

**HARYANA VIDHAN SABHA**

**COMMITTEE ON  
PUBLIC UNDERTAKINGS  
2023-2024**

**(FOURTEENTH VIDHAN SABHA)**

**SEVENTIETH REPORT**

**ON THE**

**REPORT**

**OF THE**

**COMPTROLLER & AUDITOR GENERAL OF INDIA**

**ON PUBLIC SECTOR UNDERTAKINGS  
(ECONOMIC AND SOCIAL SECTORS)  
FOR THE YEARS ENDED 31<sup>ST</sup> MARCH, 2019, 2020 AND 2021**



**(Presented to the Haryana Vidhan Sabha on February, 2024)**

**HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH  
2024**

## TABLE OF CONTENTENTS

Sr. No.		Paragraph(s) No. of the Audit Report	Paragraph(s) No. of the Report	Pages
*	Composition of the Committee on Public Undertakings			iii
*	Introduction			v
*	Reports on the Reports of the Comptroller and Auditor General of the India for the Years ended:-			vii
	<b>2018-19 (Audit Report)</b>			
1.	Haryana Vidyut Prasaran Nigam Limited	2.11.5 (B)	<b>1</b>	1-2
	<b>2019-20 (Compliance Report)</b>			
2.	Uttar Haryana Bijli Vitran Nigam Limited (HPPC)	3.1.2, 3.1.6 (a)	<b>2-3</b>	3-14
3.	Uttar Haryana Bijli Vitran Nigam Limited	3.2.3 (b)	<b>4</b>	15-16
4.	Dakshin Haryana Bijli Vitran Nigam Limited	3.3	<b>5</b>	17-18
	<b>2020-21 (Compliance Report)</b>			
5.	Uttar Haryana Bijli Vitran Nigam Limited	2.1.6	<b>6</b>	19-21
6.	Dakshin Haryana Bijli Vitran Nigam Limited	2.1.7, 2.1.10	<b>7-8</b>	22-23
7.	Haryana Vidyut Prasaran Nigam Limited	2.3	<b>9</b>	24-27
8.	Haryana State Industrial and Infrastructure Development Limited	3.1, 3.2	<b>10-11</b>	28-34
	<b>2020-21 (Compliance Audit Report-2)</b>			
9.	Haryana Police Housing Corporation	5.17	<b>12</b>	35-40
<b>10.</b>	List of Pending observations/recommendations			41-45



**COMPOSITION OF THE COMMITTEE  
ON PUBLIC UNDERTAKINGS  
2023-2024**

**CHAIRPERSON**

1. Shri Aseem Goel, M.L.A.

**Members**

2. Shri Dura Ram, M.L.A.
3. Shri Pardeep Chaudhary, M.L.A.
4. Dr. Krishan Lal Middha, M.L.A.
5. Shri Sudhir Kumar Singla, M.L.A.
6. Shri Sita Ram Yadav, M.L.A.
7. Shri Chiranjeev Rao, M.L.A.
8. Shri Kuldeep Vats, M.L.A.
9. Shri Neeraj Sharma, M.L.A.

**SECRETARIAT**

1. **Shri R.K. Nandal, Secretary**
2. **Shri Naren Dutt, Additional Secretary**



## INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings having been authorized by the Committee in this behalf present this 70<sup>th</sup> Report on the Report of the Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) for the years ending 31<sup>st</sup> March, 2019 relating to Haryana Vidyut Prasaran Nigam Limited, Report of the Comptroller and Auditor General of India on Compliance Audit of Social, General and Economic Sectors for the years ending 31<sup>st</sup> March, 2020 relating to Uttar Haryana Bijli Vitran Nigam Limited (Haryana Power Purchase Centre), Dakshin Haryana Bijli Vitran Nigam Limited, Report of the Comptroller and Auditor General of India on Compliance Audit of Energy & Power, Industries & Commerce and Urban Development Clusters for the years ending 31<sup>st</sup> March, 2021 relating to Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited Haryana Vidyut Prasaran Nigam Limited and Haryana State Industrial and Infrastructure Development Corporation Limited, Report of the Comptroller and Auditor General of India on Compliance Audit Report-2 for the years ending 31<sup>st</sup> March, 2021 relating to Haryana Police Housing Corporation Limited.

The Committee for the year 2023-24 undertook the unfinished work of the previous Committee(s) and also orally examined the representatives of the Government/Public Sector Undertakings/Boards where necessary. A brief record of the Proceedings of the various meetings has been kept in the Haryana Vidhan Sabha Secretariat.

The Committee are thankful to the Principal Accountant General (Audit), Haryana and his staff for their valuable assistance and guidance during the deliberations. The Committee are thankful to the Additional Chief Secretary to Government, Haryana, Finance Department including his representatives of the Departments/Corporations/Boards concerned who appeared before the Committee from time to time.

The Committee is also highly thankful and appreciates the working of the Secretary, Additional Secretary, Dealing Officer and the Staff of the Haryana Vidhan Sabha Secretariat for their unstinted, whole-hearted co-operation and assistance given in preparing this report.

Chandigarh :  
The February, 2024

**ASEEM GOEL**  
CHAIRPERSON



## **REPORT**

1. The Committee on Public Undertakings for the year 2023-2024 was nominated on 26<sup>th</sup> April, 2023 by the Hon'ble Speaker in pursuance of motion moved and passed by the Haryana Vidhan Sabha in its sitting held on 22nd February, 2023, authorizing him to nominate the Members of the Committee on Public Undertakings for the year 2023-24.
2. The Committee held total **49** meetings during the year at Chandigarh and other places upto 17th February, 2024 till the finalization of the Report.



## REPORT

### REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKINGS (SOCIAL, GENERAL AND ECONOMIC SECTORS) FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019

#### Haryana Vidyut Prasaran Nigam Limited

#### 2.11.5(b) Benefits not passed on to consumers

1. The Company had drawn (2001) working Capital loans from Haryana State Agricultural Marketing Board, interest on which was being allowed by HERC up to 2008-09. However, while approving ARR for FY 2009-10, HERC disallowed (May 2009) interest cost on the said loan stating that interest and full repayment of the loan had already been allowed during 2008-09.
  - As the Company was pursuing for waiver of interest and not paying interest on this loan, HERC directed (April 2010) the company to keep it informed about waiver of interest already accrued on this loan so that the same could be adjusted in subsequent years.
  - Though, HERC Continued to disallow interest on this loan during 2009-18, the Company booked interest liability of ₹ 45.43 crore during this period in its books of accounts.
  - During 2017-18, Haryana state Agricultural Marketing Board waived off outstanding interest of ₹ 80.42 crore, however as directed, the Company did not intimate HERC about this. As a result, benefit of ₹ 34.99 crore (₹ 80.42 crore - ₹ 45.43 crore) allowed prior to 2008-09, could not be passed on to consumers who were unjustly burdened.

The Management stated (May 2020) that interest on working capital was allowed on normative basis as such the amount allowed was not payable. The reply is not acceptable as the company had been recovering the interest expenditure through ARR, therefore any benefit of interest waiver thereafter should also have been passed to consumers. The Company did not inform HERC in this regard despite its specific directions.

**In their written reply, the State Government/Company stated as under:-**

#### **Reply of HVPNL**

Regarding the interest cost of ₹. 45.43 crore, it is stated that in the absence of adequate funds available through tariff/otherwise, the Nigam was constrained to defer the payment of Marketing Committee in the earlier years as against defaulting towards regular Capex financiers i.e. PFC, REC, NCRPB and NIDA of the Company which would

have the impact on rating of the company and also default in the repayment of these financiers could have resulted in the penalty and higher interest rates for future loans.

It is stated that the interest on Marketing Committee (HSAMB) loan has not been allowed by the Commission in its earlier orders even in 2008-09. The facts of not allowing the interest on Marketing Committee loan has also been intimated to HERC vide memo No. 12/SE/RAU/F-93/Vol. IV dated 10.02.2012 at Point No. 3: observations on waiver off interest on Marketing Committee Loans in the reply filed against Directives of HERC. Thereafter HERC has not raised any observation/comment in this regard. Moreover, HERC had been allowing the interest on working capital on normative basis and not on actual basis during earlier Financial Years.

Moreover, the point no. 8 of independent Audit Report of the Annual Accounts of HVPNL for the FY 2017-18 submitted to HERC clearly states the waiver of interest amounting to Rs. 80.42 Crore on account of interest accrued in the one-time settlement of account with HSAMB and also the 'Nil' amount shown in the schedule 26 against HSAMB. In addition to above, the Nigam is claiming 10% Return on Equity (ROE) instead of 14% Return on Equity (ROE) allowed by HERC which is also in the benefit of the consumer.

As already stated that the HERC had been allowing the interest on working capital on normative basis and not on actual basis during earlier financial years and the interest on the HSAMB loan has not been allowed by the commission in its earlier order in 2008-09.

In view of the above, as the interest on Marketing Committee loan had not been allowed by HERC, it is not refundable to consumers as the same has not been recovered in tariff in the first instance.

**During the oral examination, the representatives of the Department/ Corporation apprised the Committee that the company/ Corporation has informed Haryana Electricity Regulatory Commission (HERC) regarding waiving off the interest by Marketing Board. The Committee recommends that a revised reply along with copy of letter written to HERC and reply of HERC received against the letter be submitted to the Committee at the earliest.**

**REPORT**  
**REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**  
**ON COMPLIANCE AUDIT OF SOCIAL, GENERAL AND ECONOMIC**  
**SECTORS FOR THE YEAR ENDED**  
**31<sup>ST</sup> MARCH, 2020**

**Uttar Haryana Bijli Vitran Nigam Limited**

**3.1 Purchase of Power in Haryana**

**3.1.2 Extra expenditure due to procurement of costlier power**

2. The Government of India (GoI) launched (December 2017) a pilot scheme for procurement of 2,500 MW power from coal based thermal power stations of private generators in India to help DISCOMs meet their power deficits and replace costly generation with cheaper and reliable power. HPPC started procuring power under this scheme from April 2019 after entering into agreement (February 2019) with Power Trading Corporation (PTC), who in turn, entered into agreement with power producers<sup>9</sup> for procurement of 400 MW power at the rate of Rs.4.24 per unit discovered through bidding process undertaken by Power Finance Corporation Consulting Limited. After considering transmission charges, losses beyond point of Grid and trading margin of PTC, the effective tariff worked out to Rs. 4.90 to Rs. 5.00 per unit.

Audit observed that HPPC had assessed<sup>10</sup> (March 2018) Haryana as a power surplus State during 2017-18 to 2020-21 with marginal deficit during 2021-23. However, for procurement of this power, HPPC in its petition filed (October 2018) with HERC, indicated yearly deficit of 563 MW to 2351 MW during 2018-19 to 2023-24 by excluding power availability from already tied up sources of Adani Power Limited (APL) and Coastal Gujarat Power Limited. Further scrutiny revealed that to justify the procurement of 300-400 MW power under the scheme, HPPC had considered acute shortage of power due to non-availability of power from APL from 11 March 2018 to 21 May 2018, Power Purchase Agreements (PPAs) under litigation and State-owned plants not running at full capacity due to shortage of coal.

The justification given by HPPC to purchase this power was not tenable as; i) generators were legally bound by the terms and conditions of PPA; ii) issues with APL were already resolved by the time HPPC gave in principle consent (October 2018) to purchase power under the GoI scheme; and iii) a single day shortage of coal at plants was taken as basis for entering into Power Purchase Agreements of three years duration.

Thus, HPPC had extended favour to these private power producers by purchasing their power at Rs. 4.90 to Rs. 5.00 per unit against the variable cost of State's own generating stations (Rs.3.25 to Rs.3.88 per unit<sup>11</sup>). This purchase of expensive power resulted in avoidable extra expenditure of Rs.208.57 crore<sup>12</sup> during April 2019 to September 2020 thereby putting undue burden on the consumers of the State. This burden will increase further till the validity of PPAs (March 2022) as the agreement can only be terminated upon defaults defined in the agreement which does not include error of assessment by HPPC.

The Management stated (February 2021) that scheduling of power on real time basis was continuous process requiring dynamic decisions as power cannot be stored.

Generation less than/ more than the demand is not tolerated by Regional Load Despatch Centre and violating DISCOMs have to bear heavy penalties. In a scenario, where supply was insufficient to meet the demand, DISCOMs may have to procure from the sources which may not be the cheaper one. The purpose of the pilot scheme of GoI to meet power deficit was successfully achieved and uninterrupted supply to the consumers has been ensured in awkward situation where the generators in May 2018 desired to breach the terms of PPA. The Management reply was not convincing as it was totally based on apprehension of the HPPC that the supply would be disrupted and when the decision to give in principal approval of procurement of power from private generators in October 2018 was given, situation was quite improved. Further, if at all the requirement of power was due to non-supply by existing sources, it should have resorted to spot purchases of power, as an unanticipated event.

**In their written reply, the State Government/Company stated as under:-**

**Reply of UHBVNL**

During FY 2018-19, there was acute shortage of power in the State of Haryana due to various reasons mentioned below:-

- Due to non availability of 1424MW power from M/s Adani Power Ltd. since March, 2018, Haryana Discoms were facing acute shortage of power and it was also assumed that situation will further worsen during the peaking months.
- The state thermal plants including HPGCL, CLP & APCPL could not run to their full capacity during this year due to shortage of coal and there was continued shortage of coal in NTPC/CLP Plants due to which one of the units of these plants was under forced outage.
- The average monthly RTC price in the Power Exchange was extremely high i.e. Rs. 4.69/unit and Rs. 5.73/unit for September, 2018 and October, 2018 respectively.

