



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

THIRTY FIFTH REPORT

(Presented on July 24, 2007)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007

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**On
The action taken by Government on the Recommendations contained in the
Ninety Fourth Report of the Committee on Public Undertakings
(2004-2006) relating to Kerala State Electricity Board based on
the Report of the Comptroller and Auditor General of India
for the year ended 31st March 1999 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

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Shri R. Vijayakumar, Joint Secretary

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Smt. L. Sailaja, Under Secretary.

INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Thirty Fifth Report on the action taken by Government on the recommendations contained in the Ninety Fourth Report of the Committee on Public Undertakings (2004-2006) on the working of the Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1999 [Commercial]

The Statement of action taken by the Government included in this Report were considered by the Committee constituted for the year 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 18-7-2007.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala, in the examination of the statements included in this Report.

Thiruvananthapuram,
24th July, 2007.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.

REPORT

The Ninety Fourth Report of the Committee on Public Undertakings (2004-2006) on Kerala State Electricity Board (Power Department) based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 1999 (Commercial) was presented to the House on March 22, 2005.

The Report contained 10 recommendations, Government have furnished replies to all the recommendations. The Committee (2006-2008) considered the replies received from Government at its meeting held on 11-1-2007.

The Committee accepted the replies to the recommendations No.1(14), 3(16), 5(20) , 6(22), 9(28) and 10(36) without any remarks. These recommendations and their replies form Chapter I of the Report.

The replies to the recommendations No. 2(15), 4(17), 7(25) and 8(26) were accepted by the Committee with remarks.

These recommendations, their replies and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS
OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE
COMMITTEE WITHOUT REMARKS

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Department</i>	<i>Conclusions/ Recommendations</i>	<i>Reply furnished by Government</i>
(1)	(2)	(3)	(4)	(5)
1.	14	Power	<p>The Committee is much displeased to note that year-wise and party-wise details of dues amounting to Rs. 271.92 crore payable towards supplies and works were not available with the Board. It is embarrassing to learn that most of the units of the Board are not taking pains in maintaining sub ledgers which is mandatory, resulting in the year of pendency being not properly ascertained. The Committee further observes that the principles of Commercial Accounting is applicable to the Board also and therefore recommends that immediate measures should be taken to update the sub ledgers in all units, so that year-wise and party-wise details can be made readily available to monitor payments in time</p>	<p>In compliance with the Recommendations of the Committee, all the Account Rendering Units have been directed to maintain subsidiary registers so as to ascertain party-wise and year-wise details of amount payable towards suppliers/works and proper monitoring will be done to see that the direction in this regard is complied with by all the Account Rendering Units.</p>

(1)	(2)	(3)	(4)	(5)
3.	16	Power	<p>The Committee is shocked to learn that the transmission and distribution loss in the Board is 32.5 per cent in 2001-02 and 30.42 per cent in 2002-2003 as against Central Electricity Authority's norm of 15.5 per cent. The Committee understands that Board has undertaken certain measures to reduce the high T & D loss and remarks that it is high time that the Board should seek for the ultimate renovation of the T&D system and recommends that earnest efforts should be made to bring down the T&D loss to the minimum as specified in the Central Electricity Authority norms.</p>	<p>Kerala State Electricity Board has been giving high priority for the T&D loss reduction. The T&D loss which stood at 32% in 2001-02 was brought down to 30.4% in 2002-2003 and 28.5% in 2003-04. Kerala State Electricity Board has targeted to reduce the loss by 2% every year by cutting down technical losses (by addition of lines, substations, distribution transformers & capacitors) and controlling commercial losses to an optimum level. During 2004-05 the T&D loss stood at 25.39%.</p> <p>By the end of 10th plan, i.e., by the end of 2006-07, 12 nos. of 220 KV substations, 65nos. of 110 KV substations, 15 nos. of 66 KV substations & 118 nos. of 33 KV substations & 1800 Kms of EHT lines are proposed to be commissioned.</p> <p>By the end of the Tenth Plan (i.e., 2006-07), it is targeted to reduce the existing HT: LT ratio of 1:6 to 1:4 and thereby effecting reduction of distribution losses.</p>

