, we started with 15 MW sized generating sets at the time of independence. We are now talking of about 660 MW sized generating sets. The size of the Plant has increased. The gestation period in thermal is much shorter than hydro. To meet the demand, we have no alternative except to simultaneously develop both thermal and hydro."

1.14 When asked how do the Government plan to achieve the targeted 40% share of hydel power of the total installed capacity by the end of Ninth Five Year Plan, the Secretary, Ministry of Power stated during evidence:—

"One of the reasons why we are not able to go in for hydro in a big way is constraint of funds. In this connection, we would like to go for private sector even in hydro. In 1992, we had given a lot of impetus

for private sector participation in hydro and while making the policy then, we had given some incentives and fixed some norms, but the norms that we had given in 1992 were not really adequate for taking into account the hydrological factors. Sometimes water is available and sometimes not available. How to make the package very attractive? In January, 1995 we have changed the policy which we had announced in 1992. We have given better package for those who invest in hydro projects. One way of bringing up the level from 27 per cent to 40 per cent is by encouraging private sector, better incentive schemes and better package for the hydro sector. Here private sector comes in. Because of this, in fact, we have already got about 70 projects where MoUs have been signed in the last three years bringing the total to 13,984 MW projects. If out of 14,000 MW, even if 50 per cent comes up, it will be a big boost in bringing up the percentage of hydro. We have also got 88 sanctioned projects and these add up to another 18,000 MW. If we take these two, i.e. the sanctioned projects as well as those which are likely to be taken up by the private sector, it adds to 25,000 MW. Our emphasis would be to see how fast we could really commission these sanctioned projects and the projects which are already under implementation. For this adequate budget provision is required. The second point is about the private sector. Whosoever signed the MoUs with us, should really see that the projects are implemented.

“.....Forty per cent hydro can be raised provided you can stop the thermal and gas and bring it up. But both are progressing simultaneously. With all the projects that are coming up, our aim should be to make it up to the level of 30 to 35 per cent. That will be good for the country”

1.15 Enquired about the policy of the Government for developing hydro-potential, the Secretary, Ministry of Power stated in evidence:—

“The policy of the Government is that private sector should come in a big way. We have now to prepare a shelf of projects. The feasibility reports are prepared for as many projects as possible. When people come and say ‘we would like to take up the hydro’, we should like to give them a shelf of projects. If we do not have the shelf of projects, the entrepreneur does not have all the details that he needs and he will waste about two years only to find out the projects. This is another area which we would like to strengthen. We do have some project profiles. We would like to build up as many projects as possible. We should try to streamline the procedure so that the time in preparing the projects is reduced.”

1.16 The Committee were also informed during evidence by the representatives of the Ministry of Power that in 1992, the Planning Commission constituted an inter-ministerial Committee to go into the

aspect of how to bring up the hydro-electric potential in the country. This Committee has not submitted any report. Subsequently, in June, 1993 the NDC had constituted another Committee under the Chairmanship of former Chief Minister of Maharashtra Shri Sharad Pawar to make recommendation about how to exploit the hydro-potential in the country. This Committee has already submitted its report to the Government in March, 1995.

The Ministry of Power in a post evidence reply has informed the Committee that the Report of the NDC Committee on Power has not yet been approved by the NDC.

1.17 The Committee desired to know the role of private sector in hydro-electric development and incentives offered or proposed to be offered to this sector. The Secretary, Ministry of Power stated during evidence:—

“I would like to mention about the incentives that are given to the private sector in the field of hydel. We had given more or less the same policy both for the thermal and the hydel stations. In the case of thermal stations, once you set up a plant and give coal to it, it can operate at a very high level. But in the case of hydel stations, sometimes it depends on the seasonal variations like the availability of water etc. So we have taken a conscious decision saying that for the first seven years, whatever is the availability of water, we have taken into account the hydrology factor, that is, taking into consideration the level of water in particular places over a period of time, what should be the minimum that should be protected. In some places in South, as there is no availability of water throughout the year, there is no generation in period when water is not available. So we wanted to protect those places at least in the initial period. And we have given the protection for hydrology change. The second incentive is in regard to depreciation. In the case of thermal, the depreciation rate is 5.7 per cent. But in the case of hydro, the depreciation is very low. For certain items it is one per cent and for some items it is 3.5 per cent. We felt that depreciation of one to two per cent will not give him adequate money to pay back the money in the initial period. We have increased the level of depreciation so that people will be able to pay the money. We have also provided advance depreciation instead of waiting for the entire period. This is another improvement we have made.”

1.18 About the role of NHPC after the entry of private sector in the field, the witness stated:—

“The Government recognises the pre-eminent status of NHPC in the development of hydro potential available in the country and even though private promoters have shown interest in taking up hydel schemes, the role of NHPC would not be diluted.”

1.19 The Corporate Plan submitted by NHPC to the Government envisaged a capacity of 7945 MW in the year 2000 against which the installed capacity of all the units of the company was only 1653 MW as on 31st March, 1995. Even after completion of on-going projects the installed capacity would be only 2748 MW leaving a short fall of 5197 MW.

1.20 When asked how the company proposed to achieve generation capacity of 7945 MW as envisaged in the Corporate plan, the Secretary, Ministry of Power, during evidence stated:

"Our basic problem has been finances. We had envisaged a capacity of about 7900 megawatts. But the finance position has made it very-very difficult for us. Though this is our goal, though this is our target, it seems that we will be nowhere near this particular target."

CHAPTER II

PROJECT IMPLEMENTATION

A. Delay in Projects

(i) Delays in Approval

2.1 Audit has pointed out that there were considerable delays in approval of the projects by the Government at different stages as indicated below:

Sl. No.	Name of Project	Delay in Months
1.	Salal-II, H.E.	47
2.	Dhauliganga (Investigation)	42
3.	Gauriganga (Investigation)	37
4.	Tanakpur H.E.	27

Central Electricity Authority took 3 years for the technical clearance of Salal-II Project.

2.2 Enquired about the reasons for delays in according approval to the projects, the Secretary, Ministry of Power stated during evidence:

“As per the Electricity Supply Act when the proposal has been taken up by anybody, including the Government, we are supposed to put the notification in the Gazette and we are also supposed to publish the statement in the press inviting objections, if any, from the public. The detailed Project Report when it comes to CEA, we generally find that it is prepared by different consultants. Each one prepares it in his own way. Some information is given and some of the information is not given in the report. Lot of information which are needed are not contained in the DPR. This is one of the major reasons why the clearance for the projects is delayed. For putting up any power project we need as many as 17 clearances from various Departments. Out of those 17, many of them are statutory clearances like environmental clearance and clearance from Pollution Board etc. you cannot avoid them. Suppose you have to put up a project somewhere near an airport, you have to get the clearance from Civil Aviation. Whether we could really streamline these clearances is one of the considerations. But as far as CEA is concerned, we have come up with two stage clearances. We have given some guidelines. One is in-principle clearance..... We have brought out a booklet. In that we have mentioned the procedures to be followed for getting the in-

principle clearance. If they follow the guidelines, then the CEA gives the clearance immediately. Another clearance is given on the basis of DPR. We have clearly mentioned the details that should be provided for getting the clearance. Once the DPR is submitted based on our guidelines techno economic clearance is given within a period of four months. So, these are the improvements which we have carried out in Central Electricity Authority.

Another improvement is the reorganisation of CEA itself. When the project report comes it goes through twenty or thirty engineers. Now, we have constituted a cell. This cell will examine the project and give the clearance. It will do nothing except this work."

(ii) *Delays in execution*

2.3 The following hydro electric projects have so far been completed by NHPC:

	Year of Commissioning
1. Baira Siul	1981
2. Loktak	1983
3. Salal-I	1987
4. Tanakpur	1992
5. Chamera-I	1994

In addition, Unit-I, II & III of the Salal-II project were commissioned in July, 1993, March, 1994 and February, 1995 respectively.

2.4 Audit has reported that most of these projects involved time overruns ranging from 40 months to 110 months which led to significant increase in the original costs. For instance, in Baria Siul Project, the original estimated cost was Rs. 20.49 crores which went up to Rs.148.34 crores. In Loktak, against the original cost of Rs. 10.90 crores, the actual cost went up to Rs. 124.83 crores. In Salal-I Project, the actual cost was Rs. 583.57 crores against the original cost of Rs. 55 crores. Likewise in Tanakpur, the cost went up from an original estimate of Rs. 185.85 crores to Rs. 401.03 crores being 116% higher than the original estimates.

2.5 When asked as to why the delay in completion of the projects could not be avoided and what concrete steps were taken to ensure timely completion of the projects, the CMD, NHPC stated during evidence:

"The delays ought to have been avoided, but they were not avoided. The delays are mainly attributable to the NHPC. There were many geological problems which could not be solved even by international experts. Then, there were land acquisition problems which took nearly six or seven months. In the case of Chamera Project there were problems form the local angle also. It is very difficult to say whether these could have been tackled by preventive actions. In the

case of Chamera Project, we had the Canadians to supervise the whole project. They could not prevent collapses of tunnels at some places which led to considerable delays."

2.6 Asked whether the company have any monitoring machinery, the witness replied:

"Sir, we do have a monitoring unit which is headed by a Chief Engineer. We have progress review meetings in the Corporate office as well as project site. The meetings are held every month and in some cases every two months to find out the problems and delays such as if money is not sanctioned or design is not given, etc. These are examined and the management takes a timely action to overcome this problems and delays.

Now, we have decided that at least for future projects we will give realistic schedules. In addition to this, we have introduced certain other measures like setting of intermediate milestones for the contractors to achieve. We set a milestone for the contractor and if he does not achieve the milestone, then the penalty is imposed. We do not wait till the completion of the project to impose penalties. This acts as a deterrent for the contractor against delaying the project. Our aim is not to collect the money but to see the project is completed in time. Otherwise, we have Government contractors like NPCC. Before awarding the contract we screen the track records of the contractors. We try our best to eliminate avoidable delays in the execution of the projects.

Apart from this, there are problems of land acquisition. The time taken for the land acquisition differs from State to State. We have also appointed officers from the Department of Land Acquisition of the States on deputation basis so that we could have an easy access to the various records regarding acquisition.

Further, we face geo-technical problems. We have trained people in Sweden, France, etc. in reputed international organisations. We are also adopting modern methods to see how correctly we can predict the geological conditions. These are some of the measures that we have taken."

2.7 The Committee were apprised during the evidence by NHPC that the Central Government has appointed a committee to go into the problems of land acquisition and suggestions from various organisations including State Government have been invited.

2.8 The Committee enquired whether the said committee has submitted any report, the Secretary, Ministry of Power stated in evidence:

"Land acquisition is not new to the power sector. Most of the projects face this problem. So, the Ministry of Programme

Implementation has appointed a Committee. We are also members of that committee.”

The Committee were informed by the representatives of the Ministry of Power that this Committee was formed about two years back and the report is yet to come.

B. Baira Siul Hydroelectric Project

2.9 Baira Siul Hydroelectric Project with an installed capacity of 180 MW (3 units of 60 MW each) went into Commercial production in April, 1982.

2.10 The following table shows the actual generation of power against the firm capacity and target fixed by Central Electricity Authority during the last six years:

(Figures in MU)

Year	Firm capacity	Targets	Actuals
1989-90	920.00	750.00	662.25
1990-91	920.00	750.00	756.09
1991-92	920.00	750.00	826.92
1992-93	920.00	750.00	830.01
1993-94	920.00	750.00	609.00
1994-95	—	750.00	832.93

2.11 The installed capacity of the project was raised from 1576.80 MU to 1734.48 MU in 1991-92. Giving the reasons for non-revision of targets and the reasons for decline in the actual generation of power in 1993-94 even after increasing the installed capacity, NHPC in a post-evidence reply stated as follows:—

“The original design and energy was based on hydrological data for 4 years from 1964 to 1968. Revision of annual energy became necessary when inflows are found to be less than what was assumed in the Detailed Project Report. The revised potential studies based on actual inflows for the period from 1966 to 1993 placed the design energy as only 749.27 MU. In December, 1993, the matter was taken up with CEA for revising the power potential of Baira Siul HE Project from 920 MU indicated in the DPR to 750 MU.”

2.12 When enquired whether CEA has approved the proposal of NHPC for revision of power potential of the Baira Siul Project, the Ministry of Power in a note to the Committee stated, as follows:

The proposal for revision of the designed power potential of Baira Siul Hydro-electric Project from 920 MUs to 750 MUs on account of the following main reasons had been forwarded by NHPC to CEA in December, 1993:

- (i) Less availability of water in the observed inflow series at the project site in comparison with hydrological series considered in the original DPR.
- (ii) Non-utilisation of waters of the streams Bhaledh and Siul during monsoon months due to heavy silt contents.

