

**SIXTH REPORT**  
**COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(1996-97)**

**(ELEVENTH LOK SABHA)**

**NATIONAL HYDROELECTRIC POWER  
CORPORATION LIMITED**

**MINISTRY OF POWER**

*[Action Taken by Government on the recommendations contained in the 51st  
Report of the Committee on Public Undertakings (10th Lok Sabha)]*



*Presented to Lok Sabha on 30.4.1997*  
*Laid in Rajya Sabha on 2.5.1997*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1997/Vaisakha, 1919 (Saka)*

**C.P.U. No. 785**

*Price : Rs. 20/-*

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**Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eighth Edition) and Printed by the Manager, Photo Litho Unit, Govt. of India Press, Minto Road, New Delhi.**

CORRIGENDA TO THE 6TH REPORT OF COMMITTEE ON PUBLIC UNDERTAKINGS  
(1996-97) ON NATIONAL HYDROELECTRIC POWER CORPORATION LTD.

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# COMMITTEE ON PUBLIC UNDERTAKINGS

(1996-97)

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## INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Sixth Report (Eleventh Lok Sabha) on Action Taken by Government on the recommendations contained in the Fifty-first Report of the Committee on Public Undertakings (Tenth Lok Sabha) on National Hydroelectric Power Corporation Limited.

2. The Fifty-first Report of the Committee on Public Undertakings was presented to Lok Sabha on 29th February, 1996. Replies of the Government to all the recommendations contained in the Report were received on 20th March, 1997. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 21st April, 1997.

3. An analysis of the Action Taken by the Government on the recommendations contained in the 51st Report (Tenth Lok Sabha) of the Committee is given in Appendix-II.

NEW DELHI;

April 25, 1997

Vaisakha 5, 1919 (S)

G. VENKAT SWAMY,

*Chairman,*

*Committee on Public Undertakings.*

## CHAPTER I

### REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Fifty-first Report (Tenth Lok Sabha) of the Committee on Public Undertakings (1995-96) on National Hydroelectric Power Corporation Limited which was presented to Lok Sabha on 29th February, 1996.

2. Action Taken notes have been received from Government in respect of all 28 recommendations contained in the Report. They have been categorised as follows:

- (i) Recommendations/observations that have been accepted by Government:  
Sl. Nos. 2, 4, 5, 8, 9, 11, 20, 22 to 24 and 26
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies :  
Sl. Nos. 17 and 19
- (iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee :  
Sl. Nos. 3, 6, 7, 10, 16, 18, 21 and 25
- (iv) Recommendations/observations in respect of which final replies of Government are still awaited :  
Sl. Nos. 1, 12 to 15, 27 and 28

3. **The Committee desire that final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.**

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

#### **A. Total share of Hydro Power**

##### **(Recommendation Serial No. 3)**

5. The Committee had noticed that 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 the share of hydro power stood at 26%. While pointing out that hydro power was cheaper, had an important role in load management and system reliability and did not lead to any depletion of natural resources, the Committee had recommended that 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.

6. In their reply, the Government have stated that while it was committed to according the highest priority to hydro power, the goal of share of 40% of hydro power, in the total capacity addition may not be capable of achievement by the end of 9th Plan considering that hydro projects have a long gestation period. In order to achieve 40% share of hydro power, an additional 36000 MW would have to be added by the end of 9th Plan. It is not possible to make such a large addition till the end of the 9th Plan. Considering the need to identify new hydro project which would be taken up for execution in the th Plan so that the results could fructify in the 9th Plan, an inter-Ministerial Group was constituted by the Planning Commission in May, 1992. Subsequently, the National Development Council (NDC) Committee on Power was set up in 1993 which also considered the question of increasing the share of hydro power in the total installed capacity. The inter-Ministerial Group therefore did not meet subsequent to the constitution of the NDC Committee on Power and thus gave no report. The report of the NDC Committee on Power has been submitted and the Government is yet to take a decision on the recommendations.

7. The Committee note with regret the assertion now put forward by the Ministry that the goal of 40% share of hydro power in the total installed capacity by the end of Ninth Five Year Plan as envisaged earlier would not now be possible to be achieved, on the plea that hydro power projects have a long gestation period. They wish to point out that this very fact must have been taken into account when this target was fixed. In fact an inter-Ministerial Group was constituted by the Planning Commission as late as in May, 1992 and the National Development Council (NDC) Committee on Power was set in 1993 which also considered the question of increasing the share of hydro power in the total installed capacity. The Committee are constrained to observe that Government is yet to take a decision on the Report of NDC Committee on Power which was submitted in March, 1995. They are of the firm opinion that had timely decision been taken on the Report, it would have been possible to achieve the target of 40% for hydro power by the end of Ninth Plan. The Committee would therefore urge that a decision on the NDC Committee on Power should now be taken without further delay and the Committee apprised of the share of hydro power expected to be achieved by the end of Ninth Plan within three months of presentation of this Report.

#### **B. Streamlining and strengthening of Project Monitoring Machinery (Recommendation Serial No. 6)**

8. Apart from the delays in clearance of proejects, the Committee observed huge time over-runs in the completion of projects leading to significant cost over-runs. They noted that the Committee constituted two years ago by the Ministry of Programme Implementation to go into land acquisition problems had not submitted its report. The Committee desired that the report should be expedited and the project monitoring machinery in the company be streamlined and strengthened so that timely corrective action could be taken.

9. The Government in their reply have stated that a full fledged Monitoring & Project Services Division headed by a Chief Engineer with various Task forces has



been made more effective in NHPC. In addition, Project Monitoring Machinery has been further strengthened by forming dedicated groups comprising all disciplines for the new projects namely Kurichu and Kalpong Project w.e.f. Jan., 1996 for speedier execution. Progress Review Meetings are held at project level/Corporate office level to review the progress and corrective actions are taken. Similarly progress is reviewed periodically at Board level as well as at Secretary (Power) level for resolving the major bottle-necks. Meetings are held at CEA level as well as at Ministry of Programme Implementation level in respect of Mega Hydroelectric Power Projects for resolving matters related to Government/Inter Ministerial issues. The project monitoring system has been streamlined by computerisation of all functions of project implementation. As regards monitoring of the project, Audit have pointed out that the company has not been able to expedite the completion of Rangit Project and balance Civil Works of Dulhasti Project. During evidence before COPU, the company and the Ministry had stated that the Rangit Project would be completed by March, 1997 as against the original schedule of September, 1995. The date of completion has been again shifted to March, 1999, which would indicate that monitoring leaves something to be desired. The Ministry has also not made any mention of the report of the Committee constituted by the Ministry of Programme Implementation to go into the land acquisition problems.