(1)	(2)	(3)	(4)	(5)
3.	16	Power		<p>In order to strengthen the distribution system, the board has taken up construction of 11 KV lines, erection of distribution transformers and replacement of faulty meters.</p> <p>Anti power theft wing, has been strengthened and its activities have been intensified to detect cases of malpractice and pilferage of energy. Accelerated Power Development and Reforms Programme has been initiated on 3 circles and 20 towns for restoring the commercial viability of the distribution sector through improvements in sub transmission and distribution network. In addition to this, sanction has been obtained for voltage and system improvement under APDRP scheme in 26 towns also. With all the above mentioned efforts, it is expected that the T&D loss can be reduced significantly.</p>
5.	20	Power	<p>The Committee is perturbed to note that eventhough Government had released an amount of Rs. 52 crore for the improvement of power supply in Malabar area under Fifteen point programme, the physical</p>	<p>The Board could not achieve the target during 1995-96 under the 15 point programme due to shortage of materials and local resistance. But since 1997-98 the Board could carry out the following works in the Northern region.</p>

(1)	(2)	(3)	(4)	(5)					
5.	20	Power	achievement is far below the target. The target fixed by the Board itself was 1000 Km of 11 KV lines and 1500 transformers. But the Committee is surprised to find that the Board could install only 1018 transformers and establish 342 Km of 11 KV lines by the end of 2003. The Committee opines that Board has miserably failed to achieve its own proposed target even after a lapse of several years and recommends that urgent steps should be taken to increase the power supply of northern region of the state.	Progress of Distribution works in the Northern Region during 1997-2005					
				<i>Year</i>	<i>Service connection</i>	<i>11 K.V. Line (KM)</i>	<i>LT Line (KM)</i>	<i>Street light (Numbers)</i>	<i>Transformer (Numbers)</i>
				1997-98	100656	204	1942	5977	299
				98-99	157067	402.96	2382.8	10229	464
				99-00	136679	320.95	2205.95	17101	553
				00-01	168711	533.97	3898.2	11983	750
				01-02	158264	383.93	2474.18	9354	478
				02-03	151772	356.85	1908.75	5329	312
				03-04	177568	572.35	2300.15	8036	394
				04-05	261031	407.93	3053.35	11051	791
				Total	1311748	3183	20165	79059	4041
				During the eight years since 1997-98, 4041 transformers had been installed and 3183 Km of 11 KV line had been constructed, besides 20165 Km of LT line. This has facilitated giving service connection to the tune of about 1.60 lakh per year in the Northern Region.					
			As the incoming voltage at substation was very poor, attention was also given for improving the transmission system along						

(1)	(2)	(3)	(4)	(5)
5.	20	Power		with the targeted 11 KV line construction and transformer installation. During the period from 1996-97 the quality of supply could be considerably improved with the commissioning of the following transmission substations and works in the Malabar area.

1. TRANSMISSION CIRCLE, KANNUR

(a) **Substations**

<i>Sl.No.</i>	<i>Name of Substation/Line</i>	<i>Date of Commissioning</i>
(1)	(2)	(3)
1.	220 KV SS, Kanhirode.	15-9-1997
2.	220 KV SS, Mylatti.	12-10-1998
3.	220 KV SS, Taliparamba	29-3-2005
4.	110 KV SS, Manjeswaram	28-5-1997
5.	110 KV SS, Payangady	25-12-1997
6.	110 KV SS, Cherupuzha	23-5-1998
7.	110 KV SS, Azhikode	30-4-2000
8.	110 KV SS, Nadapuram	18-2-2001
9.	110 KV SS, Mulleria	8-3-2001
10.	110 KV SS, Pinarayi	18-3-2001
11.	110 KV SS, Ezhimala	28-9-2001
12.	110 KV SS, Cheruvathur	14-4-2002

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13.	66 KV SS, Chovva	29-7-1995
14.	66 KV SS, Sreekandapuram	19-4-1997
15.	33 KV SS, Pariyaram	1-7-2003
16.	33 KV SS, Trikaripur	31-12-2004