During subsequent discussions, CEA has explained to NHPC that the design energy being a parameter based on which the viability of a project is examined during techno-economic clearance, subsequent revision of the same would amount to a review of the techno-economic clearance which does not serve any purpose after the project has been completed. The CEA, however, acknowledges that the actual generation at a project on its completion varies from year to year depending upon the quantum of rainfall, operational constraints and load demand etc. and gives due consideration to these factors in fixing the annual power generation target for the project. In case of Baira Siul Project also, the annual generation target is now being fixed at 750 MUs only taking into consideration the less availability of water."

C. Loktak Project

2.13 According to Audit all three units of this project were commissioned in April/May, 1983. However, in July 1983, a portion of tunnel collapsed due to heavy rainfall. This necessitated rerouting of tunnel at a cost of Rs. 413 lakhs. In addition, abandonment of old tunnel resulted in loss of Rs. 71.75 lakhs. The project also suffered loss of generation of power valuing Rs. 1682 lakhs from 25th July 1983 to 5th August, 1984.

2.14 When enquired as to why the portion of the tunnel collapsed due to heavy rain, the CMD, NHPC stated during evidence:

"There was a landslide where the rock cover was less..... According to the recommendation of the geologists steel liner was provided except for a portion of three meters which was uncovered. It has been provided with RCC lining. Since the tunnel has already been dug, and provided with RCC lining these three meters steel liner was not extended. However, due to the heavy landslide the Loktak project was affected. It was in the low cover zone where tunnel comes and due to heavy rain and landslide it was washed away."

2.15 According to Audit an Enquiry Committee was set up to investigate the tunnel collapse.

2.16 When the Committee asked whether any follow-up action has been taken on the Enquiry Committee Report, the witness replied:—

"The Enquiry Committee made certain recommendations and they mainly relate to periodical check up and other things."

2.17 The Committee wanted to know whether anybody was found guilty, the CMD, NHPC stated that the Enquiry Committee did not find anybody responsible and the Board of Directors accepted the enquiry report.

2.18 According to Audit, the Enquiry Committee observed as under:—

- (a) Geologists had specifically brought out the necessity for taking surface protection measures in the slopes where tunnel was on low cover. Possibility of the cover over crown being washed away from over burden movements over the years was foreseen. This aspect did not appear to have been taken note of by the project or designers till the accident.
- (b) The project authorities had to be provided with detailed instructions on the procedure to be adopted in an emergent situation, like immediate emptying of the water conductor system.
- (c) The commissioning of the project in April, 1983 was preceded by a Technical Advisory Committee's meeting to finalise the filling schedule and other connected matters. There was, however, no discussion among designers, geologists and the project team on the aspect of design and construction of tunnel lining in the low cover and "no rock reaches".
- (d) The Loktak Project was taken over by the Company on 1st January, 1977. No briefs on the status of the Project, specifically the design aspect seem to have been prepared at that time.

2.19 On being asked whether there was any insurance cover, the CMD, NHPC replied in negative.

Asked whether the company takes the insurance cover for their projects, the witness stated in evidence:

"Generally we do not take them. They are not taken. But wherever there are external assistance schemes we take insurance cover as it is one of the conditions."

2.20 The following table shows the actual generation of power against installed capacity and target fixed by CEA during the last six years:

(Figures in M.U.)

Year	Installed Capacity	Firm Capacity	Targets	Actuals
1989-90	919.80	448.00	410.00	449.29
1990-91	919.80	448.00	410.00	473.26
1991-92	919.80	448.00	410.00	544.21
1992-93	919.80	448.00	410.00	545.56
1993-94	919.80	448.00	410.00	617.00
1994-95	—	—	450.00	516.34

The targets fixed by CEA were achieved in all the years. In most of the years actual generation was much higher than the targets fixed.

D. Salal-I Project

2.21 The actual generation of power against the installed capacity, firm capacity and targets fixed by CEA during 1989-90 and 1993-94 is as under:
(Figures in MU)

Year	Installed Capacity	Firm Capacity	Targets	Actuals
1989-90	3022.2	2243.5	2038	2321.58
1990-91	3022.2	2243.5	2038	2388.11
1991-92	3022.2	2243.5	2038	2195.98
1992-93	3022.2	2243.5	2038	2098.20
1993-94	3022.2	2243.5	2038	1727.00

2.22 Stating the reasons for decline in the actual generation of power during 1991-92, 1992-93 and 1993-94, the CMD, NHPC stated as follows:

"We have the silt problem and the deposit has increased to the extent of 150 feet. Water entering the machine is eroding the shaft seals. The temperature of the generator is going up and has forced us to shut down the machines."

2.23 Enquired whether it has done any damage to the machine, the witness replied:

"It has damaged the shaft seals and under-water parts."

2.24 The Committee wanted to know what has been done in the last four years when damage has been taking place in the machinery, the witness stated:

"There is no solution for the silt damage. We are thinking of closed cycle cooling system so that the silt does not choke the coolers. We are also trying to have new shaft seal designs."

2.25 During evidence the Committee were informed by the representatives of NHPC that the generation target for 1994-95 and 1995-96 are 1925 MU and 2188 MU respectively. During 1994-95, the achievement was 1431.82 MU.

When asked whether the target for 1995-96 will be achieved, the witness replied in negative.

E. Tanakpur Hydroelectric Project

2.26 The project was scheduled to be commissioned by November, 1988 with an estimated cost of Rs. 185.85 crores. Subsequently, the commissioning schedule was revised and the generators were finally synchronized in March and April, 1992 with the total cost of Rs. 401.03 crores. According to Audit the generation cost per unit was estimated at 35.43 paise but the actual generation cost worked out to 119.15 paise. The increase in the cost of generation was attributed to:

(a) Head Reduction to avoid submergence of Nepalese territory.

(b) Re-alignment of Tail Race Channel.

(c) Provision of 12 per cent free power to the home State in accordance with Government's directive of 1.11.90.

(d) Supply of 20 MU of power annually free of cost to Nepal.

2.27 When asked about the physical performance of the project, the following information was furnished to the Committee:

Year	Target	(In MU) Achievement
1992-93	182	164.56
1993-94	400	400.87
1994-95	460	466.91

2.28 According to Audit, one of the reasons which attributed to increase in the cost of the project was realignment of Tail Race Channel. UP Irrigation Department (UPID) agreed to join Tail Race Channel of Tanakpur HE Scheme into Sharda Canal in October, 1985. Subsequently, (September, 1987) UPID backed out and held that Sharda Canal could not be disturbed. It was decided to realign TRC resulting in loss of generation of power of 41.86 million units and recurring loss of revenue of Rs. 607.35 lakhs per annum. Further due to change in the alignment, the foundation of the power house had to be raised by 3 meters by filling the excavation already made with plain concrete resulting in an expenditure of Rs. 18.52 lakhs on filling apart from the wasted expenditure on excess excavation.

2.29 When enquired whether the matter was taken up with the Government of Uttar-Pradesh, the Committee were informed by the representatives of NHPC that the General Manager, NHPC had a meeting with the UP Chief Engineer in September, 1987 but the latter expressed difficulty in accepting the NHPC's proposal.

2.30 When enquired what steps were taken after that to solve the problem, the CMD, NHPC stated in evidence:

".....This Tanakpur project is a border project between India and Nepal and is governed by Indo-Nepal Treaty of 1920. Now, the Tail Race Channel was to be led into the Sharda Canal in UP. Later on, the UP Irrigation Department said that they cannot lead it into the Sharda Canal because they have to construct lot of structures and it will involve closure of the canals which the farmers were refusing. It will require three closures. Simultaneously, Nepal raised an objection that their requirement of irrigation water cannot be met if we lead it into the canal. At the Secretary level meeting of the Indo-Nepal Commission, it was decided that it will be terminated into the barrage. Both the demands came simultaneously in the light of 1920 Treaty. UPID refused this to be led into the canal. So, the TRC was

terminated in the Banbassa reservoir; the head loss varied from 1.9 meters to three meters due to the variation in the reservoir level..... Once the head is reduced, the generation of power also gets reduced."

2.31 The Audit has further pointed out that there were certain design deficiencies in the Power Channel. There was excessive seepage at various outlet ends, cracking/subsidence of panels and wasting out the materials through drains when operation of filling and raising of water level in the power channel was started in June, 1992. Committee of Experts expressed that it was due to defective foundation of embankment of the Channel. A technical Advisory Committee observed in June, 1992 that seepage of water through the joints was due to defective materials used in joint filling. The Company had to incur an expenditure of Rs. 48.59 lakhs on rectification of defects.

2.32 When asked why there was excessive seepage at various outlet ends, cracking/subsidence of panels and wasting out the materials through drains when it was started in June, 1992, the CMD, NHPC stated during evidence as follows:—

"Actually, this Tanakpur Project was to be commissioned in 1988. It was getting delayed year after year. So, the target was fixed that it should be commissioned in March, 1992. So, a conscious decision was taken that we will go ahead and commission it as schedule period and decision was taken that we will not wait for the consolidation period and there is no guarantee that such breakage will not occur. To achieve this commission schedule we proceeded without waiting for the consolidation time. If we have to wait for two years of consolidation, then with interest, the construction cost would have gone up by Rs. 70 crores. All I can say is that a conscious decision was taken to mainly stick to the revised commissioning schedule."

2.33 The Committee wanted to know whether the amount incurred on rectification of works was recovered from the contractor, the witness stated in evidence:

"Sir, the contractor has claimed that he has done the work as directed. He says: It is beyond anybody's control..... This matter will be settled through the arbitration."

2.34 It was pointed out by Audit that construction of barrage, head regulator and other related works of Tanakpur Project was awarded in October, 1986 to Hindustan Steel Works Construction Ltd (HSCL) at a total estimated cost of Rs. 24.73 crores. The contractor was to complete the entire job by January, 1989. However, the Schedule was extended to December, 1989 but the work was actually completed in January, 1992. HSCL's performance was not satisfactory throughout. Though the terms of the contract provided that in case of failure to complete the work which needed dewatering within the scheduled time; the cost of dewatering was

to be borne by the contractor unless the reasons were beyond his control, the payment of Rs. 2.97 crores for dewatering beyond 18 months was made to the contractor which lacked justification.

2.35 When asked why the payment was made to the contractor when slippage in time was solely attributable to the contractor, the representative of NHPC stated during evidence as follows:

“Sir, for the construction of barrage, head regulator and other related works of Tanakpur Project, there are two contractors. One is Shri T.R. Gupta who was awarded the work for 5 bays and the remaining 17 bays were awarded to the HSCL, a Government of India Undertaking. The work carried out by TRG is about 27000 sq. meters whereas the work carried out by the HSCL is 89008 sq. meters. While doing this de-watering work, apart from the diversion channel flowing adjoining the HSCL working area, the seepage encounter was much more, which was encountered, and also in one season there was a flooding due to which the foundation level was also much more as the river was flowing close to that, with the result they had to do de-watering.”

2.36 Asked whether any responsibility was fixed, the witness replied that actually it was beyond the control of contractor because unforeseen circumstances have led to more de-watering for this work. That is why nothing was fixed.

F. Chamera Stage-I

2.37 The Project was sanctioned by Government of India in April, 1984 at an estimated cost of Rs. 809.29 crores. The project was to be completed in March, 1990 but actually it was completed in March, 1994. The time overrun was 48 months.

Explaining the reasons for delay in completing the project, the Company in post evidence reply stated as follows:

1	2	3
(i)	Delay in execution of agreement with Canadian financing agencies i.e. EDC/CIDA	8 months
(ii)	Delay in obtaining forest clearance from MOEF, Govt. of India (excluding overlapping period)	6 months
(iii)	Unprecedented floods (once in 180 years)	4 months
(iv)	Stoppage of works by local land owners at Sherpur in July, 1990 for employment, Heavy rainfall/cloud burst resulting into blockade of roads in June, 1990 and Jan-Feb., 1992	2 months

1	2	3
(v)	Bad and adverse geological conditions hindering the progress of underground works on various occasions and leading to collapse of tunnel on four occasions during 1992-93	28 months
Total		48 months

2.38 The Audit observed that the work of construction of Power Tunnel was awarded to a firm in September, 1985 and was scheduled to be completed by July 1989. The access to works was required to be provided by the company. However, the failure on the part of the company to provide a regular access on scheduled date resulted in loss of time of 13 months and also additional expenditure of Rs. 1.52 crores. The construction of access roads was delayed due to the problems of land acquisition and unstable hill slopes in the dam area.