In addition to above, SE/SO vide e-mail dated 21.05.2018 also informed the reasons of acute shortage of power in the State of Haryana, which are reproduced hereunder:

- Shortage of coal in NTPC Aravali units.
- Shortage of APM as well as RLNG Gas for FGPP NTPC units.
- Corridor constraints due to outage of several inter-regional transmission lines, leading to curtailment of STOA powers.

NOTE: The coal stock position in HPGCL units at Panipat, Yamunanagar & Khedar, was critical.

Meanwhile, Ministry of Power notified a Pilot Scheme on dated 06.04.2018 for procurement of Aggregated power of 2500MW from stressed Asset i.e. coal based Thermal power projects having no Power Purchase Agreement (PPAs), for a period of three years under Medium term through PFCCL as Nodal agency.

The salient features of the scheme are as under:

- Discoms *shall be required to schedule a minimum of 55% of contracted capacity.*

- *Discoms shall be entitled for incentive in the form of discount in tariff for higher off-take of power beyond 55% of the contracted capacity on monthly basis. Discount in tariff shall be at rate of 1% of the tariff of every 5% incremental increase or part thereof in off-take beyond 55% of the contracted capacity.*
- *Selection of the successful bidder shall be through transparent bidding process followed by tariff based e-reverse auction process through PFCCL on DEEP e-bidding portal.*
- *Power shall be purchased on single tariff.*
- The said offer was thoroughly examined and the following benefits were observed:
  - Power from this source has negligible fixed cost @ Rs.0.01/kWh.
  - Tariff will remain same for the next three years, so there was no further cost escalation.
  - There was no "Change in Law" etc liability in this scheme.
  - Power can be scheduled in the range of 55% to 100 % of contracted capacity with the criteria of reducing tariff with increased off take.

Accordingly, to meet the contingency, an agenda was placed before Steering Committee for Power Planning (SCPP) for procurement of 400MW RTC Power under Pilot scheme only for eight months from April to Nov for three years & only upto 55% of the contracted capacity. The same was considered and approved by SCPP, **subject to approval of HERC**, to meet the power shortage in peak season & ensured uninterrupted power supply to state customers, in lieu of non-availability of state generation power plants due to coal shortage, warnings for stoppage of supply of power, the issues with APL & CGPL and considering average monthly RTC rates in the power exchange i.e. Rs. 4.69/unit and Rs. 5.73/unit for September and October 2018 respectively which was higher than the power procured under said scheme and it was expected that same may further spike in the coming years.

Accordingly, HPPC filed a petition before HERC as per Electricity Act & HERC MYT Regulation. Hon'ble commission had thoroughly examined the proposal submitted by HPPC and conducted Public hearing.

HPPC vide its memo. dated 14.12.2018, clearly intimated HERC that the cost of pilot scheme power at Haryana periphery will be Rs. 0.68/kWh (transmission charges, transmission losses and PTC trading margin) over and above the CTU interconnection point cost i.e. Rs. 4.24/kWh @ 55% scheduling Rs. 3.86/kWh @95% scheduling. Also, the status of backing down of HPGCL power stations from April 2018 to September 2018 was conveyed which showed that all the HPGCL power plants were put on bar most of the time to match the demand of the consumers of the State.

#### **Approval of HERC**

Finally, Hon'ble commission vide its Order dated 07.01.2019 approved the tariff & source to procure said power through Pilot Scheme of Golstated as under:

*The Commission has taken note of the submission of HPPC that Peak power demand of the State increased from 8182 MW during FY 2013-14 to 10295 MW during FY 2018-19 corresponding to a CAGR of 4.7% and in view of the increase in*

*consumption and Peak demand on year on year basis, **there is need of capacity addition.** DISCOMs may also be able to release around 30000 pending AP tube well connections, electricity supply to e-vehicles, electric crematorium etc. with the availability of this power. HPPC has further emphasized that all the thermal power generating stations located in the State i.e. HPGCL units. APCPL & CLP are facing acute shortage of coal and this shortage is likely to continue going forward for another 2-3 years. Thus, in order to ensure continuous & reliable 24x7 power supply in the State of Haryana, HPPC may require short term power proposed in this petition, particularly when the power is being sourced with negligible amount of fixed charges.*

***The Commission observes that the tariff has been determined through a transparent process of bidding in accordance with the guidelines dated 10.04.2018 issued by the Central Government vide notification no. 23/17/2013-R&R (VOL IV). Hence, the Commission approves the adoption of tariff under section 63 of the Electricity Act, 2003, along with trading margin.***

Hence, the power procured under said scheme was mainly arranged to cover the unforeseen force majeure condition of APL & CGPL and non materialization of linkage fuel for state generating stations for ensuring round the clock power for peak season only from April to November i.e. 8 months in a year. Thus, it can be said that the power from said scheme is being procured in the most judicious manner. Hence, the objective of the scheme enabling DISCOMS to meet their deficit and/or replace their costly generation with cheaper and reliable power without any short term market volatility, has been achieved as with the purchase of this power, Haryana Discoms do not have to rely on the availability of power in the power exchange but 400 MW has been made available through a reliable source at negligible fixed cost whereas cost of power in power exchange is market driven.

Moreover, the aggregate availability of power in the State grid remains at the same level, as the present scheme is to meet the power shortfall on account of non-materialization of coal supply against approved coal linkages through alternate means. It is, however, submitted that Discoms are also bound to keep standby power arrangement for the open access customers. In case, cheaper option is not there in market, they may fall back to Discoms for power supply. Hence the Discoms are serving their interest by arranging the power supply during peak hours at affordable rates when market is trading at higher level in order to meet the Universal Supply Obligation of electricity as enshrined in Electricity Act 2003.

#### **Non-Supply of power from Adani Power Limited**

Further, it is added that interruption of power by Adani was not merely an apprehension but Adani has a history of stopping the power on one pretext or the other as detailed below:

- HPPC had filed an Appeal No. 98 of 2014 against the order dated 21.02.2014 passed by the Central Commission in the Petition filed by Adani Power Limited determining the additional compensatory tariff payable by HPPC on the *contracted* capacity of 1424 MW to be generated from its project and supplied to HPPC. The Appeal was admitted and posted for final hearing. In the meantime, interim directions were issued by the Tribunal granting partial stay and the Appeals as against those interim directions were filed by HPPC before the Hon'ble Supreme Court which in turn disposed of the same vide

Order dated 25.08.2014 requesting APTEL to dispose of the main Appeal as expeditiously as possible. **On the same day, i.e. 25.08.2014, the supply of electricity to Haryana DISCOMs was suddenly stopped by Adani Power on the grounds of payment security mechanism.** This office vide letter dated 26.08.2014 tried to convince Adani Power to restore the supply but of no avail and further intimated vide letter dated 27.08.2014 that the fault has been rectified by way of opening of the escrow account. But this was not acceptable to Adani Power as intimated vide their letter dated 27.08.2014. HPPC had to issue notice of default vide letter 30.8.2014 and had to take legal recourse to get the supply restored. APTEL in its interim order dated 01.10.2014 directed Adani Power to restore and maintain supply to Haryana DISCOMs.

- **Again Adani Power Ltd (APL) had also stopped supplying power to Haryana citing financial hardships from 11.03.2018 to 21.05.2018.** Further, the CEO of M/s APL informed in the meeting held on 03.10.2018 at Panchkula that if financial hardship issue not resolved, APL would not be able to sustain power generation for long.
- Further, Supreme Court of India (SCI) vide its order dated 29.10.2018 kept it open to the APL and CGPL to approach the Central Electricity Regulatory Commission (CERC) for approval of the proposed amendments to be made to the Power Purchase Agreements (PPAs) in question.

Apart from above order of SCI, the following are the correspondence made with CGPL regarding financial hardship to sustain power generation:-

- Not only Adani Power but CGPL too vide letter dated 26.02.2020 intimated that they are considering closing the project till the modified PPA is finalized and signed by the procurers.
- The concern of CGPL was highlighted in the newspaper "The Financial Express" dated 05.03.2020 with the heading "Tata Power to shut CGPL Mundra plant from 11.03.2020 onwards".
- Further, CGPL vide letter dated 20.03.2020 intimated the schedule of shutting down of its three units (Out of five units) from 21.03.2020 onwards.
- HPPC vide letter dated 25.03.2020 directed CGPL to resume supply of power as Haryana Utilities are fulfilling each and every obligation defined in the PPA.
- Finally, keeping Covid-19 pandemic in consideration, CGPL vide letter dated 27.03.2020 withdraw its letter dated 20.03.2020 till further notice & consented to resume the supply from 01.04.2020 onwards.

Thus, both CGPL and Adani were seeking revision in tariff by way of amendment in PPA and in case of non-revision of PPA, both the generators, time and again, had given warnings for stoppage of supply of power and the issues with APL & CGPL were not resolved by the time HPPC gave in principle consent (October 2018) to purchase power under this scheme.

Further, it is added that even during FY 2021-22 Adani & CGPL was supplying power to Haryana only from one or two units w.e.f. April 2021 and since 26.08.21 & 18.09.21, Adani & CGPL respectively, had stopped their complete generation till date.

### Coal Shortage in State owned Generating Stations

Further, it is added that Apart from issues with APL & CGPL, the following facts for acute shortage of coal in state owned generating stations are detailed as below:-

- In the FY 2018-19, State thermal Plants of CLP, APCPL and HPGCL's DCRTTP and RGTPP plants could not run due to non-availability of coal. The quantum of energy procured from State run projects in FY 2018-19 in comparison of FY 2017-18 is tabulated below:

Sr. No	Name of Project	2017-18	2018-19
		Unit In LUs	
1	JPL	63560.24	58872.66
2	DCRTTP HPGCL	31560.76	30396.61
3	APCPL	36471.48	26687.22
4	PANIPAT HPGCL	18757.74	26346.52
5	RGTPP HPGCL	44084.30	36162.81
6	Total Scheduled Energy from state Generators	194434.52	178465.82

- State owned power projects including APCPL & JPL, Jhajjar were facing acute shortage of coal. During FY 2017-18, HPGCL projects were only been able to generate on an average 43% (1170 MW out of 2720 MW) of installed capacity. Further, one unit of JPL Jhajjar remained under forced shutdown multiple times due to shortage of coal. Similarly, APCPL shut down its units because of shortage of coal from time to time. Coal stock in HPGCL plants, JPL and APCPL Jhajjar remained critical since June 2018 and almost never exceeded 7 days. Coal stock was merely sufficient for generation for 3 to 5 days as on 15.10.2018.

From the above, it can be observed that inspite of increase in scheduled energy in FY 2018-19 in comparison to FY 2017-18, the energy purchased from State owned projects JPL, DCRTTP, APCPL, RGTPP decreased significantly in FY 2018-19. This was due to the fact that HPGCL, CLP and APCPL were facing low coal materialization due to CIL, railway constraints and local issues. At prevailing rate of materialization of coal, these generators could achieve at the most 55-60% PLF only. One unit of CLP remained under forced shutdown for 80 days due to non- availability of coal in FY 2018-19 even after lifting more than 5,00,000 MT of coal on "as is where is" basis due to lack of infrastructure and transporting arrangement of coal companies. Hence, state owned plants would not be able to meet the shortage of 1824MW due to paucity of coal in case power was discontinued by Adani & CGPL.

Further, it is submitted that the purchase of renewable power is done primarily to meet the RPO obligation of Discoms and meeting the demand of the consumer of the State with this power is the resultant effect. In addition to above, power from Solar and



Wind power plants are infirm in nature. The solar generation does not coincide with the demand curve of Haryana Discoms.

It is also pertinent to mention here that solar and wind power was not available at a price lower than power purchased under this scheme. The availability of renewable power and its cost can be accessed from following facts:

#### **NON SOLAR/WIND**

- ❖ To meet the shortfall in non solar RPOs for FY 2016-17 and 2017-18, HPPC floated NIT no. 59 on 11.11.2016, NIT-60 on 13.12.2016, NIT-63 on 07.06.2017 and NIT-65 on 06.11.2017 for procurement of non solar RE power on short term basis. However, these NITs could not mature on account of poor response or the tariff discovered not adopted by the Commission being on the higher side.
- ❖ NIT -76 was issued on 25.01.2019 to meet the non solar RPOs of FY 2019-20 wherein bids for meagre quantum of 23.5 MW were received against the tendered quantum of 120 MW. Further, the Commission, did not approve the rate discovered (i.e. Rs. 5.40/- per unit) being on higher side.
- ❖ Tender (NIT-78) on 08.03.2019 was again issued for the balance quantum of NIT-76 i.e. 97 MW, however, there was no response.

#### **SOLAR**

- ❖ In order to meet Solar RPO, NIT-72, NIT-73 were floated on 19.03.2018 & 30.07.2018 for procurement of 1000 MUs & 2031 MUs solar power and the tariff was discovered @ Rs. 5.18/KWh. Hence, it could not materialize due to higher tariff.
- ❖ NIT-75 dated 3.12.2018 for procurement of 1700 MUs solar power, did not materialize, as the tariff discovered i.e. Rs. 5.95/- per kWh.
- ❖ HPPC again floated NIT-79 on 26.07.2019 for procurement of 1320 MUs solar power on short term basis but no bidder turned up on the scheduled date and time.

In view of outcome of above tenders, it can be concluded that the above tariff discovered for Solar and Wind power through transparent competitive bidding was more than the power scheduled under pilot scheme.

In view of the fact detailed above, it is clear that Discoms had not extended any favour to IPPs instead planned and ensured uninterrupted power supply to state consumers. Accordingly, cost comparison with state owned generators is not justifiable as power procured under pilot scheme is not meant for replacing the same instead to meet the power shortage in peak season as RTC power was procured only for eight months.

It is also added that the cost of power procured under said scheme was approx. Rs. 4.29 per unit instead of Rs. 4.90 to 5.00 per kwh during FY 2020-21 & 2021-22, as the said power was scheduled under STOA as per latest CERC Sharing Regulation 2020, there is no transmission charges to be levied on Discoms in the STOA regime, therefore, audit observation that avoidable expenditure will further increase till the validity of PPA (March 2022) is not justified.

