

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2023-2026)**

NINETY SIXTH REPORT

(Presented on ~~28~~²⁹ January, 2026)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2026

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on

Paragraphs relating to Power Department contained in the Report of the
Comptroller and Auditor General of India for the year ended 31st March
2015 (Revenue Sector).

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COMPOSITION
COMMITTEE ON PUBLIC ACCOUNTS (2023-2026)

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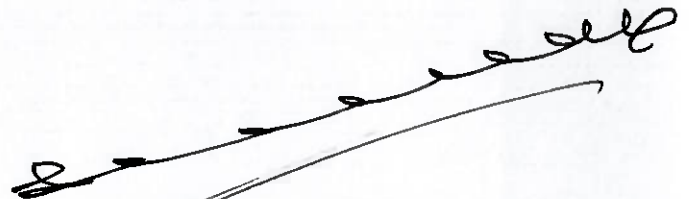
INTRODUCTION

I, the Chairperson, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Ninety Sixth Report on paragraphs relating to Power Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2015 (Revenue Sector).

The Report of the Comptroller and Auditor General of India for the year ended 31st March 2015 was laid on the Table of the House on 24th February 2016.

The Committee considered and finalised this Report at the meeting held on 20th January 2026.

The Committee place on records our appreciation of the assistance rendered to us by the Accountant General in the examination of the Audit Report.



SUNNY JOSEPH

CHAIRPERSON,

COMMITTEE ON PUBLIC ACCOUNTS.

Thiruvananthapuram,
20th January, 2026.

REPORT

POWER DEPARTMENT

7.1 Tax Administration

The Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 and Rules made thereunder govern the levy of duty/surcharge on the sale and consumption of electrical energy. Power Department is under the control of the Secretary at the Government level and the Chief Electrical Inspector administers the Act with the assistance of Additional Chief Electrical Inspector, Deputy Chief Electrical Inspectors, Electrical Inspectors, Deputy Electrical Inspectors and Assistant Electrical Inspectors on technical matters in Headquarters office.

7.2 Internal audit

The internal audit wing (IAW) in the Chief Electrical Inspectorate is monitored by the Chief Electrical Inspector and the Accounts Officer. The IAW consists of one Senior Superintendent, one Junior Superintendent and four clerks. During 2014-15, the wing planned and audited 16 units. No internal audit observations are pending since the responses of the auditee offices are very positive and mistakes pointed out are not found repeated in most of the cases.

7.3 Result of audit

Test check of the records of nine offices relating to the Power Department in 2014-15 showed non/short levy of electricity duty, license fee etc., involving ₹ 3,241.83 crore in six cases as given in Table -7.1.

Table -7.1.

Sl. No.	Categories	Number of cases	(₹ in crore)
			Amount
1.	Performance Audit on Levy, Collection and Accounting of Electricity Duty, Surcharge and Inspection Fee	1	3,241.44
2.	Non-realisation of license fee	1	0.03
3.	Short levy/collection of electricity duty	4	0.36
	Total	6	3,241.83

During the course of the year, the Department accepted ₹ 541.51 crore involving one case which was pointed out in earlier year. No amount was realised during the year 2014-15.

When the reason for non-realisation of amount in accepted cases was called for (August 2015), the Department stated (November 2015) that the licensee, Thrissur Municipal Corporation had not remitted the arrears and since revenue recovery action was in progress for the period up to March 2012, the arrear could be collected once the revenue recovery proceedings is completed.

A Performance Audit on Levy, Collection and Accounting of Electricity Duty, Surcharge and Inspection Fee with financial impact of ₹3,241.44 crore is mentioned in the following paragraphs.

[Audit paragraphs 7.1 to 7.3 contained in the Report of C&AG of India for the year ended 31st March, 2015 (Revenue Sector)]

[Note submitted by the Government on the above audit paragraphs are included as Appendix II]

Excerpts from the discussion of committee with officials concerned

1. The Committee sought an update on the status of the Revenue Recovery proceedings in the Thrissur Municipal Corporation. In response, the Additional Chief Secretary, Power Department informed the Committee that a meeting had been scheduled for that day evening to address the matter.

Conclusions and Recommendations

2. The Committee directs the Department to furnish the present status of revenue recovery proceedings initiated in connection with the licensee, Thrissur Municipal Corporation.