2.39 When asked why did the company not take into account the problems of land acquisition and suitable hill slopes in the dam area, before award of the contract, the CMD, NHPC stated during evidence as follows:—

“Actually this project was cleared by the CEA for completion in seven and a half years. When this project was financed by the Canadian Assistance, the completion time was reduced to six years. So, action was taken on all the fronts simultaneously to achieve this objective. Further the forest clearance was received considerably late and without the forest clearance we cannot make this road. So, we could not wait for all the facilities before the award of the contract. Otherwise, it would have been further delayed.”

2.40 The Committee asked whether any responsibility has been fixed for the Company's failure to provide access to roads on scheduled time which resulted in loss of time of 13 months and also an additional expenditure of Rs. 1.52 crores, the CMD, NHPC stated in evidence that no responsibility has been fixed and the delay was on account of forest clearance.

2.41 Enquired how much time was taken for forest clearance, the witness replied that it took one and a half years. The project was cleared much earlier. NHPC applied for forest clearance in August, 1984 and it was received in February, 1986.

2.42 Audit has also observed that the excavation work on Face-3 of Power Tunnel encountered the problem of collapse of ribs and subsequent erection of cavity and squeeze of tunnel section. The Canadian consultant

attributed this to the wrong methodology adopted for the construction of the tunnel as a result of which Face-3 of Power Tunnel had to be repaired departmentally involving an expenditure of Rs. 5.94 crores.

The Canadian consultant attributed the failures to the following causes:—

- The face and arc had been left completely unsupported while steel set support was being prepared.
- The rock in the right wall was allowed to relax along the cleavage planes which were parallel to the right wall until it collapsed down to the sloping legs of ribs and bent them.

2.43 Commenting on this, the CMD, NHPC stated in evidence:—

“This project had the benefit of Canadian consultant for designs as well as for the supervision of the construction. The consultant pointed out that it was a defective construction. The entire work was done under the guidance of the Canadian consultant. Now, there could be difference of opinion about the method of construction. In fact, the Board of Consultant visited the project and had examined and they said that defective construction has taken place. It was a question of opinion by just looking at it. In other place the work was done by the Canadian people with their own contractors, with their own machineries and with their own supervision. There also the caving was seen. We cannot attribute that we are at fault or we are right.”

2.44 When the Committee enquired why the contractor was absolved from bearing the cost of rectification when the consultant's findings clearly established defective construction techniques adopted by the contractor, the witness replied:—

“Every time a blast is taken, the geologists of the Geological Survey of India are consulted and the whole operation is carried out under the supervision of NHPC geologists as well as the Canadian consultant whom we have engaged. The contractor contended that whatever was suggested by us was done by him and he was not responsible. He does the work as per our direction.”

2.45 Asked whether the matter was investigated with a view to fixing responsibility since there was an extra expenditure of Rs. 5.94 crores, the witness stated that in the tunnel work they don't hold anybody responsible. It is the question of judging the behaviour of rocks.

CHAPTER III ONGOING PROJECTS

A. Dulhasti Hydroelectric Project

3.1 The project was initially approved by Government at an estimated cost of Rs. 183.45 crores including interest during construction at March, 1980 price level. Keeping in view the resource constraints, acute power shortage in the country and the need to induct the latest technology, it was decided in August, 1983 that the project be taken up with foreign assistance.

3.2 Audit has observed that out of the two unsolicited offers received from French Consortium (FC) and Indo-Austro-German Consortium (IAG), the Government advised the Company to accept the offer of FC against the recommendations of high level Steering and Negotiating Committee's report of November, 1988. Though FC was given a chance to improve their financial package, however no such opportunity was given to IAG. After the approval of CCEA the contract was awarded to FC in September, 1989 and the project was scheduled to be commissioned in 57 months *i.e.* in June 1994.

3.3 When enquired why an opportunity to improve its financial package was not provided to IAG as was done in the case of FC, the CMD, NHPC stated in evidence:—

“As per information available with me even the IAG reduced their price during second negotiation with the Steering Committee... Then, FC also reduced their price. That gave us a substantial reduction for the prices.”

3.4 On being asked whether NHPC management was not competent to take a decision regarding award of contract, the CMD, NHPC stated during evidence as follows:—

“Sir, the NHPC management, I am confident, is capable of taking a decision on such turnkey jobs. Right now, we are evaluating the offer for Chamara-II on turnkey basis and we have negotiated with one of the tenders. So, the question of our incompetence to take a decision, is not there.

In this particular case, the whole thing started in 1982 and two offers were received by the NHPC for carrying out the civil work, which was considered very difficult at that time because of the geological problem in the northern region and also because of lack of experience at that time.

We are now solely handicapped because of the reason that all our records have been taken away by the CBI in connection with Public Grievance Litigation case filed in the Supreme Court."

3.5 It has been pointed out by the Audit that Company/Government took more than six years to award the contract resulting in additional expenditure of Rs. 271 crores besides delay in completion of the project and consequent loss in power generation. When asked about the reasons for this, the CMD, NHPC stated as follows:—

"It is because there were two Steering Committees and several rounds of discussion were held with both the consortium. The main delay for financing this issue is on account of the first Steering Committee which gave a recommendation. They were asked to go ahead and then the FC backed out. Again when it came back to the Ministry, then they formed a high level group to go into the aspect whether they were capable of using it. So, it took six years."

3.6 When asked about the reasons for giving French Consortium undue preference/consideration in as much as even their unsolicited and incomplete offer was taken into account and accepted against the recommendations of the Steering and Negotiating Committee, the CMD, NHPC stated in evidence:—

"As per available records, the Government of India, the Ministry, after getting the approval of CEA had advised NHPC to place a letter of intent. This was placed on the French Consortium but before the contract was discussed, they changed all their conditions. Then the Ministry set up a second Steering Committee to sort out all these things. The second Steering Committee thought that the French Consortium is changing its conditions. It gave a recommendation which was adverse to the French Consortium."

3.7 When asked about the reasons for not inviting global bids to ensure competitiveness in financial and commercial offers, the Secretary Ministry of Power, expressed his inability to reply taking the plea that all the documents have been taken away by the CBI.

3.8 According to Audit the work on the tunnel was suspended (May, 1992) due to major geological fault in the tunnel when a progress of only 1200 meters had been achieved against the original schedule of 7565 meters. FC further suspended the relative contractual obligations (August, 1992) on the ground of increased militant activities in and around the project site which they claimed as a force-majeure event.

3.9 The Committee desired to know whether any penalty was imposed on the contractor, the CMD, NHPC replied:—

"No penalty was imposed on the contractor because he claims that he is covered by the force-majeure. On the other hand, there was a claim from the contractor to the tune of Rs. 450 crores on account of various reasons including different interpretation to the contract

clauses, little increase in the tunnel etc. He was required to do certain types of clearing etc. This was referred to a high level Committee. Shri Y.K. Murthy was the Chairman of it and they did not agree with the claim of this contractor nor with the claim that there was a force-majeure. But they agreed with the certain interpretation of the contract and they said that these are to be settled by the NHPC and they recommend time extension of eight months and no penalty was imposed. In the end a settlement was reached that we will take back all the equipment. We will adjust against the work already done and we will also compensate the other partners."

3.10 In this context, the Secretary, Power stated:—

"As far as the penalty clause is concerned, in fact there were basically two reasons why there was a delay in the project. One was the law and order situation in that particular area. Under the force-majeure clause, the law and order situation there is covered in terms of sabotage activities or reasons beyond their control. What the French Consortium have done is that they collected the incidents which were happening in that particular area, over a period of time. One of their officers was also kidnapped. They quoted that also. They had also taken into consideration the reports that were appearing in the daily papers. They almost made out a very, very, strong case showing how it was impossible for them to work under the prevailing conditions. Then what they did is that since for whatever problems they faced this French Consortium is backed by the Export Credit Guarantee, they approached the Export Credit Guarantee organization (COFACE) in France. When they moved COFACE, which is a French organization like our Exim bank here, as part of that, they (COFACE) sent a team here to verify the claims that were made by these people based on the law and order situation, insurgency and other things. These people have come and made some independent investigations and went back saying 'Yes, the claims made by them are true and they will not be able to carry on with the work'. It was confirmed by the team from COFACE. This is one of the major reasons why it would be very difficult to pin them and hold them responsible and impose penalty."

3.11 When enquired about the contractual problems in the project, the CMD, NHPC replied:—

"One is caused on account of militancy and that was claimed by the consortium. Second is the controversy in the interpretation of the contract clauses because the language offered different interpretation."

He added:

"The agreement was in English, Sir, The language difference also exists. Apart from the language difference, differences also arose in the construction of the sentences and in the interpretation of disputes."

3.12 When enquired whether the geological fault has been resolved, the CMD, NHPC replied:

"It has not been resolved. After 1992 the work was discontinued and in June 1994 a memorandum of understanding was signed by which the civil contractor was allowed to go out of the consortium..... Actually, the civil contractor had gone out of the contract and other contractors are there, who are willing to continue that work. It is not owing to their fault that the work got extended and they are claiming the interest. The interest is eight per cent."

3.13 When asked whether the contractor has lodged any claim, arising out of the so called force-majeure conditions, the CMD, NHPC informed the Committee in evidence that with the High Level Committee, the French Consortium preferred several claims which amounted to Rs. 581.89 crores in April, 1993. Then in May, 1994, they increased their claim to Rs. 902.37 crores, based on the revised foreign exchange. The Committee has not accepted the full claim but permitted certain payments to French Consortium which were not acceptable to them. So nothing has been paid so far to FC.

3.14 In this connection, the Secretary, Ministry of Power stated during evidence:

"In fact, they had filed the case before the COFACE seeking to be indemnified for the loss. This MOU is a package deal where he withdraws all the claims made in this regard."

3.15 When the Committee enquired about the result of the settlement, the CMD, NHPC stated in evidence:

"We have paid for the work as per contract. Whatever equipment and materials they had brought for construction of the project, we have taken over those at a depreciated value....."

3.16 Asked to state the total actual loss caused to NHPC and whether any responsibility has been fixed for the same, the Secretary, Power stated:

".....we have not accepted the claim made by all of them. On the other hand Rs. 290 crores which were with DSB we were able to recover mainly in kind because of the equipments. We have got from them the balance Rs. 27 crores, in cash. We have not lost anything in this regard."

3.17 When enquired about the present status of the project and by when it was likely to be commissioned, the witness stated that the total value of

the work done was 43 per cent and it would be commissioned in July, 1998.

3.18 During the evidence with the representatives of NHPC, the Committee were informed that the revised schedule for completion of project by July, 1998 was fixed in June, 1995. The Company is going in for international competitive bidding. The tender evaluation is likely to be completed by November or December, 1995. The total expenditure incurred so far on the project upto June, 1995 is Rs. 1060.95 crores, and the revised estimate is Rs. 2496.36 crores at October, 1994 price level.

B. Chamera Stage-II

3.19 Audit has observed that the assistance worth Canadian \$ 287 million from Canadian International Development Agency (CIDA) and Export Development Corporation (EDC) remained unutilised after execution of Stage-I of the Chamera Project.

3.20 When asked as to what were the reasons for such a large amount of foreign assistance remained unutilised, the CMD, NHPC stated during evidence as follows:

“When the original agreement of Chamera-I was signed, things like cement, steel, explosives etc., were included in it. Later on it was realised that such things could be procured within the country. So, there was a saving on account of this to the extent of 90 million Canadian dollars..... There was a lot of over-estimation on cost of construction equipment when they actually signed the agreement due to which there was a saving of 26 million Canadian dollars. Later on the scope of the transmission lines was modified. They were to be terminated at Moga instead of Patiala and there were some changes. On account of this there was a saving of 70 million Canadian dollars. The original scheme was modified during the execution stage. All these things resulted in a total saving of 287 million Canadian dollars.”

3.21 During evidence with the representatives of the Ministry of Power, the Committee asked whether they have looked into the various reasons resulting into large savings of foreign assistance. The Secretary, Ministry of Power, stated:

“Sir, we had looked into this aspect. Savings are because of substitute of some equipment with indigenous equipment and also reduction in the length of transmission line.”

3.22 When enquired why more assistance was asked for than it was required, the Secretary, Ministry of Power stated in evidence:

“Sir, at that point when we prepared the entire project, we made calculations as per the situation at that time. We considered the materials that were available in the country and those which were to be imported.”

He added:

“.....When we asked for credit, cement and steel were in such a shortage in the country that even the Steel Ministry said they will not be able to guarantee supply of steel and they suggested importing. We agreed for it. Same was the case about cement. Subsequently these things became available in India. We did not import them. That is how the savings have occurred which are to the tune of Rs. 400 crores. It is not that the work has suffered because we have not utilised the assistance.”