It is also pertinent to mention here that subject cited power was generally scheduled upto 55% of contracted power on RTC basis and above 55%, power is scheduled only during peaking hours i.e. when exchange rates are comparatively on higher side, on intraday/day ahead basis.

**Shortage of Power Supply during FY 2021-22:**

Further, it is also worth to mention here that during FY 2021-22, Haryana Discoms has faced the unprecedented situation as envisaged by HPPC at the time of giving in principle consent (October 2018) to purchase power under the Gol scheme. The Non-availability of various generating units of HPGCL (State Genco), Adani Power, CGPL and FGPP-NTPC is tabulated as under:

S. No.	Generator	Unit No.	Period during which Unit(s) not available	Capacity Not available (MW)	Reason
1	HPGCL	RGTPP-2	18.09.2020 – till date	600	High vibration in the turbine
		DCRTPP-1	08.07.2021-03.11.2021	300	Shut down due to APH fault
		PTPS-6	01.04.2021-03.02.2022	210	Non-approval of HERC
2	ADANI Power	Unit-7	06.05.2021 – till date	475	Non-financial viability
		Unit-9	06.06.2021 – till date	475	
		Unit-8	25.08.2021 – till date	474	
3	CGPL	All Units	Since 18.09.2021 – till date	380	Non-financial viability
4	FGPP-NTPC	All Units	April-21 – till date	432	Non-availability of APM Gas
Total Unavailability during Peak Season of FY 2021-22				<b>3346</b>	

In addition to above, there was scarcity of coal in most of the thermal power stations during this fiscal year across the country. Particularly, MGTPP, CLP, Jhajjar and IGSTPP, Aravali-NTPC, Jhajjar have taken their units out of bar due to coal shortage. In spite of, non-availability of said plants & shortage of coal in state generating stations, Haryana Discoms had successfully met peak demand of 12120 MW felt on 08.07.2021.

To meet the demand during peak season, despite power supply agreement of 400 MW on medium term basis, HPPC had to resort to spot purchases through power exchange on RTM basis @ Rs. 20.00 per kWh and the average rate of power purchased by Haryana Discoms through exchange from April-November 2021 is Rs. 5.24 per kWh.

Had HPPC not signed medium term PSA with PTC for supply of 400MW pilot power from MB Power and SKS power, it would certainly be a challenge for Haryana Discoms to meet the gap between demand and supply and if same would be met through power exchange for the period from April-21 to Nov-21, HPPC had to bear additional cost of ~119 Cr for the power procured i.e. 1255 Mus through pilot scheme.

In view of above submissions, it is not reasonable to observe that no extra expenditure has been done to buy costly power, however, the purpose of Pilot Scheme of Gol to meet the power deficit is successfully achieved and uninterrupted supply to the

consumers of the state has been ensured in an awkward situation where Generators i.e. Adani & CGPL breached the sacrosanct of the PPA, State Generating plants could not run to their full capacity due to non-materialization of coal supply and exorbitant higher rates of spot purchases in the exchange.

Therefore, in view of the facts detailed above, it is requested to drop the subject cited audit para.

**During the course of oral examination, the Committee observed that the department entered into long- term Power Purchase Agreement for purchase of electricity at higher rate instead of purchasing the electricity from HPGCL at lower rate. The Committee recommends that a brief note with full justification for not exploring other source for purchase of electricity at lower rate be submitted to the Committee within 15 days.**

### **Uttar Haryana Bijli Vitran Nigam Limited**

#### **3.1.6 Lack of Internal Controls**

##### **(a) Non-adjustment of cross subsidy & additional surcharge from payments to captive generators**

3. As per rule 3 of Electricity Rules, 2005, no power plant shall qualify as Captive Generating Plant unless (i) not less than 26 *per cent* of the ownership is held by the captive user(s) and (ii) not less than 51 *per cent* of the aggregate electricity generated in such plant, determined on annual basis, is for the captive use. If a generating plant does not meet these requirements, it becomes ineligible for benefits extendable under Rules framed by HERC and would be treated as a regular generating plant or independent power producer. Thus, it would be liable to pay cross subsidy, additional surcharge or any other charge as notified by the HERC from time to time, on the entire quantum of energy used by itself, to the DISCOMs.

HPPC did not verify that three Generating Plants were no more to be categorised as Captive Generator (from 2010-11 to 2018-19), as they had supplied more than 51 *per cent* of their generation to HPPC. HPPC as a result of non-verification did not deduct the applicable cross subsidy and additional surcharge from the power purchase bills, which could have been passed on to DISCOMs.

In August 2019, HPPC issued notices for recovery of applicable charges of Rs. 71.37 crore from the three generators. They challenged the same before HERC stating that issue of notices for recovery after a period of 10 years is unjust, arbitrary and afterthought. After hearing Captive Generators and HPPC, HERC directed (July 2020) that the issue may be mutually resolved through discussions at the level of Administrative Secretaries of both the departments (Power and Co-operative Departments).

As per Section 56 (2) of the Electricity Act, 2003, in case the claims of electricity are not raised within two years from the date when they become first due, they cannot be recovered unless they are being shown continuously as arrears. However, it was observed that notice of recovery was first issued in August 2019 only. Therefore, the recovery of the amount from 2010-11 to 2016-17, amounting to Rs. 35.84 crore out of this amount of Rs. 71.37 crore is doubtful. Further, even if HPPC recovers full amount on behalf of DISCOMs, it has already incurred interest cost of Rs. 26.43 crore (up to March 2020) because of failure to prevent such occurrences.

**In their written reply, the State Government/Company stated as under: -**

#### **Reply of UHBVNL**

It is submitted that provisions of Rule 3 of the Electricity Rules, 2005 are matter of record. The Electricity Act read with Regulations exempt Captive Generating Plants (CGP) from payment of Cross Subsidy Surcharge (CSS) and Additional Surcharge (AS). In case, CGP failed to qualify as Captive, in terms of the Electricity Rules, 2005, he is liable to pay all charges applicable to a normal generator. The captive status of plants are thus to be verified on annual basis. The statute is however silent regarding the agency /authority for verification of captive status.

Haryana Power Purchase Centre (HPPC) is a joint forum created pursuant to Haryana Government notification no. 1/1/2008-1 dated 11.04.2008, owned by the State Distribution Licensees, namely, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin

Haryana Bijli Vitran Nigam Limited (Haryana Discoms), with a mandate to arrange/procure economical, reliable and cost effective power including renewable and non-conventional sources for the Haryana Distribution Utilities in order to meet the universal service obligations of providing electricity to their consumers.

HPPC is thus involved in purchase of power and the duties do not call for verification of captive status of generating projects availing benefits from Haryana Discoms. The three Sugar Mills are associated with HPPC for supply of Power to Haryana Discoms against the respective Power Purchase Agreements (PPAs) and the process of power purchase was accordingly governed by terms of PPAs. Recovery of CSS and AS, if any, falls in the domain of Discoms.

It may be also be considered that the issue of levy of CSS and AS on Sugar Mills is not explicitly dealt in the Act/Regulations/PPA. As per HERC Open Access Regulations, CSS and AS are applicable to Open access consumers availing supply of power from sources other than distribution licensee of the area. Since sugar mills source their power through own generation and use it simultaneously without availing Open Access, so they were not considered from the perspective of Open Access Consumers availing supply from other sources. Further PPAs executed with HPPC by Sugar Mills do not specifically provide for levy of any CSS and AS. PPAs only provide for paying a tariff specified by the Commission for electricity exported by Sugar Mills to the grid whereas PPAs specifically provide for treatment of electricity imported by Sugar Mills from the grid. The aspects of levying CSS and AS on the self consumption out of own generation by Sugar Mills is not explicitly flowing out of Regulations/Act/PPA, however, the same has to be interpreted based on various judgements/orders of the courts in the matter.

It was initially recognised that Sugar Mills are Co-generation based plants and are to be dealt as per the terms of PPA whereas subsequently the issue was dealt considering in cognizance of Hon'ble Supreme Court judgment dated 25.04.2014 in the matter of SESA Sterlite Ltd. v. Orissa Electricity Regulatory Commission (2014) 8 SCC 444 and notices were issued.

The content of para are admitted being matter of record. The issue could not be resolved mutually. The issue was subsequently adjudicated by the Haryana Electricity Regulatory Commission (HERC).

It is submitted that HERC vide its orders dated 15.02.2021 in HERC/PRO-14 of 2020 and HERC/PRO-15 of 2020 the matter of M/s Shahabad Cooperative Sugar Mill and M/s Haryana Cooperative Sugar Mill respectively has set aside the demand notices issued by the UHBVN for the recovery of cross subsidy and additional surcharge. Copy of HERC orders are enclosed herewith for reference. Thus, the loss of principal amount or interest has no locus standi till the appropriate authority upholds the contention of Discoms. Regarding time barring of claims under section 56(2) of the Electricity Act, 2003, it is added that Hon'ble Supreme Court vide judgement dated 05.10.2021 in Civil Appeal no. 7235 of 2009 in the matter of M/s Prem Cottex vs UHBVN held that sub-section (2) of Section 56 has a non-obstante clause with respect to what is contained in any other law, regarding the right to recover including the right to disconnect. Therefore, if the licensee has not raised any bill, there can be no negligence on the part of the consumer to pay the bill and consequently the period of limitation prescribed under Sub-section (2) will not start running. So long as limitation has not started running, the bar for recovery and disconnection will not come into effect.

It is therefore understood that the bar under section starts from the date of notice and thus shall not hamper claims of Discoms, if admitted by the court of law.

Discoms have challenged the orders of HERC in the matter in APTEL. Matter in appeals (DFR no. 207 of 2021 and DFR no. 208 of 2021) are pending for adjudication. It is understood that if at any stage, the issue is decided as per the contention of Discoms pursuant to appeals filed by Discoms, it is likely that the holding cost may also be allowed thereby offsetting the interest.

As such the audit para is not made out as on date and accordingly may be dropped.

In view of the above, it is requested to withdraw the Para please as there is no cause of action as on date to indicate any financial loss whatsoever on this account.

**During the course of oral examination, the Committee observed that the internal control system of the Department/Corporation should have pointed out such lapses much earlier that these sugar mills were not be categorised as captive generators and were not eligible for cross subsidy/additional surcharge. However, the lapse could not be pointed out for more than 8 years. The Committee recommends that a brief note highlighting the names of Officers/Officials who failed to point out such lapses be submitted to the Committee within 15 days.**

## Uttar Haryana Bijli Vitran Nigam Limited

### 3.2.3 Awards of contracts

#### (b) Irregular award of contracts

4. The company invited (November 2017) tenders<sup>30</sup> in two parts for works to be carried out on turnkey basis under MGJG in Sub Urban Division Jagadhari under Operation Circle Yamunanagar. The estimated cost of work was Rs. 33.25 Cr. After evaluation of three bids received, the company awarded (February 2018) contract to L1 firm, M/s Ishwar at a costs of Rs. 38.58 Crore.

As per the bid conditions, the bidders were required to demonstrate liquid Assets (LA) equivalent to 25 per cent of the estimate cost of the work i.e., Rs. 8.31 Crore (25 per cent of the estimated cost of Rs. 33.25 Crore). The tender condition also specified that closing stock, cash in hand, bank balance and Fixed Deposit Receipts (FDRs)/ Investment only would be considered for working out LA. Audit observed that the Company declared bid of M/s Ishwar as financially responsive by including debtors of Rs. 36.59 crore as part of LA. If debtors are excluded, LA of M/s Ishwar worked out to Rs. 3.94 crore only against the benchmark of Rs. 8.31 crore. Thus, by considering debtors as part of closing stock against methodology prescribed for calculation of LA in bid

The management stated (February 2021) that debtors of below 120 days were considered as part of liquid assets with a view that the firm had bank sanctioned cash credit limits against stocks and debtors below 120 days. The reply is not acceptable as tender documents clearly specified that closing stock, cash in hand, bank balance and FDRs/Investment would only be considered for working out LA.

**In their written reply, the State Government/Company stated as under: -**

#### **Reply of UHBVNL**

UHBVN had invited tenders in November 2017 in two parts for works to be carried out on turnkey basis under MGJG in Sub-Urban Division Jagadhari under Operation Circle, Yamunanagar. As per the bid conditions, the bidders were required to demonstrate Liquid Assets (LA) equivalent to 25% of the cost of work i.e. 8.31 crore (being 25% of the estimated cost of Rs. 33.25 crore).

The Liquid Assets (LA) was to include and to be calculated as under:

1. Closing Stock, Cash in Hand, Bank Balance, FDR's/ Investments
2. Un-Utilised Letter of Credit Limits as sanctioned by Banks (Fund based)
3. Un-utilised Cash Credit Limits sanctioned by Banks (Fund based)

The total of the above should not work out to less than 25% of the Estimated Cost of the Work.

*Further, the criteria also included that if the Limits are sanctioned against any one i.e. stock/Inventory/FDR's, then the higher side of the book value of the said component (as per balance sheet) on a particular date was to be considered to work out Liquid Assets.*

*Normally, the sundry debtors are not included while calculating LA's as the Cash Credit Limits are generally sanctioned against Stocks/ Inventories.*

While finalizing the LA's in this case, it was observed that the firm was having Cash Credit facilities against the Stocks/Inventory and also debtors for less than 120 days.

As the debtors (less than 120 days), which are just conversion of stock/inventory (*without any realization of Value*) on a particular date, the matter was discussed at length by the competent authority of the Company on the issue in the light of the above mentioned facts and criteria, the facts regarding non-segregation of Un-Utilized Cash Credit limits, being part of the Liquid Assets (which were sanctioned against Stocks/Inventories and also sundry debtors less than 120 days) and finally to include sundry debtors (for less than 120 days) in this case as per the balance sheets duly certified by the Chartered Accountants, to avoid any ambiguity in referred Financial Criteria at a later stage.

