

BEFORE THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

(Petition No. 780/2012)

**Quorum**

1. Hon'ble Shri Raj Pratap Singh, Chairman
2. Hon'ble Shri Kaushal Kishore Sharma, Member

**IN THE MATTER OF:**

Sub : Petition No. 780 of 2012 "Non payment of interest on security by UPPCL, DVVNL, MVVNL, PVVNL, PuVVNL, KESCO and NPCL"

1. Shri Rama Shankar Awasthi, 301- Surbhi Deluxe Apartment, 6/7 Dalibagh, Lucknow
2. Shri Mahendra Swaroop, President, Cold Storage Association, U.P. at Swaroop Cold Storage, Aishbagh, Lucknow
3. Shri Ganesh Tiwari, President, UP Chamber of Steel Industries Association at 122/235 , Plot No. 17, Fazalganj, Kanpur
4. Shri Shiv Shankar Awasthi, President, Amausi Industrial Association at B-13/ 1 Industrial Area, Nadarganj, Lucknow
5. Shri Satish Goal, President, Association of Steel Rolling Mill and Furnaces at A-10- Industrial Estate, Meerut Road, Muzaffarnagar
6. Shri Shahshi Bhushan Mishra, Secretary, Upbhokta Sanrakshan Evam Kalyan Samiti , Sitaram Nidhi , Raja Niwas, Vrindawan, UP

-----Petitioners

Versus

1. Secretary, State of Uttar Pradesh, Department of Energy, Lucknow
2. Chairman, Uttar Pradesh Power Corporation Ltd, Shakti Bhawan, 14 Ashok Marg, Lucknow



3. Managing Director, Paschimanchal Vidyut Vitran Nigam Ltd, Victoria Park, Meerut
4. Managing Director, Purvanchal Vidyut Vitran Nigam Ltd, Purvanchal Vidyut Bhawan, Vidyut Nagar, DLW, Varanasi
5. Managing Director, Dakshinanchal Vidyut Vitran Nigam Ltd, Urja Bhawan, 220 kV Sub station Agra- Mathura Bye Pass road, Agra
6. Managing Director, Madhyanchal Vidyut Vitran Nigam Ltd, 4 -A Gokhle Marg, Lucknow
7. Managing Director, Kanpur Electricity Supply Company Ltd
8. Managing Director & Chief Executive Officer, Noida Power Company Ltd. Electric sub-station, Knowledge Park – IV, Greater Noida, Gautam Budh Nagar, U.P.- 201310

-----Respondents

**Present in the Hearing:**

1. Shri Rama Shankar Awasthi
2. Shri Alok Kumar Goel, SE, DVVNL, Agra
3. Shri Vivek Srivastava, SE Commercial, MVVNL, Lucknow
4. Shri AK Arora, Resident Manager, NPCL
5. Shri Hemant Kumar Rawat

**ORDER**

**(Date of Hearing 12.09.2019)**

1. Shri Rama Shankar Awasthi has filed a petition before the Commission claiming that that UPPCL has not provided any information on the principle amount received as security by erstwhile UPSEB and transferred to UPPCL, which was again subsequently devolved upon the Discoms by UPPCL. The petitioner submitted that the Discoms have not paid interest on security to all the



consumers despite taking the amount of interest on security, as expenditure in the ARR.

2. The Commission vide its order dated 28.11.2014 constituted the Investigating Authority headed by Shri P. N. Pathak as per the provisions of Section 128 of the Electricity Act, 2003. to investigate the payment of interest on security by all five State owned Distribution Companies namely – MVVNL, PVVNL, PuVVNL, DVVNL & KESCO. Subsequently the Investigating Authority submitted its report.
3. The Commission after hearing rival parties directed UPPCL by its order dated 14<sup>th</sup> January 2019 to submit Discom wise number of consumers, whose security deposit details has not been fed in the system and also place before the Commission a time frame to complete this activity.
4. In the hearing on 6<sup>th</sup> February 2019 the Commission asked UPPCL to submit the status report. Chief Engineer (Commercial), UPPCL stated that as far as RAPDRP area is concerned, security deposit details of around 80% consumers are fed in the system however, since billing system of non-RAPDRP area has been recently made online therefore, in case of this area, security deposit details of around 30% consumers are fed in the system. Chief Engineer (Commercial) further averred that work related to feeding the security details of the consumers will be taken up on top priority immediately after conclusion of Financial Year 2018-19.
5. However, since the petitioner casted his doubt on the bona fide of UPPCL on conducting such an exercise and stated that nothing less than forensic audit of UPPCL accounts will resolve the issue, the Commission directed the petitioner to submit a list of 3 compliance auditors from the empanelled list of Indian Banking

