FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)

FIFTY SECOND REPORT

(Presented on 23rd May, 2017)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2017

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)

FIFTY SECOND REPORT

On

The action taken by Government on the recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (2006-2008) relating to Kerala State Electricity Board, based on the Report of the Comptroller and Audotor General of India for the year ended 31 March, 2002 (Commercial)

992/2017.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)

COMPOSITION

Chairman :

Shri C. Divakaran.

Members :

Shri T. A. Ahammed Kabeer

Shri K. B. Ganesh Kumar

Shri C. Krishnan

Shri S. Rajendran

Shri Thiruvanchoor Radhakrishnan

Shri P. T. A. Rahim

Shri Raju Abraham

Shri Sunny Joseph

Shri C. F. Thomas

Shri P. Unni.

Legislature Secretariat :

Shri V. K. Babu Prakash, Secretary

Smt. P. K. Girija, Additional Secretary

Shri P. B. Suresh Kumar, Deputy Secretary

Smt. Deepa ,V., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2016-2019) having been authorised by the Committee to present the Report on their behalf, present this Fifty Second Report on the action taken by Government on the recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (2006-2008) relating to the Kerala State Electricity Board (KSEB) based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial).

The statements of action taken by the Government included in this Report were considered by the committee constituted for the year 2014-2016 and 2016-2019.

This Report, incorporating the recommendations of the committee and the replies furnished by the Government was considered and approved by the Committee (2016-2019) at its meeting held on 2 -5-2017 with remarks.

The Committee place on record their appreciation for the assistance rendered to it by the Accountant General (Audit), Kerala during the examination of the Action taken Statements included in this Report.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
2nd May, 2017.

REPORT

This Report deals with the action taken by Government on the recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (2006-2008) relating to Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2002 (Commercial).

The Thirtieth Report of the Committee on Public Undertakings (2006-2008) was presented to the House on 21st March, 2007. The Report contained five recommendations in Paragraph numbers 2, 4, 7, 11 and 13 of which the Government furnished replies to all of them. The Committee considered the reply to the recommendations in Para No.2 at its meeting held on 30 -9-2013 and decided to seek additional information on it. Additional information received from Government on 22-11-2014, was considered by the Committee at its meeting held on 23-12-2014 and accepted the same. The Committee considered the replies to the recommendations in Para Nos. 11 and 13 on 23-12-2014 and 30-11-2016 respectively and accepted them. The recommendations of the Committee and their corresponding replies furnished by the Government form Chapter I of the Report

The Committee considered the replies to the recommendations in Para Nos.4 and 7 at its meeting held on 30-9-2013 and accepted them with remarks. These recommendations, their replies furnished by Government and remarks of the Committee form Chapter II of the Report.

CHAPTER I
REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations	Action Taken by Government
(1)	(2)	(3)	(4)	(5)
1	2	Power	The Committee concludes that it is mere negligence and dereliction of duty on the part of the Board's officials that has resulted in the huge loss of ₹ 7.07 crore. The Contract for the supply of Low Sulphur Heavy Shock fuel was finalised in January 1999. The Board should have initiated action to see that warehousing facility certification was obtained by the supplier, Bharat Petroleum Corporation Limited before the supply was started. The delay of over 6 months on the part of Board is complying with the requirements of Central Excise Rules for availing exemption from payment of	As per the agreement, BPCL was responsible to undertake all jobs related to obtaining statutory permits and clearances. It can be seen that though BPCL had submitted the application on 20-8-1999 to the statutory authority fulfilling all the pre-requisites, the gazette notification was issued only on 10-2-2000 due to the procedural delays in the office of the Central Excise, Kozhikode and Ministry of Finance, New Delhi. It is true that the agreement was signed in January 1999. But the application could only be submitted after comple ting the storage facility and also after obtaining sanction from the Chief Controller of Explosives, Nagpur. These works were seen completed in 7 months and no delay can be attributed in this process.

(1)	(2)	(3)	(4)	(5)
			Central Excise duty cannot be condoned. The Committee therefore recommends that stringent action may be initiated against the officials concerned for not taking timely action to get the exemption. The Committee feels that the Board should have made good the loss of ₹ 7.07 crore paid as excise duty, from the supplier before making full payment for the fuel. The Committee desires to be informed whether the amount of ₹ 7.07 crore had been recovered from BPCL.	In order to avail the exemption of excise duty for LSHS fuel used for generation of electricity, the KSEB have to furnish the following documents. (1) Registration Certi- ficate (Form R-2) as user of excisable goods for special industrial purpose without payment of central excise duty from the Central Excise Department and (2) Certificate for procurement of excisable goods under chapter X procedure (FORM-C, T.2). The Board obtained both the certificates from Central Excise Department on 4-10-1999 itself and it was ready in all respects to receive LSHS under bond by that date. As per clause No. 10.3 if Fuel Supply Agreement No. 279/98-99 dated 30-1-1999 between BPCL & K.S.E.Board, the seller (BPCL) shall undertake all jobs related for obtaining statutory permits and clearances. M/s BPCL has to construct at least a storage tank and main fuel handling facilities and get the approval from the Chief Controller of Explosives, Nagpur before the inspection

(1)	(2)	(3)	(4)	(5)
				of Central Excise Commissioner. M/s BPCL took eight months to complete the construction of one storage tank and the main fuel handling facilities to obtain approval from Chief Controller of Explosives, Nagpur. As construction of stor age tank was carried out by M/s BPCL, the owner of the tank, only BPCL was entitled to apply for getting notification of their tank at Nallalam as bonded one. On 13-8-1999 M/s BPCL got approval from Chief Controller of explosives for storing fuel. On 20-8-1999 M/s BPCL applied for declaring of Nallalam as a notified warehousing station. The Commissioner visited the site and sent his recomm endations on 14-10-1999 to the Under Secretary, Ministry of Finance, Department of Revenue, New Delhi for Gazette notification under rule 139 of Central Excise rules. The notification declaring Nallalam as a warehousing area was issued from the Ministry of Finance, Department of Revenue, New Delhi on 10-2-2000. Based on the notification, the

(1)	(2)	(3)	(4)	(5)
				Superintendent of Central Excise issued form CT1 (Certificate of Removal of ware house goods) on 7 -3-2000 to M/s BPCL. As such there was no deliberate delay on the part of the Board officials in taking timely action to declare Nallalam as a notified warehousing station. But it was due to the procedural delay on the part of the office of the Commissioner of Central Excise, Chief Controller of Explosives and Ministry of Finance, Government of India in declaring the same. The fuel supply agree ment between KSEB and M/s BPCL was executed on 30-1-1999 for the supply of fuel from September 1999 onwards. For declaring a particular area as notified warehouse, the local Central Excise Commissioner on receipt of application of the same has to carry out an inspection of the site and facilities there and then based on the findings of that inspe- ction forward his recomm- endations along with the original application submitted by the party to the Department of Revenue, Ministry of Finance, Government of India.

(1)	(2)	(3)	(4)	(5)
				In this case M/s BPCL could complete the construction of one storage tank, and the main fuel handling facilities and obtain approval of the Chief Controller of Explosives, Nagpur for storing the fuel only on 13 August 1999. The duration from the month of February 1999 to July 1999 was the construction time period for one fuel tank and main fuel handling facilities. The completion of at least one storage tank and the minimum fuel handling facilities was a pre-requisite for the inspection of Commissioner of Central Excise, Kozhikode before forwarding his recommendation to the Department of Revenue, Ministry of Finance, Government of India for declaring the BPCL facility at Nallalam as notified warehouse. This delay for the time taken for the construction of fuel tank and minimum fuel handling facilities cannot be avoided. Activities of M/s BPCL in Chronological order (I) 30-1-1999 :- KSEB enters into agreement with BPCL for supply of fuel for KDPP.

(1)	(2)	(3)	(4)	(5)
				(2)February 1999-July 1999:- Construction period of one storage tank main fuel handling facilities at Nallalam by BPCL. (3)13-8-1999 :- Approval from Chief Contoller of Explosives, Nagpur for storing fuel. (4)20-8-1999 :- The BPCL applied for; the warehousing facility after comple-tion of storage tank. (5)14-10-1999 :- The Commissioner of Central Excise recom mended to Depart ment of Revenue for the above notification. above notification. (6)10-2-2000 :- Notification issued on 10-2-2000 by the Department of Revenue declaring Nalla l am as a bonded warehouse. (7) 7-3-2000 :- Registration certificate for warehouse at Nallalam issued by Central Excise Kozhi kode.