7.4 Performance Audit on Levy, Collection and Accounting of Electricity Duty, Surcharge and Inspection Fee

7.4.1 Highlights

- The licensees failed to identify the consumers/persons who were liable to pay electricity duty/surcharge. Department had no effective mechanism for detecting such lapses/omissions of licensees. The Department failed to identify the low tension consumers to be inspected though KSEBL, a licensee, themselves had 88 lakh consumers as on 31 March 2014.

[Paragraph 7.4.8.1]

- The Department had not streamlined mechanism to ensure the levy and collection of electricity duty/surcharge/inspection fee timely. This resulted in non/short levy of electricity duty/surcharge/fee amounting to ₹67.61 crore.

[Paragraph 7.4.8.2]

- The Department failed to ensure the collection of interest on belated payments of duty/surcharges resulting in non-collection of interest to the tune of ₹2,699.02 crore.

[Paragraph 7.4.8.3]

- Incorrect grant of exemptions, irregular retention of collection charge resulted in non/short collection of duty/surcharge of ₹272.77 crore.

[Paragraph 7.4.8.4]

- The Department failed to conduct inspections of electrical installations, accounts and returns of licensees. This resulted in non/short levy/collection of inspection fee of ₹1.43 crore in

addition to the threat raised to public safety.

[Paragraph 7.4.8.5]

7.4.2 Introduction

In Kerala, Electricity Duty is levied on licensees and consumers under sections 3 and 4 respectively of the Kerala Electricity Duty Act, 1963. Besides, a surcharge is levied on High Tension (HT) and Extra High Tension (EHT) consumers under the provisions of the Kerala State Electricity Surcharge (Levy and Collection) Act, 1989. Government of Kerala have also issued notifications prescribing fee for inspection and testing of installations of various classes of consumers viz, EHT, HT, Medium Voltage (MV) and Low Voltage (LV), under Central Electricity Authority (Measures relating to safety and electric supply). Regulations 2010, which replaced Indian Electricity Rules 1956.

7.4.3 Organisational setup

The Chief Electrical Inspector (CEI) is the head of the Department of Electrical Inspectorate. He is under the administrative control of the Secretary, Department of Power at Government level. The CEI is responsible for the implementation of the Acts and Rules. The main function of the Department is to ensure safety of all electrical installations connected to electrical supply system in Kerala.

7.4.4 Audit Objectives

Performance Audit was conducted with the objectives to assess whether:

- the system of identifying licensees / persons liable to pay electricity duty, surcharge and inspection fee is robust to prevent evasion of electricity duty, surcharge and inspection fee.
- electricity duty, surcharge and inspection fee in respect of all licensees/ persons were levied at prescribed rates and collected, remitted and accounted for correctly.

7.4.5 Scope of audit

The Performance Audit (PA) was conducted by checking the records in the Office of the Chief Electrical Inspector and district offices in seven¹ selected districts. Offices of all the licensees² (except Military Engineering Service) were also visited. Government files were verified at the Office of the Secretary to Power Department at Government Secretariat. The PA covered the period from 2010-11 to 2014-15.

7.4.6 Audit Methodology

Seven districts were covered in this PA. All the four (Thiruvananthapuram, Ernakulam, Idukki, Thrissur) districts having presence of licensees were selected and the remaining three (Kottayam, Palakkad, Kozhikode) were chosen based on simple random sampling. Data was collected and evidence gathered by scrutiny of files, issuing audit enquiries and questionnaires. An entry conference was held on 15 May 2015 with Secretary to Government, Power Department in which the objectives, scope and methodology of audit were explained. The draft Performance Audit Report was sent to Government on 16 October 2015. An exit conference was also held on 16 November 2015.

• Acknowledgment

The Indian Audit and Accounts Department acknowledges the co-operation of the Department of Electrical Inspectorate and licensees in providing necessary information and records for audit.

7.4.7 Audit criteria

Criteria for this Performance Audit were drawn from the following documents.

- Electricity Act, 2003.

1

? Thiruvananthapuram, Kottayam, Ernakulam, Idukki, Thrissur, Palakkad, Kozhikode.