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Association for carrying out such audit of UPPCL owned Discoms and also to submit the draft terms of reference for the audit.

6. Further the Commission vide its order dated 7.2.19 observed that:-

“NPCL, the private distribution licensee, however, submitted the compliance report that it has already paid interest on security to all the consumers within its area of supply. The Commission took it into cognizance.”

7. In compliance of the order of the Commission, Shri Rama Shankar Awasthi submitted the name of 3 auditors from the empanelled list of Indian Banking Association as well as the Terms of Reference for audit on 25<sup>th</sup> March 2019.

8. In the hearing on 14.05.2019, Sri Pathak, Chief Engineer (Commercial), UPPCL made a submission that UPPCL will update the security details of all the consumers in their respective account by December 2019. Accordingly, UPPCL prayed that time may be given to them for this updation. Sri A.S. Rakhra, Advocate, appearing on behalf of UPPCL, submitted before the Commission that as UPPCL has admitted that there are consumers whose security details are not updated and interest is not being allowed to such consumers, therefore UPPCL has admitted the deficiency. Accordingly, now there is no point in going for a forensic audit. He requested that time may be allowed to them to update the security details of remaining consumers.

9. After hearing both the parties, the Commission had allowed UPPCL to submit their reply in first week of July 2019. UPPCL was also allowed last opportunity to give its comments, if any, on the draft terms of reference for engagement of auditor.



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10. In response to same, MD, UPPCL submitted comments on Terms of Reference of appointment of auditor vide letter dated 9<sup>th</sup> July 2019. In the hearing on 11<sup>th</sup> July, 2019 the Commission examined the comments on TOR, as submitted by UPPCL. The salient points of the comments are stated below –

- a) The scope of the Auditor should be kept finite and precise. Inclusion of “any additional area” makes the scope of work open and inconclusive.
- b) Similarly, provision of “discoms giving access to all documents.... etc as deemed necessary by auditor” is a very generic provision and should not be allowed rather the list of documents should be specific.
- c) The Transfer Scheme 2000 and Transfer Scheme 2003 were notified by the State Govt. on 14.01.2000 and 12.08.2003 and are binding on all the stakeholders and hence cannot be reviewed. As per Income Tax Act, Companies are required to retain documents for 7 years and retrieving documents which are almost 20 year old will be difficult and almost impossible task.
- d) The Audit period coverage has been defined as 14.01.2002 till 31.03.2019. However, request is to make it for only one year i.e. FY 2017-18 and instead of covering all discoms it may be conducted only for KESCO and later on may be extended to other discoms.
- e) Provision of “imposition of penalty of Rs. 2500/day/division where audit could not be completed due to any fault of UPPCL/Discosms” seems to be a deliberate insertion by the petitioner to extract penalty from discoms to fund the study.

11. Apart from submitting comments including but not limited to above comments as given in para (8) of this order, UPPCL also stated that updating consumer security details for all consumers will require substantial amount of efforts



required from UPPCL. It is expected that UPPCL will be able to mitigate Security Deposited details for all consumers on IT platform by the end of December 2019. Further, UPPCL will also publish public notices and direct the consumers to get their security deposit corrected, if they have any issue with Security Deposit as appearing in the bill. Thus, all efforts are being made by UPPCL & its discoms for updating security deposit details of all consumers. Accordingly, it was requested by UPPCL that the Commission may review its decision to appoint forensic auditor at this juncture. The petitioner, however, reiterated that approach of UPPCL is dilly-dallying and it will further delay the completion of study, which is in the interest of consumers.