(1)	(2)	(3)	(4)	(5)
				(8) 20-3-2000 :- Letter from BPCL expressing their readiness to supply LSHS under bonded condition and reque sted 10 days time to line up necessary arrangement for comm encing LSHS move ment "under bonded" condition. Also infor med that whatever stocks lying in storage tank at Nallalam would attract excise duty and payable by Board. (9)11-4-2000:- Cut off date decided in the joint meeting of Central Excise,BPCL and KSEB after which the LSHS supplied by BPCL would be "under bond" without Excise Duties. The BPCL had submitted the application on 20 August 1999 to the statutory authority fulfilling all the pre-requisites. As such there is no deliberate delay in the part of BPCL also. The delay of six months occurred in this regard was only due to procedural delay

(1)	(2)	(3)	(4)	(5)
				Since there was no delay in taking timely action to get exemption from payment of Excise Duty on the part of KSEB officials the Board officials cannot be penalised for the delay caused in this regard. Moreover if fuel supply hadstarted only after the notification was issued, However based on the observation of the Committee notice was issued to M/s BPCL on 23rd April 2008 by the Project Manager KDPP for the recovery of 7.07 crores and final notice was issued by the Chief Engineer (Generation). M/s. BPCL replied that they made all effort to supply fuel in time and to supply duty exempted product of LSHS to KDPP fully justifying the clause 10.03 of fuel supply agreement between KSEB and M/s BPCL and the procedural delay in getting the notification as stated above were beyond their control and there had been no wilful delay on their part to receive the benefits of duty exempted product, M/s BPCL requested to drop the

(1)	(2)	(3)	(4)	(5)
				recommendation and recover the amount from them and withdraw the notice. If the amount of ₹ 7.07 crore is recovered from the fuel bills of M/s BPCL, there is every likely hood of M/s BPCL discontinuing the fuel supply to KDPP. Due to the poor storage position in Hydel Reservoirs Kerala will be going through a power crisis and KDPP is running as a base load station. Load shedding is already imposed in the state and shut down on KDPP will aggravate the power crisis further. Therfore it is considered prudent not to precipitate a crisis at this juncture. M/s BPCL has conveyed that they had applied for notification of Nallalam as a warehousing station well in advance and closely followed up in the Central Board of Excise and Customs for earlier notification and the delay caused in issuing notification by the CBEC is beyond their control. M/s BPCL has also added that the amount so collected was paid as excise duty, sales tax and other statutory payments and BPCL is not a beneficiary of these payments.

(1)	(2)	(3)	(4)	(5)
				In this regard the Board examine the possibility of moving legally against M/s BPCL to recover the excess amount of excise duty paid by the Board. It is found that in the absence of any such exemption having been obtained by the Board M/s BPCL could not have supplied LSHS under concessional duty and the possibility of getting the excess amount refund is extremely remote. Excise duty is remitted to the Government by BPCL. Not to remit any amount realized as Excise duty is an offense under the Central Excise Act. Therefore BPCL could not have been made responsible for refund of the excise duty collected. If excise duty was paid in excess of the applicable rate there was a possibility of obtaining refund from the department through filing of a suitable application for refund within the prescribed time. This possibility is also not existing now as the period of limitation for filing refund application has long set in.

(1)	(2)	(3)	(4)	(5)
				Even if such an application were to be filed the possibility of obtaining actual refund is remote as the price of fuel including the duty at higher rate has already been reckoned for the purpose of calculating the cost of power generated from Nallalam Diesel Plant. Therefore even if refund was to be granted by the Revenue the same would only be credited to the consumer welfare fund under the applicable provisions of the central excise act to prevent unjust enrichment to the Board. The Board has closely scrutinized the agreement between BPCL and Kerala State Eelectricity Board to see if there exists any clause in the agreement which will come to the board's aid in attempting to realize the excess duty amounts that were paid and it is seen that the sale price is linked to the ruling price as on the date of drawal by KDPP as per the industry agreed pricing mechanism in vogue from time to time. On the above basic price, statutory taxes, duties and transportation charges are added. Therefore excise duty payable byBPCL is added to the basic price. This is clear from clause 6.1.3 of the agreement.

(1)	(2)	(3)	(4)	(5)
				The only clause in the agreement which casts a duty on BPCL to supply fuel to the Board at the most favourable terms is clause 9.01 under which, a duty is cast on BPCL to promptly notify the Board if BPCL supplies fuel oil to any other user on terms and conditions more favorable than those applicable to the Buyer under the agreement. In case supply is made to anyone else at more favourable terms, K.S.E Board shall be entitled to have the fuel supply on such more favourable terms and conditions. Further more even after pursuing legal and/or other remedies the possibilities of getting the excess amounts refunded is extremely remote as the parties involved are public sector/statutory bodies. Taking into account the above extenuating circumstances and also considering the combined efforts taken by the Board and BPCL in commissioning the project well ahead of schedule the PUC may reconsider its earlier view and be lenient enough to drop the objection.

The Committee at its meeting on 30-9-2013 considered above mentioned Action Taken Statement remarked that " the delay in implementation of the Nallalam Diesel Power Project is deliberate. In the Report nothing mentioned about the action taken against the BPCL which has delayed procurement of warehousing certificate of storing fuel for the project. No action is seen as taken for procurement of " Low Sulphur Heavy Stock" urgently. Even though there is no deliberate delay on the part of KSEB, the Board has failed to foresee the delay which would come in the implementation of such projects and take action to overcome it." The Committee expressed its dissatisfaction on the reply and decided to seek additional information on the above mentioned matters from the power department.

The Power (B) Department provided the revised Action Taken Statement on Para No. 2 and the Committee at its meeting held on 23-12-2014 accepted the same. It is given below:

				Kerala State Electiricity Board decided (July 1997) to set up a diesel power project at Nallalam in Kozhikode District with a target date of completion as September 1999 to November 1999. In January 1999, Board entered into an agrement with M/s Bharat Petroleum Corporation Limited (BPCL) for the supply of fuel i.e. Low Sulphur Heavy Stock (LSHS) to the project. M/s BPCL started construction of storage tanks at Nallalam in February 1999 immediately after the execution of fuel Supply agreement (30-1-1999). The construction of first tank and ts fuel handling

(1)	(2)	(3)	(4)	(5)
				facility were completed by July 1999 exactly as scheduled. Immediately after completion of one storage tank and its fuel handling facilities, M/s BPCL took necessary steps to get it notified as a bonded warehouse. For this, internal processes in three separate Central Government offices were mandatory and these processes are sequential i.e. only after completion of the process in the first office, the next office can be approached. 1. Approval of storage facility by Chief Controller of Explosives, Nagpur. 2. Inspection by the officials at Commissionerate of Central Excise and Customs Department, Kozhikode and forwarding their recommendation to their higher office in Delhi. 3. Recommendation from the office of Member, Central Board of Excise and Customs to Ministry of Finance, Department of Revenue.

(1)	(2)	(3)	(4)	(5)
				4. Issue notification as a bonded warehouse by the Ministry of Finance, Department of Revenue, New Delhi. Pre-requisites for a power generation company for purchasing fuel for power generation without excise duty are: 1. Registration with Central Excise and Customs Department as a user of excisable goods for specical purpose. 2. To obtain permission from Central Excise & Customs to procure LSHS without payment of Excise duty. KSE Board obtained both registration and permission on 4-10-1999 i.e. well before the delivery of first lot of fuel (First lot was delivered vide invoice dated 27-10-1999). It can be seen that, M/s BPCL had immediately in completion of one LSHS storage tank and the main facilities for handling the fuel and on receipt of the approval dated 13-8-1999 from the Chief Controller

(1)	(2)	(3)	(4)	(5)
				of Explosives, Nagpur, the statutory authority to accord sanction for storing petroleum products submitted the application for notifying Nallalam as a warehousing station to the Commissioner of Central Excise, Kozhikode on 20-8-1999. The Commissioner of Central Excise, Kozhikode forwarded the BPCL's application to the Under Secretary, Ministry of Finance Department of Revenue (CBEC), New Delhi with recommendation only on 14-10-1999. Thereafter the notification including Nallalam also a warehousing location was published in the Gazette of India, Extraordinary dated 10-2-2000. But the copy of the above notification was forwarded to the Joint Secretary of Kerala Government, Power (B) Department, Thiruvanant hapuram only on 23-2-2000 by the Section Officer, Ministry of Finance, Department of Revenue (CBEC), New Delhi and the same was received by the Chief Engineer (O&M), Thermal, the agreement authority, only on 10-3-2000 and at the office of the Project Manager, KDPP on 14 March 2000.