2

? Kerala State Electricity Board Ltd, Technopark, Cochin Port trust, Infopark, KINESCO, CSEZ, Rubber Park India(P) Ltd, Kannan Devan Hill Plantations (KDHP), Thrissur Corporation, Military Engineering Service.

- Indian Electricity Rules 1956.
- Central Electricity Authority (Measures relating to safety and electric supply) Regulations 2010.
- Kerala Electricity Duty Act, 1963.
- Kerala Electricity Duty Rules, 1963.
- Kerala State Electricity Surcharge (Levy and Collection) Act, 1989.
- Kerala Electricity Surcharge (Levy and Collection) Rules, 1992.
- Kerala Lifts and Escalators Act, 2013.
- Kerala Lifts and Escalators Rules, 2012.
- Orders issued by Government of Kerala.

7.4.8 Audit findings

Important audit findings have been given in the following paragraphs.

7.4.8.1 Identification of installations/persons liable to pay electricity duty/inspection fee

Levy and collection of duties/surcharge on electricity prescribed under various Act/Rules can be made effectively only if a streamlined monitoring system is in place in the Department to ensure that the licensees are identifying the consumers/persons liable to pay duty correctly. Audit revealed that there was failure on the part of licensees to identify the persons etc. liable to pay duty/surcharge and an effective system was absent in the Department to detect and correct lapses/omissions on the part of the licensees as narrated in the following paragraphs.

- **Non-identification of cable TV poles**

The Chief Electrical Inspector had formulated technical and statutory requirements for drawing cable TV network lines through KSEB poles to ensure safety. Government in an order issued in March 2000 had instructed KSEBL to obtain safety certificate issued by CEI before

permitting cable TV operators to draw cables through its poles. Fee prescribed for inspection of poles and issue of safety certificate was five per pole per year.

Poles of KSEBL

Audit observed that KSEBL permitted cable TV operators for drawing cables through its poles after levying a fee. Data collected from all the 38 divisional offices of KSEBL functioning in the seven districts selected for audit showed that it had permitted cable TV operators for drawing cables through 30.08 lakh poles³ during 2011-12 to 2014-15. But Electrical Inspectors of district offices had inspected and collected inspection fee for 9.46 lakh poles only. Non-inspection of 20.62 lakh poles resulted in loss of revenue of ₹ 1.03 crore at the rate of ₹ five per pole per year, besides jeopardising public safety.

Audit found that Asianet Satellite Communication was the major beneficiary as the non-payment of inspection fee by it was ₹ 70.37 lakh.

Cable TV operators in Kannan Devan Hill Plantations Company Private Limited (KDHP) area

As per data collected from KDHP, there were 55 Cable TV operators spread over six estates in their licensed area, drawing cables through 485 poles. But Electrical Inspector had not inspected the poles.

Poles of M/s. Reliance Jio Infocom

Audit found that Cable TV /mobile operators use their own poles or that of KSEBL for drawing cables for their network. As permitted by Thrissur Corporation in January 2015, M/s. Reliance Jio Infocom erected 1,425 iron pipes along the roads falling under its jurisdiction covering a distance of 28.54 km for drawing optical fiber cables network. But Electrical Inspector had not inspected and fees not levied on the poles.

Operators registered with Telecom Regulatory Authority of India (TRAI)

As per official website of TRAI, there were 3,461 cable TV operators registered in Kerala. Department inspected poles of only those cable TV operators who remitted the inspection fee and therefore no inspection was pending as per records. It had taken no efforts to verify the existence of other cable TV operators as per TRAI list to ensure that none was functioning without inspection, compromising public safety and remittance of fee.

Audit observed that KSEBL permitted cable TV operators to draw cables through the poles without obtaining safety certificate from the Department. Audit noticed that instructions issued by Government cover KSEBL poles only. Department had reported to State Assembly that accidents due to electric shock from cable TV connections were increasing in the State and seven persons met with such accidents in 2013-14 out of which five persons met with the accidents from non inspected cable TV networks.

Secretary to Government, Power Department stated (January 2016) that inspection of 30 lakh odd poles was an impractical proposition. To avoid revenue loss, Government shall consider collection of the inspection fee by licensee and remitting the same to Government account in consultation with the Department and the licensee and inform the position. The reply is not acceptable as safety issues apply to all poles irrespective of ownership, instructions of Government to limit inspection only to KSEBL poles, compromised public safety. Besides, licensees may be instructed not to issue permits to cable TV operators without production of safety certificate from the Department.