10. In their further reply, the Ministry have stated that the schedule for completion of Rangit Projects by March, 1997 indicated earlier was tight. Due to natural events like exceptional floods as well as geological problems in the underground works etc. the progress of the works was hindered considerably. There was some delay on the part of contractor due to various constraints. All this was closely monitored. After taking corrective steps to the extent possible, the date of completion has been shifted to March, 1999. The Ministry have further stated that the position regarding Committee constituted by the Ministry of Programme Implementation (MOPI) to go into the land acquisition problem was checked. The MOPI informed that they have not constituted any Committee to go into the land acquisition problem.

11. The Committee are perturbed to note that despite the various steps claimed to have been taken for streamlining and strengthening of project monitoring system, the Company failed to expedite the completion of Rangit Project as per the schedule as also the balance Civil Works of Dulhasti Project. The Rangit Project which was expected to be completed by March, 1997 as per the revised schedule is now anticipated to be completed only by March, 1999. They are also surprised to note that no Committee was constituted by the Ministry of Programme Implementation to go into the land acquisition problems although they were informed during evidence that such a Committee had been constituted. The Committee cannot but place on record their strong displeasure for placing information before them which was not based on facts. They desire that, in future, Government should ensure that any information given to the Committee should be verified thoroughly to ensure its factual accuracy. They also urge that project monitoring system in the Company should further be streamlined and strengthened and concerned efforts made to avoid delays in completion of projects.

**C. Baira Siul Project—Review of Generation Targets  
(Recommendation Serial No. 7)**

12. In the case of Baira Siul Project, while noting that the firm capacity assessed by the company at 920 MU was only 58.34% of the installed capacity, the Committee had expressed 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. 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. The Committee had desired that in view of the actual generation achieved being well above 800 MU in some of the years, the targets should be raised realistically.

13. The Government have stated in their reply that the targets for generation is fixed in consultation with CEA every year, based on anticipated rainfall, planned maintenance of the generating units, system requirement etc. Efforts will be made to maximise generation from Baira Siul exceeding 800 MU every year. A review of generation targets will be made after observing the hydrological and other required data for a period of five years.

14. Audit have pointed out that the modified runners were installed during 1989 to 1991. As such, the review of generation targets was due in 1996-97. To this, the Government have replied that period of 5 years was meant to be reckoned from 1995-96 onwards. As such review would be due in 2000-2001.

15. The Committee do not agree with the contention of the Government that the review of generation targets is due in 2000-2001. In reply to another recommendation relating to Loktak Project, the Government have themselves stated that after installation of the modified runners, the performance of machines and annual generation to be achieved will be watched for five years for further revision of generation targets so that long term realistic generation targets are fixed. Since the modified runners were installed at Baira Siul Project during 1989 to 1991, the review of generation targets should have been done in 1996-97. The Committee recommend that such review should now be done within a period of three months under intimation to the Committee.

**D. Performance of Salal-I Project  
(Recommendation Serial No. 10)**

16. The Committee had expressed grave concern over the decline in actual generation of power capacity against the firm capacity at Salal-I after 1990-91. The reason for the declining performance of the project was stated to be silt problem which had already damaged the shaft seals and under water parts of machines. Introduction of closed cycle system and new shaft real designs were some of the measures which were still being contemplated. The Committee had recommended that in order to prevent further damage to the machines, urgent steps should be taken to overcome the menace posed by the silt.

17. In their reply the Government have stated that the main cause of huge damage to under-water parts of the turbine is due to passing of high silt concentration inflow.

through machines. Considerable amount of silt already deposited in the reservoir cannot be removed as the under sluices cannot be opened as per restriction imposed by Indus Water Treaty between India and Pakistan for flushing this accumulated silt. Further accumulation of silt is being restricted by taking preventive measures like catchment area treatment. Closed cycle cooling system to minimise downtime due to choking of the cooler tubes, special shaft seal to minimise outage due to excessive leakages are some of the measures being proposed to be incorporated to increase generation from Salal Project. More runners will be kept as spare for quick replacement of worn out runners.

18. The Committee are dismayed to observe that the steps contemplated for increasing generation from Salal Project such as closed cycle cooling system and special shaft seal are still "proposed to be incorporated". They wish to point out that these were the very steps being contemplated when the representatives of the Company appeared for evidence before the Committee in August, 1995. The Committee cannot but deplore the inaction on the part of the management in taking steps designed to increase power generation from this project. They would strongly recommend that urgent and concerted efforts should be taken to improve the performance of the project. They would like to be apprised of the steps taken in this direction within three months of the presentation of this report.

**E. Tanakpur Project—Recovery of extra payment made to contractor  
(Recommendation Serial No. 13)**

19. The Committee had noted that the construction of barrage and office related works of Tankapur project was completed by HSCL in January, 1992 although the extended schedule was upto December, 1989. The Committee noted that an extra payment of Rs. 2.97 crores was made to the contractor 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. They found no rationale behind the payment of this amount against the terms of the contract and desired that the matter should be enquired into and the feasibility of recovering this amount examined.

20. The Government in their reply have stated that a Committee has been constituted to look into the feasibility of recovering extra payment made to M/s. HSGL as per the provisions of the contract.

21. The Committee would like to be informed when the Committee to go into the feasibility of recovering extra payment made to M/s. HSCL was constituted by Government. They also desire that its report should be expedited and they be apprised of the action taken by Government thereon.

**F. Dulhasti Project  
(Recommendation Serial No. 16)**

22. The Committee had noted with concern the developments after the award of contract in respect of Dulhasti Project. The French Consortium (FC) suspended the relative contractual obligations in August, 1992 on the ground of increased militant

tivities 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 Guranatee Organisation (COFACE) in France, whose team also supported their claim under force majeure clause no penalty could be imposed on the contractor. The Committee found that even the agreement suffered from lacunae resulting in different interpretations and desired 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. The project was expected to be completed by July, 1988 *i.e.* after a delay of four years at the revised estimated cost of Rs. 2496.36 crores at October, 1994 price level. The Committee desired to be informed whether the evaluation for the international competitive bidding has since been completed. They also desired that in order to ensure completion of the project by July, 1988, 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.

23. The Government have stated in their reply that the conditions of contract for Dulhasti turnkey contract were finalised with the help of independent legal advisers. This contract being composite and complex in nature necessary safeguards were incorporated in the agreement to ensure continuity of work all through. However, a Committee headed by Dr. M.S. Reddy, ex-secretary (Water Resources), GOI has been constituted to examine contractual clauses of the contract entered into with French Consortium for Dulhasti HE Project which are alleged to be not unambiguous and susceptible to different interpretations under which contracts could cause damages like in case of Dulhasti and suggest suitable modifications in the light of prevalent practices in similar projects.