(1)	(2)	(3)	(4)	(5)
				Therefore, from the above facts, it may kindly be noted that no delay occurred either on the part of the KDPP in obtaining registration as user of excisable goods and obtaining certificate for duty free release of fuel or on the part of M/s BPCL for starting construction work of storage tank after execution of agreement or in taking up the matter with the Central Government officers after completion of constr uction work of storage tank. Only procedural delay (for approval, inspection, recomm endation and issuing Notification) in the various Central Government offices had occurred. It may please be noted that M/s BPCL did not even wait for the completion of second tank for getting the storage facilities notified as a bonded warehouse. However, based on the recommendation of Public Undertakings Committee, KSE Board had initiated steps to recover ₹ 7.07 Crores from M/s BPCL. A notice was issued to M/s BPCL for recovering an amount of ₹ 7.07 crores from their subsequent invoices for the supply of LSHS to KDPP. In response to the notice, M/s BPCL informed that there was no delay from their part

(1)	(2)	(3)	(4)	(5)
				in construction of storage tank facility at Nallalam and in giving the applications before relevant Central Government offices and adequately following-up the matter for getting the storage tank facility notified as bonded warehouse. The procedural delay in Government offices for issuing notification was beyond their control and there had been no time delay on their part to extend the benefits of duty exempted product. Moreover, the amount collected towards Excise duty and Sale Tax was already remitted to the Government and they were not a beneficiary of these payment. They requested KSE Board to consider the efforts taken by them in commissioning the project well ahead of schedule and also contended that penalizing the firm for the delay which was beyond their control is unjustifiable. It may please be noted that Excise duty collected by BPCL was remitted to the Government. Non-remittance of any amount realized as Excise duty is an offence under the Central Excise Act. Therefore BPCL could not have been made responsible for refund of the excise duty

(1)	(2)	(3)	(4)	(5)
				collected and remitted to the account of exchequer. Had excise duty been paid in excess of the applicable rates there was a possibility of obtaining refund from the Department provided a suitable application for refund was filed within the prescribed time. Kerala was experiencing acute power shortage during those periods as the generation from hydroelectric power stations in Kerala was insufficient to meet the demand at that time. Under the above circumstances the installation of 128 MW, KDPP was really a gain and the plant had run as a base load station. As there was acute power shortage prevailing in the state and load shedding was imposed, shut down of KDPP for want of concessional permission would have aggravated the power crisis further. Therefore it was considered prudent not to precipitate a severe power crisis at the juncture. The Commissioning of KDPP has greatly helped the Board to stabilize and maintain the transmission and distribution to a large extent at the general public due to increase in voltage in the Malabar area due to the

(1)	(2)	(3)	(4)	(5)
				generation from KDPP was another remarkable outcome. The generation from KDPP for the period from 9/99 to 11-4-2000 (period during which excise duty was paid) was 195.99 MU which corre spond to an amount₹ 32.33 Crores on the basis of average sale rate of ₹ 1.65 per unit in 1999-2000. Moreover, by establishing a dedicated project team and systematic planning, the construction of KDPP was executed professionally in an efficient and effective manner and installation of the first of the eight units was completed successfully and synchronised to grid on 1 september, 1999 and the last DG set was connected to grid on 6 November 1999 weli ahead of the scheduled date of completion ie. 17 november 1999. The officers who were in charge of the construction work of Kozhikode Diesel Power Project were awarded cash and Good Service Entry by the Board, as an appreciation for the meritorious service rendered by them for the completion of KDPP ahead of schedule. The observation of the committee regarding the project execution in general has been taken proper note of

(1)	(2)	(3)	(4)	(5)
				and assures a constant follow up and timely action in all matters related with the project execution in future, to see the projects are completed in time. Board entrusted the Project Monitoring Cell under the office of the Chief Engineer (Corporate Planning), Vydyuthi Bhavanam, Thiruvananthapuram to review the progress and for effective monitoring of generation projects to ensure timely completion vide B.O(FM) No.2187/2007/ CoG/ GL/2007/03) dated 27th September 2007.*(Annexure 2)* It may be please be noted that there was no case of delay in the delivery of ordered quantity of LSHS at Nallalam by M/s BPCL, as commented by the Legislature Committee and the generation at Kozhikode Diesel Power Project did not suffer due to delay in delivery of ordered quantity of LSHS during that period.

(1)	(2)	(3)	(4)	(5)
2	11	Power	The Committee finds that the Board has taken a stand in favour of its own officials. The Committee could not understand how Government can justify the purchase of teak poles from open market at the rate of ₹ 2200 per pole when it can get the same from the Forest Depar tment at Rs. 1140 per pole, thus causing a loss of Rs. 1060 per pole. The Board spent ₹ 30.48 lakh extra on 2875 poles which would have costed only ₹ 31.78 lakh if procured directly from the Forest Department. It seems improbable that loading, unloading and tran sportation of 2875 poles will cost ₹ 30 lakh. Also Govern ment has stated that delay occurred in getting the Govern ment order. The Committee feels that KSEB should have taken steps to	The letter dated 19-11-2013 from the Secretary, KSEB and copies of the documents forwarded therewith have revealed that two enquiries were conducted regarding the purchase of teak-wood poles for construction of the 110 KV DC line from Punnapra to Edathua. In the enquiry conducted by Shri. Manirajan, the then Executive Engineer of the Vigilance Wing of KSEB, it was found that the Board officials made earnest efforts to procure Teak Wood poles directly from the Forest Department and there was no intentional delay in this regard. He also observed that the Board's officials had not acted with malafide motives; instead they had acted in the best interest of the Board. He pointed out that had there been any malafide intentions, the officials would not have tried their best to obtain used teak wood poles from the distribution officers or procure from the Forest Department and that the then Deputy Chief Engineer, Transmission Circle, Poovan thuruthu had suggested from the beginning that the purchase might be arranged

(1)	(2)	(3)	(4)	(5)
			get the Government Order in time. The Committee could not understand how Kollam Labour Contract Co operative Society could gain profit by buying teak wood poles from the Forest and selling it to KSEB, while the Board could not do so on its own. The Committee finds that as per the Report of the Enquiry Officer, since the purchase of TW poles from open market was done as per BO No. 429/99 (TC-2-P-933/98) dated 16-2-1999, observing all formalities of tender and the order placed after approval of the Purchase Committee, the officers of KSEB who made the said purchase cannot be made responsible for the loss observed in the audit report. The Enquiry Officer has opined that a state level enquiry by	through Chief Engineer (TCM). He concluded that there were no irregularity in the purchase and that no action needed to be taken. The file was recommended to be closed. The then Chairman did not accept the observations and recommendations of the Enquiry Officer. Meanwhile, a draft paragraph was proposed for inclusion in the Report of the Comptroller and Auditor General of India regarding avoidable extra expenditure in the procurement of teak wood poles at higher rates. Subsequently the Chairman, KSEB directed the Chief Vigilance Officer of the Board to conduct an enquiry to fix up responsibility in respect of purchase of teak wook poles at higher rates when it was available at Forest Department at lower rate. Accordingly Shri Kurien Varghese, the then Executive Engineer of the Vigilance Wing, KSEB conducted the enquiry. The second Enquiry Officer reported that the observation in the Audit Report that K.S.E. Board incurred a loss of 24.38 lakhs due to non-procurement of teak wood poles from Forest Department

(1)	(2)	(3)	(4)	(5)
			Vigilance and Anti-Corruption Bureau alone will fetch any result in this issue. The Committee therefore recommends that a detailed State level enquiry by Vigilance and Anti-Corruption Bureau be ordered by Government in this issue.	was the oretically correct. He opined that officers of the K.S.E.B who made the said purchase could not be made responsible for the loss observed in the Audit Report as the purchase was done by CE(TCM) after due process. The enquiry officer further pointed out that from the later developments, it could be seen that even after getting Government Order dated 23.02.2000 to release 1000 Nos. of Teakwood poles to KSEB after a lengthy procedure, either due to the passive and adamant attitude of the forest officials or the failure on the part of the Board's officials the procurement of the same was yet to materialize. He concluded that he was not able to fix responsibility to any of the officers of KSEB for the extra expenditure of teak wood poles from the open market alone to the reasons mentioned in the report. Hence it was recom mended that a State level enquiry by the Vigilance and Anti Corruption Bureau (VACB) alone would fetch any result in the issue. As directed by the then Chairman, KSEB Shri M. N. Krishna Murthy I.P.S., the then Inspector General, Vigilance, KSEB submitted a detailed note.