3.23 Giving the justification for non-utilisation of foreign loan the Secretary, Ministry of Power stated:

“.....I may say that 90 million Canadian dollars are saved because we wanted to use indigenous equipment instead of importing. Seventy six million Canadian dollars were saved because of reduction in the length of transmission line and another 10 million Canadian dollars were saved because of the availability of cement and steel in the country. Another 11 million Canadian dollars were saved because of consultancy services. In all it comes to about Rs. 400 crore.”

3.24 When asked whether any responsibility was fixed for such a large over estimation, the Secretary, Ministry-of Power stated in evidence:

“In this case we did not have to spend the money simply because we got it. We did not subsequently require it to that extent and we have not availed of it. The money in any case has to be paid back as it is a loan. So, the question of responsibility does not arise.”

3.25 In March, 1987 the Government of India approached the Canadian Government for diversion of the amount remaining surplus from Stage-I to Stage-II of the project. In August, 1987, the above two agencies (CIDA and EDC) offered assistance upto C\$310 million subject to the payment of 0.5% commitment charges on undisbursed amounts of assistance. The Government could not take any decision on this offer which was withdrawn by CIDA in August, 1992.

Ultimately, Government decided to adopt multilateral financing for the project and the Company invited international bidding in January, 1993. Accordingly Government's delay in taking a decision led to avoidable expenditure of Rs. 13.05 crores in CIDA/EDC consultancy projections on creation of infrastructural facilities which remained unproductive and Rs. 8.23 crores on payment of Commitment charges upto September, 1992. Further, an annual expenditure of Rs. 50 lakhs was being incurred on manpower employed for Stage-II, though no work was going on at the project site.

3.26 The Committee desired to know what were the reasons for not taking any decision on the offers made by CIDA and EDC for 5 years (from August, 1987 to August, 1992), the CMD, NHPC stated:

“Again there was a Negotiating Committee. It took four years to evaluate it.”

3.27 Replying to similar question, the Secretary, Ministry of Power, stated during evidence:

“What really happened is that we were interested in getting assistance from Canada provided we get it as grant. In the case of Stage-II of the project there was a grant of Rs. 168 crore. We were interested in going in for it. When they said they wanted to give it as a loan and not grant, we thought that it is not the right way and we should go in for international competitive bidding. When we talk of bilateral assistance we negotiate with one firm. When the grant is not there why should we negotiate with one firm. Through global bidding we got two offers for Chamera-II which are under examination. This includes an offer from Canadians also.”

3.28 On being asked whether any responsibility has been fixed for indecision which led to avoidable expenditure of Rs. 21.28 crores and also set the clock back on the progress of the project, the Secretary, Ministry of Power, replied:

“I would like to submit that with lot of difficulty we completed Stage-I of the project in March/April, 1994. For Chamera-II project we have the problem of funding. Unless we get suppliers credit we cannot execute the project. There was no money. That is why we have gone for international bidding. Those who can arrange suppliers' credit or bank guarantee will be allowed to quote. We have got offers from two consortia led by Canadian and Swedish firms.”

3.29 When asked about the present status of the project, the CMD, NHPC stated in evidence:

“In Stage-II we have gone for international competitive bidding for 100 percent financing and two tenders were received by us. We considered the offer by the lowest tenderer and we found that the price offered was quite high. The cost of financing was considered higher than the normal cost for NHPC projects. So, the Board has authorised us to negotiate with the next tenderer..... After that we have to take a decision.”

In this connection, Secretary, Ministry of Power, stated:

“As far as Stage-II is concerned, we received bids and detailed negotiations have been held. Very soon we should be able to take decision.”

In a post evidence reply, the Ministry of Power has informed that the evaluation of the bids has not been completed by NHPC so far.

C. Rangit Hydroelectric Project

3.30 Rangit Project is an important project being executed by NHPC in the State of Sikkim and would go a long way in improving the hydro-thermal mix of the Eastern Grid, besides meeting the energy requirement of the State of Sikkim. The total installed capacity of the project will be 60 MW. The work on the project was started in September, 1990 and it was to be commissioned in September, 1995.

3.31 During the evidence with the representatives of NHPC, the Committee were informed that as per the revised schedule the project will be commissioned in March, 1997. The original cost of the project (excluding transmission) sanctioned in April, 1990 was Rs. 163.49 crores. The anticipated completion cost is now stated to be Rs. 317.08 crores. The reasons for increase in cost are stated to be escalation, inadequate provision and new items etc apart from the delay in completion of the project.

3.32 When asked to state the reasons for shifting of the original date of completion of work at the project, the CMD, NHPC stated as follows:

“Sir, one reason is the resource crunch. Another reason was that there were some contractual problems. These problems arose on account of resource crunch. The project was to start with the diversion of the tunnel. The contractor delayed it. The next contractor could not do the work. It was delayed for one year. Instructions were given to the contractor to stop the work. Already two seasons were lost on account of resource crunch as well as the failure of the contractors.”

3.33 Enquired further whether the contractual problems have been resolved by the NHPC management, the Company in a post-evidence reply stated:

“For resolving various contractual problems, NHPC constituted a Empowered Committee headed by an Executive Director to process, discuss, and negotiate various claims and demands of the Contractors. Recommendations of the Empowered Committee were considered by the Management and further deliberations were held for amicable settlement of various issues in time.

3.34 In this connection, the CMD, NHPC informed the Committee during evidence as follows:

“The Executive Director in charge of the Rangit Project had been writing letters to the previous CMD about the contractual problems.... I found that the replies were given to the Executive Director by the Director (Technical) and Chief Engineers about what they were doing. CMD had not replied directly. The Executive Director was directly under CMD, as per the arrangement existing at that time.”

The witness also informed the Committee, that the Executive Director had to take the permission of CMD for coming to Delhi to solve the contractual problems.

3.35 The Committee desired to know the action taken by the then CMD on these letters written by the Executive Director in charge of Rangit Project. The Joint Secretary, Ministry of Power (who was holding additional charge of CMD of NHPC at that time) stated during evidence as follows:

“These issues were already being looked at by a Committee in the company. They had submitted certain recommendations which required the Corporation to hold negotiation with the contractors in the light of the Committee’s report. When these letters had come, by that time the company was fully seized of the matter and the negotiations were going on with the contractor. After this was completed the work has been started in full swing.”

3.36 On being asked why the letters were not replied to by the CMD, the witness stated:

“Sir, the letters from the field officers are marked to the concerned Directors in the Head Office. These letters were duly acknowledged and replied by them.”

During evidence of representatives of Ministry of Power, the Secretary of the Ministry informed the Committee that one such letter sent by the Executive Director to the then CMD in November, 1994 was also endorsed to him. When the Committee desired to know the action taken by the Ministry in this regard, the Secretary stated:

“You see this letter is dated 19.9.1994 and in fact a copy was sent to us. But even before that letter had come to us, we already got the information from CMD that he has constituted a committee to go into the problem stated in the complaint which was received from this Executive Director. So, the CMD himself has brought this to our notice even before the Executive Director. When the CMD is dealing with the problem I do not think Executive Director’s letter deserves any attention at the Secretary level.”

3.37 On the question whether any responsibility has been fixed in regard to cost/time overrun, the Secretary, Power during evidence stated:

“Sir, we will certainly look into this matter. Whenever, there is cost overrun or time overrun, we initiate an action to determine responsibility after commissioning of the project. Then we go into it as per our clauses which are there in the contract and see whether those clauses have been implemented. Otherwise, in our experience what really happens is that if the project is yet to be completed and we issue a show cause notice to the contractor saying that you are responsible and you have to pay so much penalty, then the project is bound to come to a grinding halt which we do not want.”

Sir, after the project is commissioned in March, 1997, I assure you that we will certainly go into the entire matter of time overrun and we will fix the responsibility. After fixing the responsibility we will certainly issue show cause notice, if required."

3.38 During evidence with the representatives of Ministry of Power the Committee were informed that Rs. 124 crores has been incurred on the project upto March, 1995.

D. Koel Karo Hydroelectric Project

3.39 The Committee were informed by the representatives of NHPC that the Koel Karo Hydroelectric Project was sanctioned in March, 1980 at a cost of Rs. 444.67 crores. The Project was accorded approval by CCEA in June, 1981. Forest clearance came in July, 1990 *i.e.* after 8 years. The reasons for such a long delay were on account of opposition by the tribals and in 1984 a court case which was filed in the Supreme Court against displacement of people. The case went on till 1989 when the Supreme Court approved rehabilitation package given by Bihar Government. Another estimate for Rs. 1286 crores was prepared by NHPC in March, 1991. However, the project was not taken up in 1991 also due to the critical fund position. In 1994, an offer was made to Bihar Government to take up the Project for execution if they so desired. However, this was not acceptable to Bihar Government. Now the Chief Minister of Bihar is stated to have given an undertaking that whatever may be the cost on generation, the State will buy the entire power and also take care of entire rehabilitation. The Ministry is also stated to have simultaneously referred the matter to CEA in order to examine whether this project will be required to meet the peak demand and whether it is a viable project at all. The latest cost estimate at June, 1995 price level is about Rs. 2400 crores. The total expenditure which has been incurred till date is Rs. 14.29 crores.

3.40 During the evidence with the representatives of the Ministry of Power, the Committee enquired about the action taken by the Ministry to get the project cleared from the Ministry of Environment & Forests. The Secretary, Power, stated:

"Sir, the forest clearance from the Ministry of Environment and Forests was difficult to get. It is a difficult project. It is a very major project involving two rivers—Koel and Karo. It is in a valley. We found that a large number of villages have to be rehabilitated. They have to be shifted. It has also got extensive forest land. The matter was taken up even at the Minister's level. It is very difficult to get Environment Ministry's clearance from forest angle. I have my serious doubts about this project. The local people are agitating. Some are agitating for it and some are against this... It is not going to be easy-sailing as it is a tough project. Actually 27 villages are affected and a large number of families living there need to be rehabilitated. Perhaps, this is the biggest rehabilitation after Sardar

Sarovar and we expect a lot of problems in rehabilitation, because 865 ha. of land is forest land."

3.41 When enquired why it took three years for the Ministry of Power to make offer to the Bihar Government when in 1991 itself it was clear that due to the tight financial position it would not be possible for NHPC to invest in the project, the Secretary, Ministry of Power stated:

"When we discussed with them they were not keen to take over the project. Finally, it was kept pending."

3.42 In this connection, the Secretary, Ministry of Power, stated during evidence:

"At one stage, we were waiting for funds position to improve. Even if we had not offered it back to them, the NHPC's financial position is bad. I do not think that Bihar Government's financial position is any different. We have tried to rope in some private sector people asking them as to whether they would like to come and take some interest in that project. But we have not succeeded in that effort. Finally, we had written to the Bihar Government. The cost is very high and the tariff is going to be very heavy."

3.43 During the evidence with the representatives with the Ministry of Power, the Committee were informed that the revised cost estimates has been referred to the Central Electricity Authority in June, 1995.

3.44 On the question of present status of the project, the Secretary, Ministry of Power, stated in evidence:

".....The cost of the project is going to be very high, even the tariff is going to be almost about Rs. 5.75 to Rs. 6 per unit of power that is generated there at today's cost. If it takes about seven to eight years to complete, then for every unit of power the cost will be around Rs. 10. So we have asked the Bihar Chief Minister whether he is willing to purchase the entire power at this cost! We received a letter saying that we should go ahead with the project and that the Bihar Government will be able to absorb this. But in any case, as far as the viability of the project is concerned, we have to go into it in greater detail. We are on the job and we are trying to work out how it can be made viable."

CHAPTER IV

FINANCIAL MATTERS

A. Authorised Capital

4.1 According to the Audit, the operation of the company involve large capital outlays. The generation of internal resources is dependent upon completion of projects which in turn is dependent upon availability of funds. Initially funds were made available by Government by way of equity and loans but from 1986 the company was asked to raise funds by secured, non-convertible redeemable bonds through public issues and by private placement with financial institutions.

The company was facing funds constraint due to reduced budgetary support, weak market response towards bond issues. Further the company requires Rs. 5200 crores for completion of ongoing schemes during the VIIIth Plan period.

4.2 The authorised capital of NHPC at present is Rs. 2500 crores. During the evidence the Committee were informed by the representatives of NHPC, that the company has made a case for increasing the authorised capital from Rs. 2500 to Rs. 3500 crores. It was also informed that unless the authorised capital is increased it would be difficult for the company to take up new projects.