24. It has also been stated in Government's reply that the schedule of completion *i.e.* July 1998 as envisaged by NHPC is now not feasible of achievement. The evaluation of offers by NHPC has recently been completed and conditional Letter of Intent issued to M/s. Jaiprakash Ltd. But NHPC is yet to complete pre-contract award negotiations. It is only after these negotiations are completed that the letter of award for the civil works would be issued. Under the circumstances, at this stage no useful purpose may be served by setting up a monitoring committee and the Government would consider setting up of such a Committee only after the revised implementation and completion schedules have been finalised by NHPC.

25. As regards delay in completion of project, Audit have pointed out that the Ministry and the company had in January 1994, agreed to allow the civil contractor to go out of the consortium but did not take any action for the award of balance civil works. The tenders for balance civil works were instead invited in April, 1995. The Company has not been able to award the contract for civil works as the revised project cost had not been sent by the company to Government for approval. As per company's Annual Plan for 1997-98, the date of commissioning has been further shifted to March, 2001.

26. In their further reply, the Minister stated that the Global Tenders for balance civil works were invited in August, 1995. Being a complex tender of the project it required detailed examination of the tenders and processing of the lowest tenders has been issued and the revised estimate amounting to Rs. 3539.77 crores at Nov. 96 price level with debt-equity ratio of 1 : 1 was submitted on 22.11.96. The PIB document has been submitted on 17.2.97. The NHPC is already executing part of civil works departmentally and the new civil contract is already mobilised at the project site.

27. The Committee deprecate the delay of over one year in inviting tenders for the balance civil works after the civil contractor was allowed to go out of the consortium which obviously contributed in further delaying the project. They are very much concerned to note that date of commissioning of the Dulhasti Project has been further shifted to March, 2001 from the revised schedule of July, 1998 resulting in an expected additional expenditure of over Rs. 1000 crores on the project. It was precisely to avoid such delays that the Committee has recommended setting up of a High Powered Committee to monitor the schedule for completing the project but the Government have not taken it seriously. They, therefore, reiterate their earlier recommendation and desire that a High Powered Committee headed by the Secretary, Power should be set up without any loss of time particularly in view of the fact that the contract is stated to have already been awarded. The Committee also desire that report of the Committee headed by Dr. M. S. Reddy should be expedited so that different interpretations of agreements under which contractors might cause damages to the Company in the similar projects could be avoided.

### **G. Rangit Power Project (Recommendation Serial No. 18)**

28. The Committee noted that the Rangit Power Project which started in September, 1990 was expected to be commissioned in March, 1997 against the original schedule of September, 1995 and the cost of the project increased from Rs. 163.49 crores to the anticipated Rs. 317.08 crores. The reasons advanced for the delay were the resource crunch and contractual problems. The work was started after a Committee constituted by NHPC negotiated with the contractor. The Committee recommended that all out efforts should be made to ensure commissioning of the project as per the revised schedule and desired that an independent enquiry should be conducted into the delay in completion of the project and responsibility should also be fixed in the matter.

29. In their reply, the Government have stated that the Project is not likely to be completed by March, 1997. All out efforts are being made to complete the Project during 1998-99. A Committee has been constituted to look into and identify factors/actions which contributed to delay in completion of the Rangit HE Project and identify the activity centres/officials responsible for contributions to the same.

30. The Ministry have further stated that the report of the Committee is under submission. The draft PIB memo seeking approval for the revised cost estimate for Rs. 371.63 crores at June, 1996 Price Level has been submitted to Ministry of Power on 4.10.1996. Meeting of Pre-PIB was held but certain clarifications were sought by Planning Commission which NHPC is to examine after which it has to come back to Pre-PIB for approval.

31. The Committee are constrained to note that the revised time schedule for commissioning of Rangit Power Project by March, 1997 has not been adhered to and the project is now likely to be commissioned during 1998-99 only. What dismays the Committee is that the Government have not cared to give any reasons for this delay while furnishing the reply to the Committee. The revised Project cost is now estimated to be Rs. 371.63 crores at June, 1996 price level for which approval is still pending. The Committee would urge that at least from now onwards the project should be taken up in right earnest and the time schedule for commissioning of the project adhered to scrupulously. They also desire that action on the report of Committee constituted to look into the delay in completion of the project should be expedited and responsibility fixed in the matter under intimation to the Committee.

#### **H. Fixation of tariff (Recommendation Serial No. 21)**

32. While noting that 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 Committee observed that the Company had agreed in June, 1995 to fixation of tariff in accordance with the K.P. Rao Committee's guidelines. But the tariff in respect of none of the NHPC Projects had so far been fixed even after agreement over the formula for fixing the tariff. The Committee recommended 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 and thereafter the Company should enter into contractual agreements with beneficiary State Electricity Boards for the sale of power from its projects.

33. The Government in their reply have stated that NHPC has furnished data to CEA for notification of tariff. Pending notification of tariff, NHPC has signed four agreements with North Eastern Region beneficiaries *i.e.* Meghalaya, Assam, Manipur and Tripura during March, 1996. Efforts to get the agreements signed with other States would continue. Atleast 4 more States are expected to sign the agreements in 1996-97.

34. The Committee strongly deprecate the inordinate delay in notifying the tariff in respect of all the NHPC projects inspite of the categorical recommendation of the Committee to fix and notify the tariff within three months of presentation of the report. They would like to emphasise that they attach the greatest importance to the timely implementation of their recommendation. The Committee desire that tariff of all the NHPC project should be notified

**without any further loss of time to enable the Company to sign agreements with all the beneficiary States for the sale of power from its projects and the Committee be apprised of the same.**

**I. Boards of Directors  
(Recommendation Serial No. 25)**

35. The Committee had expressed concern that there were 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 whereas according to the guidelines issued by DPE in March, 1992, the number of Government Directors on a Board should in no case exceed two. 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. In the interest of autonomy of the Company, the Committee had recommended 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.

36. The Government in their reply have stated that while it is true that the Government has nominated part-time Directors of NHPC, the two Directors from Central Electricity Authority and Central Water Commission are technical experts and are considered to be the best in the field.