(1)	(2)	(3)	(4)	(5)
				He opined that there were lapses on the part of some of forest officials and some of KSEB officers. According to him Shri. Jacob Samuel, the then Deputy Chief Engineer and the then Assistant Executive Engineers, viz, Shri. K.V. Jameson, who retired from service on 31-8-1998 and Shri. K. Gangadharakurup, who retired on 31-7-2001 were the officers responsible for the lapse in this deal. How ever he recommended that no action seemed necessary as all three delinquents of the Board had retired from service. After examining the note in detail along with the connected records, the then Chairman, KSEB opined that no reference to the VACB appeared to be necessary and subsequently the file was closed. However, since the Comptroller and Auditor General of India had included this matter vide Audit Para No.4-2-1-5 in the report for the year ended on 31-3-2002 and the Committee on Public undertakings opined that a State Level enquiry by Vigilance and Anti Corruption Bureau for enquiry. However, as the letter dated 4-2-2009 from the Board, stated to have been forwarded to the Government requesting to refer the matter to

(1)	(2)	(3)	(4)	(5)
				VACB for enquiry was not received in Government, Vigilance enquiry was not ordered in the matter. Government have examined the recommendation of the Committee on Public Under takings to order a State Level enquiry by the Vigilance and Anti Corruption Bureau in the deal in detail. The recom mendation of the Committee on Public under takings that the Government should order a State level enquiry by the VACB into the deal was mainly on the basis of the proposal of the second Enquiry Officer to this effect. The Committee had found that the Board had to purchase the teak poles from the open market at high rate as the Board officers had not taken adequate timely action to procure the poles from the Forest Department. As the Officers who were found to be responsible for the lapse had already retired from service more than a decade ago, it is doubtful whether an effective enquiry can be conducted at this stage. Further, the responsible officers were not involved in the purchase procedures. Overall, as this is a very old case, it can be presumed that the conduct of an enquiry by VACB may not yield the desired result.

(1)	(2)	(3)	(4)	(5)
				The matter, has been placed before the Council of Ministers and in view of the above facts, Government have decided that the State Level enquiry by the Vigilance and Anti Corruption Bureau regarding the purchase of teak wood poles as recommended by the Commi ttee may be done away with and the Statement of Action Taken on the recommendation be submitted to the Committee accordingly. Consequent orders were issued in G.O.(Rt) No. 76/2014/PD dated 5 march 2014, a copy of which is attached as Annexure. ~~Not received in Government~~, Vigilance enquiry was not ordered in the matter. Govern ment have examined the recommendation of the Committee on Public Under takings to order a State Level enquiry by the Vigilance and Anti Corruption Bureau in the deal in detail. The recom mendation of the Committee on Public under takings that the Government should order a State level enquiry by the VACB into the deal was mailnly on the basis of the proposal of the second Enquiry Officer to this effect. The Committee had found that the Board had to purchase the

(1)	(2)	(3)	(4)	(5)
				teak poles from the open market at high rate as the Board officers had not taken adequate timely action to procure the poles from the Forest Department. As the Officers who were found to be responsible for the lapse had already retired from service more than a decade ago, it is doubtful whether an effective enquiry can be conducted at this stage. Further, the responsible officers were not involved in the purchase procedures. Overall, as this is a very old case, it can be presumed that the conduct of an enquiry by VACB may not yield the desired result. The matter, has been placed before the Council of Ministers and in view of the above facts, Government have decided that the State Level enquiry by the Vigilance and Anti Corruption Bureau regarding the purchase of teak wood poles as recommended by the Committee may be done away with and the Statement of Action Taken on the recommendation be submitted to the Committee accordingly. Consequent orders were issued in G.O.(Rt.) No. 76/2014/PD dated 5 march 2014, a copy of which is attached as Annexure. I.

(1)	(2)	(3)	(4)	(5)
3	13	Power	The Committee finds that the Board's Offi cials showed undue haste in taking advance possession of the land, in excess of requ irement and before the commencement of land acquisition proceedings. The land was later found to be unsuitable. But the Board's efforts to retract from the deal did not succeed as the owners filed an OP in the High Court. The Board's efforts to reduce the extent of the land being purchased also did not bear fruit. Hence the Board was stuck with the entire 6.8 acres of land. The excess land acquired in	An extent of 6.8 acres of land was actually acquired for the cons truction of 110KV Substation Kollengode. Out of it, 1.55 acres were used for the const-ruction of 110 KV Subs tation, Kollengode that was commis-sioned on 30 december 2003 and another 1.95 acres were utilised for other project sanctioned subs-equently making the balance land available as 3.30 acres. Regarding the suitability of land, it is repor ted that the irrigation canal running through the plot was a minor one which could be cros sed by placing a slab over it. As the area is developing indu

(1)	(2)	(3)	(4)	(5)
			March 1991 has not been put to use till date, which again proves that the purch ased land was in excess of needs. The Committee recommends that action may be taken against the officials responsible for this lapse and intimated to the Committee.	strially, further expansion will become nece ssary and the excess land could be utilised fruitfully in future. Also it is pertinent to note the fact that though the land was origi nally purch ased at a rate below ₹4000/- percent, the present market rate is about five to six times that value. With this excess land, any future investment towards cost of land for expan sion or any other projects by KSEBL can be saved. Board has started the work of const ruction of 1 MW grid inter active solar energy project on the excess land in 110 KV Substation compound

(1)	(2)	(3)	(4)	(5)
				Kollengode in order to augment the renewable energy purchase obligation man dated by KSERC. The proposed solar plant has the advantages of no exclusive evacuation net work as the generated power can be fed directly to nearby Sub- station. In the above context, Board of Directors reached the conclusion that action of Board officials were for the bonafide purpose of the Board and hence decided not to take any action against the officials involved in the procure ment of land for the constru ction of 110 KV Substation, Kollengode in view

(1)	(2)	(3)	(4)	(5)
				of the fact that the purchased land now costs many times its procurement cost and also the land can be utilised for further expansion as well as construction of other KSEBL projects. The following officials were involved in the procurement of land for the construction of 110KV Sub station, Kollengode.
	Sl. No.	Name of Officer	Designation	Duration
	1	Sri P. K. Chakrapani	AEE	3/90 to 3/97
	2	Sri C.K. Raveendran	AEE	4/97 to 6/97

	3	Sri P. V. Sasikumar	AEE	6/97 to 5/98
	4	Sri P. Kumaran	AEE	5/98 to 12/98
	5	Sri John Paul	EE	1990 to 1993
	6	Sri. A.Ramakrishnan	EE	1993 to 5/96
	7	Sri. Parameswaran, P	EE	7/96 to 4/98
	8	Sri K. Neelakantan	EE	5/98 to 12/98
	9	Sri Muraleedharan	Dy.CE	10/89 to 6/90
	10	Sri A.Madhuranath Kamath	Dy.CE	6/90 to 4/94
	11	Sri. T.S.Padmanabhan	Dy.CE	5/94 to 12/94
	12	Sri George Zachariah	Dy.CE	12/94 to 5/95
	13	Sri Subrahmanian	Dy.CE	6/95 to 6/97
	14	Sri A. K. Rajan	Dy.CE	6/97 to 8/99
	(All officers except Sl.No. 4 are retired).			