4.3 During the evidence with the representatives of the Ministry of Power, when asked whether the Ministry has received proposal from NHPC for increasing the authorised capital, the Secretary, Power, stated that the company had approached the Ministry of Finance through Ministry of Power more than one year back. The Ministry of Finance advised to study the possibility of financial restructuring of the Corporation and re-submit the proposal. The NHPC has taken some time to give the report/proposal for restructuring as they were having consultation with ICICI and others. These agencies decided they will not be able to do it. But NHPC have now been, on their own, studying the possibility of restructuring and done the in-house exercise.

4.4 The Ministry of Power in a post evidence reply has informed that NHPC has submitted the report on restructuring the Corporation only on 14 November, 1995 and it is being examined by the Ministry.

4.5 On being asked how the NHPC will manage funds for repayment of liabilities of loans, etc., the CMD, NHPC stated during evidence:

"There will not be any problem in repayment of loans and interest on our existing operational projects because whatever the interest we are paying, we are getting through tariff and with the commissioning of

Salal-II, Uri and Rangit Hydroelectric Projects, our sales will go up. We do not anticipate any problem with regard to repayment of present loans."

4.6 On the similar question, the Secretary, Power stated during evidence:

"How they will really be able to repay the loan is also part of the restructuring which the Finance Ministry has asked us to look into. One source is equity that goes in. Second is, internal resource generation. They go to the market and borrow from the market by way of bonds."

4.7 When asked how the Corporation is going to manage their on-going projects when there is a fund constraint in each project, a representative of NHPC stated in evidence:

"Once the projects are commissioned, they will be able to generate their own resource to repay the loan amount which is repayable after the commissioning of the projects.... The repayment of the loan as per our agreement starts only after the commissioning of the projects, even though there has been delay. So we do not anticipate any problem in the existing projects. But we will be careful in finding out whether we will be getting the same type of repayment facility while taking up new projects."

In this connection the CMD, NHPC stated:

"Even if we get the foreign assistance we should have certain equity to get the profits. The return on the profits is only on equity. So, that equity portion should be available with us. We wanted to increase the authorised capital from the Government. Till such time the authorised capital is increased we cannot do it."

B. Tariff Policy

4.8 At present, the Company is adopting actual saleable units of energy for the purpose of calculation of tariff and as such the cost of efficiency or inefficiency is passed on to the Beneficiary States/State Electricity Boards. A Committee headed by Shri K.P. Rao gave its recommendations in June, 1990. In regard to the fixation of tariff, the main recommendations of K.P Rao Committee were stated to be (i) capital costs would be the expenditure actually incurred and capitalised on the assets put to commercial use; (ii) loans and equity would be on a 50:50 basis irrespective of the extent of loans/equity; (iii) the loans would be progressively reduced to the extent these have been repaid as per repayment schedule and once the loans are reduced to zero, the equity will

be progressively reduced to the extent of further depreciation; (iv) built-in incentive for making prompt payment; (v) fixation of tariff based on each generating station; (vi) tariff to be fixed for 5 years block; and (vii) provision of 1% of O&M charges on the present cost of identical projects.

4.9 On the question of fixation of tariff, the CMD, NHPC stated during evidence:

"The Government fixed the tariff policy and notified. It has been notified a few months back. So, the norms have been recently revised mainly with an idea of increasing private investment. This applies to all the companies including NHPC and all thermal projects. All the expenses are passed through in the tariff like depreciation, loan repayment, O & M charges and insurance charges, etc. These are all built into the tariff. This revision has been going on from April, 1992 and the latest revision has been made in May, 1995."

4.10 During the evidence with the representatives of NHPC, the Committee were informed that the K.P. Rao Committee Report was not acceptable to NHPC and they had written to the Government saying that the report was not fair and just. Recently the Board of Directors had advised the NHPC to accept the recommendations of K.P. Rao Committee.

4.11 In this connection, the Secretary, Ministry of Power stated during evidence:—

"NHPC was reluctant to accept the recommendations made by the K.P. Rao Committee on tariff. We have told them, this is the recommendation made by an independent authority. After all, you cannot be one sided. Finally, NHPC accepted the recommendation of the K.P. Rao Committee. Now there will not be any problem of tariff fixation between NHPC and the Electricity Board."

4.12 Further, at the instance of the Committee, the Ministry of Power has furnished the following information in their note in this regard:

"No meetings were held at the Ministerial level between the Central Government and the concerned State Governments to sort out the issues relating to tariff for the power generated by NHPC's power stations pending acceptance of K.P. Rao Committee's recommendations by NHPC. NHPC has communicated its willingness to accept these recommendations only in June, 1995."

4.13 When enquired who fixes the tariff, the CMD, NHPC stated in evidence:

"Actually, the CEA fixes the tariff on behalf of the Ministry of Power from project to project..."

4.14 When enquired whether CEA has worked out tariff formula on the basis of K.P. Rao Committee's recommendation, the Ministry of Power, stated in a post evidence reply as follows:

"Tariff for NHPC's projects will be worked out by CEA considering return on equity, interest on loan, depreciation, O&M expenses and interest on working capital as per the K.P. Rao Committee's guidelines and the norms issued by the Government from time to time covering these aspects. CEA has not evolved any separate formula for working out the tariff."

4.15 When asked whether any notification has since been issued by CEA fixing tariff of NHPC projects, the company in a post evidence reply stated as follows:

"CEA has yet not issued any notification fixing tariff of NHPC projects.

CEA has already discussed the tariff of Chamera Hydro Project with the beneficiaries and NHPC. The same is to be examined by the Management Committee of CEA and thereafter the same will be notified by CEA after completing the codal formalities.

CEA is also examining the tariff of Baira Siul, Salal-I, Loktak and Tanakpur projects of NHPC. CEA has yet to hold a meeting to discuss the tariff of these projects with the beneficiaries and NHPC".

4.16 It has been pointed out by the Audit that the company is required to enter into contractual agreements with beneficiary State Electricity Boards for the sale of power from the projects. No agreements were signed/renewed with the beneficiary SEBs for the sale of power from its projects.

4.17 When asked what are the main reasons for non-finalisation of agreements although these projects were completed in the early 1980's, the CMD, NHPC stated during evidence:

"Tariff has not been fixed for the earlier projects. We are starting it with Chamera. Then, the power purchase agreement will be signed because there was dispute in the past. They have asked for the details in the tariff. So, we will be pushing it up once the tariff is known and we hope to get the agreement signed by all the States."

C. Outstandings

4.18 The net profit earned by the company during 1992-93 to 1994-95 was Rs. 41.49 crores, Rs. 70.54 crores and Rs. 93.67 crores respectively. Though the company has been earning profit over a period of time, the Audit has pointed out that generation of internal resources of the company was negligible.

The profit earned by the company was almost looked up in the Sundry Debtors which at the end of the five years ending 31st March, 1994 were as follows:—

As on	Sundry Debtors (Rs. in crores)
31.3.1990	208.34
31.3.1991	147.80
31.3.1992	198.66
31.3.1993	191.79
31.3.1994	250.80

4.19 Commenting on this, the representative of the NHPC stated during evidence:

“Sir, our internal resources are governed by the tariff and our tariff is controlled by the Government of India and they have given the norms for which the tariff is to be fixed. Return was fixed at 12 per cent and then it was reduced to 10 per cent and later on increased to 12 per cent but equity is to be notionally reduced to extent of depreciation after repayment of loan. Similarly our rate of depreciation was about 1.6 per cent which is considered to be lowest in the country. The rate of depreciation for various projects is now ranging from 2.8 to 3.2 per cent. These are the two main reasons for not generating adequate internal resources. From the very first year of our commercial operation, we are consistently earning the profit and the total profit earned from 1982 to till date is to be extent of Rs. 527 crore. The depreciation so far was Rs. 179 crore. So, the gross internal resources comes to Rs. 706 crore. These resources have been also utilised for the repayment of loan. On capital account we have repaid the loan to an extent of Rs. 250 crore. The balance amount has been blocked in Sundry Debtors.”

4.20 When asked the views of the Ministry with regard to internal resources generation, the Secretary, Ministry of Power, stated during evidence:

“.... Sir, one of the problems in generating internal resources is that most of projects are delayed, there are time overrun and cost overruns in completion of the projects. As a result the projects do not start generating power as originally scheduled and there is a low delay which really affects the internal resource mobilisation....”

4.21 When enquired how much was the Sundry Debtors as on 31st March, 1995, the representative of NHPC stated in evidence:

“It was Rs. 589 crore. We have got certain disputed amount with the beneficiary because of the tariff fixation and certain amount has to be

received from the Central Plan Assistance (CPA) and the net outstanding amount was Rs. 198 crore."

In this connection the CMD, NHPC, added:

"In 1991, the Government have brought out the K.P. Rao Committee Report. Earlier the NHPC was calculating on their own. There was a big dispute As per the report, the debt equity ratio should be 1:1 and on some account we are likely to lose. If you go by that report, our claims get reduced by the amount, which has just now been mentioned. Some of the amount is being recovered by the CPA directly from the States' Budget. If you take these two into consideration, the net outstanding as on 31.3.95 was Rs. 198 crore."

4.22 When further enquired who are the parties against whom dues are outstanding, the Company in a post-evidence reply has furnished the following information:—

Outstanding dues as on 31.03.1995

(Rs. in crores)

S. No.	SEBSTATE	Outstanding at the end of Month	Surcharge Billed	Dispute Amount	Recovery through CPA	
					To be Recovered	Out-standing
1.	Assam	35.21	25.50	28.47	25.05	25.05
2.	Arunachal P*	-0.04	0.08	0.00	0.00	0.00
3.	Bihar	5.97	22.28	0.24	5.97	5.97
4.	Haryana	167.17	56.25	55.96	67.07	67.07
5.	Himachal P	17.55	29.14	17.55	14.02	14.02
6.	J & K	51.26	36.02	51.05	31.84	31.84
7.	Manipur	17.49	25.23	17.49	14.68	14.68
8.	Meghalaya	0.69	0.00	0.00	0.00	0.00
9.	Mizoram	1.66	0.39	1.47	1.47	1.47
10.	Nagaland	3.70	0.81	2.46	1.65	1.66
11.	Orissa	1.59	8.41	0.00	1.65	1.65
12.	Punjab	36.96	37.53	36.96	19.33	19.33
13.	Rajasthan	25.83	0.00	9.02	3.04	3.04
14.	Sikkim	0.00	0.00	0.00	0.00	0.00
15.	Tripura	3.55	0.89	1.45	3.21	3.21
16.	Uttar P	128.18	0.18	39.99	4.60	4.60
17.	West Bengal	5.15	9.48	3.29	5.14	5.14
18.	DESU	84.93	13.92	43.09	0.00	0.00

* Requesting to stop further deduction from CPA

S. No.	SEBSTATE	Outstanding at the end of Month	Surcharge Billed	Disputed Amount	Recovery through CPA	
					To be Recovered	Out standing
19.	DVC	0.15	14.50	0.15	0.00	0.00
20.	UT Chandigarh	-0.11	0.00	0.00	0.00	0.00
21.	NEEPCO	2.65	6.45	0.82	0.00	0.00
Total		589.53	287.04	309.47	198.73	198.73

Note:—

- (a) **Outstandings** are against bills of Energy supplied upto 31.01.95 & payment received upto 31.3.1995.
- (b) **Surcharge amount** is totally disputed by beneficiaries and is neither included in the disputed amount nor in the outstanding.
- (c) **Disputed amount** is against outstanding.
- (d) **Disputed amount** restricted to outstanding.
- (e) **Outstanding dues** are as per bills raised on NHPC tariff policy & the tariff has not been verified by CEA & got notified by Government of India based on K. P. Rao Committee Recommendations & the same are being disputed by most of the Beneficiaries as follows:
 - (i) Tariff not notified by CEA.
 - (ii) J & K HPSEB and Manipur have some dispute relating to free power before September, 94 & electricity duty/cess.

4.23 On being asked what action has been taken by the Ministry to help the Corporation in realising the outstanding amounts against defaulting States, the Secretary, Ministry of Power, stated:

“.....The Government had agreed to adjust it from the Central plan Assistance. Some of these recoveries are already being made.....There are three appropriations and the first one is already completed. The remaining two are in progress. These monies are supposed to be recovered in four annual instalments.”

4.24 When asked how much money has so far been recovered under this scheme as far as NHPC is concerned, the Ministry of Power in a post evidence reply stated as follows:—

“An amount of Rs. 82.26 crores against the NHPC outstandings upto 31.5.90 was recovered from the Central Plan Assistance over a four year period beginning from 1990-91. Another amount of Rs. 81.00 crores against the NHPC outstandings for the period June, 1990 to May, 1992 was recovered over a four year period beginning from 1992-93. A further amount of Rs. 98.62 against the NHPC outstandings for the period June, 1992 to March, 1994 has been recovered so far beginning from 1994-95.”