Non-identification of low voltage installations

As per Rule 46 of Indian Electricity Rules 1956 and Regulation 30 of Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations, 2010, all electrical installations connected to a supply system shall be periodically inspected and tested by the Department or licensee at intervals not exceeding five years.

As per Government of Kerala notification (April 1994), periodical inspection of Low Tension installations was entrusted to Kerala State Electricity Board Limited (KSEBL) and levy of inspection fee was dispensed with. Later, as per notification issued in May 2013, the responsibility of periodical inspection was entrusted to the Department. But KSEBL and Department had not inspected any of the installations during the period of audit.

Audit found that Department did not have any information on the Low Tension consumers to be inspected. Number of consumers taking supply from KSEBL and not inspected by KSEBL/Department was 87.89 lakh as of 31 March 2014.

Secretary to Government, Power Department stated (January 2016) that inspection of around 90 lakh low voltage installations was practically an impossible task due to staff shortage. The reply is not acceptable as the inspection was mandatory under the rules/regulations issued by Central Government under Electricity Act 2003 and non-inspection may compromise safety aspects.

Recommendation No. 1- Government may:

- *identify all LV installations/cable TV poles which are now left out and instruct licensees not to issue permit to cable TV operators without production on of safety certificate from the Department.*
- *work out a practical process of assessing and realising the revenue from the inspection of cable TV poles.*

[Audit paragraphs 7.4 to 7.4.8.1 contained in the Report of C&AG of India for the year ended 31st March, 2015 (Revenue Sector)]

[Note submitted by the Government on the above audit paragraphs are included as Appendix II]

Excerpts from the discussion of committee with officials concerned

3. When the Committee enquired about the reason behind the non-

collection of revenue from Asianet, the Additional Chief Secretary, Power Department informed that as the annual inspection of all KSEB poles for issuing safety certificates was a challenging task, inspections had been conducted only once in every three years. He added that instructions had been given for the cancellation of permission granted to those who failed to comply with the safety certificate requirements and also directed to take measures to collect the dues remaining to make good the loss incurred to the Government from the concerned licensees who laid the cable without obtaining a report. The District Collector had also been instructed to send revenue recovery notices to Asianet Satellite Communication to collect the outstanding sum of ₹ 70 lakh.

4. In response to an audit query, the Additional Chief Secretary, Power Department had provided a clarification that safety certificates were previously perceived to be necessary only for the poles made use of by the licensees. However, it had been recommended to be made mandatory for any pole irrespective of ownership to ensure public safety. The Principal Accountant General had directed that the connection of those who failed to pay the fee be disconnected, and the Electrical Inspectorate would be responsible for ensuring the safety of the cables, whether they were using the pole of KSEBL or any other. The Additional Chief Secretary, Power Department conceded that permission was granted without an inspection or collection of inspection fees. Hence, the officers responsible on the matter in the Electrical Inspectorate must be held accountable. The Additional Chief Secretary had also acknowledged that the LT Inspection was impossible due to shortage of staff and in order to solve that issue, they had demanded to appoint Chartered Electrical Inspectors to carry out inspections without paying government salary. The practice had already been allowed in certain States, and qualified inspectors were readily available and a training module had been created for them. He added that it was not feasible for the department to carry out inspections independently.

5. To the further queries of the Committee regarding the non-

identification of low voltage installations, the Additional Chief Secretary, Power Department clarified that the responsibility of locating the low voltage installation lies with the licensee. He further stated that out of the 80 lakh domestic beneficiaries, majority of them had low voltage connections, except 8000 HT beneficiaries. The connection to beneficiaries would only be provided if they furnish the required details.

6. The Director of Kerala State Electricity Board Limited explained that, as per the Government order, installations above 650 volt were considered to be medium voltage installations and were being inspected but below medium voltage installations were not required to be inspected. The Committee opined that as per the government order in 2017, installation of voltage below 250 volt should be self certified and above 250 volt should be inspected. The Director, KSEBL submitted that at present, only those above 650 volt were being inspected. The Additional Chief Secretary added that the medium voltage between 250 & 650 volt was not being inspected. The Chairman and Managing Director of the Kerala State Electricity Board Limited pointed out that the medium voltage zone had to be covered by inspection as per government orders. The Additional Chief Secretary, Power Department suggested that necessary action could be taken after rechecking the matter.