CHAPTER II

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

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations	Action Taken by Government
(1)	(2)	(3)	(4)	(5)
1	4	Power	The Committee expresses shock and anger at the various ways in which KSEB is conferring undue benefits on the suppliers and causing huge loss to the Board. The Board paid Rs. 1.50 crore for 2400 numbers of defective meters. The Committee recommends that action be taken against the officials responsible for accepting the defective metres; The Committee finds that the purchase of the costlier metres had not resulted in any gain to the Board. Instead , it caused a loss of Rs. 0.95 crore. The Board's goal of preventing theft of power by tampering of energy metres by the consumers was also achieved. The Committee feels that it would have been better to terminate the contract and recover the loss, than continuing to incur huge loss due to theft of power.	2000 Nos. of 3 phase static meters with additional features and 400 Nos. CT operated static meters were procured from M/s Secure Meters Ltd., Udaipur vide purchase order dated 4-3-1998 of the KSE Board. The firm had completed the supply in June 1998. The guarantee period of the purchase Order was 12 months from the date of commissioning or 18 months from the date of receipt by the consignees whichever is earlier. The consignee for this supply was Executive Engineer, TMR Division, Thirumala. During the execution of this order, the magnetic influence level insisted by the approved standard was 1000 Ampere Turns only. The officers accepted the good meters as per specification in the purchase Order. After two years from the date of purchase order, specifi cation in the level of

(1)	(2)	(3)	(4)	(5)
			The Committee desired to be informed of the officials responsible for over turning the Board's original decision to have all the defective metres replaced and to initiate action against them. The Committee recommends that steps should be taken to recover the loss incurred to the Board. Hence forth only products with ISI speci- fication should be purchased by the Board. The Committee desires to be informed whether all the metres have been provided with the metallic shield and whether KSEB had to incur any other expenditure on this behalf.	magnetic influence changed as per CBIP notification to 10,000-Ampere Turns. Hence KSE Board was forced to ask the suppliers to be supply the meters with the new specification of CBIP notification. During the execution of order the magnetic influence level of meters was as per prevailing standard and hence the officers who accepted the meters were not responsible for accepting the meters with lower magnetic influence level. Hence no action warrants against those officers who had accepted the meters. Since the meters supplied by them need to resist magnetic influence upto 1000 Ampere Turns only as per the prevailing standard at the time of placing the purchase order, the supplier suggested that magnetic influence can be stopped by providing an external magnetic shielding on the existing meters. This was in line with the proposal agreed to by the neighbouring Tamilnadu Electricity Board on a similar issue.

(1)	(2)	(3)	(4)	(5)
				A Technical Comm-ittee constituted by the Board examined the suggestion of the firm and found that the meter provided with metallic shield could prevent magnetic influence. In view of the findings and recommen dation of the Technical Committee, the Board vide order dated 28-9-2000 permitted the firm to provide external metallic shield- ing to prevent magnetic influ-ence on the existing "secure make static meters" in the Board. The firm had agreed to provide metallic shielding to all the static meters supplied by them at their cost. At that time, their 10% payment for the supply of static meters had not been effected. The static meters supplied by M/s Secure Meters were installed in the entire Distribution areas within the juris-diction of the Southern and Central Region and attending to the recti fication works after identifying the consumers which is a time consuming process. They have so far done the rectification

(1)	(2)	(3)	(4)	(5)
				works on 486 Nos. of meters. Deputy Chief Engineers of the Elect rical Circles where these meters were installed were reminded many times to identify the said "Secure" make static meters. The Deputy Chief Engineers have reported that many meters were declared faulty and replaced subsequently by another make meters as the Guarantee period of meters supplied by M/s Secure Meters was only for 18 months. Hence it cannot be attributed that the officers overturned the decision of the KSE Board to get replacement of all the defective meters. The Purchase order was placed more than 10-years back and almost all existing meters of secure make in the field have been provided with metallic shield. The meters with ISI specifications were only purchased from M/s. Secure Meters. The Board is purchasing all materials as per ISI specification, BIS, IES etc. Moreover, only ISI certified energy meters are being purchased by the Board.

(1)	(2)	(3)	(4)	(5)
				" M/s Secure Meters Ltd., Udaipur vide their letter dated 6-4-2006, had requested to fix a MRT/Stores to which they can supply all the magnetic shields to be installed with the meters available in the field. The firm also requested for Entry Tax exemption certificate as the shields are supplied free of cost. It was already reported to the Accountant General about the retention of 10% payment and Security Deposit of ₹ 10 lakh. The firm has also requested to clear the pending payment for supplies made in 1998 after supplying the shields. The Purchase Comm ittee meeting of KSEB held on 24th May 2006 decides to collect the cost of installing magnetic shielding @ ₹ 10/- for each meter from the firm for the remaining 1914 nos. The Kerala State Electricity Board had not incurred any other expen diture for providing magnetic shields. The 1914 nos. of magnetic shield should be supplied by

(1)	(2)	(3)	(4)	(5)
				the firm free of cost at TMR Division, Thirumala and Angamaly. It was also decided not to give exemption for Entry Tax for the magnetic shields. The withheld 10% payment was to be released only after receipt of magnetic shields and after obtaining clearance of the Purchase Committee. The firm was informed of the Purchase Committee decision on 22-6-2006. M/s Secure Meters supplied 1235 nos. of magnetic shield to the TMR Division, Angamaly and 525 Nos. to the TMR Division, Thirumala till date. The firm was to supply the balance 154 Nos. of magnetic shield to TMR Division, Angamaly. As per letters dated:26-2-2007, 12-12-2007 and 3-1-2008 all Deputy Chief Engineers were asked to forward perfor mance report after watching the performance of meters with external magnetic shield. Report on the poor performance of the meters with magnetic field was not received from the field till date. The Deputy

(1)	(2)	(3)	(4)	(5)
				Chief Engineer, Kotta rakkara and Kollam vide letter dated: 1-1-2008 and 23-1-2008 have reported that no meters of 'secure' make is existing at present in their juris diction. The Deputy Chief Engineer, Electrical Circle, Pala vide letter dated: 25-1-2008 has reported that only one meter is existing in the field which has been provided with magnetic shield. The Deputy Chief Engineer, Electrical Circle, Perumbavoor vide letter dated: 10-3-2008 has reported that 27 meters are existing in the field and only one has been provided with magnetic shield. The Deputy Chief Engineer, Electrical Circle, Alappuzha vide letter dated 7 -3-2008 has reported that 57 meters are existing in the field which have not been provided with magnetic shield. Details from other circle are yet to be received. The Deputy Chief Engineer, Electrical Circle, Alappuzha/ Ernak ulam/Thodupuzha/ Perum bavoor were directed vide

(1)	(2)	(3)	(4)	(5)
				letter dated: 6-5-2008 to collect the magnetic shield from TMR Division and report the progress of performance achieve- ments of the meters provided with magnetic shield. It may be noted that the Purchase Order was placed 10 years back and it is reported from the field that most of the meters supplied by this time were replaced and the guarantee period of the meters has already expired.
Remarks:- The Committee express its dissatisfaction on the reply furnished by Government and states that the absence of prior verification on magnetic influence & ISI specification before the confirmation regarding the expense of the replacing faulty meters are the serious mistakes happened from the part of Board and directs to take action and to fix the liability to realise it from the concerned officials responsible for the lapse.				
(1)	(2)	(3)	(4)	(5)
2	7	Power	The Committee find that KSEB failed to give detailed reply to Audit when the objection was first raised. The Committee recommends that due importance should be given to the audit remarks, and necessary remedial action should be taken at once.	1. **Payment of Consultancy Charges @ 3%** It is contended in the audit para that the agreement for availing loan from RFC under overseas Economic Co-operation Fund (OECF) scheme, which contained provision for payment of 3% of the total scheme amount as service charges for consultants, was executed by the Board

(1)	(2)	(3)	(4)	(5)
				through neither Board resolution, nor the Government order guaranteeing the loan authorized such a payment. It is not true. As per the terms and conditions of REC for financial assistance under OECT category. Appointment of a consultant was mandatory and the borrower had to bear the service charges of the consultant @ 3% of the loan amount. While considering the approved projects under OECF scheme. Board was fully aware of the terms and condi-tions of the scheme, including the consultancy charges and then only the Board had passed the resolution for availing loan under OECF scheme from REC on 15-3-1996. Also, while applying for Government Guarantee a copy of the approved projects containing the terms and conditions, including the consultancy charges were submitted to the Govern ment. The Government Guarantee amounting to ₹ 54 crores provided on 8-7-1996 clearly stated that the guarantee amount

(1)	(2)	(3)	(4)	(5)
				includes cost escalation provision for interest, other charges etc. Hence it is submitted that both the Kerala State Electricity Board and the Government of Kerala were fully aware of the project cost, cost escalation, interest clause, consultancy charges etc. 2. **Higher Interest Rate** It is noticed by the audit that the KSEB had to make excess interest payment to REC @ 1% over and above the normal rate. This is also not borne by facts. The four schemes were sanctioned under OECF pattern during the financial year 1996-97. These schemes were categorized under CEN-SI with interest rate at their then existing rate for regular RE schemes at 16% pa. Hence there is no excess payment of interest to REC on account of the schemes being in OECF pattern since the interest rate for both regular and OECT schemes were one and the same i.e., 16% pa. The interest rate for

