Chapter 4

Conclusion and Recommendations

Conclusion

The UDAY scheme was implemented in TANGEDCO during 2016-17 to 2019-20 to facilitate financial turnaround and improvement of operational efficiency. The performance audit conducted to assess the implementation of the Scheme and the improvement during post UDAY in TANGEDCO revealed the following deficiencies:

- The MoU was finalised for partial takeover of debts of TANGEDCO which rendered the Scheme unworkable which indicated that the MoU was ill-planned and unworkable *ab initio.* The shortfall in take over of TANGEDCO's debt of ₹30,502 crore by GoTN resulted in interest burden of ₹9,150.60 crore to TANGEDCO during 2017-20.

- The GoTN also failed to facilitate to convert TANGEDCO's debt of ₹7,605 crore into lower interest carrying Government guaranteed bonds.

- TANGEDCO paid overdue and penal interest of ₹503.03 crore to three financial institutions though it was not obligated to pay such overdue interest as per MOU.

- Failure of GoTN to take over the loss of TANGEDCO had increased its working capital requirement to the extent of ₹9,138.32 crore.

- As per UDAY scheme, the gap between ACS and ARR was to be brought to zero by 2018-19 but TANGEDCO reported loss of ₹12,623.41 crore during that year. This was mainly due to non-revision of tariff to match the cost, short receipt of subsidy from GoTN, continued operation of thermal power stations with low PLF, purchase of power from costlier sources, non-adoption of merit order dispatch in power purchase, etc.

- As per MOU, TANGEDCO should reduce the AT&C losses to 13.50 *per cent* by 2018-19 but the reported AT&C loss of 15.08 *per cent* in 2018-19. Even the reported AT&C loss was lesser as TANGEDCO contrary to uniform method prescribed by CEA. The value of energy lost, during 2016-20, for not achieving targets was equivalent to ₹6,547.25 crore. The reason for incorrect AT&C loss were:

- The same was not as per the methodology prescribed by CEA to exclude the wheeling units as input energy.
- Not accounting the energy consumed by agriculture and hut services based on actuals.

- Despite installation works relating to feeder metering and DT metering were taken up, accurate measurement of input energy was not made for energy accounting. The performance of other initiatives taken up for improving the operation efficiency such as feeders improvement programme, feeder separation for agricultural load, consumers indexing and GIS mapping of losses, were not satisfactory.

Thus, during the Post UDAY period no significant improvement was visible in TANGEDCO's financial position excepting transfer of TANGEDCO's debt of ₹22,815 crore to GoTN, yielding only a temporary relief to TANGEDCO. However, it could not turnaround TANGEDCO's financial condition as total debt as on 30 September 2015 (pre-UDAY) was ₹81,312 crore, increased by 52 *per cent* and became ₹1,23,895.68 crore as on 31 March 2020.

Recommendations

For achieving the financial turnaround as envisaged in the UDAY Scheme, the GoTN may consider the following actions:

- Review the debts of TANGEDCO and facilitate for restructuring the same to reduce the interest cost.
- Evolve a Tariff policy and direct TANGEDCO to submit tariff petitions to TNERC annually as prescribed, for revision of tariff to match the expenditure.

Similarly, TANGEDCO may consider the following actions:

- Calculate the AT&C losses accurately as per the methodology prescribed by CEA to have better control over it.
- Draw up procurement policy to ensure that entire materials required for a particular scheme are procured horizontally to complete the scheme in a time bound manner and to derive benefit from such expenditure.
- Work out plan of action for feeder segregation with a focus to reduce the AT&C loss in a specified time period.

- Evolve a policy to identify Key Performance Indicators and the Resource Person for implementation of any Scheme.

- Mandatory periodical review by the Top Management with observation and guidance for effective utilisation of resources and efficient functioning of TANGEDCO.

Chennai
The 17 January 2022

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The 27 January 2022

(GIRISH CHANDRA MURMU)
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