(b) **Transmission Lines**

1.	220 KV DC Line from Areakode to Kanhirode (ARKH)	15-9-1997
2.	220 KV DC Line from Kanhirode to Mylatti (KHYM)	12-10-1998
3.	220 KV DC Tap line to Taliparamba, SS.	29-3-2005
4.	110 KV DC Tap line to Manjeswaram, SS.	28-5-1997
5.	110 KV DC line from Vidayanagar to Mulleria	8-3-2001
6.	110 KV DC Tap line to Mylatti SS.	12-10-1996
7.	110 KV DC Tap line to Cheruvathur SS.	14-4-2002
8.	110 KV DC line from Payyannur to Cherupuzha	23-5-1998
9.	110 KV MC Tap line to Taliparamba SS.	28-5-1998
10.	110 KV DC line from Taliparamba to Payangadi	25-12-1997
11.	110 KV DC line from Payangadi to Ezhimala	28-9-2001
12.	110 KV DC Tap line to Azhikode, SS	20-4-2000
13.	110 KV SC line from Azhikode to WIP.	20-8-2000

(1)	(2)	(3)	(4)	(5)		
5.	20	Power		(1)	(2)	(3)
				14.	110 KV MC Tap line to Kanhirode, SS.	5-9-1997
				15.	110 KV DC Tap line to Chakkittapara, SS.	2-12-2004
				16.	110 KV DC Tap line to Pinarai SS	18-3-2001
				17.	66 KV DC Tap line to Chovva, SS.	29-7-1995
				18.	66 KV DC Tap line to Sreekandapuram SS.	19-4-1997
				19.	33 KV SC line from Taliparamba to Pariyaram	1-7-2003
				20.	33 KV SC line from Cheruvathur to Trikaripur	31-12-2004
				(2) TRANSMISSION CIRCLE, KOZHIKODE		
				(a) Substaion		
				1.	110 KV, SS, Chevayur.	22-2-1996
				2.	110 KV, SS, Kunnamangalam.	9-11-2000
				3.	110 KV, SS, Chelari	20-2-2003
				4.	110 KV, SS, Chakkittapara	2-12-2004
				5.	110 KV, SS, Agasthiamoozhy	25-1-2004
				6.	110 KV, SS, Meppayur	3-8-2004

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7.	66 KV GIS SS, Puthiyara	24-3-2004
8.	33 KV, SS, Balussery	19-12-2001
9.	33 KV, SS, Meenangadi	14-10-2004
10.	33 KV, SS, Kalpetta	30-11-2004
11.	33 KV, SS. Padinharethara	30-11-2004
12.	33 KV, SS, Pulpally	15-12-2004

(b) Transmission Lines

1.	220 KV Areekode-Vazhikkad MC line	31-5-1998
2.	110 KV Kuruvattur-Kunnamangalam line	9-11-2000
3.	110 KV Kunnamangalam-Agasthiamoozhy line	25-1-2004
4.	Olavattoor-Chelaryl 110 KV Tap line from Chettiarmadu	20-2-2003
5.	110 KV Tap line to Meppayur substation	3-8-2004
6.	66 KV UG cable from Chevayur substation to Puthiyara Substation	24-3-2004
7.	66 KV UG cable from Mankavu Substation to Puthiyara Substation	24-3-2004
8.	33 KV Urumi –Thambalamana SC line	29-9-2004
9.	33 KV Chembukichru-Thambalamana SC line	21-7-2004

(1)	(2)	(3)	(4)	(5)		
5.	20	Power		(1)	(2)	(3)
				10.	33 KV Thambalamana – Agasthiamoozhy DC line	21-7-2004
				11.	33 KV Koyilandy – Balussery SC line.	19-12-2001
				12.	33 KV line from Kaniyambetta Substation to Meenangadi Substation	14-10-2004
				13.	33 KV line from Kaniyambetta Substation to Kalpetta Substation.	30-11-2004
				14.	33 KV line from Kaniyambetta SS to Padinharethara SS.	30-11-2004
				15.	33 KV line from Kaniyambetta SS to Pulpally SS.	15-12-2004
(3) TRANSMISSION CIRCLE, MALAPPURAM						
(a) Substations						
				1	220 KV substation and switching station at Areekode	15-9-1997
				2.	110 KV Substation at Kuttippuram.	5-10-2000
				3.	110 KV Substation at Ponnani	3-1-2004
				4.	33 KV Substation at Valluvambram	13-12-2001
				5.	33 KV Substation at Makkaraparamba	25-5-2004
				6.	33 KV Substation at Pulamathole	25-11-2004

