



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2008-2011)**

SIXTY THIRD REPORT

(Presented on 25th February, 2009)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2009

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On

**Kerala Livestock Development Board Ltd. based on the Report of the
Comptroller and Auditor General of India for the year
ended 31-3-2005 (Commercial)**

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Smt. L. Sailaja, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2008-2011), having been authorised by the Committee to present the Report on their behalf, present this Sixty Third Report on Kerala Livestock Development Board Ltd. based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Commercial) relating to the Government of Kerala.

The Report of the Comptroller and Auditor General of India for the year ended 31-3-2005 (Commercial) was laid on the Table of the House on 13-2-2006. The consideration of the audit paragraphs included in this Report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings constituted for the years 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 21-1-2009.

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

The Committee wish to express their thanks to the officials of the Agriculture Department of the Secretariat and Kerala Livestock Development Board Ltd. for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Agriculture Department and Finance Department and the officials of Kerala Livestock Development Board Ltd., who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
25-2-2009.

*Chairman,
Committee on Public Undertakings.*

REPORT

KERALA LIVESTOCK DEVELOPMENT BOARD LIMITED

AUDIT PARAGRAPH

The Company engaged in cattle breeding, fodder production and allied activities, had a livestock farm at Mattupatty in Idukki District. The Power supply for the above farm was being made by Tata Tea Limited (TATA), a sanction holder for supply of electricity under the Indian Electricity Act 1910.

The categorisation of the consumer would be as per Kerala State Electricity Board (KSEB) tariff notification issued from time to time. As per the agreement entered into between the Company and TATA which was renewed (July 2002), the Company was classified under HT category.

The Tariff made applicable by TATA for the purpose of billing was HT I industrial category at Rs. 270 per KVA for demand charges and Rs. 2.50 per unit for energy charges which was further revised to Rs. 3 per unit from October 2002. Since the Company was engaged in livestock development, the correct tariff applicable as per notification issued by the KSEB was that for HT III Agriculture at Rs. 165 per KVA as demand charges and Rs. 1.30 per unit towards energy charges from the date of agreement (July 2002).

The Company, however, did not ensure inclusion of correct classification having lower tariff in the agreement with TATA; an amount of Rs. 13.42 lakh was paid in excess of the demand and energy charges during the period from July 2002 to March 2005. The efforts made (September 2004) by the Company to obtain refund of the excess amount from TATA was turned down (October 2004) since the classification HT industrial was already included in the agreement.

Thus, the failure of the Company to include the correct eligible tariff in the agreement with TATA for supply of power resulted in avoidable payment of Rs. 13.42 lakh.

The Government stated (July 2005) that efforts were being made by the Company to categorise the tariff under HT-III Agriculture. This confirms that the failure of the company, while entering into agreement, to ensure correct classification led to avoidable payment.

[Audit Paragraph 4.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31-3-2005 (Commercial)]

Notes on the Audit paragraph furnished by Government is given in Appendix II.

1. The Committee wanted to know the reason for the failure of the Company to include the correct eligible tariff in the agreement with TATA for supply of power which resulted in avoidable payment of Rs. 13.42 lakh for the period from July 2002 to March 2005. The witness replied that the agreement with TATA was made in July 2002 as per the existing categorisation ie, HT Industrial. KSEB brought out change in type of category in November 2002 and the Gazette notification was also issued in November 2002. The Committee enquired why this fact was not brought to the notice of Audit. The witness replied that the Accountant General suggested that the Company approach KSEB for this matter, but the KSEB had opined that the decision in this matter could be taken by TATA Tea itself. TATA turned down the Company's plea and suggested that a direction be obtained from KSEB. When the Company again approached KSEB, it replied that an appeal should be given to the Electricity Regulatory Commission, a quasi-judicial body. Now the matter is under consideration of the Regulatory Commission.

2. The witness further explained that earlier the Kerala Livestock Development Board was KLD and MM Board. The KSEB regarded this separately as Live stock farm and Dairy farm. The Livestock farm came under Agricultural tariff (HT III) and Dairy farm under Commercial tariff (HT Industrial). So the commercial tariff was fixed for KLD and MM Board. The KSEB had not accepted the change of KLD and MM Board to KLD Board.

3. The witness further explained that as per the KSEB Gazette notification dated 24th October 2002, the livestock farms, both Government and Private are coming under the purview of Agriculture Tariff (HT-III). In case there is both dairy and livestock farms in the same premises, that too comes under livestock farm. The KLD Board had brought this matter to the notice of Tata Tea Limited but Tata Tea had again rejected the request. So KLD Board had brought this matter before the Electricity Regulatory Commission and Government is expecting a favourable verdict. The witness also stated that there was no lapse on the part of the Company and the Board has taken this matter very seriously with TATA Tea.

Conclusions/Recommendations

4. **The Committee finds that though as per the KSEB Gazette notification dated 24th October 2002, both dairy and livestock farms existing in the same premises, live stock development comes under Agriculture Tariff (HT-III), TATA Tea, the licensee was refusing to include Kerala Livestock Development Board in the said category, and was charging higher rates for the power supplied to it, as HT Industrial was included in the agreement. The Committee observes**

that there is sheer negligence on the part of the company to include the correct eligible lower tariff in the agreement with TATA for supply of power. The Committee also understands that this matter is now under consideration of the Electricity Regulatory Commission and that the Company is expecting a favourable verdict. The Committee wishes to be informed whether the Company has now been included in the right category.