12. The Commission finds that the comments of UPPCL dated (?) June 2019 on TOR have not been drafted with responsibility to demonstrate sensitivity towards the consumer related issue. The approach of UPPCL, in this matter, is appearing to be of deferring the issue rather than resolving it. On being queried by the Commission that whether the response was legally vetted, the Counsel of UPPCL admitted that it has not gone under his eyes and he will ensure that a better affidavit is submitted before the Commission in the matter.
13. The Commission directed the Counsel and officers of UPPCL to submit better affidavit in next 3 weeks, with a copy to the petitioner, focussing on terms of reference for conduct of audit by an independent auditor of its historical accounts to identify the shortcomings in maintaining security deposit details of its customers and timely payment of interest.
14. In reference to the above directions UPPCL filed the submissions on 1.8.2019
15. During the hearing on 12.9.2019 Shri Rama Shankar Awasthi averred that UPPCL in his submission has stated that the process of updating of security of the consumers shall be completed by 31.12.2019. He further submitted that he

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does not agree that the audit of KESCO should be taken initially. The forensic audit of all the five State owned Discoms should start from 1.1.2020.

16. UPPCL submitted that their counsel is not available, so some time may be granted.

17. The Commission finds that UPCL is just trying to delay the matter and therefore decides to conduct the special audit of all the five State owned Discoms namely Madhyanchal Vidyut Vitran Nigam Ltd., Dakshinanchal Vidyut Vitran Nigam Ltd., Poorvanchal Vidyut Vitran Nigam Ltd., Paschimanchal Vidyut Vitran Nigam Ltd. and Kanpur Electricity Supply Company Ltd.. The full cost of the special audit shall be borne by the petitioner Shri Rama Shankar Awasthi as agreed upon by him by means of an affidavit dated 25.3.19.

18. The Approved terms of reference for the special audit is annexed with the order as Annexure 1. Thereafter, the petitioner will select the appropriate auditor empanelled with Indian Banking Association, the details of which have been submitted by Shri Rama Shankar Awasthi in his affidavit dated 25.3.19.

19. Before placing the order, the petitioner Shri Rama Shankar Awasthi will inform the name of the selected Auditor along with the draft order to the Commission on affidavit and subsequently the Commission will pass necessary order as deem fit.



(Kaushal Kishore Sharma)  
Member



(Raj Pratap Singh)  
Chairman



Dated: 01.10.2019





Undertaking Scheme, 2003 dated August 12, 2003 to undertake distribution and supply of electricity in the areas under their respective zones specified in the scheme:

- Dakshinanchal Vidyut Vitran Nigam Limited (Agra Discom or DVVNL)
- Madhyanchal Vidyut Vitran Nigam Limited (Lucknow Discom or MVVNL)
- Paschimanchal Vidyut Vitran Nigam Limited (Meerut Discom or PVVNL)
- Purvanchal Vidyut Vitran Nigam Limited (Varanasi Discom or PuVVNL)

Under this scheme, the role of UPPCL was specified as “Bulk Supply Licensee” as per the licence granted by the Commission and as “State Transmission Utility” under sub-section (1) of Section 27-B of the Indian Electricity Act, 1910.

Subsequently, the Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), a Transmission Company (Transco), was incorporated under the Companies Act, 1956 by an amendment in the ‘Object and Name’ clause of the Uttar Pradesh Vidyut Vyapar Nigam Limited. The Transco is entrusted with the business of transmission of electrical energy to various utilities and open access consumers within the State of Uttar Pradesh. This function was earlier vested with UPPCL. Further, Government of Uttar Pradesh (GoUP), in exercise of power under the Section 30 of the EA 2003, vide notification No. 122/U.N.N.P/24-07 dated July 18, 2007, notified Uttar Pradesh Power Transmission Corporation Limited as the “State Transmission Utility” of Uttar Pradesh. Subsequently, on December 23, 2010, the Government of Uttar Pradesh notified the Uttar Pradesh Electricity Reforms (Transfer of Transmission and Related Activities Including the Assets, Liabilities and Related Proceedings) Scheme, 2010, which provided for the transfer of assets and liabilities from UPPCL to UPPTCL with effect from April 1, 2007.