7.	33 KV Substation at Thazhakode	8-11-2002
8.	33 KV Substation at Wandoor	6-8-2003
9.	33 KV Substation at Edavanna	14-5-2004

(b) Transmission Lines

1.	220 KV DC line from Madakkathara to Areacode	15-9-1997
2.	110 KV DC line from Edappal to Tirur	15-4-2000
3.	110 KV DC tap line from Thirunavaya to Ponnani	3-1-2003
4.	110 KV DC tap line from Purathur to Kuttippuram	5-10-2000
5.	33 KV SC line from Kizhissery to Edavanna	14-5-2004
6.	33 KV SC line from Edavanna to Wandoor	6-8-2003
7.	33 KV SC line from Wandoor to Melathur	23-10-2003
8.	33 KV SC line from Thazhekcode to Koppam	23-11-2004
9.	33 KV SC line from Koppam to Pulamanthole	25-11-2004
10.	33 KV SC line from Pulamanthole to Makkaraparamba	29-11-2004
11.	33 KV SC line from Makkaraparamba to Malapuram	25-5-2004
12.	33 KV SC line from Malappuram to Valluvambaram	13-12-2001
13.	33 KV SC line from Valluvambram to Kishissery	13-12-2001

(1)	(2)	(3)	(4)	(5)
5.	20	Power		
			(1)	(2)
				(3)
			14.	33 KV SC line from Kizhissery to Chelari
				27-9-2001
			15.	33 KV SC line from Chelari to KINFRA
				23-8-2003
			(4) TRANSMISSION CIRCLE, PALAKKAD	
			(a) Substations	
			1.	220 KV Substation, Kanjikode
				25-6-1997
			2.	220 KV Substation, Shornur
				26-9-2003
			3.	110 KV Substation, Koppam
				27-12-1995
			4.	110 KV Substation, Pazhayannur
				25-4-1997
			5.	110 KV Substation, Vadakanchery
				20-3-1999
			6.	Upgradation of 66 KV Substation Kanjikode to 110 KV
				29-7-2000
			7.	110 KV Substation, Koottanad
				24-3-2000
			8.	110 KV Substation, Cherpulassery
				5-3-2004
			9.	110 KV Substation, Kollangode
				7-2-2004
			10.	33 KV Substation, Agali
				12-12-2002
			11.	33 KV Substation, Pattambi
				19-1-2002

12.	33 KV Substation, Thrithala	6-3-2003
13.	33 KV Substation, Chalissery	6-3-2003
14.	33 KV Substation, Koduvayur.	7-2-2004
15.	33 KV Substation, Muthalamada	7-2-2004
16.	33 KV Substation, Alanellur	29-5-2004
17.	33 KV Substation, Nelliampathy	11-6-2005

(b) Transmission Lines

1.	220 KV Line from Koonathara to Shornur	26-9-2003
2.	220 KV Line from Thrissur to Palakkad	25-5-1997
3.	110 KV Line from Ottapalam to Pazhayannur	25-4-1997
4.	110 KV line from Pazhayannur to Vadakkanchery	20-3-1999
5.	110 KV Line from Kanjikode to Kollangode	7-2-2004
6.	110 KV Line from Ottapalam to Cherpulassery	5-3-2004
7.	110 KV Line to Traction Substation, Shornur	31-10-1998
8.	110 KV Line from 220 KV Substation, Kanjikode (Palakkad to 110 KV Substation, Kanjikode)	29-7-2000