The firm also represented that they had submitted the bids keeping in view the Financial Criteria applicable in this case duly analyzed with the professional skills of the Chartered Accountants and their financial data.

Hence, the Liquid Assets (LA) of the firm was discussed in view of the above facts, merits and was considered correctly and evaluated at Rs. 9.01 crore. In view of the above facts, the question of any kind of favour in awarding the contract to any firm does not arise.

It is not out of place to mention here that the above Financial Criteria, which was giving to understand any ambiguity in the minds of the bidders, has already been replaced with the approval of the Management of UHBVNL for future.

**During the course of oral examination, the Committee observed that the Officers/Officials of the Corporation/Department extended favour to the contractor. The Committee recommends that a fact finding report be submitted to the Committee indicating the authority/Committee which approved the revised criteria of calculating liquid assets. The Committee also desired to know whether the revised criteria were published or not?**



### **Dakshin Haryana Bijli Vitran Nigam Limited.**

#### **3.3 Non recovery of differential tariff**

**Company did not recover tariff difference of Rs.39.88 lakh from a consumer who was sanctioned connection in wrong category by the sanctioning authority, in terms of provisions of Electricity Supply Code, 2014.**

5. The Electricity Supply Code, 2014, of Haryana Electricity Regulatory Commission clause 8.6 (7) provides that in cases where the consumer had not concealed the category of usage of supply while applying for connection, but the load was sanctioned under a wrong category by the sanctioning authority only the difference of tariff from the date of connection would be charged. Future billing would be made in applicable category and no case of unauthorized use of supply or theft of electricity would be made.

Dakshin Haryana Bijli Vitran Nigam Limited (Company) released (June 2012) a High Tension (HT) electricity connection with sanctioned load of 350 kW in the 'Bulk Domestic Supply (BLDS) category as applied for (February 2012) by a consumer for their premises.

A vigilance inspection (August 2017) of the consumer premises by the Company revealed that they were providing services of boarding and lodging etc. to senior citizens on daily/monthly chargeable basis and recommended that the consumer should be charged tariff under 'Non-Domestic Supply (NDS) category. Accordingly, the Company directed (October 2017) the consumer to apply for a new NDS connection within 30 days which was complied with (November 2017).

Audit observed that although it was a case of release of connection in wrong category by the sanctioning authority, the Company did not take action as per applicable clause 8.6 (7) of the Electricity Supply Code-2014, which provides for charging of difference of tariff between the applicable category and that charged, from the date of connection from the consumer. Audit estimated the difference of tariff, from the date of connection (June 2012) in lower tariff category (i.e., BLDS) till its disconnection (November 2017) amounting to Rs 39.88 Lakh was not recovered from the consumer.

The Management stated (April 2021) that a notice for recovery of tariff difference was served (March 2021) on the consumer as per audit observation. However, the consumer filed a court case in the civil court, Faridabad, which is still pending (September 2021).

Thus, the Management acted for recovery of the differential amount only after being pointed out in Audit.

It is recommended that the provisions of the Electricity Supply Code should be enforced immediately in such cases in future.

The matter was referred (February 2021) to the Government, their replies were awaited (September 2021).

**In their written reply, the State Government/Company stated as under: -**

#### **Reply of DHBVNL**

An HT connection was released under Bulk Domestic Supply category to M/s UCC care Pvt. Ltd during June-2012 for 300 KW. Later on, Vigilance team had Checked the

premises vide LL-1 No. 22/845 dated 20.08.2017 and it was revealed that M/s UCC Care was providing boarding and lodging services to the Senior Citizens on daily/monthly chargeable basis and Vigilance recommended that consumer should be charged tariff under Non-Domestic Supply (NDS). Accordingly, a notice was served to the consumer for change of category from BLDS to NDS. Consequently, the consumer had applied for 220 KW load under NDS category vide A & A No. 978517196011 dated 13.10.2017 which was released vide SCO No. 7941684256 dated 18.11.2017.

As per audit observation another notice bearing No. 606 dated 10.09.2020 was served to the consumer for recovery of tariff difference of the applicable category amounting to Rs. 38.82 Lakh from the date of connection (June-2012) in lower tariff category (i.e. BLDS) till its disconnection (November-2017) amounting to Rs 39.88 Lakh.

However, the consumer filed a court case in the Hon'ble Civil Court, Faridabad, which is still pending.

**The Committee recommends that a detailed report containing action taken against the officials who were responsible for delay of 3 years in issuing of notices for recovery of the differential amount be submitted to the Committee. The Committee further recommends that directions be issued to officers/officials concerned to take appropriate steps to avoid delay in such cases.**

## REPORT

### REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON COMPLIANCE AUDIT OF ENERGY & POWER, INDUSTRIES & COMMERCE AND URBAN DEVELOPMENT CLUSTERS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021

**Uttar Haryana Bijli Vidyut Nigam Limited.**

#### **2.1.6 Erection of 11 KV Cross Linked Polyethylene Cable**

6. Work for supply and erection of material for rural electrification works under DDUGJY scheme in Yamunanagar district (under UHBVNL) was awarded (January 2018) to a contractor at a total cost of Rs. 17.12 crore.

UHBVNL observed (March 2018) that High Tension Aerial Bunched (HT AB) Cable provided in Notice Inviting Tender (NIT) were prone to frequent damages and had to be repaired. They, therefore, decided to use 11 kV HT Cross Linked Polyethylene (XLPE) cable. However, the Contractor did not agree (May 2018) to supply and erect 11 kV HT. XLPE cable as this was not part of NIT and added at a later stage. The contractor wanted to be allowed to offer new rates for this item as per the Standard Bidding Document (SBD) which provides that if the rates and prices of any change item were not available in the contract, the parties thereto should agree on specific rates. However, UHBVNL awarded (June 2018) the work for supply and erection of 48.450 KM 11 kV HT XLPE cable at the rate of Rs. 796.61<sup>8</sup> per meter determined by the UHBVNL itself.

The contractor approached (July 2018) the Hon'ble High Court for quashing the work order where the contractor was allowed to appear before the Managing Director for personal hearing. The Company offered after negotiation rate of Rs. 1139.80<sup>9</sup> per meter in place of Rs. 940 per meter including GST of 11 kV HT XLPE Cables.

The Contractor supplied and erected 48.968 km of 11 kV HT XLPE cable and an additional expenditure of Rs. 97.84 lakh<sup>11</sup> was incurred in comparison to the approved rates of the UHBVNL.

Audit noticed that other contractors had supplied and erected same cable under DDUGJY projects in Ambala, Kurukshetra, Rohtak and. Kaithal districts which was earlier not provided in the NITs. In all these Districts, rates allowed to contractors were rates as calculated by Planning and Design wing of the UHBVNL (PD rates) plus quoted premium.

UHBVNL stated (January 2022) stated that rate was fixed on the basis of quotation received from authorized dealer of Havells brand of cables. The reply was not acceptable as justification for fixing price of cable (valuing Rs. 5.58 crore) was based on single quotation which was higher than the already discovered rates by the Company.

During. Exit Conference, Additional Chief Secretary (Power), Haryana stated that cable could have been excluded from scope of contract and directed to examine at what level decision was taken. Further, instead of single quotation competitive bid should have been invited.

**In their written reply, the State Government/Company stated as under: -**

#### **Reply of UHBVN**

A work under DDUGJY Scheme for Yamuna Nagar District was awarded to M/s Arvinder Electricals, Chandigarh against memo no. PDC 773 & 774/NIT no.

182/DDU/YNR/B-529/DD-II dated 25.06.2018. The NIT was floated as per the sanctioned BOQ. After the award of the work, foot survey was done by the firm and Nigam's officials. As per the field requirement, SPC recommends to WTDs to consider 3 core HT XLPE Cable of size 185 & 300 Sq mm in place of HT AB cable and the same was approved by WTDs, UHBVN. The work order was issued as per the approved P&D rates along with the premium (as decided in HPPC meeting).

As per the clause 33.2.4 of SBD which is reproduced as under:-

*"if rates and prices of any change are not available in the Contract, the parties there to shall agree on specific rates for the valuation of the change and all matters therein related to the change".*

It is further submitted that the new item i.e. HT XLPE Cable of size 3C X 185 & 300 Sq mm was not in the initial BOQ as per NIT and there were no rates of these new items in the BOQ. Nigam issued work order as per the approved P&D rates with premium to the firm. M/s Arvinder Electricals, Chandigarh objected to the rates provided to him in the work order by invoking the clause 33.2.4 of SBD (as reproduced above) and filed Civil Writ Petition No. 19083 of 2018 for District Yamuna Nagar & 29040 of 2018 for district Panipat before the Hon'ble Punjab and Haryana High Court.

The Hon'ble High Court passed the order on 19.09.2018 vide which petitioner shall be at liberty to appear before the Managing Director, UHBVN to explore the possibility of resolution of the issue. Accordingly, the contractor met with the then Worthy CMD, UHBVN on 24.09.2018 vide which the firm has submitted Rs. 1475.84 per meter for HT XLPE 3Cx185 mm<sup>2</sup>. On the direction of the Hon'ble High Court of Punjab & Haryana at Chandigarh and considering the representation of the firm, Worthy CMD, UHBVN passed speaking order on 01.10.2018 vide which the request of the firm was not considered for acceptance being high offered rate.

Again, Hon'ble Punjab & Haryana at Chandigarh vide order dated 19.11.2018 directed to the firm to appear before CMD, UHBVN, Panchkula. The firm vide representation to CMD, UHBVN dated 05.12.2018, offered 1225/- per meter (all inclusive). After negotiation, the rate of Rs. 1139.80 per meter (Rs 960.52 per Meter (Inclusive of GST @18%) Plus Overhead Charges i.e 10.5% + Negotiated Premium i.e 7.39%), as FIRM rate, was mutually agreed by both parties which was submitted for approval of competent authority and the same was agreed by Worthy CMD, UHBVN on 12.01.2019 as per terms and conditions of the NIT/SBD of the DDUGJY. Further, no price variation on the above cable was allowed to the firm during the execution of work.

The above negotiation was held as per the clause of SBD i.e. 33.2.4 which was exercised by the firm M/s Arvinder Electricals, Chandigarh. Further, The cable was included in the scope of work of the firm as per the foot survey conducted by firm along with the field officers of the Nigam with the approval of WTDs UHBVN. The negotiation was done as per the terms and conditions of the SBD and the same was put up and agreed by the then worthy CMD, UHBVN, Panchkula.

It is pertinent to mention here that the firm offered two rates i.e Rs. 1475.84/- per meter and again Rs. 1225.00/- per meter. Further, after negotiation both Nigam and Contractor agreed on Rs. 1139.80/- (firm price) per meter as per provisions of the contract. As such, it is denied that the rates were accepted on single quotation. The detail of HT XLPE cable installed in other districts under DDUGJY is as below:-

Sr. No.	Name of district	Qty. as per W.O. (In Km.)	Qty. as per execution (In Km.)	%age value of cable in respect of W.O. amount
1	Ambala	-	5.5	3.04%
2	Panchkula	-	--	0%
3	Panipat	-	--	
4	Kurukshetra	-	--	
5	Kaithal	172.95	18.66	6.94%
6	Karnal	-	--	0%
7	Sonepat	-	1.35	0.99%
8	Jhajjar	-	--	0%
9	Rohtak	-	6.99	2.95%
10	Yamunanagar	48.50	67.53	37.93%

As above, it is submitted that the quantity in other districts is nominal, however, in Yamunanagar district, the requirement of 3C HT XLPE cable was 48.450 KM as per foot survey/Work-Order i.e. 28.91% of the cost of the work order issued to the firm. However, 67.53 Km Cable was erected at site which is 37.93 of the work-order cost. As there was nominal scope or Nil scope of HT Cable in other work orders of rest of the districts under the scheme as such no other contractor represented for amendment in the rates given by the Nigam for HT cable. However, M/s Arvinder had raised the issue with the Nigam and also filed petition in Hon'ble Punjab & Haryana High Court in the matter due to significant volume of HT XLPE cable in the work order of Yamunanagar Circle. The availability of 3C HT XLPE cable in the Nigam's store as on 31.11.2018 was only 18 KM for emergent nature work of Nigam. The work could not be completed timely by supplying the cable through Nigam store. The work has to be carried out in the time bound manner to get the benefit of the grant provided by the MOP, GOI. In District Yamunanagar, the claim of eligible grant i.e. Rs. 7.37 Cr. was sent to the nodal agency and the same was received in the Nigam's account, after completion of the work as per time lines provided by REC/MOP, GOI. If the same was not consider, then Nigam could loose the grant of Rs. 7.37 Cr. for Yamunanagar Circle, as such, the Nigam has got benefit of Rs. 6.39 Cr. All the eligible grant has been received in the Nigam's account.

**During the course of oral examination, the Committee was not satisfied with the reply submitted by the Department/Corporation. Therefore, the Committee recommends that a revised reply be submitted to the Committee at the earliest.**

### **Dakshin Haryana Bijli Vidyut Nigam Limited.**

#### **2.1.7 Non-recovery of differential cost in respect of material supplied by DHBVNL**

7. In case of turnkey projects, the contractors were required to supply material as per work order along with erection of same within scheduled period of completion. Audit noticed that work orders for supply of plant and equipment (including installation) for Rural Electrification works of Sirsa and Bhiwani districts which, *inter-alia*, included construction of new 11 kV line, augmentation of existing 11 kV lines, construction of new LT line, construction of new sub-station were issued (during March 2017 to March 2018) to different contractors<sup>12</sup>.