Thereafter, on January 21, 2010, as the successor Distribution companies of UPPCL (a deemed Licensee), the Distribution Companies, which were created through the notification of the UP Power Sector Reforms (Transfer of Distribution Undertakings) Scheme, 2003 were issued fresh Distribution Licenses, which replaced the UP Power Corporation Ltd (UPPCL) Distribution, Retail & Bulk Supply License, 2000.

**B. Legal and Regulatory Provision in Respect of Security Deposit**



**Electricity (Supply) ACT, 1948**

47-A. Security-Notwithstanding anything in this act, and notwithstanding that no arrangements have been mutually agreed under Sec. 47 or that no regulations have been made in that behalf:

- (a) The Board shall not be bound to comply with any requisition to supply electricity to a licensee unless the licensee within fourteen days after the service on him by the Board of a notice in writing in that behalf, tenders to the Board security in such amount as is equivalent to the average charges for two months supply of electricity during the preceding financial year to the licensee (hereinafter referred to as the average charges), and where an amount in excess of the average charges is demanded by the Board as security, the Board shall determine the same after giving an opportunity of hearing to the licensee;
- (b) The Board shall be entitled to discontinue such supply if the licensee has not already given security, or if any security given by him has become invalid or insufficient, and such licensee fails to furnish security or to make up the security to a sufficient amount, as the case may be, within seven days after the service upon him of notice from the Board requiring him so to do.

**UP Electricity Supply (Consumers) Regulations, 1984**

**16. Consumption Security Deposit:-** (i) Before giving supply, the supplier may require a consumer to deposit security in cash or through bank draft to safe guard recovery of electricity dues for the energy supplied to the consumer on credit.

The rate of security deposit may be revised from time to time to take into account any change in tariffs and all existing consumers shall have to pay the additional security to replenish their security at the new rates of security deposit. No interest will be allowed on the deposit up to Rs. 100.00. Simple interest @ 3% per annum will be paid by the Supplier on cash security deposit exceeding Rs. 100.00. Full calendar month only will be taken into account for purpose of calculating interest. The interest accruing to the credit of the consumer for each period of 12 months ending 31st March will be adjusted in the electricity bill(s) arising subsequent to the said period.



- (ii) The Board will be at liberty at any time to further raise the security from consumers who default in making payments of their monthly dues.
- (iii) The Supplier shall be at liberty to apply at any time any security deposit made by a consumer towards payment or satisfaction of any money which may become due and payable by him to the Supplier. In all such cases, the consumer will be required to make up the deficiency so caused in his security deposit and he shall be liable to disconnection, without any further notice. If he fails to comply within seven days from the date of service of the notice on his asking him to make up the deficiency. The connection of the consumer shall be re-connected only after he pays the amount deficient in the security and the requisite, charges for the disconnection/reconnection as enforced by the Supplier from time to time.
- (iv) The Supplier may at his discretion demand additional security from a consumer at any time and the consumer shall be bound to pay the same within the stipulated in the demand, failing which the consumer shall be liable to disconnection. Reconnection of the supply in such a case will be made by the Supplier only after the receipt of disconnection/reconnection charges and the additional security as demanded.
- (v) Besides the disconnection, consumer will be liable to pay late payment surcharge at the rates as specified in the tariff applicable to consumer on failure to pay Security/Additional security within due date.
- (vi) The existing consumers from whom security could not be realised due to any reason whatsoever shall be required to pay the amount of security under sub-clause (i) within a period of 30 days from the date a notice to that effect is served upon them and on failure to pay such security within such time the supply shall be liable to the disconnected.

### Uttar Pradesh Electricity Supply Code, 2002

#### 4.54.2 Security Deposit

- (a) A Security deposit to cover the estimated power consumption for two months shall be made by all consumers. The estimated consumption and security deposit amount for different categories shall be determined by the Licensee with the



approval of the Commission. In case of enhancement of load, only additional security to cover the additional consumption shall need to be deposited.