37. The Committee are constrained to observe that their recommendation has not been taken by Government in right earnest. The reply furnished by the Ministry is vague and evasive. Since the DPE issued guidelines with a view to ensure autonomy and efficient functioning of public sector undertakings, the Committee would like to emphasise that such guidelines should be taken seriously and implemented in letter and spirit. The Ministry also does not appear to have taken the consent of DPE for continuing with four Government Directors on NHPC's Board. The Committee, therefore reiterate that Government should restructure the NHPC's Board in accordance with the DPE guidelines.

## **CHAPTER II**

### **RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation (Serial No. 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 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 of 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.

#### **Reply of the Government**

The Government would keep the observations of the Committee in mind while appraising the Corporate Plan of NHPC.

[Ministry of Power, O.M.No. 16/33/95-DO (NHPC) dt. 10.10.96]

#### **CAG's Comments**

No Comments

#### **Reply to further CAG's Comments**

The Govt. would examine the Corporate Plan keeping in view the financial resources available with the Govt. and NHPC. However, it must be emphasised that Govt. is fully committed to develop hydro power in the country and in this regard NHPC has to play a major role since it is one of the apex Corporations engaged in the development of hydro power in the country. The Govt. would ensure that NHPC's Corporate Plan adopted is dovetailed into the plans prepared for development of hydro-electric projects in the country.

[Ministry of Power, O.M.No. 16/33/95-DO(NHPC) dt. 20.3.97]

#### **Recommendation (Serial No. 4)**

The Committee are of the opinion that one of the major factors responsible for the decline in share of hydro power has been 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



reports 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 1653 MW and even after completion of the ongoing 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.

#### **Reply of the Government**

The Government's policy will be enunciated in the 9th Plan document and Govt. is committed to supporting the development of the vast hydro-potential of the country. In this development NHPC would have to play a significant role since it is the premier Corporation engaged in the development of hydro power potential. However, NHPC has to rely increasingly on internal resources and commercial borrowings fund its future projects. The Budgetary support of the Govt. of India will also not be available to NHPC to the extent it was earlier available for its projects.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

#### **CAG's Comments**

No Comments

#### **Reply to further CAG's Comments**

The Govt. is already taking steps to ensure availability of funds to NHPC and has already stepped up the budgetary support to NHPC and in the first year of 9th Plan *i.e.* 1997-98 Rs. 240 crores has been provided to NHPC as against Rs. 140 crores in 1996-97. Also, to enable NHPC to have access to commercial borrowings Govt. has allowed Govt. of India guarantee for external commercial borrowings by NHPC. This would facilitate NHPC in securing commercial borrowings at comparatively cheaper rates.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

#### **Recommendation (Serial No. 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 clearnace 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.

### **Reply of the Government**

The Govt. has already taken steps towards liberalising the process of clearance for the project. However, there are certain statutory clearances which are mandatory and also those which are mandated by the State authorities. The major clearances in the Central Govt. relate to techno economic clearance by the Central Electricity Authority and that by the Ministry of Environment & Forests. The Govt. of India has already decided that the Projects costing upto Rs. 1,000 crores do not require techno-economic clearance by CEA provided such projects are awarded after the state authorities have followed the bidding route. The MOEF already have a two stage clearance system for power projects. The recommendation of the committee have however been noted by the Govt.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

No Comments

### **Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Recommendation (Serial No. 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 steps 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 projects. 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.

### **Reply of the Government**

Advice of geologists is, and will be given proper consideration for all design and construction and suitable preventive measures evolved accordingly. Recommendation made by the Enquiry Committee would also be scrupulously followed. Instructions have been issued to all concerned in these respects.

The Committee constituted to examine the issue relating to insurance for the projects has since submitted the report and recommended self insurance in view of the unsatisfactory level of settlement by the insurance companies. The NHPC is examining the report in view of the fact that insurance cover in respect of underground power house are required as the losses involved in such cases are substantial and self-insurance even may not be sufficient to cover such losses.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

Final decision of the company on the recommendation of the Committee and on insurance cover may be intimated, as and when arrived at.

### **Reply to further CAG's Comments**

The management has since decided to go in for self insurance for O&M projects. The approval of the board is being solicited and in the meanwhile modalities of insurance are being worked out.

[Ministry of Power, O.M.No 16/33/95-DO (NHPC) DT. 20.3.97]

### **Recommendation (Serial No. 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 target of 410 MU, 410 MU and 450 MU for the year 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.

### **Reply of the Government**

Feasibility studies, for uprating the installed capacity, are scheduled to be conducted shortly. It these studies indicate possibility of uprating, modified runner

will be procured and fitted. This will enable higher output and generation to be achieved from this project. After installation of the modified runners, the performance of machines and annual generation to be achieved will be watched for five years for further revision of generation targets so that long term realistic generation targets are fixed.

[Ministry of Power, O.M. No 16/33/95-DO (NHPC) dt 10.10.96]

### **CAG' Comments**

No action has been taken by the company so far for conducting feasibility studies for uprating the installed capacity.

### **Reply to further CAG'S Comments**

The feasibility studies, which are to be conducted jointly by NHPC, BHEL, & CWPRS could not be taken up due to long forced shutdown of Unit No. 3. The feasibility studies can only be conducted when all the three units are in operation. Unit No. 3 is expected to be recommissioned in March' 97. Feasibility studies would be undertaken thereafter during the period of low power demand.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.96]

### **Recommendation (Serial No. 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 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 Banbassa reservoir. This not only led to avoidable expenditure but also a recurring loss of generation of power 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 decision in future when such sensitive issues are involved.

### **Reply of the Government**

Based on the experience in Tanakpur, NHPC would take care to ensure in future to secure/assent/agreements of concerned organisations in all matters and especially involving sensitive issues.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

**CAG's Comments**

No Comments

**Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

**Recommendation (Serial No. 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 Eight Five Year Plan, the Company requires Rs. 5,200 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.

**Reply of the Government**

The matter regarding enhancement of authorised share capital is under examination by the Ministry of Finance and the decision in this regard would be available before 31st March 1997. The Committee would be apprised of the decision when the proposal is approved by the Ministry of Finance.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

**CAG's Comments**

No Comments

**Reply to further CAG's Comments**

The authorised capital of NHPC has been increased to Rs. 3500 crores.

[Ministry of Power, O.M.No. 16/33/95-DO(NHPC) dt.20.3.97]

**Recommendation (Serial No.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.

### **Reply of the Government**

- (a) The position of outstanding as on 31.3.1995 will undergo changes after notification of the tariff by CEA as per K.P. Rao Committee recommendations and issuance of revised bills by NHPC, on the basis of such tariff. While Government is willing to assist NHPC in recovering its dues from the State Government, a permanent solution to the problem lies in NHPC entering into Power Purchase Agreements with the beneficiaries.
- (b) NHPC has strengthened the debt recovery machinery and has also signed contractual agreement with four beneficiary States in North Eastern Region during March 1966.