(1)	(2)	(3)	(4)	(5)
5.	20	Power		<p>Due to the above mentioned works in the distribution and transmission sectors, the electricity supply in the Malabar region could be improved significantly resulting in less interruption and peak hour voltage improvement.</p> <p>It is submitted that concerted effort on the part of the Board could make an all round improvement in the power supply in the Malabar Region. Eventhough there was short fall in the implementation during 1995-96, the short fall could be compensated in the succeeding years. The Board continues to make efforts to further improve the position in the region by implementing the APDRP schemes in a number of towns besides undertaking a special scheme for the Kozhikode City.</p>
6.	22	Power	<p>The Committee is astonished to learn that the Board has wasted an amount of Rs. 28.22 crore by way of purchasing power from EREB at a higher rate, which the HT & EHT consumers refused to buy in turn. Though power was purchased EREB to tide over the acute power</p>	<p>The Board purchased power from EREB to tide over the power crisis with the intension that the HT and EHT consumers would utilize EREB power at a cost higher than that of regular supply. But some of the HT and EHT consumers refused to consume EREB power at higher rate. Hence, this policy did not materialize fully. Board has</p>

(1)	(2)	(3)	(4)	(5)
6.	22	Power	<p>shortage, the Board could not sell the same to HT/ EHT consumers as the price per unit was rather high. The Committee opines that had there been a formal undertaking with the consumer, such a huge loss could have been avoided. The entire deal reveals lack of planning and foresight on the part of the Board. The Committee therefore recommends that the Board should take every care and to avoid recurrence of such losses in future.</p>	<p>adopted the following strategy in order to optimize the generation and reduce cost of power and to avoid losses in this case.</p> <ul style="list-style-type: none"> • Maximise the Hydro generation by avoiding spill during the monsoon seasons. • Maximum hydro capacity be exploited to meet the peak load requirement as well as to explore the possibility of Unscheduled interchange export. • Avail full allocation from the less costly Central Generating stations. • Schedule the generation strictly as per the merit order of cost. • Minimize the generation from the costly internal thermal stations — BSES, NTPC — Kayamkulam & KPCL. • Minimise the generation from BDPP & KDPP and schedule them only to supplement the need of the system during peak hours and to manage system constraints. • Take the benefit of Availability Based Tariff

(1)	(2)	(3)	(4)	(5)
6.	22	Power		<p>by availing more import as UI when system favours - i.e. when system frequency is higher and UI rate is lower than the variable cost of internal thermal stations.</p> <ul style="list-style-type: none"> • Explore the possibility of UI export during peak hours and in summer when system frequency is lower and UI rate are higher by judiciously operating the hydel stations. • Ensure maximum availability of machine in the hydro stations by appropriate scheduling of maintenance, renovation etc.
9.	28	Power	<p>The Committee is much displeased to note that Board has lost an amount of Rs.59.84 lakh for not lifting 30 lakh tonnes of cement within the validity period and recommends that Board should have proper planning with regard to various purchase in order to avoid financial loss in future.</p>	<p>As far as the procurement of cement by the KSE Board is concerned usually the contract period is six months . Since the price of cement is fluctuating the cement manufactures are not willing to supply at the quoted rate over a whole year and they are keeping their validity of the rate only for a maximum period of six months.</p>

(1)	(2)	(3)	(4)	(5)
9.	28	Power		<p>The quality of cement will be badly affected by prolonged storing. So it is normally not advisable to keep cement for more than a month. As such even though the lowest rate-quoted firm is given the order for supplying cement, they are not instructed to deliver the full ordered quantity in a single stretch. The firm will be instructed to supply cement in tune with the demand from the construction sites, movement of cement and also taking into account the weather conditions. The payment to the firm will be made for the actually lifted quantity only.</p> <p>In this context it may kindly be noted that the Board is taking care in assessing the total requirement and to lift the optimum quantity within the validity period of the order to avoid any extra expenditure or loss to the Board. Of late, the Board has dispended with the system of departmental supply of cement and the contractors are required to arrange cement on their own. In the case of transmission works, cement is procured by the Board as some of the works are carried out departmentally.</p>