- (b) The security amount shall be revised as per the tariff order.
- (c) The Licensee may give notice to any consumer for deposit of additional deposit if:
  - (i) The security deposit fails short of covering the estimated power consumption bill for 2 months based on his average monthly consumption for the preceding financial year.
  - (ii) The security deposit is reduced due to adjustment of outstanding dues.

The consumer shall deposit the additional sum within 15 days of the notice failing which the Licensee may take steps for disconnection.

- (d) The security deposit shall be returned to consumer, upon termination of the agreement and after adjustment of all dues, within 30 days. In case of delay, interest @ 12% p.a. shall be payable to the consumer.
- (e) The Licensee shall pay interest @ 3% p.a., or a approved by the commission from timeto time by way of a credit in the bill of the consumer in the months of April, May or June as per the applicable billing cycle. However, no interest shall be payable if the deposit is made by ways of a Bank guarantee.
- (f) The amount of security deposit shall be phased out according to the time schedule agreed for release of load in case of "Phased Contract Demand". The additional security shall be deposited at least 30 days prior to the scheduled release of additional load.
- (g) The Licensee shall energise no Connection until the requisite security amount has been deposited by the applicant/consumer.

### Electricity Act, 2003

#### **Section 47. (Power to require security):---**

- (1) Subject to the provisions of this section, a distribution licensee may require any person, who requires a supply of electricity in pursuance of section 43, to give him reasonable



security, as may be determined by regulations, for the payment to him of all monies which may become due to him -

- (a) in respect of the electricity supplied to such persons; or
- (b) where any electric line or electrical plant or electric meter is to be provided for supplying electricity to person, in respect of the provision of such line or plant or meter, and if that person fails to give such security, the distribution licensee may, if he thinks fit, refuse to give the supply of electricity or to provide the line or plant or meter for the period during which the failure continues.
- (2) Where any person has not given such security as is mentioned in sub-section (1) or the security given by any person has become invalid or insufficient, the distribution licensee may, by notice, require that person, within thirty days after the service of the notice, to give him reasonable security for the payment of all monies which may become due to him in respect of the supply of electricity or provision of such line or plant or meter.
- (3) If the person referred to in sub-section (2) fails to give such security, the distribution licensee may, if he thinks fit, discontinue the supply of electricity for the period during which the failure continues.
- (4) The distribution licensee shall pay interest equivalent to the bank rate or more, as may be specified by the concerned State Commission, on the security referred to in sub-section (1) and refund such security on the request of the person who gave such security.
- (5) A distribution licensee shall not be entitled to require security in pursuance of clause (a) of sub-section (1) if the person requiring the supply is prepared to take the supply through a pre-payment meter.

**UP Electricity Supply Code, 2005 & subsequent amendments/addendums:**

**4.20. Security Deposit:**

- (a) A security deposit to cover the estimated power consumption for two months shall be made by all consumer/applicant.



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- (b) The estimated consumption and security deposit amount for different categories of new consumers shall be determined by the Licensee with the approval of the Commission.
- (c) In case of enhancement of load, only additional security to cover the additional load (Load after enhancement minus existing load) shall need to be deposited.
- (d) Deleted
- (e) The Licensee may give notice to any consumer for deposit of additional security deposit if-
- (i) The security deposit fails short of covering the estimated power consumption bill for 2 months based on his average monthly consumption for the preceding financial year;
  - (ii) In case of a new connection, additional security shall be demanded only after completion of one full financial year;
  - (iii) Only when the required additional security deposit payable by the consumer exceeds 10% of the existing security deposit, a demand for additional security deposit, shall be made;
  - (iv) The security deposit is reduced due to adjustment of outstanding dues;
  - (v) security deposit has become invalid or insufficient due to any other reason.
- (f) The consumer shall deposit the additional security within 30 days after the service of the notice. If a person fails to give such security, the Licensee may disconnection supply of electricity for period during which failure continues. However, a maximum of three installments, if considered prudent by the licensee, may be permitted.
- (g) If the existing security deposit is found to be in excess of more than 20% of the required security deposit, refund of the excess amount shall be made by adjustment in the ensuring bills within three billing cycles to the consumer.
- (h) The security deposit shall be returned to consumer, upon termination of the agreement and finalization of permanent disconnection, and after adjustment of all dues, within 30 days. However, if the delay in payment exceeds 90 days, interest at bank rates of Reserve Bank of India, shall be payable to the consumer. In this regard it shall be the responsibility of the licensee to keep a watch on the bank rate from time to time.