7. The Additional Chief Secretary, Power Department informed the Committee that all cable and internet service providers had been instructed not to draw cables through poles without a safety certificate from the Electrical Inspectorate.

Conclusion/Recommendations

8. **The Committee directs the department to submit the collection details of revenue from beneficiaries like Asianet Satellite Communications and other cable TV operators.**

7.4.8.2 Non/short levy of inspection fee/electricity duty

As per Section 7 of the Kerala Electricity Duty Act, 1963, the CEI is responsible for ensuring that the duties/fees/ surcharge prescribed under

the statutes relating to the usage of electricity and inspections of electrical installations are collected at the prescribed rates and accounted for correctly. Department need to take corrective measures if the licensees/consumers were defaulting in the payment of duties/fees. Audit scrutiny revealed that an effective system was absent in the Department to ensure that duties/fees leviable were collected and remitted to Government correctly and in a timely manner. Illustrative cases are given in the following paragraphs.

- **Non levy of duty due to failure to take meter readings of self generating sets⁴**

As per schedule to Section 4 of Kerala Electricity Duty Act 1963, duty at the rate of 1.2 paise per unit was to be paid by the consumers who generate electricity from the self-generating sets and consume for their own use. After approval by Department and re-energisation by licensee, it was the responsibility of the licensee to take readings of the generating sets and collect duty from the consumers and remit to Government account. It was noticed that five⁵ licensees had not taken readings of any of the 234 generating sets installed under their jurisdiction. The details of date of installation of generating sets were not available with the licensees. As per the available records furnished by Techno Park, the date of installation ranged from 2007 to 2014. Chief Electrical Inspector, who was responsible for monitoring the collection of duty, also failed to ensure that the licensees complied with the requirements. As readings were not taken, amount of duty not levied could not be worked out.

Audit analysis revealed that consumers most benefited were Wipro, Nitta Gelatin India Limited, Infosys Limited and TCS Peepul Park as duty

4

? Self generating sets are used in places without connection to a power grid, or as emergency power supply if the grid fails.

5

? Thrissur Corporation, Cochin Special Economic Zone, Rubber Park India (P) Ltd, Technopark, KINESCO.

was not levied due to failure of licensees in taking meter readings.

In the exit conference, Secretary to Government, Power Department directed CEI to intimate all licensees about the provision and to avoid occurrence of such omissions in future. In respect of new self-generating sets, it was directed to include a condition in the sanction order, directing licensees to levy electricity duty as specified in the Act.

- **License fee for existing/ new lifts and escalators**

As per Section 5 of Kerala Lifts and Escalators Act, 2013, existing lifts and escalators shall not be continued to work after such period prescribed, from the date of effect of Kerala Lifts and Escalators Rules, 2012. The rules came into force from 31 January 2013 and the period prescribed for obtaining the license was two months ie., upto 31/3/2013. License fee prescribed was ₹ 1,000 per lift/escalator per year and Department was authorised to disconnect power supply to the lifts and escalators, which had not obtained license. Besides, renewal was also applicable to new lifts and escalators which were issued licenses under the Act from 2013-14.

In seven districts selected for audit, 4,865 lifts and escalators (existing and new) were functioning during 2013-14. Audit found that the licenses were renewed based on the applications received from the license holders. Audit observed that if applications were not received, there was no system in the Department to detect the lifts/escalators functioning in the State unauthorisedly. 6,884 (aggregate for 2013-14 and 2014-15) lifts and escalators were functioning without valid license. Loss of license fee at the rate of ₹ 1,000 was ₹ 68.84 lakh. Besides, these lifts and escalators continued to function at the risk of public safety.

The details of Lifts/Escalators for which license not issued/renewed as stipulated in the Kerala Lifts & Escalators Act 2013 in the selected districts are as shown in Table-7.2.