CHAPTER V MISCELLANEOUS

A. Board of Directors

5.1 The National Hydroelectric Power Corporation Limited is governed by a Board of Directors comprising a Chairman-cum-Managing Director and four full time Directors namely Director (Projects), Director (Technical), Director (Finance) and Director (Personnel). In addition, there are four part-time Directors—two from the Ministry of Power and one each from Central Electricity Authority (CEA) and Central Water Commission (CWC).

(i) Appointment of CMD

5.2 The Audit pointed out that during the last ten years, the Company had 7 Chairmen-cum-Managing Directors with tenures ranging from 6 to 43 months.

5.3 When asked why the CMDs were appointed on short-term basis, the Secretary, Ministry of Power stated as under:

“.... There were occasions where we could not position the regular CMDs at the right time. That is why, some were even officiating. We would certainly take your point into consideration, and ensure that we would not have any such occasions henceforth. Out of 11, four times we had some officiating arrangement and the rest seven or eight times, we had regular CMDs; and depending on their tenure, they took position.”

(ii) Vacant post of Director (Projects)

5.4. The Committee were informed by the representatives of NHPC that the post of Director (Projects) has been lying vacant since 29th April, 1993. The names were sent to the Ministry of Power on 20th April, 1993 and interviews were held on 13th August, 1993, by the Public Enterprises Selection Board (PESB). However due to a court case which was filed in November, 1993 challenging the selection, the appointment is stated not to have been made till date. However, NHPC filed a petition before the Delhi High Court in March, 1994 for an early hearing and the Court in its judgement of 12th July, 1995 have directed the Union Government to take a decision on the recommendation already made by PESB but no letter of appointment be issued till further orders and the decision be communicated to the court on the next date of hearing *i.e.* 23rd August, 1995.

5.5. The Committee desired to know whether the Ministry has taken any final decision in pursuance of the order of the High Court. The Secretary, Power stated during evidence:

“..... As far as this case is concerned, the court gave an order saying that we can take decision to finalise the names but not to appoint. We are already processing this case. But we cannot really issue the appointment order because the court directive is not to issue the appointment order.”

5.6 Enquired if any serious strictures have been passed by the Court in this case, the witness replied:

“As far as our own reading of the Court order is concerned, there is nothing like a stricture. What they have mentioned is that due to the reason that the petitioner says ‘he is the right man who should be selected for this post’. The Court did say ‘decide about whosoever you want to appoint, but do not issue the appointment orders’. In fact the Court has given some time to file our affidavit *i.e.*, six weeks time. We have got time upto 22nd November, 1995. We will take a decision well before that.”

5.7 Asked what were the reasons resulting in delay in appointment of Director (Projects), the witness stated:

“Sir when the selection of panel was recommended to us by the PESB, then there were lot of Court cases filed by the petitioner who is in the selection panel. He has alleged that this other person in the panel is not eligible to be appointed as he came under deputation and cannot be considered at all. The petitioner also says that he (the other candidate) does not fulfil the criteria of age and qualifications. So, one of the reasons for the delay is the Court case over which we do not have control.”

5.8 Enquired if the selection process is continuing as per Court's directive, the witness replied:

“It is continuing even now. We are already on the job and processing the file. We are hopeful that well before 22nd November, 1995 we will finalise about the person who should be inducted as Director (Projects).”

5.9 When asked whether any final decision has been taken in regard to the person to be appointed as Director (Projects), the Ministry of Power in a post evidence reply stated:

“..... The matter is sub-judice.....”

B. Manpower

5.10 Audit has observed that the incidence of expenses of surplus staff was Rs. 3928 lakhs from 1984-85 to 1992-93. There were a total of 3166 men surplus in the supervisory, semi-skilled and un-skilled categories. These workers became surplus after the completion of the projects.

5.11 The Committee were, informed by NHPC that the Corporation as on 1.7.1995 has 5135 surplus manpower. This surplus manpower consists of the following categories:

Categories	
Supervisors	601
Ministerial	787
Skilled	372
Semi-skilled	1721
Unskilled	1654
Total	5135

5.12 When enquired how the company proposed to deal with the problem of surplus manpower, the CMD, NHPC stated during evidence:

“During the year 1993, we have introduced a Voluntary Retirement Scheme, as approved by the Bureau of Public Enterprises. As a result of this scheme, 366 people opted for the voluntary retirement. The scheme was reintroduced again in the February, 1995, 91 persons took benefit of this scheme. As a result, we have been able to reduce 457 people through voluntary retirement. We now propose to introduce a Liberalised Voluntary Retirement Scheme, providing for compensation of three-months pay per year of completed service, as against 45 days provided in the earlier scheme. After the Liberalised Voluntary Retirement Scheme was approved by the Board, it has been sent to the Government and as soon as the approval of the Government is received, the same will be introduced.”

5.13 To a query whether it is a retrenchment scheme or voluntary retirement scheme, the witness replied:

“The scheme which was introduced in 1982 was called Voluntary Retrenchment Scheme. What we are talking now is the voluntary retirement scheme. Through the Liberalised Voluntary Retirement Scheme, we anticipate that about 700 to 900 people may seek voluntary retirement because of more benefits.”

5.14 Asked when the Government have received the Liberalised Voluntary Retirement Scheme from NHPC, the Secretary, Ministry of Power, stated in evidence as follows:

“We have received the revised scheme in August, 1995. The Ministry has received the revised proposal as approved by the Board of Directors for introduction of liberalised VRS. I personally feel that 50 percent of the 14,000 people which they have can be dispensed with.”

He added:

"It is very much in favour of the employees. Earlier too NHPC had offered a voluntary retirement scheme. Not many people liked it. Now they are coming up with more liberal voluntary retirement scheme. We would be quite liberal in considering a voluntary retirement scheme if it appeals to these surplus people. About 5,000 people are surplus. I am sure NHPC must have been quite conservative. They certainly have lot of manpower. As far as the Ministry is concerned, whatever is the retirement scheme, we would try to support it."

5.15 Asked whether the Ministry have approved the said scheme and if so, furnish the details, the Ministry of Power in a post-evidence reply stated:

"The Ministry of Power has supported the proposed scheme and forwarded it to the Deptt. of Public Enterprises for vetting. Thereafter the proposal would be submitted for approval of a Committee of Secretaries. As per NHPC, not more than 900 employees are expected to opt for this scheme. The financial implication of the proposal for NHPC will be of the order of Rs. 14 crores and the same will be met by NHPC from its own resources."

5.16 Asked to state the other steps contemplated for reduction of the surplus manpower, NHPC informed in a note furnished after evidence as follows:—

(i) A ban has been imposed on recruitment of staff since 1985 in categories where surplus manpower is available.

(ii) **

(iii) The Corporation also proposes to undertake certain works at on-going Projects at Dulhasti and Rangit on departmental basis. Construction work at Koel Karo at Bihar, Kalpong at Andaman & Nicobar and Dhauliganga in UP are expected to begin shortly. It is also proposed to undertake certain works on departmental basis at these projects. It is expected that about 750—1000 surplus manpower may get deployed at these Project sites.

(iv) The Corporation has also set up a Consultancy Division. The Consultancy Division has been able to secure a contract from Border Road Organisation for Lining of Jawahar Tunnel on Jammu Highway, which is being executed departmentally.

(v) The Corporation has also received demands from Thein Dam Project in Punjab & Western Coalfield India Limited for sponsoring of employees on deputation/permanent absorption basis. This will also reduce to some extent the surplus manpower.

(vi) The Corporation has also introduced a Scheme for retention of lien for two years to encourage employees to seek employment elsewhere. The lien facility is also extended for employment in private organisation subject to the condition that such private organisation is not doing any work on contract basis in NHPC.

In spite of the above, it may not be possible to fully re-deploy or

reduce the surplus manpower. Efforts would, however, be continued towards reduction of the surplus manpower."

C. Litigation

5.17 Enquired about the total number of cases pending in various courts, the representative of NHPC replied:

"About 650 court cases, out of which, about 50 per cent relate to land compensation cases, that means, the disputes are about payment of compensation, the amount of compensation and its disputes between the recipients of compensation..... A number of court cases arising out of implementation of IDA scales of pay in respect of those officers and employees who were appointed between January, 1989 to June, 1990... There are cases relating to age of superannuation. But there are about 20 to 25 arbitration cases resulting from the contracts. They have gone into arbitration."

5.18 The Committee were informed during the evidence by the representatives of NHPC that legal expenses incurred during 1992-93, 1993-94 and 1994-95 were Rs. 3,59,000, Rs. 4,81,000 and Rs. 8,77,000 respectively. In 1994-95, there was one international arbitration case.

5.19 The Committee enquired whether the Ministry has ever taken a review of the court cases which are pending in the various courts, the Secretary, Ministry of Power, stated in evidence:-

"Filing of cases is very common. For every small event, people go to the court. We leave the cases to the court. We will abide by the court decision. Let the judiciary take a decision."

D. Loss due to procedural lapses

5.20 The Audit in its Report No. 3 (Commercial) of 1995 has pointed out that during 1992 the NHPC imported 10 drums of 400 KV oil filled cables from a foreign supplier, out of which two drums arrived in a badly damaged condition and were not fit for use. Insurance cover for the consignment was not granted by the National Insurance Company (NIC) as neither the premium was fully paid by the company nor the declaration about the intended consignment giving the name of the vessel, date of sailing and approximate value of cargo etc. was submitted to them.

A preliminary claim was also lodged with the Shipping Corporation of India which accepted Rs. 24.06 lakhs only being the carrier's liability. Due to lack of proper control over the premium deposit account and failure to furnish the declaration of the cargo to the NIC in time, the company had to suffer an avoidable loss of Rs. 124.41 lakhs (after setting off unpaid premium, non payment of customs duty and incidental charges as the damaged drums were abandoned in favour of the customs authorities).

5.21 When asked what were the circumstances under which the company could not file the declaration of the cargo with NIC in time, the Company in a post-evidence reply stated:

"Declaration to the underwriters regarding despatch of equipment/material is required to be supported with details about the equipment/materials being imported, invoiced cost thereof etc. These details are indicated in the shipping documents which were being sent by NHPC Coordinator at Montreal to Corporate Office as well as Liaison Office Bombay. In the instant case, first declaration to National Insurance Co. giving all the details pertaining to cargo on Board and FAS cost thereof on Board Vessel S/o Orissa could be submitted by the Corporation on 7.7.92 after the receipt of shipping documents and berthing of the vessel at Bombay Port. Subsequently on receipt of supplementary details from the Coordinator, revised insurance declaration was submitted to M/s. NIC on 9.7.92 in respect of the consignment on Board Vessel S/o Orissa including the 400 KV Oil Filled Cable Drums. The delay in submission of the insurance declaration had thus occurred due to delay in receipt of shipping documents and other related details."

5.22 Asked whether any responsibility has been fixed for lack of proper control over the premium deposit account and failure to file the declaration of the cargo with NIC in time, the CMD, NHPC stated in evidence:

"Sir, the Enquiry Committee was set up in November, 1992. It submitted the report in April, 1994. The report does not point out any particular individual responsible for this. It says no single individual can be held responsible. It does not identify anyone as responsible. We sent questionnaires to find out where the lapse occurred. I will go into it and find out as to who was responsible for this loss, whether it was one individual or some officers together. It will take about 3-4 months time for this. Afterwards we will take further action in the matter."

5.23 During the evidence with the representatives of the NHPC, the Committee were informed that the Enquiry Committee was headed by the then Director (Technical) and all other members were from NHPC. The Enquiry Committee had not recorded any statements. The Enquiry Committee had given the recommendations on the basis of their own findings. It had not taken any evidence.

5.24 To a query whether the Enquiry Committee has suggested any remedial measures, the CMD, NHPC stated that it has not suggested any remedial measures.

5.25 Stating the remedial measures taken by the Company to avoid recurrence of such cases in future, the Company in a post-evidence reply stated:

"To avoid recurrence of such cases in future, the insurance declarations are now being ensured to be submitted to the underwriters immediately on receipt of intimation about the despatch of the equipment/consignment by the manufacturers and /or sail of vessel from respective ports of exits. Particulars of equipment/material despatched, their cost etc. are being now got indicated in these advance despatch intimation by the manufacturer and accordingly incorporated in the insurance declarations."

5.26 When asked about the present status of the claims, the Company stated in post-evidence reply as follows:

"Since there is no positive response either from National Insurance Co. or Shipping Corporation of India in respect of NHPC's claim for compensation of the losses incurred on account of damage to 400 KV Oil Filled Cable Drums during sea-shipment from Hamburg, Germany to Bombay, Ministry of Power have been approached with a request to refer this dispute to the Committee of Secretaries for adjudication. Some observations have been made by the Ministry of Power on this proposal and the same are under examination and replies/clarifications thereto shall be furnished shortly to them."