The contractors citing financial crunch requested (November 2018 and February 2019) DHBVNL to provide material such as Aluminum Conductor Steel Reinforced (ACSR) conductors, distribution transformers, Plain Cement Concrete (PCC) poles, meter cover boxes, Gang Operated (GO) Switch, power transformers (for sub-station), 11 kV 8 panel board which otherwise they were required to purchase and install/erect in respect of allotted works. DHBVNL, in the interest of projects, decided (February 2019) to allocate material to contractors subject to availability in store and recovery of differential cost, if any, applicable.

DHBVNL had booked cost of own issued material on PD rates in DDUGJY scheme for claiming grant, but differential cost of Rs. 37.83 lakh had not been recovered from four contractors. The differential cost was recoverable as per decision taken by DHBVNL while agreeing for issuing material from store, non-recovery was an irregular benefit to contractors and loss to the DISCOM.

DHBVNL stated (January 2022) that there was no additional financial implication for the Company as negative differential ( One crore appx.) amount was higher than the positive differential (Rs. 76 lacs appx.) amount in case of all the projects. The reply was not tenable as material was supplied to contractors with condition that differential cost would be recovered and amount recoverable in case of these projects (Sirsa and Bhiwani) was net of positive and negative differential cost.

During Exit Conference, Additional Chief Secretary (Power), Haryana directed DISCOM officials to prepare and submit the cost sheet in such cases.

**In their written reply, the State Government/Company stated as under: -**

#### **Reply of DHBVN**

It is submitted that the cost sheet in respect of DDUGJY projects executed in DHBVN was prepared (Annexure-I). On perusal of the same, it is confirmed that % of positive differential amount w.r.t. total cost of material issued by Nigam is 2.94% and % negative differential amount w.r.t. Total cost of the material issued by Nigam is 4.16%. As such, it is submitted that there was no additional financial implication for the Company as negative differential (One crore appx.) amount was higher than the positive differential (Rs. 76 lacs appx.) amount in case of all the projects.

**During the oral examination, the Committee recommends that action taken report with regard to recovery of differential cost from contractors be submitted to the Committee at the earliest.**

### **Dakshin Haryana Bijli Vidyut Nigam Limited**

#### **2.1.10 Use of sub-standard material in DDUGJY, Hisar Project**

8. Standard Bid Document (Quality Assurance and Evaluation Mechanism) provides that the Project Implementation Agency (PIA) shall be solely responsible for assuring quality in DDUGJY works. PIA should ensure that the quality of materials/equipment supplied at site and execution of works carried out at field was in accordance with Manufacturing Quality Plan (MQP)/Guaranteed Technical Particulars (GTP) and Field Quality Plan (FQP)/Approved Drawings.

Audit noticed that the work of electrification of Hisar district was awarded (January 2017) to a Contractor<sup>23</sup> at a total cost of Rs.18.92 crore. The scope of work also included conversion of existing Low Tension (LT) overhead lines to Aerial Bunched (AB) Cable. As per the work order a total of 315.819 circuit kilometer (ckm) of LT AB Cable was to be provided by the Contractor which was increased to 515 ckm after the foot survey. Audit noticed that against the total required quantity of 515 ckm, the Contractor had supplied 310 ckm cable of Relemac or Kalinga make.

During execution of the project, the Contractor was found involved in unfair business practices. The contractor took excess payment against the actual supplied material and resultantly the contract was terminated (23 February 2018). The matter was pending before the Arbitrator.

After termination of contract, DHBVNL got conducted the acceptance test of the cables already supplied and erected by the Contractor. As per the test reports, the cable of Relemac make (297 ckm) valuing Rs 9.06 crore failed to conform to required specifications and was declared defective/sub-standard by the National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited laboratories. DHBVNL had not made any efforts to replace the same and resultantly defective cable of 297 ckm continue to be under use. By not replacing the defective cable, DHBVNL compromised with the safety norms.

DHBVNL stated (January 2022) that the firm has disputed the non-conformation of the cable to the specifications and matter is under adjudication before arbitrators and in such circumstances, it would have not been in the fitness of things to get the below standard cables replaced departmentally. The Management thus confirmed that sub-standard cables are still under use.

**In their written reply, the State Government/Company stated as under: -**

#### **Reply of DHBVN**

It is submitted that the firm had disputed the non-conformation of the cable to the specifications and matter is still under adjudication before Arbitral Tribunal and in such circumstances, it would have not been in the fitness of things to get the sub-standard cables replaced departmentally. It is also added that the claim of Rs. 8.72 Cr. against the failed cable has been lodged in the ibid Arbitration case.

**During the course of oral examination, the representative of the Department/ Corporation informed the Committee that contractor has been blacklisted and the matter is still under arbitration. The Committee desired that a special letter be issued to Ministry of Power, Government of India, informing the blacklisting of the contractor so that other agencies can take proactive steps in future.**

### **Haryana Vidyut Prasaran Nigam Limited**

#### **2.3 Infertuous expenditure on construction of 220 KV Sub-station**

**The company awarded and executed the work without waiting the decision of court which resulted in infertuous expenditure of Rs. 12.76 crore and loss of interest of Rs. 9.47 crore in idle sub-station equipment.**

9. Haryana Shahri Vikas Pradhikaran (HSVP) acquired (July 2013) 15.52 acres of land of village Shikohpur, Tehsil and District Gurugram at a cost of Rs. 1.55 crore per acre for setting up 220KV Sub-station and other utilities of this, HSVP allotted (December 2013) land measuring 12 acres to Haryana Vidyut Prasaran Nigam Limited (Company) for setting up of 220KV sub-station in Sector-77, Gurugram which was, however, later revised (May 2017) to 11.20 acres. In the meantime, the Whole Time Directors of the company granted (November 2013) in -77, Gurugram which installed capacity of 2x100 MVA , 220/33KV transformer along with associated transmission lines. The cost of project was to be shared between HSVP and the HVPNL in the ratio of 50:50 as per the standing instructions (February 2007) of HSVP.

In January 2015, the landowner filed a suit for enhancement compensation for the subject cited land in the court of Additional District Judge, Gurugram. The company, however, without waiting for the decision of the Court awarded (May 2017) the work for construction of above sub-station to a contractor at Rs. 58.24 crore. The field office of the company however, noticed (July 2014/October 2017) difficulties created by the landowner in preliminary survey and cultivation of this land by the farmers.

In July 2019, the competent Court deciding the compensation case in favour of land owners, raised the land acquisition rates from Rs. 1.55 Crore per acre to Rs. 18.38 Crore per acre alongwith other statutory benefits. Owing to high compensation awarded by the Court, the Urban Estate Department through Town & Country Planning Department decided (November 2019) to drop the land acquisition proceedings: and to de-notify the land under Section-101A of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013'. This states that when any public purpose, for which the land acquired become unviable or non-essential, the State Government shall be at liberty to denotify such land on such terms as considered expedient by the State Government including payment of compensation on account of damages, if any, sustained by the land owner due to such acquisition.

By that time (November 2019), the Company had already completed work amounting to Rs. 59.80 Crore of which Rs. 12.47 crore was in respect of civil and erection works. The Company decided (January 2020) to shift the infrastructure to another location, at Sector-75A, Gurugram and to dismantle the infrastructure of sub-station already constructed at an additional estimated cost of Rs. 28.69 Lakh. It was also decided (January 2020) by The State Government that the cost of dismantlement and erection of new sub-station would be shared between HSVP and the Company in the ratio of 50:50. The Company floated notice inviting E-Tender (NIT) in October 2021 for dismantling of 220kV sub-station at Sector-77, Gurugram and construction of 220kV Sub-Station, Sector-75A, Gurugram by utilizing the dismantled equipment material on turnkey basis. The outcome of the NIT was awaited (December 2021).

As per procedure defined in notification dated 14 September 2018 for de-notification of acquired land, if the acquiring department is of the opinion that the land



acquired under the land acquisition act is unviable or non-essential for the public purpose for which it has been acquired and it should be de-notified from acquisition, it will inform the Government about its opinion and seek approval of the Government. The opinion of the acquiring department after preliminary examination shall be referred to the concerned District level sub-committee not later than one month from its receipt. The District level sub-committee after examining the matter shall give its recommendation and reasons as to whether the opinion of the acquiring department referred for consideration deserves to be accepted or not. The District level sub-committee will submit the report to Administrative Secretary of the acquiring department who shall after taking approval for the Government place the matter before the ministerial sub-committee. The ministerial sub-committee report shall be presented for decision by the cabinet, who may allow the de notification. It was however noticed that after approval of the State Government, the matter has not been referred to the District level sub-committee/Ministerial sub Committee so far and no approval of Cabinet Committee has been obtained.

It was also noticed that neither the Company nor HSVP recommended de-notification of the acquired land nor decision to de-notify was taken by Urban Estate Department (authority which processes acquisition of land in Haryana). Then Urban Estate Department, however, did not follow it to its logical conclusion of de-notifying it even after passage of over two years. Further, the order (22 November 2019) conveyed to Zonal Administrator HSVP and Land Acquisition Officer, Gurugram by Urban Estate Department for issuing draft de-notification order has been stayed (December-2021) by the High Court upon a petition filed by a land owner in December 2021.

Audit observed that despite knowing about the suit for enhancement in land compensation filed by the landowners and hindrances created by the landowners in July 2014/October 2017, the Company awarded the work of sub-station and did not stop the work thereafter on the disputed land.

Resultantly, the expenditure of Rs. 12.76 Crore (Rs. 12.47 Crore + Rs. 0.29 Crore) on civil works and its dismantlement proved wasteful. The cost of equipment supplied for sub-station amounting to Rs. 47.33 crore was also an idle investment and resulted in loss of interest of Rs. 9.47 Crore (Calculated at the rate for 10 per cent per annum). Further, due to non-construction of the sub-station, the residents were deprived of the benefits to be received from construction of sub-Station.

During Exit Conference (May 2022), Additional Chief Secretary (Power) stated that the stay on issue of de-notification was a matter between the acquiring department and the land owners and the station had to be dismantled as early as possible.

The Management replied (May 2022) that the acquisition of land was dropped by the State Government. The decision was taken by the apex authority, keeping in view the financial repercussion based on a decision of the Court, which came across later. The decision was taken by HSVP and the State, which has mandate to provide land to HVPNL free of cost and HVPNL did not have any involvement in acquisition proceedings. The point remains that the Company went ahead with work of construction of sub-station despite being aware of the disputed status of land. The Company should have looked for alternates (including site/location) or waited for the outcome of the litigation before taking up the construction of sub-station in case it was of an assessment that judicial pronouncement would have had an impact on their infrastructure development and utilization.

**In their written reply, the State Government/Company stated as under: -**

**Reply of HVPNL**

1. HVPNL decided to construct the 220KV GIS station in Sector-77, Gurugram to cater the load requirement of surrounding area assessing the future load requirement and as per the requirement of DHBVN accessing the pending connections/load requirement with them.
2. The land required for construction of 220KV Sub-Station was to be provided by the HUDA now HSVP in village Shikohpur for the sole purpose of construction of 220KV Sub-Station Sector-77, Gurugram to be constructed by HVPNL. The paper possession was handed over to HVPNL by HSVP vide memo No. 960 dated 09.12.2013 having area 12.00 acres approx.
3. There was no dispute between HSVP & land owners whose land was acquired against acquisition of land and no case was under trial in court as conveyed by HSVP while handing over possession of land and same has been mentioned in the possession.
4. The work of construction of 220KV S/Stn. was allotted to M/s KPTL Noida. For execution the project smoothly, HVPNL requested to hand over the physical possession of site so that the same may be handed over to the firm. During demarcation, it was found that the land whose paper possession was given by HSVP was not tallying with the DTP Gurugram for resolve the issue vide XEN/Civil Works Division, HVPNL, Gurugram memo No. 11036/Est.-1942 Dated 18.05.2017.
5. The demarcation was again carried out by HSVP as per approved spectral plan and found that some acquired land falling in the sector roads. DTP Gurugram submit his report to STP Gurugram vide his office memo No. 5275 dated 19.05.2017 stating that finalization is to be done by HSVP. HSVP after making the necessary amendments, handed over the revised possession vide his office memo No. 186 Dated 24.05.2017 having area 11.2 acres.
6. The site was handed over to M/s KPTL for execution of the work. The necessary amendments were made in GELO and work was executed accordingly. HSVP never communicate to this office that there is any court case filed/pending against the subject cited land. However, the case was filed in the district court Gurugram villager which came to notice to this office in 2019.
7. The case was filed for enhancement of compensation of land of against the acquisition of land and HSVP was defending the same. HVPNL was not the party in the case as the land was acquired by HSVP. Initially the land was acquired @ 1.55 crore as per acre by HSVP. However, the Hon'ble Court ADJ Gurugram vide its order dated 18.07.2019 has enhanced the compensation @ 18,38,17,146/- per acre along with other benefits which comes out to be Rs. 44.00 Crore per acre as on 31.07.2019 as per judgement of Hon'ble Court ADJ received from HSVP thus increasing the land cost to Rs. 500 crore approximately.
8. As a matter of fact, HVPNL was not even a party to the court case preferred by the landowners against HSVP. Therefore, under the prevalent circumstances, when HSVP had already handed over the documentary as well as physical possession of the land, HVPNL had no reason to withhold the work of construction of sub-station.
9. By the time the 95% work was already stands completed by the firm. From above, it is very much clear that there was not litigation on the land and work was planned and

executed on the hindrance free land given by HSVP. Filing of cases for enhancement of compensation by the land owners is a routine practice in mostly acquisition wards. But in this case the enhancement was announced at a very steep hike and is exceptional case. Thus if the cost of land is to be paid it will be a huge loss to the Nigam, financial burden on consumers due to revised tariff and this will set up precedent for future upcoming sub station of HVPNL. From the above it is clear that the S/Stn. was constructed on hindrance free site.