(1)	(2)	(3)	(4)	(5)
				normal REC schemes were reduced later on by REC, but were applicable only to newly sanctioned schemes and as such could not be applied to OECF schemes which were already in place. These facts were brought to the notice of the audit party during the audit itself. It was also informed that the Board was not able to do away with the consultancy charges of OECF assisted REC schemes, since this scheme was framed by REC for all India and K.S.E.Board cannot get any specific exemptions. Further, OECF terms and conditions are approved by Government of India and the Board cannot force any charge. The payment of consultancy charges was mandatory under OECF schemes (Clause 15 of the memo randum of agreement dated 30th September 1996). It may be noted that the Board was nevertheless able to persuade REC in waiving consultancy charges, for the next set of loans under OECF pattern sanctioned during the year 1999-2000, by reducing the repayment period from 12 years to 7 years. Also vide the

(1)	(2)	(3)	(4)	(5)
				letters of the Financial Advisor dated : 23-10-2003, 21-11-2003, 16-12-2003, 29-3-2004, 20-4-2004, 22-5-2004, 30-5-2005 of Member (Finance) dated: 17-1-2006, the Board had requested to reduce the interest rate on the OECF scheme loans for if not possible, allow the Board to pre-close the loan. But the Board's efforts to reduce the interest rate or pre-close the loans failed since REC was not willing to do so. However because of these efforts, the Board was able to get loans at lower interest rates from REC itself, for newly sanctioned schemes. In effect, the Board was successful in getting financial assistance from REC later with lesser interest rate as well as without any consultancy charges or service charges. It may be please be noted that in most of the cases no willful delay is caused by the Board in furni shing a detailed reply to audit when an issue is raised. It may kindly be noted that for furnishing replies to audit, the Board requires reports from the field units and at times this involves delay.

(1)	(2)	(3)	(4)	(5)
				The Board has taken a serious view on this laxity exercised on the part of certain field officers. In order to improve this situation, the Board has taken certain remedial measures. A circular to this effect was issued on 27-7-2009 delineating the need for care, diligence and promptness in furnishing reply to audit . So, it is assured that henceforth the Board will be following up all audit queries, paras on action taken reports seriously and will take utmost care and caution while furnishing replies to audit, and detailed replies would be furnished as soon as the issue is raised.
Remarks:- The Committee directs to take necessary action on the officers concerned for not submitting field report in time.				

Thiruvananthapuram,
2nd May, 2017.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

Annexure-II

KERALA STATE ELECTRICITY BOARD

Abstract

REVIEW OF PROGRESS OF GENERATION PROJECTS - TIMELY COMPLETION OF PROJECTS - EFFECTIVE MONITORING - SANCTIONED - ORDERS ISSUED.

Generation Profit Centre

B.O.(FM)No.2187/2007 (CoG/GL/2007/03. Dated, Thiruvananthapuram, 27-9-2007.

Read:-(1) Review meeting by the Hon'ble Minister of Welfare of Backward and Scheduled Communities & Electricity on 10-9-2007.

(2) Review meeting by the Chairman on 12-9-2007.

ORDER

The Hon'ble Minister for Welfare of Backward and Scheduled Communities & Electricity in the review meeting on 10-9-2007 emphasized on the necessity and importance of completion of hydro electric projects within the targeted date. The Hon'ble Minister also stressed on the necessity of micro scheduling of the project activities and the importance of monitoring the same. The issue was discussed in the meeting convened by the Chairman on 12-9-2007 and decided that the Executive Engineer (Project Monitoring Cell) under the Office of Chief Engineer (Corporate Planning) shall get the details of micro scheduling of project activities of ongoing projects, closely monitor the progress and submit monthly report to the Full Board Meeting and to Government, with copy to the Hon'ble Minister through his Private Secretary.

2. Further, in the Full Time Members meeting held on 25-9- 2007, it was decided that the Executive Engineer (Project Monitoring Cell) shall attend all the review meetings on generation projects conducted by Hon'ble Minister, Principal Secretary, Chairman of Member and prepare minutes of

such review meetings. While preparing the monthly report, achievements with reference to the targets in respect of micro scheduling and the targets given as per the decisions taken in the above mentioned review meeting shall also be included.

3. In view of the above decisions, the Board hereby issues orders accordingly.

4. The Executive Engineer (Project Monitoring Cell), Office of the Chief Engineer (Corporate Planning) shall take further action in the matter.

By Order of the Board,

(M. SUBAIR),
Secretary.

To

The Executive Engineer (Project Monitoring Cell)
O/o the Chief Engineer (Corporate Planning)

Copy to:- The Chief Engineer (IPDS)/Chief Engineer (CC) North/Chief Engineer (CC) South
The Chief Engineer (Generation)/Chief Engineer (PED)
The Chief Engineer (Corporate Planning)
The Financial Adviser/Chief Internal Auditor/LA & DEO)
The RCAO/RAO/The Director (MIS)
The PA to Chairman/M(F&D)/M(T)/C&G.
The PA to Member (Finance/Secretary)
The Faircopy Supt/The Librarian
The Stock File/File.

Forwarded/By Order,
Secretary.

992/2017.

GOVERNMENT OF KERALA
Abstract

Power Department – Committee on Public Undertakings (2006-08)- Recommendations at Paragraph No.11 contained in its 30th Report- Enquiry by the Vigilance and Anti- Corruption Bureau regarding the purchase of teak wood poles by KSEB from open market in connection with the construction of Punnapra- Edathua 110 KV DC line – Dispensed with- Orders Issued.

POWER (C) DEPARTMENT

G.O. (Rt) No. 76 / 2014 / PD Dated, Thiruvananthapuram, 05 / 03/ 2014.

Read : Letter No.VIG/ BIV/2354/09/2273 dated 19-11-2013 from the Secretary, KSEB.

ORDER

At Para 4.2.1.5 of the Report of Comptroller & Auditor General of India for the year ended 31st March 2002 (Commercial), the Audit remarked that though the entire requirement of 7700 numbers of teak-wood poles required for construction of 110 KV DC line from Punnapara to Edathua was agreed (April 1998) for allotment by the Forest Department and the Board was directed (April 1998) to select the required poles from the Erumely Range, the Board did not take any action to select the poles reserved by the Forest Department and these poles were ultimately auctioned (June 1998). It was also observed that the Board procured 2875 number of teak-wood poles from the Kollam Labour Contract Co-operative Society during the period April to August 2000 at a higher rate of Rs.2200 per pole as against the rate of Rs. 1140 per pole assessed for procurement from Forest Department. The Audit concluded that the failure of the Board to procure teak-wood poles from the Forest Department and purchase of the material at higher rate from open market resulted in avoidable extra expenditure of Rs. 30.48 lakh.

2. The Audit Para and remarks of the Government on the findings of the Audit were examined by the Committee of Public Undertakings (2006-08) and at Para 11 of its 30th Report, the Committee stated as follows :-

" The Committee finds that the Board has taken a stand in favour of its own officials. The Committee could not understand how Government can justify the purchase of teak poles from open market at the rate of Rs. 2200 per pole when it can get the same from the Forest Department at Rs. 1140 per pole, thus causing a loss of Rs. 1060 per pole. The Board spent Rs. 30.48 lakh extra on 2875 poles which would have cost only Rs. 31.78 lakh if procured directly from the Forest Department. It seems improbable that loading, unloading and transportation of 2875 poles will cost Rs. 30 lakh. Also Government has stated that delay occurred in getting the Government order. The Committee feels that KSEB should have taken steps to get the Government Order in time. The Committee could not understand how Kollam Labour Contract Co-operative Society could gain profit by buying teak-wood poles for the Forest and selling it to KSEB, while the Board could not do so on its own. The Committee finds that as per the Report of the Enquiry Officer, since the purchase of TW Poles from open market was done as per BO No. 429/99 (TC-2-P-933/98) dated 16-02-1999, observing all formalities of tender and the order placed after approval of the Purchase Committee, the officers of KSEB who made the said purchase cannot be made responsible for the loss observed in the audit report. The Enquiry Officer has opined that a State level enquiry by Vigilance and Anti-Corruption Bureau alone will fetch any result in this issue. The Committee therefore recommends that a detailed State level enquiry by Vigilance and Anti-Corruption Bureau be ordered by Government in this issue".