[Ministry of Power, O.M. No. 16/3/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

As on 31.3.96 the company had to recover a sum of Rs. 436.81 crores after giving effects recommendations of Sh. K.P. Rao Committee. The company has not been able to execute power purchase agreements with the beneficiaries except with four North-Eastern States.

### **Reply to further CAG's Comments**

The tariff of various NHPC generating projects is under scrutiny in CEA and is expected to be notified by the Ministry of Power shortly. The actual outstanding dues may undergo change after notification of tariff by Govt. of India.

In the North Eastern Region, out of 7 beneficiaries, 6 beneficiaries viz. Assam, Manipur, Nagaland, Meghalaya, Tripura and Mizoram have signed agreement with NHPC for sale of power from Loktak project. Only left beneficiary viz. Arunachal Pradesh is also being persuaded by us for signing of the agreement which is expected very soon.

As regards power purchase agreements with SEBs in the Northern Region, the terms and conditions of power purchase agreement with the beneficiaries of the Tanakpur power have been discussed and is in the final stage. Once the PPA of

Tanakpur power is executed, the agreements in respect of other projects viz. Baira Siul, Salal and Chamera shall follow.

In order to facilitate recovery of outstanding dues of NHPC the Govt. has recently decided to resort to Central Plan Appropriation which would result in increased recoveries of the outstanding dues.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Recommendation (Serial No. 23)**

The Committee in their 32nd Report (8th Lok Sabha) had recommended that as per the decision of Government in May, 1986 the Chief Executive/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 Chairman-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 times 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 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.

### **Reply of the Government**

The recommendation of the Committee have been noted. However, the recommendation that CMD should have a minimum tenure of 5 years may be difficult to implement, since this may result in unfair supersession of officers who have at least 2 years of service and are the senior most in the Corporation. In so far as the recommendation that the process of selection should be sufficient in advance it may be mentioned that the process of selection starts invariably 6 months prior to the requirement of the officer but circumstances sometimes interfere in the speedy appointment of the successor.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

No Comments

### **Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Recommendation (Serial No. 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 *subjudice*. 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.

### **Reply of the Government**

The matter has since been decided and the Director (Projects) is already in his place. The Govt. would ensure that such posts do not remain vacant for a longer time in future.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

No Comments

### **Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Recommendation (Serial No. 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 project. 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 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.



### **Reply of the Government**

The Committee on Public Undertaking has observed that NHPC has not been able to gainfully redeploy the supervisory, skilled, semi-skilled & unskilled manpower declared surplus after completion of certain projects and mentioned that presently 5135 persons are surplus as on 1.7.1995.

The Corporation has taken up critical works of Dulhasti H.E. Project and tunneling works of Rangit H.E. Project on departmental basis. The Corporation has also taken up the works of Lining of Jawahar Tunnel in J&K. In these works some of the surplus manpower has been deployed. The Corporation has taken up the construction work of Kurichu Project in Bhutan on contract basis and Kalpong H.E. Project in Andaman & Nicobar on deposit work basis which will also require deployment of surplus manpower.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

The company is still having a surplus work force of about 4850 as on August, 1996 in the completed project viz Loktak, Tanakpur, Baira siul, Chamera-I and Salal projects.

### **Reply to further CAG's Comments**

The surplus manpower is mainly in the workcharged category. The Corporation had proposed a Liberalised Voluntary Retirement Scheme providing 90 days compensation per completed year of service in place of 45 days as provided under the Standard Scheme of DPE for VRS. Department of Public Enterprises (DPE) have now advised to put a note for approval of CCEA for 60 days compensation per completed year of service.

In addition to deployment of surplus manpower at Dulhasti Rangit and for the Lining Work of Jawahar Tunnel and construction activities at Dhauliganga Project are likely to pick up. The Govt. of Sikkim have handed over the Teesta V.H.E. Project to NHPC. It would thus be possible to deploy the surplus manpower for construction of these Projects.

The NHPC's proposal for introduction of Liberalised Voluntary Retirement Scheme to reduce the surplus manpower is being considered and action has been initiated for obtaining requisite approvals from Deptt. of Public Enterprises so that the Financial burden of carrying the surplus manpower is reduced.

[Ministry of Power, O.M. No.16/33/95-DO (NHPC) dt. 20.3.97]

## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

#### Recommendations (Serial No. 17)

As 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 percent 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.

#### Reply of the Government

The evaluation was completed in Nov. 1995 and the NHPC Board felt that as the tenders received resulted in high project cost and tariff, fresh bids should be obtained to set conditions from the same tenderers. The fresh bids have been evaluated and the Board of NHPC considered the offers of both the bidders as unacceptable as the cost of the project resulting from lower offer is also considered high.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

#### CAG's Comments

The company is again holding discussions with an Indo-Canadian Hydro consortium led by M/s. Jai Prakash Industries Ltd. after receiving directives from the Government. The company's funds to the tune of Rs. 20.09 crores are blocked and it is also incurring an infructuous expenditure of Rs. 1.13 crores per annum on the salary of the staff deployed on the project though no work is going on at the project.

### Reply to further CAG's Comments

As observed, further negotiations have been held with M/s. ICHC and evaluation has been completed. The Board has decided to process the latest offer of ICHC.PIB/CEA approval for investment, approval are being sought, NHPC has not inducted new employees for Chamera Stage-II from outside and therefore there is no additional expenditure towards the salary of the staff. In so far as the expenditure of Rs. 20.09 crores is concerned, it may be mentioned that Rs. 13 crores for consultancy projections would be included in the cost of Chamera-II Project which is now proposed to be implemented through turn-key execution with commercial borrowing and the total cost of the project sanctioned by the Govt. would *inter alia* include the expenditure booked earlier. The commitment charges were paid to keep the loan obligated since at that time it was being considered that the project would be executed through savings from loans committed for Chamera- I Project, Once the decision had been taken not to proceed with the Canadian assistance available then the loan was de-obligated. The expenditure incurred on commitment charges was a mandatory requirement to keep the loans alive.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### Recommendation (Serial No. 19)

The forest clearance for the Koal 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 the project should be taken urgently to avoid further rise in costs.

### Reply of the Government

The Central Electricity Authority to whom the question of viability of the Project was referred have justified the viability of the Project. However, the funding of the project remains to be tied up and even though the OECF, Japan was requested for financial assistance, the response of OECF has not been positive. The present financial constraints of NHPC preclude the possibility of taking up of this Project in the near future. The State Govt. had earlier been asked to explore the possibility of undertaking this Project in private sector but the response of the State Govt. in this regard was in favour of the NHPC doing the Project. As mentioned, at present NHPC does not have adequate funds to begin the project works and a decision on

the construction of the Project would have to be taken only after NHPC has tied up the full funds for the Project.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

**CAG's Comments**

No. Comments.