10. The Govt. decided to drop the land acquisition proceedings in village Shikohpur (Gurugram) Falling in Sec.-77 & Sec.-83 Gurugram due to manifold enhancement of compensation. It was decided that HVPNL would dismantle and shift 220 (GIS) Sub-station, Sec.-77, Gurugram to an alternate site.

11. Hon'ble Chief Minister Haryana decided and approved the following: -

A. Cost of dismantlement of 220 (GIs) Sub-Station Sec.-77, Gurugram and erection of new sub-station will be shared between HVPNL and HSVP in the ratio of 50:50.

B. GMDA/HSVP will identify and handover alternate land within a time frame so that sub-station can be shifted without a further addition of cost.

A decision taken by the apex authority, keeping in view the financial repercussion basis on a decision of court, which came across later on. The decision is taken by HSVP & the State, which has a mandate to provide land to HVPNL free of cost & HVPNL didn't have any involvement in acquisition proceedings.

12. Moreover, the de-notification proceedings needs to be carried out by HSVP only and HVPNL did not have role in it as per Director General/Urban Estates, Haryana letter bearing memo No. A-1/2019/8625-8627 dated: 22.11.2019 addressed to Zonal Administrator, HSVP, Gurugram and Land Acquisition Officer, Gurugram.

Thus, HVPNL had constructed the sub-station on the land of Sector-77, Gurugram after receipt of documentary and physical possession of land from HSVP. Thus, the capital expenditure incurred by HVPNL on the construction of sub-station was bonafide action on the part of HVPNL. The interest worked out by the audit on the cost of material/equipment is also not justified as the Capital Expenditure was incurred by HVPNL could have never contemplated that in future, the State Government may opt for de-notifying the land. Furthermore, HVPNL has initiated the process of lodging of appropriate claim on HSVP for deposit of 50% share towards cost of erection and dismantlement of material as per the decision taken by the State Government.

Since, the Capital Expenditure has been incurred by HVPNL after following the due procedures, as such, in view of above submitted aspects, the para may be dropped please.

**The Committee recommends that detail working of cost of replacement (cost of dismantling and erection) of new substation to be shared between HSVP and the Company be submitted to the Committee.**

## **Haryana State Industrial and Infrastructure Development Corporation Limited**

### **3.1 Undue reduction in extension fee**

**The Company, by granting extension beyond permitted time period for construction of building, extended undue favour in excess of Rs.57.77 crore.**

**10.** Haryana State Industrial and Infrastructure Development Corporation Limited (Company) allotted (11 June 2010) a commercial plot measuring 12.88 acres (revised to 12.20 acres) in Sector 16, Gurugram to an allottee<sup>1</sup> at Rs.587.56 crore through auction held (April 2010) against Request for Proposal (RFP) floated by the Company for sale of the plot.

The terms and conditions of the allotment/ RFP required the allottee to complete the construction within five years from the date of allotment. This time period for completion of construction was extendable up to two years on payment of applicable extension fees. In the event of default or breach of any of the terms and conditions of the RFP, the project site was liable for resumption<sup>2</sup>. Clause 18.6 (i) (b) of Estate Management Procedure, 2015 (EMP) of the Company prescribes that sites auctioned on the basis of RFPs shall be governed by the terms and conditions of respective auction and extension period of five years as provided in clause 18.6 (a) of EMP shall not be applicable for such sites.

Board of Directors (BoDs) of the Company granted (October 2020) one year general extension to all allottees, whose stipulated/ extended period for project implementation/ completion had expired after 31 December 2019, without charging any extension fee due to COVID-19 pandemic.

The allottee failed to complete the construction within the stipulated period of five years i.e., up to 10 June 2015 and the Company granted two years extension up to 10 June 2017 on payment of applicable extension fees as per Clause 5.4 of RFP. On non-completion of project by 10 June 2017, the Company issued (January 2018) show cause notice to the allottee. The allottee represented (January 2018) against the notice of resumption of plot stating that their project had now been pre-certified by Green Rating for Integrated Habitat Assessment (GRIHA) and more than 90 *per cent* of the building in the project had been completed. They sought further extension of two years. The Company granted (March 2018) two years extension (up to 10 June 2019) for completion of construction citing adoption of GRIHA norms in the building and payment by the allottee of the applicable extension fees. The grant of extension in time period of completion of project by two years was irregular as (i) this was beyond the provisions of EMP (paragraph 18.6 (i) (b)); and (ii) the certification under GRIHA was optional and involved an additional Floor Area Ratio (FAR) from three *per cent* to 15 *per cent* as per GRIHA rating from one star to five stars. Moreover, verification by the Company of the allottee's claims of completing construction of more than 90 *per cent* of the structures before granting the extension was not on record. The Company derived the applicable extension fees from EMP clause 18.7 at Rs.60 per square meter for the period 11 June 2017 to 10 June 2018 and Rs.100 per square meter for the period 11 June 2018 to 10 June 2019.

Upon expiry of the extension period on 10 June 2019, the allottee again requested (June 2019, March 2020 and July 2020) for extension in permitted time period for

completion. The BoDs decided (March 2021) to grant extension in completion period up to June 2022 subject to payment of extension fee at the rate of Rs.100 per sqm (from 10 June 19 to 9 June 20) and thereafter @ five *per cent* of allotment price for each year.

The BoD on appeal of the allottee reconsidered (July 2021) the quantum of extension fee leviable and decided not to charge any extension fee for 10 June 2020 to 09 June 2021 considering it as general extension period granted to all allottees and charged at the Rs.200 per sqm for the period from 10 June 2021 to 09 June 2022. Thereby the extension charges for the period 10 June 2019 to 09 June 2022 was reduced from envisaged Rs.58.76 crore to a mere Rs.0.99 crore. The granting of extensions for completion of project beyond the terms and conditions of RFP, non-levying of material extension fee was and tantamount to granting of undue favour to the allottee in excess of Rs.57.77 crore.

During Exit Conference (April 2022), the Management stated that the extension of five years beyond the period of seven years as prescribed in the RFP was allowed on the basis of EMP-2015. It was further stated the Managing Director of the Company granted (March 2018) two years extension (up to 10 June 2019) by passing a speaking order on the basis of incorporation of GRIHA in the building by the allottee on applicable extension fees as per EMP-2015. The reply of the management is not tenable as provisions of EMP were not applicable in the instant case as the allotment was made under RFP and terms and conditions of RFP was applicable in this case. Further, the Managing Director was not competent to grant any extension.

The matter was referred (January 2022) to the Government and the Company; their replies were awaited (April 2022).

**In their written reply, the State Government/Company stated as under: -**

**Reply of HSIIDC**

However, area handed over at the time of physical possession is 12.20 Acre.

The extension was granted by the then Managing Director considering circumstances of case and in overall interest of development of the project for which land was allotted. As per the speaking orders passed by the Managing Director, it was observed that the project had been pre certified by GRIHA; green building development was future of sustainable development and State Govt. was aggressively promoting and emphasizing on the same. This development required amendments in the specifications to a greater extent leading to delay in completion of the project. It was also observed that all the regional developers were facing cash flow crisis and conditions of real estate business were not favourable. But still being a committed developer, the allottee was carrying out construction activities had invested huge money including payment of Rs.698 crore to HSIIDC towards the site.

The Board while considering the prevailing scenario like effect of Covid-19 and relief measures extended by the State Government has allowed the extension on payment of extension fee.

The Board while considering all relevant factors including as detailed in preceding paras and guidelines in view of Memorandum and Article of Association of the Corporation (Copy attached) allowed extension for completion of project on payment of extension fee.

Clause 81(xv) of the Memorandum and Article of Association of the Corporation provides to make bye- laws from time to time, vary & repeal bye- laws for the regulation of the business of the company, its officers & servants.

It is further mentioned that the powers to frame / modify the provisions of EMP vest with Board. Similarly, Board is also competent to decide any matter not falling within EMP.

The decision of the Board to grant extension in this case was taken in the interest of development of the project for which land was allotted; status of construction at site which was at finishing stage and now construction has been completed and occupation certificate obtained by the allottee. The decision of the Board is in the interest of economic development of the area, revenue generation of the State and employment generation.

Matter was under consideration in view of request of allottee and prevailing Estate Management Procedure provisions.

**Further, regarding applicability of provisions of EMP vis-à-vis the RFP in view of terms and conditions of RFP in this case, following is submitted:**

That the Board of Directors in view of Memorandum and Article of Association of the Corporation may take a decision considering all relevant factors in reference to clauses detailed hereunder:

- i) clause 80(i) provides that the Board shall be entitled to exercise or such powers, and to do all such acts and things, as the company is authorized to exercise and do in furtherance of its objects, specified in the memorandum of association, for which the company is established, except such powers as are required by the act or Memorandum or AOA of the company to be exercise or done by the company in general meeting.
- ii) Clause 81(xv) of the Memorandum and Article of Association of the Corporation provides to make bye- laws from time to time, vary & repeal bye- laws for the regulation of the business of the company, its officers & servants.

It is further mentioned that the powers to frame / modify the provisions of EMP vest with Board. Similarly, Board is also competent to decide any matter not falling within EMP.

The decision of the Board to grant extension in this case was taken in the interest of development of the project for which land was allotted; status of construction at site which was at finishing stage and now construction has been completed and occupation certificate obtained by the allottee. The decision of the Board is in the interest of economic development of the area, revenue generation of the State and employment generation.

**Regarding extension granted by the Managing Director, it is submitted that;**

The extension was granted by the then Managing Director considering circumstances of case and in overall interest of development of the project for which land was allotted. As per the speaking orders passed by the Managing Director, it was observed that the project had been pre certified by GRIHA; green building development was future of sustainable development and State Govt. was aggressively promoting and emphasizing on the same. This development required amendments in the specifications

to a greater extent leading to delay in completion of the project. It was also observed that all the regional developers were facing cash flow crisis and conditions of real estate business were not favourable. But still being a committed developer, the allottee was carrying out construction activities had invested huge money including payment of Rs.698 crore to HSIIDC towards the site.

**During the course of oral examination, the Committee was not satisfied with reply of the Department/Corporation. The Committee observed that the then Managing Director was not competent to deal such issues and such power vests with Board of Directors of HSIIDC. The Committee also observed that previous cases were also dealt with in the same manner. Therefore, the Committee recommends to initiate a vigilance enquiry of all decisions taken during the tenure of the then Managing Director.**

## **Haryana State Industrial and Infrastructure Development Corporation Limited**

### **3.2 Non-levy of penalty**

**The company extended undue favour to the allottee in declaring project complete without levy of fee/ penalty of Rs.13.27 crore as per provisions of Estate Management Procedure of the Company.**

11. On the approval (December 2010) of the Higher level plot allotment committee the company allotted (April 2011) a plot (no.64) measuring 11250 sqm. to allottee 'A' in Industrial Estate, Kundli at the rate of ₹5500 per sqm. for setting up industrial project with fixed capital investment of ₹60.02 crore under prestigious category on nomination basis. The company allotted (November 2012) another plot (No.51) measuring 11,250 sqm. to another allottee 'B' having same set of promoters, in the same Industrial estate at the rate of ₹7000 per sqm. with fixed capital investment of ₹44.86 crore on nomination basis. Both the allottees had same set of shareholders and the two plots shares common boundary from their back. As per terms and conditions of the allotment and Estate Management Procedure (EMP) adopted by the Company, the allottees were required to partially complete the project (i.e. start of commercial production) within initial period of three years from the date of offer of possession. Further, the project was to be considered complete on achieving fixed capital investment of above 75 percent of proposed investment within a period of six years subject to minimum benchmark investment of ₹30 crore in each case. Emp-2015 provide for fee/ penalty ranging from 15 to 35 percent of current allotment price of non-achievement of investment criteria.

Allottee 'B' amalgamated with allottee 'A' vide Hon'ble Delhi High Court order dated 07 November 2013. Thereafter the allottee 'A' requested (May 2014) the company to order physical amalgamation of both the plots since they now belonged to same entity. The Company granted (September 2014) provisional approval to the allottee 'A' stating that the amalgamated entity would accept all the terms and conditions of the allotment/ agreement and agreements already executed with the original allottees would be binding upon the proposed transferee. The combined zoning plan was approved by the Company in September, 2014. Allottee 'A' partially completed the project on both the plots in February 2015 (on plot number 64) and June 2018 (on plot number 51) respectively.

Later allottee 'A' requested (August and September, 2017) the Company to reduce their project investment cost from ₹104.88 crore to ₹60.72 crore (for first plot: ₹30.08 crore and for second plot: ₹30.64 crore) citing that at the time of allotment, they projected a capital cost on the basis of imported machinery but later there was lot of change in the industry which resulted in revision of the project cost.

The Company passed (October 2017) order for reducing the investment from ₹104.88 crore to ₹60.72 crore and further recorded that the Company had also allowed merger of both allottees. Both the plots were clubbed after the approval by the Company on September, 2014. Thus, both the plots were combined as one single unit for having the same promoters and have same project. The allottee obtained occupation certificate (September, 2014) and commenced production in February, 2015.

The Company also issued (April, 2019) project completion certificate on the basis of total investment of ₹60.69 crore (including ₹2.56 crore on account of preliminary and pre-operative expenses) considering both the plots as single unit and did not levy for non-



achievement of projected investment in disregard of its terms of allotment. Therefore, considering the investment of ₹58.13 crore made by the allottees which work out to only 55.42 percent of the proposed investment (₹104.88 crore), penalty amount works out to ₹13.27 crore as per EMP-2015.