3. The letter from the Secretary, KSE Board, read above and the copies of the documents forwarded therewith reveal that two enquiries were conducted in the matter by the Vigilance Wing of KSEB. In the enquiry conducted by Shri. Manirajan, the then Executive Engineer of the Vigilance Wing of KSEB , it was found that the Board officials made earnest efforts to procure Teak Wood poles directly from the Forest Department and there was no intentional delay in this regard. He concluded that there were no irregularity in the purchase and that no action needed to be taken. Subsequently, another enquiry was ordered to be conducted by Shri. Kurien Vargheese, the then Executive Engineer of the Vigilance Wing, KSEB to fix up responsibility in respect of purchase of teak wood poles at higher rates when it was available at Forest Department at lower rate. The second Enquiry Offficer reported that the observation in the Audit Report that K. S. E. Board incurred a loss of Rs. 24.38 lakhs due to non-procurement of teak wood poles from Forest Department is theoretically correct. He opined that officers of

the K. S. E. Board who made the said purchase could not be made responsible for the loss observed in the Audit Report as the purchase was done by CE (TCM) after due process. He concluded that he was not able to fix responsibility to any of the officers of K. S. E. B for the extra expenditure of teak wood poles from the open market alone to the reasons mentioned in the report. Hence it was recommended that a State level enquiry by the Vigilance and Anti Corruption Bureau (VACB) alone would fetch any result in the issue.

4. In the note submitted by Shri. M.N. Krishna Murthy I.P.S., the then Inspector General, Vigilance, KSEB to the then Chairman, KSEB, it was pointed out that there were lapses on the part of some of forest officials and some of KSEB officers. According to him, Shri. Jacob Samual, the then Deputy Chief Engineer and the then Assistant Executive Engineers, viz, Shri. K.V. Jameson, who retired from service on 31-8-1998 and Shri. K. Gangadharakurup, who retired on 31-07-2001 were the officers responsible for the lapse in this deal. However he recommended that no action seemed necessary as all three delinquents of the Board had retired from service.

5. Government have examined the recommendation of the Committee on Public Undertakings to order a state level enquiry by the Vigilance and Anti Corruption Bureau in the deal in detail. It can be seen that the recommendation of the Committee on Public Undertakings that the Government should order a State level enquiry by the VACB into the deal was mainly on the basis of the proposal of the second Enquiry Officer to this effect. The Committee had found that the Board had to purchase the teak poles from the open market at high rate as the Board officers had not taken adequate timely action to procure the poles from the Forest Department. As the Officers who were found to be responsible for the lapse had already retired from service more than a decade ago, it is doubtful whether an effective enquiry can be conducted at this stage. Further, the responsible officers were not involved in the purchase procedures. Overall, as this is a very old case, it can be presumed that the conduct of an enquiry by VACB may not yield the desired result.

6. In the circumstances, Government are pleased to order that the State level enquiry by the Vigilance and Anti- Corruption Bureau regarding the purchase of Teak poles as recommended by the Committee of Public Undertakings (2006-08) at para 11 of its 30th Report be done away with and the Statement of Action Taken on the recommendation be submitted to the Committee accordingly.

By Order of the Governor,

Dr. Nivedita P. Haran,

Additional Chief Secretary.

To

The Principal Accountant General (Audit), Tvpm.

The Accountant General (A&E), Tvpm.
The Secretary (Administration), Kerala State Electricity Board Limited, Thiruvananthapuram.
The Chief Internal Auditor, Kerala State Electricity Board, Thiruvananthapuram.
The Chief Vigilance officer, Kerala State Electricity Board Ltd., Thiruvananthapuram.
The GA (SC)Department (vide item no. 4998 dated 26-02-2014)
The Finance (PAC) Department.
The Information Officer, Web & New Media Section, I&PRD.
Stock File / Office Copy.

Forwarded / By Order,

Section Officer.

FAX No. 04144 - 22793

KERALA STATE ELECTRICITY BOARD

QUOTATION NOTICE

Vydyuthi Bhavanam, Pattom,
Thiruvananthapuram-4.
Dated 4-2-97.

NO. EXI/SEE/EM/97

Sealed quotations along with the proforma duly filled up superscribing the name of the work are invited from reputed and experienced contractors for rewinding the stator with F class insulation of Two/Five units of 50 MW Hydro Generators having the following technical parameters at Sabarigiri Hydro Electric Project. A final decision on the number of units (2 or 5) in which rewinding works are to be undertaken is pending decision. The power station is approachable by road from Ernakulam/Kottayam Railway Stations.

Make	: Allis Chalmers, USA		
Rated KVA	: 55,560	No. of poles	: 12
Rated output	: 50 MW	Frequency	: 50 HZ
Rated voltage	: 11 KV	Insulation Class	: B
F.L. Current	: 2912 A	Cooling	: Air cooled
Power Factor	: 0.9 lag	Winding connection	: Star
Field Voltage	: 250 V	Type	: Suspended
Field Current	: 711 A		
Grounding Neutral	: Through R.T.		

Details of stator winding

1. No. of slots	- 180	2. No. of coils	- 180
3. Slot width	- 0.92inch	4. Slot depth	- 5.65 inch
5. Turns/coil	- 3 Nos.	6. Type of winding	- 3Φ double layer lap winding.
7. No. of parallel path	- 4		

Intending tenderers are advised to visit the project site on prior approval from the undersigned and inspect the Generators to appraise themselves before submission of offers.

The quotations as per instruction should reach this office by registered post before 1 PM on 4-3-97; the same will be opened at 1.30 PM on the same day.

CHIEF ENGINEER (SEE)
GENERATION & SYSTEM OPERATION

Office of the Chief Engineer (SEE),
Generation & System Operation.

Tel. : 0471 - 4[illegible]
FAX : 0471 - 4413[illegible]
[illegible] : 0471 - 447[illegible]
: 0471 - [illegible]
: 0471 - [illegible]

Name of Work	Cost for completing the works including cost of all materials for 1 unit	Cost for completing the works including cost of all materials incase order is placed for 5 units (per unit)	(e) For 2 units
Removing the entire old stator coils with its 'B' class insulation, supply and installation of new 'F' class insulated stator coils of conductor size as per approved drawing and testing each coils conducting surge comparison tests on all coils providing leads for RTD elements for measuring stator temperature testing the complete stator winding, conducting Tan Delta tests on stator coils as per VDE 0530 and handing over the unit for commissioning.			
Amount in words			

Signature
Name and
Address of contractor
Place:
Date:

CHIEF ENGINEER (ELE.)
GENERATION & SYSTEM OPERATION.

KERALA STATE ELECTRICITY BOARD

Vydyuthi Bhavanam, Pattom,
Thiruvananthapuram.

SCM/XM/PUC/SCRAP/2011-12/ Dated .12.2011.

REPORT

Sub:- Sale of scrap to SILK during 1994-1996 on rate contract basis - reg.

In June 1992, the Board invited tenders for the sale of scrap materials lying in the various locations of KSEB and made separate rate contracts with the following seven firms in December 92 for the sale of scrap. The details of rates and quantities are enclosed as Annexure 1.

i) M/s.Ashok Metal Industries, Bangalore.
ii) M/s.SILK, Thrissur.
iii) M/s.Shameer Metal Trading Co., Kollam.
iv) M/s.Viswambaran, Karunagapally.
v) M/s.Venad Steel Agencies, Kollam.
vi) M/s.Jasmy Aluminium Industries, Kollam.
vii) M/s.Iron House, Ernakulam.

Of the seven bidders, M/s. Jasmy Aluminium Industries, Kollam, who was awarded the contract for lifting damaged tyres, tubes and flaps lifted the items. M/s.Ashok Metal Industries, Bangalore and M/s.Viswambaran, Karunagapally partially lifted the materials. Others didn't respond. As per the terms of the order all the scraps were to be removed before 31.12.93. But only a small quantity of scrap was lifted. The other four firms did not start lifting the materials, even after repeated requests.