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- (i) The Licensee shall pay interest on security deposit to the consumers at Bank Rate as on 1st April of applicable financial year by way of credit in the bill of the consumer in the months of April, or May or June as per the applicable billing cycle. However, no interest shall be payable if the deposit is not made by way of cash, cheque or bank draft. The interest rates are subject to change as per the tariff orders of Commission from time to time.

**Explanation:** Bank Rate shall mean the Rate as notified by the Reserve Bank of India.

- (j) The amount of security deposit shall be accepted in parts according to the phasing agreed for release of load in case of "Phased Contract Demand". The subsequent additional security amount shall be deposited 30 days prior to the release of additional load.

The Licensee shall energies no connection until the requisite security amount has been deposited by the applicant/consumer.

A distribution licensee shall not be entitled to require security in pursuance of this section, if the person requiring the supply is prepared to take the supply through a pre-payment meter, as and when distribution licensee provides a choice to consumer to opt for supply through pre-payment meter.

### C. Objective of Special Audit

Petition 780 of 2012 is filed by Mr. Rama Shankar Awasthi, a consumer activist, resident in the State of Uttar Pradesh before Uttar Pradesh Electricity Regulatory Commission {UPERC} praying for the following reliefs:

- (i) Whether closing amount of Security money and interest payable to the consumers were transferred to the Successor distribution Companies under the Transfer Scheme 2000 & Transfer Scheme 2003 notified by the State Government on 14.01.2000 & 12.08.2003.
- (ii) Whether the distribution companies are allowing the interest on security deposit to the consumers according to the rules and regulations specified by the Commission.
- (iii) Whether the security amount shown in the balance sheet on yearly basis are true figure corresponding to the security amount collected from the consumers as well as the interest accrued thereon;



- (iv) Review regarding use of non refundable security money or non-payment of interest in case of death of consumers or those consumers whose original receipt are being misplaced or permanent disconnection;

This Special Audit has been permitted by UPERC vide order dated 7.2.2019 in petition 780 of 2012. The commission has in its order dated 7.2.2019 directed that cost for conducting special audit shall be borne by Shri Rama Shankar Awasthi, the petitioner, to which he has agreed by means of a affidavit dt. 25.03.2019.

**D. Scope of Special Audit**

The scope of the Special Audit includes the following and any additional areas that the Auditor might consider necessary during the review:

1. Whether closing amount of Security money and interest payable to the consumers were transferred to the Successor distribution Companies under the Transfer Scheme 2000 & Transfer Scheme 2003 notified by the State Government on 14.01.2000 & 12.08.2003 and what was the methodology for such transfer of consumer security deposits?
- 1.2 Whether such balances transferred were reconciled with the actual consumer security deposit amount standing in the erstwhile Board/ successor entities to the credit of the consumer in the respective successor entities vested with the electricity distribution functions in the State?

Special Auditor will be required to submit report of year wise consumer category wise details of security deposit in following format:-

	As per Source Documents viz. Security Deposit Register, Permanent Disconnection Register, etc.				As Per Billing Database			
	Opening Balance	Addition	Deletion	Closing Balance	Opening balance	Addition	Deletion	Closing Balance
No. of Consumer								
Security Deposit								

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Special Auditor will be required to compare the two and give his comments for variation, if any. Special Auditor may consider balances as on 14.1.2000 as the opening balance, with 14.1.2000 being the date when existence of UPPCL came into existence.