**Reply to further CAG's Comments**

No Comments.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

## CHAPTER IV

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

#### Recommendation (Serial No. 3)

The Committee have been informed that out of the total hydro electric 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 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.

#### Reply of the Government

The Government is committed to according the highest priority to hydro power. The goal of share of 40% of hydro power in the total capacity addition may not be capable of achievement by the end of 9th Plan considering that hydro project have a long gestation period and to achieve such a share would mean a capacity addition of around 36,000 MW in the hydel sector in the 9th Plan. This figure is reached on the assumption that 57,000 MW would be added in the 9th Plan taking the total capacity in the country to around 1,42,000 MW out of which the share of hydro would be 57,000 MW. Considering that the present capacity is only about 21,000 MW the additional 36,000 MW would have to be added in the next 5-1/2 year . It is not possible to make such a large additon till the end of the 9th Plan.

Considering the need to identify new hydro project which would be taken up for execution in the 8th Plan so that the results could fructify in the 9th Plan, an inter-Ministerial Group was constituted by the Planning Commission in May 1992. Subsequently, the National Development Council (NDC) Committee on Power was set up in 1993 which also considered the question of increasing the share of hydro power in the total installed capacity. The inter-Ministerial Group therefore did not meet subsequent to the constitution of the NDC Committee on Power and thus gave

no report. The report of the NDC Committee on Power has been submitted and the Government is yet to take a decision on the recommendations.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

No Comments

### **Reply to further CAG's Comments**

The Government decision on the NDC Committee is still to be taken.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Comments of the Committee**

Please *see* paragraph No. 7 of Chapter I of the Report.

### **Recommendation (Serial No. 6)**

Apart from the delays in clearance of projects, huge time overruns have been observed ranging from 40 months to 110 months in the completion of projects leading to significant cost overruns. Some of the problems leading to such delays could have certainly been avoided with better foresight 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.

### **Reply of the Government**

A full fledged Monitoring & Project Services Division headed by a Chief Engineer with various Task forces has been made more effective in NHPC. In addition Project Monitoring Machinery has been further strengthened by forming dedicated groups comprising all disciplines for the new projects namely Kurichu and Kalpong Projects w.e.f. Jan., 1996 for speedier execution. A resource based Level I, Level II and Level III Construction Schedules are prepared. The progress report on daily/weekly/monthly basis is received and analysed. Progress Review Meetings are held at project level Corporate office level to review the progress and corrective actions are taken. Similarly progress is reviewed periodically at Board level as well as at Secretary (Power) level for resolving the major bottle-necks. Meeting are held at CEA level as well as at Ministry of programme Implementation level in respect of Mega Hydro-electric Power Projects for resolving matters related to Govt./Inter-ministerial issues. The project monitoring system has been streamlined by computerisation of all functions of project implementation i.e. preparation of PERT chart/Bar charts, work breakdown structure, Optimisation of percentage completion, earned value, variances of cost and time over the schedule to enable to take suitable timely corrective action for which a software namely 'Yojana' suggested by Ministry of

Programme Implementation has been obtained in NHPC since February 1996 and being used for project monitoring to contain time overrun and cost overrun of the construction projects.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

#### **CAG's Comments**

The Ministry in this reply has not made any mention of the report of the committee constituted by the Ministry of Programme Implementation to go in to the land acquisition problems. As regards monitoring of the project the company has not been able to expedite the completion of Rangit project and balance Civil works of Dulhasti project. During evidence before COPU, the company and the Ministry had stated that the Rangit project would be completed by March, 1997 as against the original schedule of September, 1995. The date of completion has been again shifted to March 1999, which would indicate that monitoring leaves something to be desired.

#### **Reply to further CAG's Comments**

The schedule for completion by March, 1997 indicated earlier was tight. Due to natural events like exceptional floods as well as geological problems in the underground works etc. the progress of the works was hindered considerably. There was some delay on the part of contractor due to various constraints. All this was closely monitored. After taking corrective steps to the extent possible, the date of completion has been shifted to March, 1999.

The position regarding Committee constituted by the Ministry of Programme Implementation (MOPI) to go into the land acquisition problem was checked. The MOPI informed that they have not constituted any committee to go into the land acquisition problem.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

#### **Comments of the Committee**

Please see paragraph No. 11 of Chapter I of the Report.

#### **Recommendation (Serial No. 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.

### **Reply of the Government**

The targets for generation is fixed in consultation with CEA every year, based on anticipated rainfall, planned maintenance of the generating units, system requirement etc. Efforts will be made to maximise generation from Baira Siul exceeding 800 MU every year. A review of generation targets will be made after observing the hydrological and other required data for a period of five years.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

The modified runners were installed during the year 1989 to 1991. As such, the review of generation targets is due in 1996-97.

### **Reply to further CAG's Comments**

Period of 5 years was meant to be reckoned from 1995-96 onwards. As such review would be due in 2000-2001.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Comments of the Committee**

Please see paragraph No. 15 of Chapter I of the Report.

### **Recommendation (Serial No. 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 this problem should be taken care of during the technical appraisal of projects in future.

### **Reply of the Government**

The main cause of huge damage to under-water parts of the turbine is due to passing of high silt concentration inflow through machines. Considerable amount of silt already deposited in the reservoir cannot be removed as the under sluices cannot be opened as per restriction imposed by Indus Water Treaty between India and Pakistan for flushing this accumulated silt. Further accumulation of silt is being



restricted by taking preventive measures like catchment area treatment. Closed cycle cooling system to minimise downtime due to choking of the cooler tubes, special shaft seal to minimise outage due to excessive leakages are some of the measures being proposed to be incorporated to increase generation from Salal Project. More runners will be kept as spare for quick replacement of worn out runners.

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) dt. 10.10.96]

### **CAG's Comments**

The Company should have been aware of the Indus Water Treaty Restrictions and introduced suitable preventive measures right in the beginning to avoid damage to machines.

### **Reply to further CAG's Comments**

Originally the project was being executed by Central Hydro Electric Power Control Board under Ministry of Irrigation and Power. The project was handed over to NHPC for execution on agency basis in May, 1978. Planning and Design activity continued to be done by CWC/CEA. The project was transferred to NHPC on ownership basis from Nov., 1987. The Indus Water Treaty puts restriction on having any low level outlets in the body of the dam. Making the water silt free was extremely difficult and would have been expensive.