PART B

RECOMMENDATIONS/CONCLUSIONS OF THE COMMITTEE

1. The National Hydroelectric Power Corporation was incorporated on 7th November, 1975 with a view to develop the vast Hydro-electric potential of the country's rivers. The Company has so far executed 5 hydro projects viz. Baira Siul, Loktak, Salal-I, Tanakpur and Chamara-I with an installed capacity of 1653 MW and a number of other projects are under execution. However, the Committee regret to note that the corporate plan of NHPC has not yet been finalised. It is disquieting to observe that the corporate plan (1985—2000) which was submitted by the Company to the Government for approval in 1988 was returned by them in December, 1993 with the directions to review and update it for the period ending 2005 and submit the same for Government approval. The Committee are at a loss to understand why it took the Government five years merely to advise the Company to recast the corporate plan. While the Committee agree that the corporate plan broadly states the objectives and the goals and it is the MoU and the annual plan in which precise targets are set, but what they would like to emphasise is that unless the broad objectives and goals are finalised and agreed upon, their translation into MoU and annual plans loses meaning. They would, therefore, recommend that the corporate plan which is with the NHPC should be finalised taking into account the changed scenario and submitted to Government without further delay under intimation to the Committee.

2. In view of the very fact that BPE guidelines of June, 1974 clearly provide for formal ratification of the corporate plan by the Administrative Ministry, the Committee also do not agree with the stand now taken by the administrative Ministry that the Corporate plan does not require their approval. These guidelines do not seem to have been superseded even after the introduction of the MoU concept as the Ministry have tried to make out. Moreover, the Ministry had themselves advised NHPC to submit the revised corporate plan so that it could be formally approved by Government. The Committee, therefore, hold the view that Government can not absolve themselves of this responsibility and should not only formally ratify the NHPC's corporate plan but ensure that it is dovetailed into the national plan for hydroelectric energy.

3. The Committee have been informed that out of the total hydroelectric potential of the country which is equivalent to an installed capacity of over 1,50,000 MW, so far only 21.84% has either been developed or is under development. In fact the share of hydro power in the total installed capacity which was 34% at the end of Sixth Plan declined to 29% at the end of

Seventh Plan and as in June 1995, out of the total installed capacity of 81,166 MW, the share of hydro power is 20,830 MW, i.e. 26%. The Committee are not quite convinced with the argument that the decline in share of hydro power was due to the thermal projects having been given priority on account of their comparatively shorter gestation period. They are of the firm opinion that the long-term benefits of hydro power should not have been lost sight of. Apart from being substantially cheaper than thermal power, the hydro power has admittedly an important role in load management and system reliability. Moreover, it does not lead to any depletion of natural resources while at the same time generating the irrigation potential. The Committee, therefore, desire that as assured by the Secretary, Power, high priority should be given to hydro power and its share in total installed capacity raised to 40% by the end of Ninth Five Year Plan as has been envisaged.

4. The Committee are of the opinion that one of the major factors responsible for the decline in share of hydro power has been the casual approach of Government towards exploitation of the hydro-potential in the country and lack of any long term policy in this regard. They have been informed that a Committee constituted in 1992 by the Planning Commission has not submitted any report. Another Committee constituted by the National Development Council in June, 1993 has submitted its report in March, 1995 but it has not yet been approved by the NDC. Little wonder then that the progress in the hydro power sector has not been to the desired level. In fact after 1960 there has been a steady decline in the generation of hydro power. Again the role to be played by NHPC after the entry of private sector in the field is not very clear. Although the Committee have been informed that the prominent role of NHPC in the generation of hydro-power would not be diluted, the facts speak otherwise. Against a capacity of 7945 MW envisaged by NHPC in the year 2000, the installed capacity of the Company as on 31 March, 1995 was only 1,653 MW and even after completion of the on-going projects the installed capacity would be only 2748 MW leaving a shortfall of 5197 MW. The main reason for the tardy pace has been apparently on account of financial constraints. The Committee recommend that the Government should immediately formulate a long term policy in regard to exploitation of vast hydro-potential of the country. They also desire that since NHPC has been in existence for more than two decades and has developed the necessary expertise, its role in this effort should not be diluted and necessary arrangements for funding of its projects made.

5. The Committee are astonished to observe that there have been long delays in approval of NHPC projects by Government which ranged from 27 months to 47 months. In the case of Salal-II project, it took three years for technical clearance alone by Central Electricity Authority. The Committee are not convinced with the argument that the Detailed Project Reports having been prepared by different consultants do not contain the desired detailed information leading to delays in clearances. They are rather

astonished to note that 17 clearances are required from different Departments before the project is finally approved. They are of the firm view that the procedure for clearance of projects definitely requires a serious consideration and needs to be streamlined. As in the case of CEA, where two stage clearance is stated to have been introduced, Government should simplify the procedure for clearance by other departments also and evolve a fixed time frame for each of the agencies which are involved in according clearances. The Committee would like to be informed of the steps taken by Government in this regard.

6. Apart from the delays in clearance of projects, huge time over-runs have been observed ranging from 40 months to 110 months in the completion of projects leading to significant cost over-runs. Some of the problems leading to such delays could have certainly been avoided with better fore-sight and planning. The problems relating to land acquisition in particular are not a new development. Regrettably, the Committee constituted two years ago by the Ministry of Programme Implementation to go into land acquisition problems has not yet submitted its report. The Committee need hardly emphasise that the report should be expedited and the problems addressed with a sense of urgency. In addition the project monitoring machinery in the company further needs to be streamlined and strengthened so that timely corrective action could be taken.

7. The Committee find that the firm capacity assessed by the Company at 920 MU in the case of Baira Siul Project was only 58.34% of the installed capacity. They express their strong displeasure over the fact that even this much capacity was not achieved. The generation at the project during 1992-93 to 1994-95 was 830.01 MU, 609.00 MU, and 832.93 MU respectively. The reasons advanced by the Company for the decline in the actual generation of power is stated to be on account of less availability of water and non-utilisation of water during monsoon months due to heavy silt contents. But surprisingly even the generation targets were not raised from 750 MU despite the increase in the installed capacity and the actual generation exceeding the targets in some of the years. On the contrary, the Company took up the matter with CEA in December 1993 for revising the power potential of the project from 920 MU to 750 MU. The Committee desire that in view of the actual generation achieved being well above 800 MU in some of the years, the targets should be raised realistically.

8. The Committee are dismayed to note that although the Loktak project was commissioned in April/May, 1983, a portion of the tunnel collapsed due to heavy rainfall within a span of just two months (July, 1983). This resulted in a chain of events-rerouting of tunnel at a cost of Rs. 413 lakhs, abandonment of old tunnel at a loss of Rs. 71.75 lakhs and loss of generation of power worth Rs. 1682 lakhs. The Committee have been informed that an Enquiry Committee set up to investigate the tunnel found that although the geologists had specifically brought out the necessity for taking surface protection measures in the slopes where tunnel

was on low cover, this aspect did not appear to have been taken note of. In fact there was no discussion among designers, geologists and the project team on the aspect of design and construction of tunnel lining in the low cover design and 'no rock reaches.' A portion of three-meters which was uncovered was not provided with the steel liner and perhaps acted as a catalytic factor for the tunnel collapse. The Committee strongly deplore the apathetic approach on the part of NHPC management in not adhering to the recommendations of geologists. They would, therefore, like NHPC to strictly adhere to the advice of the geologists in future and take preventive measures accordingly. The recommendations made by the Enquiry Committee must also be scrupulously followed. The Committee have also been given to understand that the company did not even take insurance cover for such huge project. They also urge upon NHPC management to seriously consider taking insurance cover for such huge projects in the future as is done in the case of schemes involving external assistance.

9. Again in the case of this project, while the installed capacity till 1993-94 was 919.80 MU, the firm capacity fixed was only 448.00 MU. It is also noticed that the actual generation of power has always be higher than the targets fixed by CEA. Thus against the targets of 410 MU, 410 MU and 450 MU for the years 1992-93, 1993-94 and 1994-95 respectively, the achievement was 545.56 MU, 617.00 MU and 516.34 MU. The Committee desire that the capacity of the project and the targets for generation of power should be fixed realistically.

10. It is a matter of grave concern for the Committee to note that the actual generation of power against the firm capacity in Salal-I has been declining after 1990-91. During 1993-94 and 1994-95 it could not achieve even the targets and the actual generation was 1727 MU and 1431.82 MU respectively. The reasons for the declining performance of the project was stated to be silt problem which has already damaged the shaft seals and under-water parts of machines. No remedial steps deplorably have so far been taken by the management in this regard. Introduction of closed cycle system and new shaft seal designs are some of the measures which are still being contemplated. The Committee recommend that in order to prevent further damage to the machines, urgent steps should be taken to overcome the menace posed by the silt and they be informed of the steps taken in this direction. They also desire that the problem should be taken care of during the technical appraisal of projects in future.

11. The Committee are constrained to find that the Tanakpur Project which was scheduled to be commissioned in November 1988 was finally commissioned in April, 1992. The cost of the project which was estimated at Rs. 185.85 crores finally shot up to Rs. 401.03 crores. What is more shocking is the circumstances under which the decision for realignment of Tail Race Channel had to be taken. The Tail Race Channel was initially to be terminated into Sharda Canal which was also agreed to by the UP

Irrigation Department (UPID) Subsequently, the UP Irrigation Department backed out and the other beneficiary of the project viz. Nepal raised certain objections in the light of Indo-Nepal Treaty of 1920 as a result of which the TRC was terminated in the Banbassa reservoir. This not only led to avoidable expenditure but also a recurring loss of generation of power of more than 41 MU per annum due to the head loss. The Committee wonder as to why UPID reversed its own decision to terminate the channel into Sharda Canal and why the Indo-Nepal Treaty of 1920 was not initially taken into account. The Committee, therefore, desire the Company to be more cautious in taking decisions in future when such sensitive issues are involved.

12. There was also excessive seepage at various outlet ends, cracking/subsidence of panels and wasting out of materials through drains when operation of filling and raising of water level in the power channel was started in June, 1992. An extra expenditure of Rs. 48.59 lakhs had to be incurred on rectification of defects. The Committee are surprised to learn that the minimum time required for consolidation of embankment material was not allowed merely to meet the revised schedule of commissioning. Although it was pointed out by the Technical Advisory Committee that the seepage was due to defective material used in joint filling, the amount incurred on rectification is yet to be recovered from the contractor. They would also like to be apprised of the outcome of the arbitration case in this regard.

13. The Committee are perturbed to note that the construction of barrage and office related works of Tanakpur project was completed by HSCL in January, 1992 although the extended schedule was upto December, 1989. Besides, the performance of HSCL throughout was not all satisfactory. The Committee are surprised to learn that although the terms of the contract provided that in case of failure in timely completion of the work requiring dewatering, the cost of dewatering was to be borne by the contractor, extra payment of Rs. 2.97 crores was made to the contractor instead. The Committee find no rationale behind the payment of this amount against the terms of the contract. They, therefore, desire that the matter should be enquired into and the feasibility of recovering this amount examined.

14. The Committee are constrained to note that the Chamera Stage-I was completed in March, 1994 after a delay of 48 months. They have been given to understand that the company failed to provide a regular access to roads on scheduled time which resulted in a loss of time of 13 months and so an additional expenditure of Rs. 1.52 crores. The Committee do not agree with the contention that it was due to delay in forest clearance since according to company's own admission the forest clearance was received within 18 months. What is more disturbing to learn is the Canadian consultants' opinion that wrong methodology was adopted for construction of the Face-3 of tunnel of Chamera-I resulting in an expenditure of Rs. 5.94 crores on repairs. Surprisingly, no responsibility has been fixed either in regard to

delay in construction of access roads or in regard to wrong methodology adopted for construction of Face-3 of tunnel. The Committee desire that an enquiry should be held with a view to fixing responsibility in the matter.

15. The Committee strongly deprecate the manner in which the Dulhasti project has been handled. Out of the two unsolicited offers received from French Consortium (FC) and Indo-Austro-German Consortium (IAG), the Government advised the NHPC to accept the offer of FC. The Committee are perturbed to note that while FC was given a chance to improve their financial package, no such opportunity was given to IAG, although the latter also reportedly agreed to reduce their prices during second negotiation with the Steering Committee. Not only that the award of contract to FC was against the recommendations of the high level Steering and Negotiating Committee's report of November, 1988. What is worse, although it was decided in August, 1983 that the project be taken up with foreign assistance it took the Company/Government more than six years to award the contract to FC in September, 1989 resulting in additional expenditure of Rs. 271 crores. The Committee wonder why global bids were not invited for the project to ensure financial and commercial competitiveness.