(1)	(2)	(3)	(4)	(5)
10.	36	Power	<p>The Committee is critical to see that an amount of Rs. 14.05 lakh was spent on recoiling the cables on wooden drums. The Committee opines that if proper storage facility was there for protection of cables brought spending lakhs of rupees, this extra expenditure could have been avoided. The Committee therefore recommends that care should be taken to avoid the recurrence of such things in future.</p>	<p>In compliance with the recommendation of the Honourable Committee, the Chief Engineer, Kerala State Electricity Board has issued specific directions to field stores to take utmost care for the storage of conductors and other costly equipments and materials to avoid unnecessary expenditure in future.</p>

CHAPTER II

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS
OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE
COMMITTEE WITH REMARKS

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Department</i>	<i>Conclusions/ Recommendations</i>	<i>Reply furnished by Government</i>
(1)	(2)	(3)	(4)	(5)
2.	15	Power	<p>The Committee expresses its strong displeasure at the abnormal delay in the transfer of funds from branch of banks to central collection account of the Board and from current account to cash credit account. Even though the balance in the collection account at the close of every day should be transferred to central collection account as per provision in the agreement, there occurred unpardonable delay ranging from 11 to 1553 days in the transfer of funds which led to an aggregate loss of Rs. 0.61 crore to the Board.</p> <p>The Committee further notes that due to such delay in transfer of funds from current account to cash credit account, the Board had to suffer an additional loss of Rs. 1.46 crore also. The Committee,</p>	<p>Delay in the transfer of funds to the Central Collection Account from the branches of transacting banks are being located and follow up action is taken as and when delay/omission is noticed.</p> <p>Unit and Branch-wise monitoring and analysis of each and every remittance into Bank's branches throughout the State are being checked and reconciled on a regular basis.</p> <p>Moreover, as a prelude to the introduction of core banking system by the Banks, in the near future, the main bank (SBT) have introduced as electronic transfer system in many of its branches referred to as STEPS.</p> <p>This system made functional from 23-9-2004 is gradually being expanded to more and more branches. By virtue of this, delay or transfer of credits from branches to the Board's</p>

(1)	(2)	(3)	(4)	(5)
2.	15	Power	therefore opines that poor and unscientific financial management in the board led to such a pathetic state of affairs and recommends that the Board should take every steps to evolve a better system of management so as to monitor cash flow and to avoid such losses.	central collection account can be avoided.

Remarks of the Committee :

The Committee wants to know whether the delay in transferring funds to central collection account could be avoided after implementing core Banking system. The Committee may also be informed whether the balance in various collection accounts at the end of each days transaction is transferred to the central collection account maintained in the Board Administration Complex Branch, Trivandrum, the next day morning itself after the implementation of the core banking system.

4.	17	Power	The Committee also desires to be informed of the latest position of the appeal filed before Hon'ble High Court against M/s. Ideal Projects and Services (P) Limited for the reimbursement of the cost of investigation, preparation of project report and the allied works associated with small Hydro Electric Projects undertaken by Board.	The appeals in the matter of Small Hydel Projects against M/s. Ideal Projects and service Private Limited, are still pending in the Hon'ble High Court of Kerala.
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Remarks of the Committee :

The Committee should be furnished with the latest position regarding the appeal filed before the High Court of Kerala against M/s. Ideal Projects and Services (P) Limited.

The Committee also recommend that necessary steps should be taken to speed up the matter in consultation with the Advocate General.

(1)	(2)	(3)	(4)	(5)
7.	25	Power	<p>The Committee is surprised to note that Board has paid an amount of Rs.183.33 lakh to the contractor for trimming the surge shaft, concrete lining to shaft and other allied work associated with Kakkad Hydro Electric Project by erroneous calculation of contract rates. While the Board has allowed an increase of 50.75 per cent over the quoted rates from 1st September, 1992 till completion, the actual payment made was 195.75 per cent of the quoted rate, which resulted in double payment of 45 per cent of work. The Committee is all the more shocked to learn that when the matter was pointed out by audit, the Deputy Chief Engineer released Security Deposit of Rs. 66 lakh to the contractor.</p> <p>The Committee views this very seriously and recommends that both disciplinary and legal action should be taken against the officer immediately.</p>	<p>The Deputy Chief Engineer has not released the security deposit which was Rs. 1,00,000 as pointed out in the recommendation of the Committee, but the retention amount of Rs. 59 lakh was released. The Deputy Chief Engineer had violated rules, standing orders and agreement conditions and released retention amount illegally and unauthorisedly to the contractor without safe guarding the interest of the Board. An amount of Rs. 1,00,000 deposited towards security deposit in the form of Bank guarantee is kept in the Office of the Chief Engineer (Civil) Construction. The Deputy Chief Engineer had released the retention money to the tune of Rs. 59,36,530 out of the total retention amount of Rs. 65,66,531.</p> <p>As per clause E1.011 of the general conditions of the contract and instructions to tenders, which forms part of the agreement, "the retention amount including the security deposit will not be released until the work is completed in all respects to</p>