Special Auditor to verify that in all cases of permanent disconnection, as mentioned in the PD Register, security deposit is duly refunded/adjusted and the same amount has been struck off from the security deposit register and from the billing Database and prepare a Report listing out the cases where the said refund was not done by UPPCL/Discoms and whether any interest is allowed on such security deposits which are due for refund but held up for any reasons.

2.0 Whether the distribution companies are allowing the interest on security deposit to the consumers according to the Act and regulations specified by the Commission.

Special Auditor will be required to submit report of year wise consumer category wise details of interest on security deposit in following format:-

	As Per Billing Database				As Per Audited Financial statements			
	Opening Balance	Addition	Deletion	Closing Balance	Opening balance	Addition	Deletion	Closing Balance
No. of Consumer								
Interest on Security Deposit								

Special Auditor will be required to compare the two and give comments for variation, if any. Special Auditor may consider balances as on 14.1.2000 as the opening balance, with 14.1.2000 being the date when existence of UPPCL came into existence.

Special Auditor to verify interest paid on security deposit is as per the Act and Regulations as detailed earlier in the Legal provisions. If the special auditor has any query he shall request the Discom to provide the requisite report from the billing data base and the Discom shall be obliged to provide it.



Special Auditor to verify that in all cases of permanent disconnection, as mentioned in the PD Register, interest on security deposit is duly refunded/adjusted.

- 3.0. Whether the security amount shown in the balance sheet on yearly basis are true figure corresponding to the security amount collected from the consumers as well as the interest accrued thereon;

Special Auditor will be required to submit report of year wise consumer category wise details of security deposit in following format:-

	As Per Billing Database				As Per Audited Financial statements			
	Opening Balance	Addition	Deletion	Closing Balance	Opening balance	Addition	Deletion	Closing Balance
No. of Consumer								
Security Deposit								

Special Auditor will be required to compare the two and give reasons for variation, in any. Special Auditor may consider balances as on 14.1.2000 as the opening balance, with 14.1.2000 being the date when existence of UPPCL came into existence.

- 4.0 Review regarding use of non-refunded security money or non-payment of interest in case of death of consumers or those consumers whose original receipt are being misplaced or permanently disconnected;

Special Auditor will be required to submit report of year wise consumer category wise details of security deposit paid/payable on account of Permanent Disconnection/ Mutation in following format:-

	Number	Security Deposit Payable	Interest on Security Deposit Payable	Total Amount Payable	Amount Paid	Unpaid Amount
Permanent Disconnection						
Mutation on Account of Death						

- 4.1 Special Auditor will be required to compare the consumer wise unpaid amount with unpaid amount of security deposit as per Audited financial Statement. Special Auditor

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may consider balances as on 14.1.2000 as the opening balance, with 14.1.2000 being the date when existence of UPPCL came into existence.

- 5.0 The Special Auditor will be required to furnish the list of the consumers category wise, division wise who have not been paid interest on security / inadequate interest on security in any financial year of the Audit period.

**E. Required qualification of the Auditor**

Special Auditor empaneled with Indian Banking Association (IBA)

**F. OTHER ELIGIBILITY CRITERIA OF THE FIRM:**

1. Should be Chartered Accountant Firm/LLP registered with ICAI for a minimum period of 20 years
2. Should have minimum **Seven** Partners including **Four** FCA and having qualified staff of not less than **twenty** people. At least Two Partner/Employees should be Qualified Special Accounting and Fraud Detection (FAFD) Certification course of ICAI.
3. Should have minimum Turnover of Rs. **5** Crore in Last Two Financial Years.
4. Team leader (Professional Special Auditor with at least 10 years of experience)
5. Team Proposed to be assigned for the audit should include one Qualified FAFD and One Qualified Staff.
6. Audit Team should includes sufficient number of appropriate staff.
7. Should not have been banned/declared ineligible for corrupt and fraudulent practices by the Govt. of India/State Govt.'s/ICAI/Bar Associations and should not have any disciplinary proceedings pending against the applicant firm or any of the partners with ICAI or other authorities.
8. Should not have any conflict of interest in undertaking the special Audit, and will submit as undertaking of the same on an affidavit.