16. The developments after the award of contract are no less startling. Although a major geological fault was noticed in May, 1992, the same has not yet been solved. In fact FC suspended the relative contractual obligations in August, 1992 on the ground of increased militant activities in and around the project site which they claimed as a force-majeure event. A high level Committee did not agree to this contention of FC. But since they were backed by the Export Credit Guarantee Organisation (COFACE) in France, whose team also supported their claim under force-majeure clause, no penalty could be imposed on the contractor. The Committee are constrained to find that even the agreement suffered from lacunae resulting in different interpretations. They desire that responsibility should be fixed in regard to the entering of agreement which was not unambiguous and resulted in heavy loss to the company. After protracted negotiations, an MoU was signed whereby the civil contractor was allowed to go out of the contract. Under the MoU, the NHPC has paid for the work already done, and taken over at a depreciated value the equipment and materials which had been brought for construction of the project. But the claim that NHPC has not lost anything is unacceptable to the Committee, in as much as it would have to compensate the other partners. Not only that, against an original estimated cost of Rs. 183.45 crores an expenditure of Rs. 1060.95 crores has already been incurred upto June, 1995 on the project which is now expected to be completed only by July, 1998 i.e. after a delay of four years. The revised estimate is expected to be Rs. 2496.36 crores at October, 1994 price level. Since the matter is now being investigated by CBI in connection with a Public Grievance Litigation case filed in the Supreme Court, the Committee desire that steps be taken to ensure expeditious

completion of the investigation and the Committee apprised of the findings. They would also like to be informed whether the evaluation for the international competitive bidding has since been completed. The Committee also desire that in order to ensure completion of the project by July, 1998, its implementation should be monitored by a High Powered Committee headed by Secretary, Power and having the Financial Adviser of the Ministry and CMD of NHPC as its Members.

17. An assistance worth Canadian \$ 287 million (Rs. 400 crores) from Canadian International Development Agency (CIDA) and Export Development Corporation (EDC) remained unutilised after execution of Stage-I of the Chamera Project. The Committee are astonished to find that although Government of India approached the Canadian Government to divert this money for Stage-II of the project, it could not take any decision on the offer of these two agencies as a result of which CIDA withdrew the offer in August, 1992. This led to avoidable expenditure of Rs. 13.05 crores in consultancy projections, Rs. 8.23 crores on commitment charges and an annual expenditure of Rs. 50 lakhs on manpower employed for Chamera Stage-II although no work was going on at the project site. The Committee deprecate this lackadaisical approach of Government in taking a decision which resulted in heavy loss to the company. They are also constrained to observe that the evaluation of bids in respect of 100 per cent financing of Chamera-II has not so far been completed by NHPC. The Committee desire that in order to avoid further delay and consequent rise in costs, the evaluation of bids should be finalised and contract awarded within a period of three months under intimation to them. They also desire that the implementation of this project should also be monitored by the High Powered Committee recommended in paragraph 16 of this Report.

18. Rangit Power Project with an installed capacity of 60 MW would go a long way in improving the hydro-thermal mix of the Eastern grid, besides meeting the energy requirements of Sikkim. The Committee, however, regret to note that this important project which started in September, 1990 and was to be commissioned in September, 1995 is now expected to be commissioned only in March, 1997. The delay would obviously contribute to the increase in cost of the project from Rs. 163.49 crores to the anticipated Rs. 317.08 crores on completion apart from delay in benefits of power accruing to the State. The reasons advanced for the delay are the resource crunch and contractual problems. The work is now stated to have started after a Committee constituted by NHPC negotiated with the contractor. However, the Committee are unhappy to observe that the letters written by the Executive Director in charge of the Project to the then CMD were not properly attended to even when the Executive Director was directly under the CMD, as per the arrangement existing at that time on the plea that a Committee had already been constituted by the CMD to go into the problem. The Committee now recommend that all out efforts should be made to ensure commissioning of the project as per the revised schedule. They also desire that an independent enquiry should be conducted into the delay in completion of the project and as assured to them, responsibility should also be fixed in the matter.

19. The Forest clearance for the Koel Karo Project cleared in June, 1981 at a cost of Rs. 444.67 crores was received only in July, 1990 due to tribal

agitation and court case. The cost in March, 1991 was estimated at Rs. 1286 crores by NHPC, but it was not taken up due to the critical fund position. The project was offered to Bihar Government in 1994 for execution which was then not accepted by the State Government. The Committee see no reason for delaying the offer by three years when it was known in 1991 that NHPC would not be in a position to take up the project due to funds constraint. In the meantime the costs further went up and the latest cost estimates at June 1995 price level is about Rs. 2400 crores. Now the Government of Bihar is stated to have undertaken to buy the entire power whatever be the cost of generation and also to take care of entire rehabilitation but the project itself has been referred to the CEA to examine whether it is a viable project at all. The Committee desire that a decision on this project should be taken urgently to avoid further rise in costs.

20. Initially funds for NHPC projects were being provided by Government by way of equity and loans but from 1986, the Company was asked to raise funds through public issue of bonds and by private placement with financial institutions. The Company at present is reportedly facing funds constraint due to reduced budgetary support and weak market response towards bonds issue. For the completion of ongoing schemes during the Eighth Five Year Plan, the Company requires Rs. 5200 crores. In order to meet the funds requirement, NHPC at the instance of Ministry of Finance has submitted a proposal for its financial restructuring to Ministry of Power in November, 1995 including enhancement of its authorised capital and arrangements for repayment of loans. The Committee recommend that the decision on the financial restructuring proposal should be taken without any further delay and the authorised capital of NHPC substantially increased so that the on-going and further new projects of NHPC are not affected for want of funds.-The Committee should also be apprised in the matter within three months of presentation of this Report.

21. NHPC had been adopting actual saleable units of energy for the purpose of calculation of tariff and as such the cost of efficiency or inefficiency was passed on to the beneficiary States/State Electricity Boards. The Company has agreed in June, 1995 to fixation of tariff in accordance with the K. P. Rao Committee's guidelines which provide for working out of tariff considering return on equity, interest on loan, depreciation, O & M expenses and interest on working capital. The Committee are unable to understand the reluctance so far on the part of NHPC to agree to these guidelines. They are dismayed to observe that tariff in respect of none of the NHPC projects has so far been fixed even after agreement over the formula for fixing the tariff. They would now recommend that the tariff in respect of all the NHPC projects should be fixed and notified by CEA within three months of presentation of this Report. As soon as the tariff is fixed, the Company should enter into contractual agreements with beneficiary State Electricity Boards for the sale of power from its projects.

22. The NHPC has been earning profit over a period of time. The net profit earned by the company during 1992-93 to 1994-95 was Rs. 41.49 crores, Rs. 70.54 crores and Rs. 93.67 crores respectively. However, the generation of internal resources by the Company has been negligible mainly on account of large amounts being locked up in outstandings and delays in completion of projects. The Committee have already emphasised the need for closer monitoring of projects to ensure their timely completion. The Committee express their deep concern over the mounting outstandings due to the Company. As on 31 March, 1995 an amount of Rs. 589.53 crores was due to the company from various SEBs/States out of which Rs. 309.47 crores is stated to be disputed primarily due to the tariff policy hitherto being followed by NHPC. Now that tariff of NHPC projects is also going to be fixed in accordance with the guidelines laid down by K.P. Rao Committee, the position of outstandings might also change to some extent. The Committee would like to be informed of the exact position in this regard. However, in order to expedite the process of recovery they would recommend that the debt recovery machinery in the company should be strengthened along with the signing of contractual agreements with the beneficiary State Electricity Boards. In the meantime, in order to improve the internal resources position of the Company, the appropriation from the Central Plan Assistance may be resorted to.

23. The Committee in their 32nd Report (8th Lok Sabha) had recommended that as per the decision of Government in May, 1986 the Chief Executives/Functional Directors in Public Sector Undertakings should be considered for appointment for a period of 5 years, on contract basis, with a provision that the Government would have option to terminate their services with 3 months' notice. However, the Committee are astonished to find that the NHPC had seven Chairmen-cum-Managing Directors with tenures ranging from 6 to 43 months during the last ten years. At times the Company was even headed by Joint Secretary of the Ministry holding additional charge of NHPC. The Secretary (Power) conceded during evidence that "there were occasions where we could not position the regular CMDs at the right time." The Committee fail to understand particularly how a Joint Secretary in the Ministry can afford to devote his full time to a Corporation where important decisions may have to be taken at time at the spur of the moment. They, however, strongly deprecate the manner in which the issue of appointment of CMDs in the Company has been handled. They, therefore, recommend that henceforth the CMDs not only should have a minimum tenure of 5 years but also be a person who has sufficient experience in the relevant field. Besides, in order to ensure that the organisation does not remain headless the process of selection should be initiated sufficiently in advance.

24. The Committee are perturbed over the failure of the Government to fill up the post of Director (Projects) in the Company which continues to be vacant from 29th April, 1993, although the interviews for appointment to

this post were held in August, 1993. The Committee find that the orders for appointment have not so far been issued due to a court case filed in November, 1993 challenging the selection. It is disquieting to observe that in spite of directions of court, even the decision about the person to be appointed to the post has not been taken on the plea of the matter being sub-judice. The Committee view this situation with concern and deprecate the manner in which this matter has been allowed to drag on. They desire that a decision in the matter should now be taken without any further delay. Steps should also be taken to prevent such posts remaining vacant for a long time in future.

25. According to the guidelines issued by DPE in March, 1992 in case of PSEs where it is considered essential to give representation on the Board of Directors to concerned Government agencies other than the administrative Ministry, only one representative from such agencies/Ministries/State Governments should be appointed on the Board as part-time Director. The number of Government Directors on a Board should in no case exceed two. The Committee are concerned to note that there are four, part-time Directors on NHPC's Board representing the Government—two from Ministry of Power and one each from Central Electricity Authority and Central Water Commission. In the interest of autonomy of the Company, the Committee recommend that its Board of Directors should be restructured strictly in accordance with the DPE guidelines by reducing the number of Government Directors and appointing non-official Directors from among experts in the field.

26. Yet another area which has engaged the attention of the Committee is the failure of NHPC to gainfully redeploy the supervisory and unskilled/semi skilled manpower declared surplus after completion of certain projects. The Committee's examination of this aspect has revealed that the Company has as many as 5135 surplus manpower as on 1st July, 1995. Not more than 900 employees are expected to opt for the Liberalised Voluntary Retirement Scheme which is yet to be approved by DPE. While various other measures for reducing surplus manpower are stated to have been contemplated by the Company, the Committee are distressed to note that it may not be possible to "fully redeploy or reduce the surplus manpower." While expressing their displeasure over the manner in which NHPC resorted to employment of unskilled/semi skilled manpower on regular basis rather than on work-charged establishment for each project, the Committee cannot but stress that NHPC should now make earnest efforts for redeployment of surplus manpower in its forthcoming projects so as to avoid unnecessary financial burden on the company.

27. The Committee are perturbed to note that at present about 650 court cases involving NHPC are still pending of which about 50 per cent relate to compensation for land acquisition. During 1992-93 to 1994-95, the Company incurred legal expenses of Rs. 3.59 lakhs, Rs. 4.81 lakhs and Rs. 8.77 lakhs respectively. As recommended in

their 9th Report (10th Lok Sabha), the Committee desire that efforts should be made to settle all these cases through negotiations/arbitration. They would like to be informed of the outcome of such efforts.

28. It came to the notice of the Committee that two out of the 10 drums of 400 KV Oil filled cables imported by NHPC were received in a badly damaged condition. They are also given to understand that insurance cover for the consignment was not granted by the NIC as neither the premium was fully paid nor the declaration about the intended consignment submitted. As a result, the Company had to suffer an avoidable loss of Rs. 124.41 lakhs. What is more disturbing to note is that the Enquiry Committee which submitted its report in April, 1994 failed to fix any responsibility in the matter. In fact, strangely enough the Enquiry Committee neither recorded any statements nor did it suggest any remedial measures. The Committee desire that the matter should be probed afresh by an independent Committee with a view to pin-point the lapses and fix responsibility within 3 months as assured by the CMD under intimation to them. They also desire that the necessary details in regard to the claim should be submitted to the Ministry of Power without further loss of time so that the matter can be taken up with the Committee of Secretaries. In future it should be ensured that the insurance declarations are submitted immediately on receipt of intimation about the despatch of the consignment.

NEW DELHI;
February 26, 1996

Phalguna 7, 1917(S)

KAMAL CHAUDHRY
Chairman,
Committee on Public Undertakings.