Table-7.2

District	No. of lifts/escalators for which licences not issued / renewed (2013-14 & 2014-15)	License fee involved (₹)
Ernakulam	2,933	29,33,000
Thiruvananthapuram	1,972	19,72,000
Thrissur	946	9,46,000
Kozhikode	663	6,63,000
Kottayam	221	2,21,000
Idukki	149	1,49,000

Audit analysis revealed that most of these lifts/escalators belonged to Technopark Phase III, Aerens Goldsouk international, Hotel ABAD Plaza and MPG Hotel and Infrastructure Ventures.

Secretary to Government, Power Department stated (January 2016) that electric supply of lifts and escalators alone could not be disconnected as it does not stand as a separate unit. It was further stated that Government was considering amendment of the provisions in this regard. Reply was not acceptable as non-obtaining/non-renewal of license presupposes a possibility of safety risk and the remedy for that can only be non-operation of lift/escalator till license is obtained. While amending the rules, provisions for safeguarding public safety may also be taken into account.

- **Electricity duty on sale of self-generated electricity to consumers**

As per Section 3 of Kerala Electricity Duty Act, 1963, every licensee shall pay each month to Government a duty calculated at the rate of six paise per unit on energy sold at a price of more than 12 paise per unit. As per Section 4, every consumer belonging to any of the classes specified in schedule to the Act shall pay each month to Government a duty calculated at the rate specified in the schedule.

Audit observed that self generating sets in Technopark buildings consisted of those owned by i) consumers and ii) licensee (Technopark). Technopark generated electricity from diesel generating sets owned by them and installed in various buildings in the campus for consumption of its consumers during power failure. Electricity so generated was sold to the consumers located in such buildings and cost of production of electricity was recovered from them by issuing invoices without showing electricity charges separately. Being sale of electricity by the licensee to its consumers, electricity duty under Sections 3 and 4 was to be remitted to Government account. But Technopark had not remitted the duty since its inception as it treated the sale as own consumption and remitted duty applicable to energy generated for own consumption from self- generating sets at 1.2 paise per unit. From 2010-11 to 2014-15, ₹30.45 lakh units of electricity involving energy charges of ₹1.26 crore was sold, for which duty not remitted was ₹14.38 lakh (₹1.83 lakh under Section 3 and ₹12.55 lakh under Section 4).

Secretary to Government, Power Department stated that Technopark generated power for and on behalf of the consumers and collected the diesel charges alone, which was not a sale. Under the Act, consumer who generated the power should use it, for being eligible to pay duty under item 5 of schedule to Section 4. Reply was not acceptable as Technopark was not consuming the power generated by it and payment under item 5 was not in order. The matter may be reported to KSERC for clarification on this type of generation of electricity.

- **Irregular adjustment of subsidy**

As per schedule to Section 4 of Kerala Electricity Duty Act 1963, domestic consumers were liable to pay electricity duty at the rate of 10 per cent of energy charges indicated in the invoice. KSERC increased electricity charges with effect from 1 July 2012. Government of Kerala, in August 2012, exempted domestic consumers with monthly consumption up to 120 units and agriculture consumers from payment of increased electricity charges ordered by KSERC. It was also ordered that the loss

sustained by KSEBL on account of the exemption would be compensated by Government by providing cash subsidy. Government provided ₹ 987.69 crore to KSEBL as cash subsidy for the period from July 2012 to March 2015.

Audit observed that KSEBL had collected electricity duty on energy charges from such consumers after deducting subsidy instead of actual energy charges indicated in the invoices. This had resulted in non-collection of electricity duty on the entire energy charges from domestic consumers with monthly consumption upto 120 units and agriculture consumers. As Government had not exempted subsidy portion from duty, non-collection of electricity duty for subsidy was irregular. This had resulted in short collection of electricity duty of ₹ 63.49 crore.

Secretary to Government, Power Department stated that the intention of Government was to protect the consumers from any tariff hike and therefore levying electricity duty on increased tariff would obviously be against the intention. If Government had intended so, it should have exercised powers under the Act to exempt such category of consumers from the duty on increased tariff, which was not done and therefore the reply was not tenable.

- **Electricity duty for energy charges for which Government provided cash subsidy**

Government had exempted consumers having monthly consumption not exceeding 20 units (non-paying group) from payment of energy charges. Amount of energy charges not received by KSEBL due to such exemption was made good by Government by paying equivalent amount as cash subsidy under section 65 of Electricity Act 2003.