As the scrap was accumulating, lot of complaints were received from the field offices regarding the nonavailability of space to store the scrap and other materials. Meanwhile, M/s.SILK, Thrissur expressed their willingness to execute a new rate contract with the Board at a negotiated price .They agreed to lift substantial quantity of scrap before March 94.The matter was discussed in the Purchase Committee meeting held on 06.10.93 and it was decided to contact three Government owned companies M/s.KEL, Mamala, M/s.TELK, Angamaly and M/s.SILK, Thrissur to explore the possibility of lifting the scrap by them .The firms were asked to report their highest rate for disposal of scrap items. When M/s.TELK, Angamaly expressed their unwillingness, M/s.KEL, Mamala didn't respond.

...nur quoted the following rates.

	Item	Rate/MT (Rs.)
	Copper Scrap Pure	66,000/-
	Copper Scrap to be recovered from Cable Wires, Transformers, Transformer winding and etc.	61,000/-
3.	Lamination Scrap (CRGO Steel Scrap)	16,000/-
4.	Brass Scraps	47,000/-
5.	Barbed Wire Scraps	3,850/-
6.	G.I. Wire Scrap	4,500/-
7.	Steel Earth Wire Scrap	4,500/-
8.	Lead Scrap	18,000/-
9.	Empty Oil Barrel Damaged	100/Barrel
10.	Aluminium Scrap	32,500/-
11.	Torsteel/Round Steel Scrap	5,00/-
12.	Iron Scrap	4,800/-
13.	Tap Changer Switch Scrap	Nil
14.	ACSR Scrap a) Aluminium	32,500/-
	b) Steel	4,500/-
15.	Cast Iron Scrap	3,750/-
16.	Energy Meter Scrap	9,000/-
17.	Faulty Meter Scrap	Nil
18.	Transformer Tank Scrap	4,350/-
19.	H.T.S. Wire Scrap	4,500/-

M/s.SILK was again addressed to inform their highest rates as the rates quoted by them especially for Copper and Aluminium were found to be on the lower side. Subsequently the firm agreed to increase the rates for the following items as detailed below.

Sl. No.	Item	Rate/MT (Rs.)
1.	Copper Scrap Pure	69,000/-
2.	Copper Scrap to be recovered from Cable Wires, Transformers, Transformer winding and etc.	63,000/-
3.	Aluminium Scrap	34,500/-
4.	ACSR Scrap a) Aluminium	34,500/-
	b) Steel	4,500/-

Talks were again made with the Managing Director of the firm on 03.12.93 agreed to increase the rate as under for the following two items.

Sl. No.	Item	Rate/MT (Rs.)
1.	Copper Scrap Pure	75,000/-
2.	Copper Scrap to be recovered from Cable Wires, Transformers, Transformer winding and etc.	66,000/-

During the negotiation, it was further informed that the above prices are arrived at based on the market value of the scrap items at Bombay/Calcutta as per rates published in the Economic Times. They informed that as the rates are widely fluctuating, they cannot increase the rate any further. The price of Copper wire scrap in the national market as published in the ECONOMIC TIMES daily as on 07-10-93 was Rs.95/-.This got reduced to Rs.88 as on 17-11-93.

Having considered the note of Chief Engineer (MM) and in view of the fact that large quantity of scrap items are lying in various stores, Purchase Committee meeting held on 21-12-03 decided to authorize Chief Engineer (MM) to terminate the orders placed with the six firms (who have not lifted the materials so far) M/s.Ashok Metal Industries, Bangalore, M/s.SILK, Thrissur, M/s.Shameer Metal Trading Co. Kollam, M/s.Venad Steel Agencies, Kollam, M/s.Jasmy Aluminium Industries, Kollam and M/s.Iron House, Ernakulam and to forfeit the Security furnished by them as their contract period will be over by 31.12.93. It was also decided to extend the period of contract in respect of the order placed with M/s.Viswambaran, Karunagapally for a period of 6 (six) months from 01.01.94. It was also decided to enter into a rate contract with M/s.SILK for the following items at the rates and for the quantities mentioned against each for a period of one year from 01.01.1994

Sl.No.	Item	Quantity	Rate/KG (Rs.)
1.	Copper Scrap (pure)	65 MT	75.00
2.	Copper scrap from cables, transformer winding etc	29 MT	66.00
3.	Lamination scrap (CRGO Steel Scrap)	32 MT	16.00
4.	Brass Scrap	9 MT	47.00
5.	Barbed wire scrap	6 MT	3.85
6.	G.I. wire Scrap	0.1 MT	4.50
7.	Steel Earth Wire Scrap	4.50 MT	4.50
8.	Lead Scrap	0.60 MT	18.00
9.	Empty Oil barrel damaged	370 Nos.	100.00

...t Iron Scrap	0.35 MT	3.750
Energy Meter Scrap	37 MT	9.00
Transformer Tank Scrap	51 MT	4.35
HTS Wire Scrap	68 MT	4.50

...cordingly, the Board entered into a contract at the above rates with M/s SILK, ... to 31 December 1994.

... the note to Purchase committee dated 24.08.94 the Chief Engineer (MM) reported ...s.Vishwambaran lifted only a small quantity of materials during the extended period. ...ge quantity of Aluminium stock, which was kept ready for clearance had not been ...ed. The market rate of Aluminium was enquired from the Office of Chief Engineer(MM) ...nd found to be Rs.55,000-60,000 per MT. The purchase Committee meeting held on 07.09.94 decided to extend the contract for lifting of scrap items entered into with Sri.Viswambaran up to 31.12.94 at the same terms and conditions, excluding Aluminium scrap and Iron scrap from the list .It was also decided to place the order for lifting Aluminium scrap and Aluminium and Copper UG Cable scrap available in the various stores for disposal with M/s.SILK, Thrissur at their negotiated rates and terms and conditions in their offer dated 13.07.94. The rates agreed were as follows, with a validity period upto 31.12.94.

Aluminium	-	Rs.40,500/MT
Copper	-	Rs.75,000/MT
Lead	-	Rs.18,000/MT
Galvanized Steel	-	Rs.4,500/MT

During the period 1994-95, inspite of giving time extension , M/s.Vishwambaram lifted only a small quantity of scrap. M/s.SILK lifted scrap amounting to Rs.382.35 lakh. M/s.SILK requested to permit them to lift the various scrap materials from 01.01.95 to 31.03.96. They expressed their willingness to lift the other items, which were not cleared by Sri.Viswanbaran, Karunagapally.

M/s.SILK was asked vide letter dated 23.12.94 to intimate the highest rates that they can offer as the market value of the materials, especially the prices of Aluminium and copper were showing a rising trend in the market during the past few months. M/s.SILK quoted the rates as under.

Sl. No.	Items	Rate/Kg (Rs.)
1.	Copper Scrap (pure)	82.00
2.	Copper scrap from cable TRF winding etc.	82.00

3.	Lamination scrap (GRGO steel scrap)	16.00
4.	Brass scrap	47.00
5.	Barbed wire scrap	3.85
6.	G.I Wire scrap	4.50
7.	Steel earth wire scrap	4.50
8.	Lead scrap	18.00
9.	Empty oil Barrel	100.00 (each)
10.	Cast Iron scrap	4.00
11.	Energy meter scrap	9.00
12.	Transformer Tank scrap	4.35
13.	HTS Wire scrap	4.50
14.	Aluminium scrap pure	48.00
15.	Aluminium scrap recovered from cable Transformer winding	48.00
16.	Iron scrap	5.00
17.	Torsteel/Round steel scrap	5.50
18.	ACSR scrap	40.00
19.	Damaged starter	0.05 (each)
20.	Faulty Choke scrap	4.00 (each)
21.	Damaged Tap Changer switch	40.00 (each)
22.	Fused Flu. Tube	0.05 (each)
23.	Fused bulb	0.05 (each)
24.	Damaged flu. Fittings	25.00 (each)
25.	PVC Aluminium Wire scrap	20.00
26.	Copper PVC Wire scrap	30.00

During the negotiation conducted at the office of the Chief Engineer (MM) on 12.01.95 representatives of M/s.SILK agreed to increase the rate for following items as under vide their letter No. SILK/45/65/505 dated 12.01.95.

Sl. No.	Item	Rate/Kg (Rs.)
1.	Copper Scrap (pure)	84.00
2.	Aluminium scrap pure	50.00
3.	Iron /Torsteel scrap	5.50
4.	Transformer tank scrap	4.50
5.	Flu. Tube scrap	0.10 (each)

Having gone through the note of Chief Engineer (MM), the Purchase Committee meeting held on 24-01-95 decided to terminate the contract with M/s.Viswanbaran,

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