Even to minimise the silt content, treatment at upstream would have to be carried out extensively at a considerable cost. Efforts are however being constantly made to limit the damage caused to machines due to silt.

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) dt. 20.3.97]

### **Comments of the Committee**

Please see paragraph No. 18 of Chapter I of the report.

### **Recommendation (Serial No. 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 obligation 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, 1988 i.e. after a delay of four years. The revised estimate is expected to be Rs. 2496.86 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.

### **Reply of the Government**

The conditions of contract for Dulhasti turnkey contract were finalised with the help of independent legal advisers. This contract being composite and complex in nature necessary safeguards were incorporated in the agreement to ensure continuity of work all through. However the developments in J&K in general and the project site in particular and the cessation work thereafter for over 2 years led to a settlement with approval of both the Governments for resumption of work without the civil contractor who maintain prevalence of a law and order problem.

The observations of the Committee have been noted and a Committee headed by Dr. M.S. Reddy, ex-Secretary (Water Resources), GOI has been constituted to examine contractual clauses of the contract entered into with French Consortium for Dulhasti HE Project which are alleged to be not unambiguous and susceptible to different interpretations under which contractors could cause damages like in case of Dulhasti and suggest suitable modifications in the light of prevalent practices in similar projects. The findings of the Committee would be submitted as desired.

The schedule of completion i.e. July 1998 as envisaged by NHPC is now not feasible of achievement. The evaluation of offers by NHPC has recently been completed and conditional Letter of Intent issued to M/s Jaiprakash Ltd. But NHPC is yet to complete precontract award negotiations. It is only after these negotiations are completed that the letter of award for the civil works would be issued. Under the circumstances, at this stage no useful purpose may be served by setting up a monitoring committee and the Govt. would consider setting up of such a Committee only after the revised implementation and completion schedules have been finalised by NHPC.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

The report of the Committee headed by Dr. M.S. Reddy is awaited. As regards completion of project the Ministry and the company had in January 1994, agreed to

allow the civil contractor go out of the consortium but did not take any action for the award of balance civil works. The tenders for balance civil works were instead invited in April 1995. The company has not been able to award the contract for civil works as the revised project cost had not been sent by the company to Government for approval. As per company's Annual Plan for 1997-98, the date of commissioning has been further shifted to March 2001 at a project cost of Rs. 3915 crores.

### **Reply to further CAG's Comments**

Committee is still examining the issue and related documents under reference. The submission of the report has been delayed. Global Tenders for balance civil works were invited in April, 95. The bids were received on 21st August, 95. Being a complex tender connected with execution of remnant works of the project it required detailed examination and deliberations. The exercise of evaluation of the tender and processing has been completed. Letter of Award to the lowest tenderer has been issued and the revised cost estimate amounting to Rs. 3539.77 crores at November 1996 price level with debt-equity ratio of 1:1 was submitted on 22.11.96. The PIB document has been submitted on 17.2.97. The Government of India (Ministry of Finance) vide their letter dated 12.2.97 has permitted to spend additional Rs. 304.65 crores between January, 1997 to March, 1997 and April to June 1997 pending approval of RCE by PIB/CCEA. The NHPC is already executing part of the civil works departmentally and the new civil contractor is already mobilised at the Project site.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Comments of the Committee**

Please see paragraph No. 27 of Chapter I of the Report.

### **Recommendation (Serial No. 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.

### **Reply of the Government**

The Project is not likely to be completed by March 1997. All out efforts are being made to complete the Project during 1998-99. A Committee has been constituted to look into and identify factors/actions those contributed to delay in completion of the Rangit HE Project and identify the activity centres/officials responsible for contribution to the same.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

The report of the Committee is awaited. The revised project cost at January 1996 prices is estimated to be Rs. 371.63 crores.

### **Reply to further CAG's Comments**

The report of the committee is under submission.

The draft PIB memo seeking approval for the revised cost estimate for 371.63 crores at June, 96 Price Level has been submitted to MOP on 4.10.96. Meeting of Pre-PIB was held but certain clarifications were sought by Planning Commission which NHPC is to examine after which it has to come back to Pre-PIB for approval.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Comments of the Committee**

Please see paragraph No. 31 of Chapter I of the Report.

### **Recommendation (Serial No. 21)**

NHPC had been adopting actual sale-able 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.

### **Reply of the Government**

- (a) NHPC has furnished data to CEA for notification of tariff.
- (b) Pending notification of tariff, NHPC has signed four agreements with North Eastern Region beneficiaries i.e. Meghalaya, Assam, Manipur & Tripura during March 1996. Efforts to get the agreements signed with other States would continue. Atleast 4 more States are expected to sign the agreements in 1996-97.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

### **CAG's Comments**

No Comments

### **Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

### **Comments of the Committee**

Please see paragraph No. 34 of Chapter I of the Report.

### **Comments of the Committee**

Please see paragraph No. 37 of Chapter I of the Report.

### **Recommendation (Serial No. 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.

### **Reply of the Government**

While it is true that the Govt. has nominated part-time Directors of NHPC, the two Directors from Central Electricity Authority and Central Water Commission are technical experts and are considered to be the best in the field.

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) dt. 10.10.96]

**CAG's Comments**

No Comments

**Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

**Comments of the Committee**

Please *see* paragraph No. 37 of Chapter I of the Report.

## CHAPTER V

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

#### Recommendation (Serial No. 1)

The National Hydro-electric 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, Tankakpur and Chamera-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 plan 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.

#### Reply of the Government

The recommendations of the Committee are noted for compliance. The NHPC has yet to finalise its Corporate plan. The Committee would be apprised of the submission of the Corporate Plan.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

#### CAG's Comments

No. Comments

#### Reply to further CAG's Comments

The Corporate Plan of NHPC has yet to be submitted, however it may be mentioned that the Corporate Plan would be linked to the Projects to be taken up by the Corporation for commissioning in 9th Plan or 10th Plan. This would inevitably require allocation of funds from the Planning Commission, and, since the 9th Plan document has yet to be approved in the circumstances, the Corporate Plan of NHPC

would be finalised in consonance with the schemes approved to be taken up for implementation in the 9th Plan.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

**Recommendation (Serial No. 12)**

There was also excessive seepage at various outlet ends, cracking/subsidence of pannels 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 fitting, 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.

**Reply of the Government**

The Arbitration Proceedings are not yet complete. Soon after the receipt of the award the outcome would be apprised.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

**CAG's Comments**

No Comments

**Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

**Recommendation (Serial No. 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 at 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 inquired into and the feasibility of recovering this amount examined.