Thiruvananthapuram,
25th February 2009.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl.No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	4	Agriculture	<p>The Committee finds that though as per the KSEB Gazette notification dated 24th October 2002, both dairy and livestock farms existing in the same premises, livestock development comes under Agriculture Tariff (HT-III), TATA Tea, the licensee was refusing to include Kerala Livestock Development Board in the said category, and was charging higher rates for the power supplied to it, as HT Industrial was included in the agreement. The Committee observes that there is sheer negligence on the part of the company to include the correct eligible lower tariff in the agreement with TATA for supply of power. The Committee also understands that this matter is now under consideration of the Electricity Regulatory Commission and that the Company is expecting a favourable verdict. The Committee wishes to be informed whether the Company has now been included in the right category.</p>

APPENDIX II

NOTES FURNISHED BY THE GOVERNMENT ON THE AUDIT PARAGRAPH

Action taken notes on C & AG's Reports

- | | | |
|-----|---|---|
| I | (a) Department : | Agriculture (AHF) Department |
| | (b) Subject/Title of the Review Paragraph : | Kerala Livestock Development Board incorrect Classification of Tariff |
| | (c) Paragraph No. : | 4.5 |
| | (d) Report No. and year : | C&AG Report for the year ended 31-3-2005 |
| II | (a) Date of receipt of the Draft Para/Review in the Department : | |
| | (b) Date of Department's reply : | |
| III | Gist of Paragraph /Review : | The Company failed to include the correct classification of tariff in the agreement with TATA for supply of power which resulted in avoidable payment of Rs. 13.42 lakh |
| IV | (a) Does the department agree with the facts and figures included in the paragraph ? : | Yes |
| | (b) if not, please indicate areas of disagreement and also attach copies of relevant documents in support : | Not applicable |
| V | (a) Does the department agree with the audit conclusions ? : | Yes |
| | (b) if not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary : | Not applicable |

- VI (a) Remedial action taken :
- (a) Improvement in system and procedure including internal controls : Kerala Livestock Development Board Limited is a Company registered under the Indian Companies Act. It is a fully owned Government Company engaged in the field of cattle breeding, production and distribution of quality semen throughout the State. KLD Board is maintaining farms at Kulathupuzha, Mattupatti and Dhoni for these purposes. The electricity power supply for the Mattupatti farm in Idukki District is being made by TATA TEA Limited, a sanction holder for supply of electricity under the Indian Electricity Act.
- (b) Recovery of overpayment pointed out by audit :
- (c) Recovery of under assessment, short levy or other dues :
- (d) Modification in the schemes and programmes including financing pattern :
- The KLD Board was formed in 1976 integrating the Indo- Swiss Project, Milk Chilling Plants and Bull Station of Dairy Development Department and Cattle Feed Factory, Malampuzha of the Animal Husbandry Department. The Feed Factory, Dairies and Chilling Plants were transferred to Co-operative Sector and KLD Board is at present mainly carrying on cattle breeding and fodder production.
- (e) Review of similar cases/complete scheme/ project in the light of findings of sample check by audit : Mattupatti Farm is maintained for cattle breeding, production and distribution of quality Frozen Semen. In order to produce superior breeding bulls for production of frozen semen in line with the cattle breeding policy of the State, KLDB is maintaining a few female stock (cows). These cows are bull mothers and milk produced from them is used

for feeding young calves and balance quantity is sold to co-operative sector and employees. In the above context principal activity of the Mattupatti Farm is breeding bull production and maintaining them for frozen semen production for cattle breeding in the State and Livestock production. As per the Gazette (extraordinary) KSEB notification [vide reference No. B.O.(FM) No. 1462/02/TRACT/70-1/2002 dated, 24th October, 2002 page No.12 notified HIGH TENSION-III (H-T-III) AGRICULTURE] livestock farms both Government and private are coming under the purview of Agriculture Tariff (HT-III). If there is a combination of dairy and livestock farms in the same premises, agriculture tariff shall be applicable. KLDB had taken up the matter before TATA Tea Limited. But TATA Tea Limited in their reply denied the request. The relevant paragraph of the reply received from TATA Tea Limited in the matter is as follows;

“A dairying farm is one, the principal business of which is production of milk or milk product, while a livestock is one where domestic animals are kept for farm purpose especially marketable animals.

The principal business of KLD Board continues to be production milk and its marketing. Therefore, you should be continued to be treated as dairy farm falling within HT-I (Industry Category).”

TATA Tea Limited further orally argued that power charges HT-I (Industrial Tariff) collected from, KLD Board has been remitted to KSEB in time.

The matter had been referred to KSEB, Vidyuthi Bhavan, Pattom, Trivandrum and received advice from Deputy Chief Engineer, Tariff and Regulatory Affairs Cell, Vidyuthi Bhavan, Pattom, Thiruvananthapuram.

Based on the advice of KSEB, KLDB had again requested and reminded several times to M/s. TATA Tea Limited for changing the Electricity Tariff from HT-I to HT-III Agriculture. But TATA Tea Limited has denied the request.

Eligible power Tariff is a disputed matter. Uninterrupted power supply to Mattupatti Farm is very important for production and supply of frozen semen and maintenance of the livestock in the farm.

KLDB had approached Chairman, Kerala State Electricity Regulatory Commission and Principal Secretary to Government, Power Department for examining the matter. The Additional Chief Secretary & Principal Secretary to Government Power (A) Department vide Government Letter No. 2731/A1/06/PD dated, 28-4-2006 advised KLDB to take up the matter with Kerala State Regulatory Commission since matter relating to fixing of tariff are determined by the Commission.

Accordingly KLDB had again approached Kerala State Electricity Regulatory Commission and the Commission directed that the matter can be taken up while finalizing the Aggregate Revenue Requirement & Expected Revenue from charges of the distribution licensee and tariff fixation. The Kerala Livestock Development Board has submitted a request to the Power Department to refer the matter to the Kerala State Regulatory Commission.