(1)	(2)	(3)	(4)	(5)
7.	25	Power	<p>the satisfaction of the engineer in charge and taken over by the board. Till then responsibility of the structure and works will rest with the contractor.”</p> <p>The clause also provides, “it is also incumbent on the contractor to ensure that security and retention are sufficient to cover all possible liabilities pertaining to issue of materials, loss, if any arising out of poor workmanship, amount, if any, that may be required towards the risk and cost of the contractor in case alternative arrangements are made and any other dues of miscellaneous nature. A review of liabilities shall be made by the Engineer to satisfy himself of the position before making payment and any dues to the Board will be recovered from his bills or otherwise” the following formalities have to be observed for ascertaining the liabilities before releasing the retention amount.</p> <ol style="list-style-type: none"> <li data-bbox="795 1281 1260 1522">1. The Final Contract Certificate (FCC) for the work should be finalised and ensure that all the liabilities outstanding against the contractor as far as the work is concerned and all the statutory recoveries are properly ascertained and adjusted. <li data-bbox="795 1543 1260 1680">2. Ascertain that no liability is outstanding against the said contractor for other works executed by him for the Board. 	

(1)	(2)	(3)	(4)	(5)
7.	25	Power	<p>3. It is to be ascertained whether the contractor has produced the required Clearance Certificates for taxes and other statutory dues payable to the Government.</p> <p>4. The Agreement Authority shall issue an order for releasing the retention amount if the above conditions are satisfied.</p>	<p>But the Deputy Chief Engineer has not observed any of the above formalities while releasing the retention amount, violating the rules, standing orders, agreement conditions and ignoring the audit objection. A Vigilance enquiry by the Vigilance Wing of the Board was conducted against Shri S. Sreekumar, the concerned Deputy Chief Engineer. A Memo of charge was issued by the Chairman, Kerala State Electricity Board based on the report of Vigilance wing regarding the release of the retention money of Rs. 59,36,530 and misinterpretation of terms of payments contained in the Board Order dated 21-10-1994.</p> <p>The above irregularities have also been reported to Vigilance and Anti Corruption Bureau. The Vigilance and Anti Corruption Bureau had registered a case No.14/97 U/S 13(1) and 13(2) of the prevention of Act R/W Section 120 (B) of Indian Penal Code for the alleged irregularities in the work of surge shaft of</p>

(1)	(2)	(3)	(4)	(5)
7.	25	Power		Kakkad Hydro Electric Project. Further information has not yet been received from the Anti Corruption Bureau, the disciplinary case is in progress.

Remarks of the Committee :

The Committee desires to be informed of the latest position of the case registered by the Vigilance & Anti Corruption Bureau. The present stage of the disciplinary case against the Deputy Chief Engineer should also be intimated to the Committee immediately.

8.	26	Power	The Committee further recommends that action should be taken to recover the excess payments made to the contractor and the results intimated to the Committee	A notice was issued to the contractor on 30-5-2005 for refunding the excess amount of Rs.3,53,66,937 paid to him in respect of escalation, rate enhancement and K value with interest @ 24%. But the contractor has not remitted the amount. Hence, a requisition in Form No. 24 has been forwarded to the District Collector, Pathanamthitta for initiating revenue recovery proceedings against the contractor.
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Remarks of the Committee :

The Committee wants to know the details of Revenue Recovery proceedings initiated against the Contractor.

Thiruvananthapuram,
24-7-2007.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.