KSEBL had been implementing the concession to non-paying group (NPG) consumers from 1991 to March 2012 without assistance from State Government. In the tariff order for 2012-13, KSERC had not recognised the NPG consumers and directed KSEBL to obtain subsidy from Government from 2012-13 to continue the concession. KSEBL received the subsidy from

Government from April 2012.

As per Section 3 of Kerala Electricity Duty Act, 1963, licensees should pay electricity duty at the rate of six paise per unit for the energy sold at a price of more than 12 paise per unit. It was noticed that KSEBL had not paid electricity duty for the sale of energy to the non-paying group consumers. As KSEBL received cash subsidy from Government on behalf of the consumers, in lieu of energy charges, duty under Section 3 was payable on the energy sold to such consumers.

Audit observed that from April 2012 to October 2013, 3.22 million units of energy was sold to non-paying group consumers, for which duty not paid by KSEBL was ₹ 1.93 lakh and interest on the same worked out to ₹ 0.41 lakh.

Secretary to Government, Power Department stated (January 2016) that the intention of the Government in giving subsidy was to exempt the most economically vulnerable group of domestic consumers from payment of electricity charge to alleviate their financial burden. Hence, charging electricity duty from such category of consumers would obviously be against the intention of the Government. Audit observation was on non-payment of electricity duty payable under section 3 by KSEBL from its own revenue and not on duty payable by consumers under Section 4, which was not covered in the reply.

- **Irregular deduction of power factor incentive from energy charges**

As per Section 4 of Kerala Electricity Duty Act, 1963, electricity duty at the rate of 10 per cent was leviable on the price of energy indicated in the invoices issued by the licensees. Tariff orders issued by KSERC for KSEBL prescribed incentive/ penalty to HT/EHT consumers for power factor improvement. Incentive was 0.15 per cent of energy charges for each 0.01 unit increase in power factor from 0.90 and penalty was one per cent of energy charges for every 0.01 fall in power factor

from 0.90.

Audit scrutiny of 1.22 lakh invoices issued to non-industrial HT/EHT consumers by KSEBL from 2010-11 to 2014-15, revealed that electricity duty was collected on energy charges after deducting/adding power factor incentive/penalty. Total amount of power factor incentive deducted from the energy charges in respect of 85,677 invoices was ₹ 32.65 crore from 2010-11 to 2014-15. As electricity duty was to be levied on the price of energy indicated in the invoice, deduction of power factor incentive from the price of energy for calculation of electricity duty was irregular. Failure of CEI to detect the erroneous deduction of power factor incentive from energy charges resulted in short levy of electricity duty of ₹3.27 crore at the rate of 10 per cent and undue benefit to non-industrial HT consumers falling under commercial, agricultural and general categories. Interest was also leviable. Audit analysis revealed that consumers most benefited were Lulu International Shopping Mall Private Limited, Petronet LNG Ltd., Cochin International Airport Ltd, Amritha Institute of Medical Science and Research Centre and International Airport Authority of India.

Secretary to Government, Power Department assured to examine the matter.

Recommendation No. 2 - In order to prevent non/short levy, Government may consider taking the following measures;

- *instruct CEI to ensure that the licensees are levying electricity duty/license fee from consumers/persons liable to pay it.*
- *licensees may be directed to calculate electricity duty on the price of energy indicated in the invoice.*
- *evolve a mechanism to collect the electricity duty license fee payable by the consumers/persons liable for their payment.*

[Audit paragraph 7.4.8.2 contained in the Report of C&AG of India for the year ended 31st March, 2015 (Revenue Sector)]

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of committee with officials concerned

9. While discussing the audit query regarding the Non- levy of duty due to failure to take meter readings of self generating sets, the Additional Chief Secretary, Power Department informed that electricity duty was also levied on consumers who had installed self-generating sets.

10. The Principal Accountant General wanted to know the details regarding the electricity duty collected from Thrissur Corporation, Cochin Special Economic Zone, Rubber Park and Technopark. The Additional Chief Secretary, Power Department informed that notice had already been given to Technopark and revenue recovery measures should be initiated if the amount was not paid in time and he added that details regarding the remaining companies would be submitted soon.