Audit observed that the issue of project completion by the Company without levy of fee/ penalty was not justified as the provision approval issued by the Company for amalgamation of allottees companies was conditional and as per terms and conditions of the provisional approval, the proposed transferee was bound by the terms and conditions of the agreement already executed with the two original allottees and no final approval was issued by the Company. Further, the approval (02 September, 2014) of combined zoning plan by the Company cannot be construed as approval for treatment of both the plots as single unit for project implementation purpose i.e. for preparation of building plan.

The Management contended (November, 2022) that as a result of approval of combined zoning plan by the Company, two plots become one plot for all intent and purpose including implementation of one project on clubbed plots. The reply was not acceptable as amalgamation of allottee companies was conditional and as per the terms and conditions of the provisional approval, the proposed transferee was bound with the terms and conditions of the agreement already executed with the allottee and approval of combined zoning plan cannot be construed as approval for treatment of both the plots as single unit for investment involved. Further, the recent office order of the Company dated 03.02.2021 specified that clubbing of plot would not qualify the allottee to take any benefit over the terms and conditions of allotment.

During Exit Conference (April, 2022), the Management stated that as per Estate Management Procedure, project was to be considered complete on achieving fixed capital investment of above 75 percent of proposed investment to minimum benchmark investment of ₹30 crore. In the initial case, the allottee achieved the minimum criteria of investment of ₹60 crore. The reply of the management is not tenable as the allottee made investment of ₹58.13 crore which works out to only 55.42 percent of the proposed investment (₹104.88 crore), therefore penalty should have been levied as per the provisions of EMP.

Thus the Company extended undue favour to the allottee in declaring project complete without levy of fee/ penalty of ₹13.27 crore as per provisions of EMP 2015.

The matter was referred (January 2022) to the Government and the Company: their replies were awaited (April, 2022).

**In their written reply, the State Government/Company stated as under: -**

**Reply of HSIIDC**

The captioned plot was allotted vide Regular Letter of Allotment with offer of possession dated 27.04.2011. Possession of the plot was taken over by the allottee on 22.06.2011. The stipulated period for implementation of the project was available upto 26.04.2015 (including one year general extension). Building plans were approved on 27.02.2012 and Occupation Certificate was obtained by the allottee on 17.12.2013 with 81.32 % FAR.

On the application filed by the allottee, the Hon'ble Delhi High Court approved the amalgamation of M/s Bobkay Polymer & Irrigation Pvt. Ltd. (plot no. 51, Sector-53,

Phase-V, IE, Kundli) with Kay International Limited (plot no. 64, Sector-53, Phase-V, IE, Kundli) on 07, November, 2013.

The allottee applied for Project completion certificate vide application dated 01.01.2015. The unit was inspected on 04.02.2015 and as per inspection report on NP-29, the unit was found in production.

In view of the above, since the unit found in production within the stipulated period and the allottee applied for project completion certificate on 01.01.2015, therefore, the allottee was not liable to apply for further extension of time for implementation of the project.

The allottee vide request dated 01.09.2017 contented that for scale of economy and better control, supervision and management, both the companies were got merged and subsequently, HSIIDC also approved the merger as well as the combined zoning plan of both the plots i.e. plot no. 51 & 64, Phase-V, Sector-53, IE, Kundli. The allottee also submitted that at the time of allotment of plot, they had presumed the project cost on the basis of imported machinery from the European Countries but later on there were lot of changes in the Industry pattern, machines and process and due to these factors, project cost was also reduced. Further some of the facilities, that were proposed to be created separately for two projects, is common and can be shared for optimum utilization. Keeping in view the reduction in cost of machinery and sharing of some facilities, particularly when both the companies have been amalgamated and the zoning plan have also been combined by the Corporation, the competent authority i.e. the then W/MD accepted the request of the company to revise the quantum of investment in the project from Rs. 104.88 Cr. to 60.72 Cr.

HSIIDC is a nodal agency of the State Govt. to develop Industrial infrastructure and thereby facilitate development and growth of industry in the State of Haryana. HSIIDC does not interfere in the operations of the company. Amalgamation of both the company/ allottees was for scale of economy and better control, supervision and management. Moreover, keeping in view the reduction in cost of machinery and sharing of some facilities, particularly when both the companies have been amalgamated and the zoning plan have also been combined by the Corporation, the competent authority i.e. the then W/MD accepted the request of the company to revise the quantum of investment in the project from Rs.104.88 Cr. to 60.72 Cr.

**The Committee recommends that a detailed report in respect of pending para of Shakti Bhog alongwith two other cases (i.e. Plot No. 5, 6 & 7, Sector-4 Udyog Vihar allotted to M/s Hector Enterprises and Plot No. 3 and 3A of Rai) be submitted to the Committee for examination.**

## REPORT

### REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON COMPLIANCE AUDIT REPORT-2 FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021

#### Haryana Police Housing Corporation

##### 5.17 Avoidable expenditure

**Delay in cancelling the acceptance letter of L1 who failed to deposit the performance security within the prescribed period of 21 days of allotment of work led to elapse of tender validity period of 120 days. Resultantly, L2 could not be made bound with his bid which was marginally higher than L1 and this resulted in an avoidable expenditure of Rs. 1.03 crore due to inviting of fresh tenders and allotment of work at a higher rate.**

**12.** State Government accorded administrative approval of Rs. 24.61 crore in June 2018 for construction of four female barracks (four storeyed) in Haryana Police Academy, Madhuban (Karnal). Detailed Notice for Inviting Tenders (DNIT) was prepared for Rs. 21.13 crore and tenders were called by the Managing Director (MD), Haryana Police Housing Corporation (HPHC) on 24 August 2018 with last date of tender was 14 September 2018. Four eligible bidders participated in the tender. Financial bids were opened on 26 September 2018 and it was found that rates quoted by M/s Vij Contracts Private Limited, Delhi were the lowest at 6.20 percent below the DNIT of Rs. 19.82 crore. Accordingly, the case was submitted to the Tender Approval Committee (TAC) of HPHC on 27 September 2018. The TAC approved the tender in favour of the L1 on 23 October 2018 and instructed the employer i.e. Superintending Engineer (SE), HPHC Circle, Madhuban to allot the work to him. The SE issued the acceptance letter to M/s Vij Contracts Private Limited, Delhi on 13 November 2018.

The contractor never turned up for depositing the requisite five percent performance guarantee of Rs. 0.99 crore which was to be deposited by 4 December 2018 (within 21 days from the issue of acceptance letter). The Executive Engineer (EE), HPHC, Madhuban kept on issuing letters to the contractor for depositing performance guarantee, signing the contract agreement for starting the work. However, the contractor never turned up. The EE, HPHC Madhuban cancelled the allotment of work on 15 March 2019 i.e. after 122 days after allotment of work and after lapse of 101 days from the last date for submitting the performance guarantee. The earnest money of Rs. 0.42 crore had been forfeited and the contractor had been debarred from tendering for one year.

The acceptance letter dated 13 November 2018 should have been cancelled on 5 December 2018 (22<sup>nd</sup> day from the date of allotment) in terms of clause 28.3 of bid document. As per clause 15.1 of the bid document, the bid validity period was 120 days from the last date of submission of tender i.e. upto 12 January 2019. As per clause 13.18.1 (f) of the Haryana PWD Code, in case the L1 backs out, his earnest money is to be forfeited and L2, L3 and so on are to be called upon, as per their sequence, to bring the offer equal to the L1.

It was found that the bid of L1 was 6.20 percent below the DNIT amount at Rs. 19.82 crore while the bid of L2 bidder M/s Vijay Builders, Sirsa was six percent below the DNIT and was of Rs. 19.87 crore i.e. Rs. five lakh above the L1. However, due to non-cancellation of the acceptance letter on 5 December 2018 and not calling L2 for

negotiation, the HPHC lost the opportunity, as the validity of bid was upto 12 January 2019 only.

Resultantly, the MD, HPHC re-invited the tenders in May 2019 and opened the tenders in June 2019 wherein two bidders participated and M/s Vijay Builders, Sirsa (the L2 in earlier tender) was found to be lowest at Rs. 20.90 crore (1.12 percent below the DNIT amount of Rs. 21.13 crore). The work was allotted to this firm in July 2019 with a time limit of two years. The agency completed the work in October 2021.

Audit observed that the HPHC adopted a dillydallying approach from the receipt of tenders on 14 September 2018 as the financial bids were opened after 12 days on 26 September 2018, the TAC approved the tender in favour of L1 on 23 October 2018 i.e. after 40 days from receipt of tender. The SE, Madhuban issued acceptance letter on 13 November 2018 i.e. after 60 days from receipt of tender. After that also when the L1 contractor had not deposited the performance security within 21 days and had not turned up for signing the contract agreement (by 5 December 2018), the EE waited for another 101 days for cancelling the acceptance letter. Thus, a total of 182 days were taken from receipt of tender to cancellation of acceptance letter of the bidder. This resulted in loss of opportunity to call the L2 bidder whose bid was just five lakh above (0.2 percent difference). The HPHC had to recall tenders wherein the L2 of earlier tender became the L1 but with a difference of Rs. 1.03 crore (20.90 crore - 19.87 crore). Had the HPHC cancelled the acceptance letter timely and called the L2 for negotiation under clause 13.18.1(f) of the Haryana PWD Code, execution of the work at a lower price was a possibility. The bidder was bound with the rates quoted by him upto tender validity period i.e. upto 12 January 2019.

Thus, an avoidable expenditure of Rs. 1.03 crore had been incurred by HPHC due to delay in finalising the tenders coupled with delay in cancelling the acceptance letter when the contractor failed to deposit the performance security within the prescribed period of 21 days.

An exit conference was held on 29 March 2022 and in response, the department replied in April 2022 that inspite of various written and verbal requests (between December 2018 and March 2019), the agency had neither signed the agreement nor furnished the requisite Performance Security. The department admitted the facts that Performance Security should be submitted within 21 days of receipt of letter of acceptance.

**In their written reply, the State Government/Company stated as under: -**

**Reply of HPHC**

The administrative approval of Rs 24.61 Crore was accorded under Budget Plant 2018-19 for construction of four female barracks (four storeyed) in Haryana Police Academy, Madhuban (Karnal). The DNIT for floating the tender was prepared and approved for Rs. 21.13 Crore and accordingly the tenders for the above said work invited by the Managing Director, HPHC, Panchkula office memo No. 17700 dated 24.08.2018 to be received through e-tendering on 14.09.2018 at 5:00 PM and to be opened on 24.09.2018 at 11:00 AM.

In response, total four bidders had participated in the tenders. During the checking of Technical Bids on 17.09.2018, all the bidders were found qualified and financial bids were opened on 26.09.2018. The rates of lowest firm i.e. M/s. Vij Contracts Pvt. Ltd., New

Delhi were @ (HSR+CP)-6.20% below and NS item rates as assessed by the Corporation -6.20% below.

The cases for approval of tender rates were sent to the Tender Approval Committee on 27.09.2018. The meeting of TAC was held on 23.10.2018. The committee found the rates fit for approval and decided to authorize Employer to allot the work in favour of L-1 agency i.e. M/s. Vij Contracts Pvt. Ltd., New Delhi.

Accordingly, the work was allotted to M/s Vij Contracts Pvt. Ltd, 313, Ansal Chambers-II, 6 Bhikaji Cama Place, New Delhi vide Superintending Engineer, HPHC, Madhuban office memo No. 9208 dt 13.11.2018 having agreement amount of Rs. 19,82,29,714 with a time limit of 730 days @ -6.20% and the agency was requested to deposit the Performance Security @ 5% of the contract amount within 21 days of the issue of the acceptance letter and to contact the Executive Engineer, HPHC, Madhuban for signing the contract agreement and to start the work.

The agency didn't turned up to deposit the Performance Security and to start the work inspite of verbal as well as repeated written requests vide SDE, HPHC, Madhuban office memo No. 600 dt. 09.01.2019, Executive Engineer (P), HPHC, Madhuban office memo No. 6883 dt. 24.12.18, 22 dt. 02.01.2019, 493 dt. 01.02.2019.

**In the meantime, as per provisions of clause 13.18.1(f) Haryana PWD Code, the second lowest agency was requested by Executive Engineer (P), HPHC, Madhuban to lower down his rates equal to the rates quoted by the originally first lowest tenderer but the agency refused to lower down his rates and further informed that he is not interested to execute the work on their quoted rates (copy enclosed).**

Sincere efforts were made to persuade the agency again and again in verbal and written request. The Final Notice was issued by Executive Engineer (P), HPHC, Madhuban vide his office memo No. 493 dated 01.02.2019 to deposit the Performance Security and to start the work. The Superintending Engineer, HPHC, Madhuban vide office memo No. 1033 dt. 04.02.2019 also requested to deposit the Performance Security and to start the work but neither the agency turned up to deposit the Performance Security nor they start the work.

As per clause 16.6 of contract agreement, if the bidders failed within the specified time limit to (i) sign the agreement or (ii) furnish the required Performance Security, the bid security may be forfeited and as per clause 34.3 of Performance Security, failure of the successful Bidder to comply with the requirements of Sub-Clause 34.1 shall constitute sufficient ground for cancellation of the award, forfeiture of bid security and debarring the agency for giving bid for a period of one year.

Accordingly, when no alternative was left, the Executive Engineer (P), HPHC, Madhuban vide office memo No. 1145 dated 15.03.2019 under the provision of above said clause in exercise of the power conferred upon him, cancelled the award and requested the competent authority to forfeit the Earnest Money of Rs. 42.00 Lacs deposited by the agency at the time of participating in the tender process and to debar the agency for a period of one year for giving bids and to recall the tender under the clause 13.18.1 (f) Haryana PWD Code, as the client department was pressing hard for early completion of the project. Accordingly, the Earnest Money worth Rs. 42.00 Lacs was forfeited and the agency was debarred for one year for participating in the bids.