**G. GENERAL:**

UPPCL and all its Discoms shall give access to all legal documents, consumer database and financial statements. Books of accounts, database, correspondence and any other information associated with the security deposit, interest on security, New connection,



Permanent disconnection, death of consumers etc. and deemed necessary by the Special Auditor to achieve the above detailed objectives.

**H. Confidentiality - Ownership of Material:**

The Auditor shall keep secret and confidential any information disclosed, directly or indirectly by UPPCL / Discoms & others either in written form including but not limited to datasheets etc., or orally or visually during visits to plants, presentations, etc. For the purpose, Auditor will enter into a separate Non-Disclosure Agreement (NDA) with UPPCL / Discoms & others for not disclosing or misusing the information for its advantage or to the advantage of any other person/company etc. to which they are related in what so ever manner.

**I. Outputs**

The Auditor will submit report as detailed in scope above on completion of audit of each division to a committee comprising of a person nominated by UPERC , UPPCL {not below the rank of chief engineer} and person nominated by Mr. Rama Shankar Awasthi.

On fortnightly basis, status of Special Audit shall be submitted to this Committee. The Committee shall discuss the status with the Special Auditor. Committee shall in turn raise issues with UPPCL and Discoms to ensure timely completion of assignment in satisfactory manner.

**J. Audit Coverage**

- i. The Audit period coverage will be 14.01.2000 till 31.03.2019.
- ii. Number of divisions to be audited are as per Annexure No. 1.

**K. Timetable and Reporting**

The full assignment shall be completed within six months of award of contract subject to force measures.

**L. Force Majeure**



Neither party shall be liable to the other for any delay or failure on its parts in performing any of its obligation under this assignment, resulting from any cause beyond its control including but not limited to strikes, fire, floods, earthquakes, explosions, riots.

**M. Notices**

Unless otherwise provided herein, all notices or other communications under or in connection with the agreement shall be given in writing and may be sent by personal delivery or post or courier or facsimile. Any such notice or other communication will be deemed to be effective if sent by personal delivery, when delivered, if sent by post, two (2) days after being deposited in the post and if sent by courier, one (1) day after being deposited with the courier, and if sent by facsimile, when sent (on receipt of a confirmation to the correct facsimile number).

**N. Jurisdiction**

Only the Courts established at Lucknow will have the jurisdiction to decide any dispute between the parties.

**O. Terms of Payment**

- i. 10% of Professional Charges to be paid on initiation of Assignment.
- ii. 70% of Professional Charges (Division wise Proportionate i.e total fees divided by number of divisions) shall be paid upon submission of Divisional Special Audit Report.
- iii. Balance 20% of Professional Charges shall be paid on submission of Final Special Audit Report.
- iv. Boarding and Lodging arrangement shall be made by the petitioner.
- v. Travel and conveyance expenses shall be reimbursed on submission of actual bills by the petitioner.
- vi. GST payable as applicable.
- vii. In event there is delay beyond six months for no fault of UPPCL/Discoms, there shall be deduction of 1% per week for uncompleted portion of the assignment, if the delay is on account of Special Auditor.
- viii. In event assignment is delayed beyond six months, UPPCL/Discoms shall bear a penalty of Rs. 1000/- per day per division whose audit could not be completed due to any fault of UPPCL/Discoms. This penalty shall be paid to Mr. Rama Shanker Awasthi to meet charges for conduct of Special Audit beyond the scheduled period of six months.



**Annexure-1**  
**Number of Division to be Audited**

S.N	DISCOM NAME	TENTATIVE NO OF DISTRIBUTION DIVISIONS
1	PashimanchalVidyutVitran Nigam Limited, Merrut	97
2	PurvanchalVidyutVitran Nigam Limited, Merrut	96
3	DakhinanchalVidyutVitran Nigam Limited, Merrut	75
4	MadhanchalVidyutVitran Nigam Limited, Merrut	75
5	Kanpur Electric Supply Company Limited, Kanpur	20
	Total	363

*[Handwritten Signature]*



*[Handwritten Signature]*