**Reply of the Government**

A Committee has been constituted to look into the feasibility of recovering extra payment made to M/s. HSCL as per the provisions of the contract.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]



**CAG's Comments**

No Comments

The report of the Committee is awaited.

**Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

**Comments of the Committee**Please *see* paragraph No. 21 of Chapter I of the Report.**Recommendation (Serial No. 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 also 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.

**Reply of the Government**

A Committee has been constituted to look into reasons/events leading to delay in construction of access roads or in regard to wrong methodology adopted for construction of Face-3 of Tunnel and fix responsibility on persons as the case may be.

[Ministry of Power, O.M.No. 16/33/95-DO(NHPC) dt. 10.10.96]

**CAG's Comments**

The report of the Committee is awaited. No Comments.

**Reply to further CAG's Comments**

The Committee has not submitted its report.

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) Dt. 20.3.97]

**Recommendation (Serial No. 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-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.

### **Reply of the Government**

The files relating to Dulhasti Hydro-electric Project have been seized by the Central Bureau of Investigation (C.B.I.) in connection with a case registered by them. The reply of the Govt. to this recommendation would have to necessarily await the outcome of the inquiry by the C.B.I.

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) dt. 10.10.96]

### **CAG's Comments**

No Comments

### **Reply to further CAG's Comments**

No Comments

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) dt. 20.3.97]

### **Recommendation (Serial No. 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.

### **Reply of the Government**

The cases arising out of land disputes constitute majority of pending court cases. As far as land acquisition is concerned, the Corporation has already deposited amount with the Land Acquisition Authorities and disbursement of compensation is made by the Land Acquisition Officer. Disbursement of compensation in some cases has not been made because of dispute of ownership between the parties or category of land acquired. The court cases have also arisen because of claims by different family members. In some instances, cases have been filed for higher amount of compensation. In land acquisition cases, the Corporation has been made party by the land owners as land has been acquired for NHPC though the dispute primarily is between the land owners and Land Acquisition Authorities in respect of amount of compensation/kind of land etc.

2. However, in order to settle pending cases quickly out of arbitration/court proceedings, a One Man Committee has been constituted to examine all the pending arbitration/court cases of various kinds and suggest means/measures for alternative early settlement of such cases, including furnishing opinion on groups of cases of similar kinds.

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) dt. 10.10.96]

#### **CAG's Comments**

Committee's report is awaited. No Comments.

#### **Reply to further CAG's Comments**

Committee's report has not been submitted as yet.

[Ministry of Power, O.M. No. 16/33/95-DO(NHPC) dt. 20.3.97]

#### **Recommendation (Serial No. 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 pinpoint 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.

#### **Reply of the Government**

The matter has been probed afresh by One man Committee and the report submitted has been accepted by the NHPC Management and further follow up/ action is in progress.

NHPC have decided not to take up the matter further with the Committee of Secretaries. An amount of Rs. 24,05,794.00 has already been received by NHPC from M/s. Shipping Corporation of India as full and final settlement of the claim. Instructions have been issued to ensure that the insurance declarations are submitted immediately on receipt of intimation about the despatch of the consignment.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 10.10.96]

#### **CAG's Comments**

Director(T) was appointed by the CMD as the One man Committee to probe afresh with a view to fixing responsibility. The report was submitted by him in July,

1996 holding whole of the Division responsible for the lapses.

The Division Head and another Senior Officer in the Division have since retired/resigned. In respect of other individuals, no action has been taken so far.

**Reply to further CAG's Comments**

The replies to the questionnaire has not been received from all officers who have resigned or retired. In order to expedite response, Legal Notice has been issued. Further course of action would be decided on availability of full information.

[Ministry of Power, O.M. No. 16/33/95-DO (NHPC) dt. 20.3.97]

NEW DELHI;

April 25, 1997

Vaisakha 5, 1919 (S)

G. VENKAT SWAMY,

*Chairman,*

*Committee on Public Undertakings.*

## APPENDIX I

### MINUTES OF THE TWENTY SECOND SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 21ST APRIL, 1997

The Committee sat from 1500 hrs. to 1615 hrs.

#### PRESENT

Shri G. Venkat Swamy,—*Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Parasram Bhardwaj
3. Shri Somjibhai Damor
4. Shri Banwarilal Purohit
5. Shri Brij Bhushan Tiwary
6. Prof. (Smt.) Rita Verma

##### *Rajya Sabha*

7. Shri Vayalar Ravi
8. Shri Solipeta Ramachandra Reddy

#### SECRETARIAT

1. Shri J.P. Ratnesh — *Joint Secretary*
2. Smt. P.K. Sandhu — *Director*
3. Shri P.K. Grover — *Dy. Secretary*
4. Shri Raj Kumar — *Assistant Director*

#### OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Shri B. B. Pandit — *Principal Director (Comml.)*

\*2.           xx           xx           xx           xx           xx           xx

3. Thereafter the Committee considered the draft report on Action Taken by the Government on the recommendations contained in 51st Report of the Committee on Public Undertakings (1995-96) on National Hydroelectric Power Corporation Limited and adopted the same.

In respect of the recommendation contained in para 11 of the Action Taken Report, the Committee decided that the issue of placing the wrong information before them may also be taken up taken up separately with the Ministry of Power.

\*4.           xx           xx           xx           xx           xx           xx

\*5.           xx           xx           xx           xx           xx           xx

\*6.           xx           xx           xx           xx           xx           xx

7. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by Ministries/Undertakings concerned and Audit and to present the same to Parliament

*The Committee then adjourned.*

## APPENDIX II

**Analysis of the Action Taken by Government on the recommendation contained in the 51st Report (10th L.S.) of the Committee on Public Undertakings (1995-96) on National Hydroelectric Power Corporation Limited.**

I.	Total number of Recommendations	28
II.	Recommendations/Observations that have been accepted by the Government ( <i>vide</i> recommendations at Sl. Nos. 2,4,5,8,9,11,20,22 to 24 and 26)	11
	Percentage to total	39.29%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies ( <i>vide</i> recommendations Sl. Nos. 17 and 19)	2
	Percentage to total	7.14%
IV.	Recommendations/observations in respect of which reply of Government have not been accepted by the Committee ( <i>vide</i> recommendations at Sl. Nos. 3,6,9,10,16,18,21 and 25)	82
	Percentage to total	8.57%
V.	Recommendations/Observations in respect of which final replies of Government are still awaited ( <i>vide</i> recommendations at Sl. Nos. 1,12 to 15 to 27 and 28)	7
	Percentage to total	25%