Keeping in view, the circumstances explained above, the tenders were recalled in May 2019 to be opened in the month of June 2019. Only two bidders had participated in the tenders and the rate quoted by M/s. Vijay Builders, Sirsa i.e. 1.12% below were found lowest. The case was put up in the TAC meeting held on 20.06.2019 after verifying the rates prevailing in the market and clarifying the rate approved in the PWD B&R, Karnal @ 13.27% above for similar nature of work, the TAC approved the rate quoted by the lowest bidder i.e. 1.12% below.

The first agency (M/s. Vij Contracts Pvt. Ltd., New Delhi) did not start the work so as per conditions of contract agreement; several notices were served to the agency for start of work. The agency was assuring to start the work at the earliest.

Although, EE (P), HPHC, Madhuban had discussed the matter with the L-2 agency but the L-2 agency was not interested to execute the work on their quoted rates i.e. - 6.00% below due to much hike in market prices.

But, when the first agency did not start the work, finally, his EMD was forfeited and work was terminated.

L-2 agency had informed in writing that he is not ready to execute the work on the rates of L-1 and even on their quoted rates. L-3 & L-4 bidders informed that it was practically not possible for them to reduce their rates Rs. 1.00 crore below upto the level of L-1. When none of the bidder was ready to execute the work on the rates of L-1, then there was no option but to recall tenders.

So, after expiry of Bid Validity Period, the rates of all agencies participated in first time were invalid. Hence, tenders were recalled.

On second time, the work was allotted to M/s. Vijay Builders, Mandi Dabwali (Sirsa) for an agreement amount of Rs. 2089.65 lacs with a time limit of 730 days. The agency has completed the work on dated 29.10.2021. The building has already inaugurated by Sh. Anil Vij, Hon'ble Home Minister, Haryana on dt. 26.12.2021.

It is also pointed out that on the second time, the rates of lowest agency were @ – 1.12% below. In the TAC meeting held on 20.06.2019, the committee found the rates fit for approval and decided to authorize Employer to allot the work in favour of M/s. Vijay Builders, Sirsa. However, at the time of allotment of work, the rates in other departments were very much higher e.g. PWD B&R Haryana, Karnal had awarded the work of "C/o Govt. College at Village Padha in Karnal Distt. @ 13.27% above.

It is further submitted that while the tenders were recalled after fulfilling the requirement of clause 13.18.1(f), Haryana PWD Code, it can't be guessed that the rates will be lower side or higher side than the rate quoted earlier.

Each organization works in a Hierarchy as per Organization Structure. In HPHC, there are also various channels. Starting from the field (Division) office to Circle Office to Head Office then in various branches of Head Office. As per general practice of HPHC, Executive Engineer submits tender case to its Circle Office and after checking in Circle Office, the same is forwarded to Head Office where the tender case is re-examined, analyzed and re-evaluate. Then, the case is put up to the TAC committee who examine the whole criteria, eligibility and of her issues like verification of market trend and rate allotted in other department, so it takes time. Moreover, the TAC is headed by Managing Director, HPHC, Panchkula who also remains busy in dealing the other issues of the

Corporation attending meeting of the Haryana Government headed by Hon'ble Chief Minister, Chief Secretary Haryana and other Administrative Secretaries of the State.

The time consumed on each tender depends on the nature of work of concerned tender. It has also pointed out that sometimes any member(s) of Technical Evaluation Committee or Tender Approval Committee due to administrative reasons may not be available on time causing delay in tendering process. After approval of rates by TAC, the concern Superintending Engineer i.e., Employer has to ascertain before allotment of work to a contractual agency, that the site is clear and the possession to the contractual agency can be offered, hence, after assuring the above facts the allotment letter to the contractual agency is being issued.

The reasons are beyond the control of any office. Hence, the observation of Audit that the HPHC adopted a dillydallying approach from the receipt of tenders to opening of Financial Bids, approval in TAC, allotment of work is not correct.

The rates of L-1 bidder were very competitive and it was assumed that if the tenders get recalled, so much lower rates might not be received. Moreover, there was too much pressure from the client department for early execution and completion as there was huge shortage of accommodation for Female Police Personnel. So, in the interest of work/HPHC and to avoid litigation, this office pursued again and again to the L-1 bidder to start and complete the work at the earliest.

EE (P), HPHC, Madhuban had discussed the matter with the L-2 agency but the L-2 agency was not interested to execute the work on their quoted rates i.e. -6.00% below due to much hike in market prices. So, the tenders were recalled.

It is worth mentioning that it may not be predicted that how many bidders may participate in the tenders and what will be their rates. It is beyond the control of any office. On second call, the rates may be received on higher side or lower side than first time. However, in the above said case, when the tenders were recalled, the rates were received slightly on higher sides on second time.

As described above, the rates of L-1 bidder were very competitive and it was assumed that if the tenders get recalled, so much lower rates might not be received. There was too much pressure from the client department for early completion of work as there was huge shortage of accommodation for Female Police Personnel.

So, in the interest of work as well as HPHC and to avoid any litigation, this office pursued again and again to the L-1 bidder to start and complete the work at the earliest.

From the facts narrated above, it is concluded that sincere efforts were made to get the performance security deposited and to start the work from the original lowest bidder of the earlier tender called in 2018. It is further humbly submitted that when the agency failed to deposit the Performance Security and to start the work, there was no other alternate to cancel the award and to recall the tender after forfeiting the Earnest Money of Rs. 42 Lacs deposited by the agency at the time of participating in the tender process and to debar the agency for a period of one year for giving bids under clause 13.18.1 (f) of Haryana PWD code, as the 2<sup>nd</sup> lowest bidder also refused to get the work executed at par the rate of the original lowest bidder or even on his quoted rates. However, there is no provision to allot any work to the 2<sup>nd</sup> Lowest Bidder at his quoted rates.

The rates of L-1 bidder were very competitive and it was assumed that if the tenders get recalled, so much lower rates might not be received e.g. during the tendering

period of above said work on first call, the rates of other departments in Haryana were on higher side e.g. PWD B&R, Karnal allotted the work of "C/o 4 no. roads for widening and strengthening with WBM +PC in Karnal District @ 11.00% above. Moreover, there was too much pressure from the client department for early execution and completion as there was huge shortage of accommodation for Female Police Personnel. It is also worth mentioning here that the rates of HPHC always remain lower than other departments in Haryana throughout its establishment. Even today in current scenario, the rates of HPHC are lower as compared to other departments. HPHC has a fame to provide good quality on lesser rates leading to saving of Govt. funds. Hence, there is no irregularity and delay on the part of any officer of the Corporation. Hence, the PAC may kindly be requested to consider the facts and settle the para accordingly.

**The Committee recommends that a detailed report indicating the negligence on the part of concerned officers/officials be submitted to the Committee. The Committee also recommends to issue show cause notices to all the defaulting officers/officials and to issue standing directions to all the concerned to act as per the terms and conditions of the tenders in future. The Committee further recommends that a notice also be issued to the contractor after obtaining the legal advice.**



**Details of Pending Recommendations of the Committee till the  
Finalization of this Report.**

Sr. No.	Board/Corporation	Report No.	Recommendation	No. of Recommendation
1	2	3	4	5
	HVPNL/HPGCL/ UHBVNL/ DHBVNL	35 <sup>th</sup>	23 HPGCL	1
		52 <sup>nd</sup>	8,10 HVPNL	2
		53 <sup>rd</sup>	1 HPGCL 42 UHBVNL	2
		58 <sup>th</sup>	1 DHBVNL	1
		60 <sup>th</sup>	2 DHBVNL	1
		61 <sup>th</sup>	1-2 & 4 UHBVNL & DHBVNL	3
		62 <sup>nd</sup>	5 HPGCL 13-14 HVPNL	1 2
		63 <sup>rd</sup>	1-7 UHBVNL & DHBVNL	7
		64 <sup>th</sup>	3-7, 12-13 UHBVNL & DHBVNL 1- DHBVNL	7 1
		65 <sup>th</sup>	1-3 HPGCL 3- UHBVNL 5- UHBVNL & DHBVNL	3 1 1
		66 <sup>th</sup>	5-HVPNL 6-7 UHBVNL 8-DHBVNL	1 2 1
		67 <sup>th</sup>	4-5 UHBVNL 12-14 HPGCL 15- UHBVNL & DHBVNL 16-DHBVNL	2 3 1 1
		68 <sup>th</sup>	7- UHBVNL 15- DHBVNL	1 1
		69 <sup>th</sup>	1-8 HVPNL 9-HPGCL 10-DHBVNL 11-12 UHBVNL	8 1 1 2
	<b>TOTAL</b>			<b>58</b>
2.	Haryana State industrial and infrastructure Development Corporation	57 <sup>th</sup>	4	1
		58 <sup>th</sup>	4	1
		60 <sup>th</sup>	8	1

		62 <sup>nd</sup>	6-10	5
		65 <sup>th</sup>	6	1
		67 <sup>th</sup>	9-11	3
		68 <sup>th</sup>	1-6 & 17	7
		69 <sup>th</sup>	13-14, 16-17	4
		<b>TOTAL</b>		<b>23</b>
3.	Haryana Financial Corporation	49 <sup>th</sup>	2-6	5
		50 <sup>th</sup>	4 & 23	2
		52 <sup>nd</sup>	18	1
		56 <sup>th</sup>	5-6	2
		57 <sup>th</sup>	9-10	2
		67 <sup>th</sup>	7	1
		<b>TOTAL</b>		<b>13</b>
4.	Haryana Agro Industries Corporation Ltd.	16 <sup>th</sup>	6.29	1
		23 <sup>rd</sup>	14-16	3
		38 <sup>th</sup>	8	1
		48 <sup>th</sup>	27-33	7
		53 <sup>rd</sup>	29-36	8
		56 <sup>th</sup>	2	1
		57 <sup>th</sup>	7	1
		58 <sup>th</sup>	6-7	2
		59 <sup>th</sup>	8-16	9
		62 <sup>nd</sup>	11	1
		64 <sup>th</sup>	15	1
		65 <sup>th</sup>	7	1
	Haryana Agro Industries Corporation Ltd. And Haryana Warehousing Corporation	66 <sup>th</sup>	1-4	4
		67 <sup>th</sup>	1-3 8-9	3 2
	Haryana Agro Industries Corporation Ltd.	68 <sup>th</sup>	8-14	7
	Haryana Agro Industries Corporation Ltd.	69 <sup>th</sup>	15, 18-19	3
		<b>TOTAL</b>		<b>55</b>
5.	Haryana Land Reclamation & Development Corporation Ltd.	53 <sup>rd</sup>	39	1
		<b>TOTAL</b>		<b>1</b>

6.	Haryana Warehousing Corporation	50 <sup>th</sup>	16 & 18	2
		52 <sup>nd</sup>	19	1
		53 <sup>rd</sup>	28, 47	2
		55 <sup>th</sup>	8,9,10,11,13	5
		60 <sup>th</sup>	7	1
		63 <sup>rd</sup>	8-14	7
		69 <sup>th</sup>	20-21	2
		<b>TOTAL</b>		<b>20</b>
7.	Haryana Seeds Development Corporation Ltd.	49 <sup>th</sup>	9	1
		53 <sup>rd</sup>	3,4	2
		64 <sup>th</sup>	8	1
		<b>TOTAL</b>		<b>4</b>
8.	Haryana Tourism Corporation Limited	59 <sup>th</sup>	5	1
		62 <sup>nd</sup>	3-4	2
		<b>TOTAL</b>		<b>3</b>
9.	Haryana Forest Development Corporation Limited	58 <sup>th</sup>	3	1
		66 <sup>th</sup>	9	1
		<b>TOTAL</b>		<b>2</b>
10.	Haryana SC Finance & Development Corporation Limited	60 <sup>th</sup>	6	1
		63 <sup>rd</sup>	1	1
		<b>TOTAL</b>		<b>2</b>
11.	Haryana Roads & Bridges Development Corporation Limited	55 <sup>th</sup>	14	1
		57 <sup>th</sup>	8	1
		61 <sup>st</sup>	5&7-12	7
		62 <sup>nd</sup>	15-16	2
		64 <sup>th</sup>	14	1
		68 <sup>th</sup>	19-20	2
		<b>TOTAL</b>		<b>14</b>
12.	Haryana Police Housing Corporation Limited	60 <sup>th</sup>	5	1
		68 <sup>th</sup>	18	1
		<b>TOTAL</b>		<b>2</b>
13	Haryana Women Development Corporation Limited	64 <sup>th</sup>	16	1
		<b>TOTAL</b>		<b>1</b>

14	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	64 <sup>th</sup>	18-23	6
			<b>TOTAL</b>	<b>6</b>
15	Haryana State Electronics Development Corp. Ltd.	67 <sup>th</sup>	9	1
			<b>TOTAL</b>	<b>1</b>
16	Haryana Medical Services Corporation Ltd.	69 <sup>th</sup>	22	1
			<b>TOTAL</b>	<b>1</b>

Sr. No.	Board/Corporation	Report No.	Recommendation	No. of Recommendation
1	2	3	4	5
Outstanding recommendation in respect of Non-General working companies				
1.	Haryana State Small Minor Irrigation & Tubewells Corporation	42 <sup>nd</sup>	27	1
		51 <sup>st</sup>	5-6	2
	TOTAL			3
2.	Haryana State Small Industries Export Corporation	19 <sup>th</sup>	11(General)	1
		43 <sup>rd</sup>	3-4 & 7	3
		51 <sup>st</sup>	8	1
	TOTAL			5
3.	Haryana Mineral Limited	41 <sup>st</sup>	18	1
		45 <sup>th</sup>	1-14 (General)	14
		48 <sup>th</sup>	23-24 & 41	3
	TOTAL			18
Outstanding recommendation in respect of General working companies				
1.	Haryana Urban Development Authority	47 <sup>th</sup>	7-20	14
		67 <sup>th</sup>	1	1
	TOTAL			15