11. When the Committee enquired about the details regarding the audit paragraph on the license fee for existing/ new lifts and escalators, the Additional Chief Secretary, Power Department informed the Committee that the amendment for rate revision had been submitted for the approval of the Minister and he added that at present the fees were being charged at prevailing rates.

12. While discussing the audit observation regarding the Electricity duty on sale of self-generated electricity to consumers, the Additional Chief Secretary, Power Department informed that although several demand notices had been given to M/S Technopark, no response was received. Hence, instructions had been given to the District Collector for initiating Revenue Recovery Proceedings.

13. Regarding the audit paragraph on the irregular deduction of power factor incentive from energy charges, the Additional Chief Secretary, Power Department provided a response indicating that

the electricity duty had already been collected. Furthermore, the collection of long pending dues would result in several legal disputes.

14. The Additional Chief Secretary, Power Department appraised that exemption was given only for lighting in public places. As per the observation of AG, the roads within the compound of Technopark and Infopark couldn't be considered as public roads. As the said roads were also used by public, no fee could be levied for lighting there.

15. The Committee accepted the replies regarding the observations on the Irregular adjustment of subsidy and electricity duty for energy charges for which government provided cash subsidy.

16. The Principal Accountant General wanted to know about the measures taken to recover the Self Generated Electricity duty, the Director, Kerala State Electricity Board Limited informed that as the amount had not been remitted even after sending the demand notice, it had been handed over to the district collector to initiate revenue recovery proceedings.

Conclusions/Recommendations

17. The Committee directs the Department to submit the details regarding the revenue recovery measures initiated in connection with Technopark regarding the objection on the electricity duty on sale of self-generated electricity to consumers.

18. The Committee directs the department to submit the Collection particulars in connection with Thrissur Corporation, Cochin Special Economic Zone, Rubber Park and KINESCO.

7.4.8.3 Non levy of interest

CEI is responsible for ensuring timely collection of

duties/fees and its remittance into Government account without delay. In case of delay, interest at the rates prescribed in the Act/Rules is to be levied. Audit found that in many cases, Department failed to collect interest on the belated payments of duty/fee as shown in the illustrative cases below.

- **Delayed payment of balance amount of electricity duty**

As per order⁶ issued in March 1970, Government permitted the licensees to make advance payment of electricity duty subject to the following conditions.

- Average amount of electricity duty paid for the previous three months will be the amount of advance.
- Balance amount should be remitted within 45 days from the due date with interest at the rate of 12 per cent per annum.

In Thrissur Corporation, where the system prescribed by Government was followed, it was found that duty paid in advance was always less than the average amount of duty paid for the previous three months. Due to this, balance amount was to be paid in respect of every month, but interest was not paid for remittances made beyond 45 days from the due date.

Audit found that interest not paid for the balance amount remitted 45 days beyond due date was ₹ 45.25 lakh from April 2013 to March 2015.

Audit also found that from April 2013 to March 2015, total amount of advance remitted short was ₹ 4.20 crore. Short remittance per month ranged from ₹ 4.05 lakh to ₹ 41.61 lakh. Undue financial gain received by the licensee by way of bank interest at the rate of four per cent per annum for the amount remitted short was ₹ 16.04 lakh.

CEI had conducted inspection upto 2012-13 only and inspections for 2013-14 and 2014-15 were pending.

Secretary to Government, Power Department stated (January 2016) that the Hon'ble High Court of Kerala had stayed the revenue recovery proceedings and action was being taken to vacate the stay orders.

- **Exclusion of interest in netting-off KSEBL dues**

As per Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989, licensees were liable to remit electricity duty and surcharge to Government account. Interest at the rate of 18 and 12 per cent was leviable under Section 8 of Kerala Electricity Duty Act, 1963 and Section 6 of Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 respectively for delayed remittances.

Government had issued orders for netting-off the dues of KSEBL against sums payable by Government to KSEBL. Total amount of KSEBL dues netted off for the period from 4/2002 to 10/2013 was ₹ 6,028.51 crore out of which ₹ 5,128.03 crore related to electricity duty and surcharge. It was noticed that while netting off the dues, Government excluded the interest payable by KSEBL for delayed remittance of electricity duty and surcharge. As Government had no powers under the Acts to exempt a licensee from payment of interest, the exclusion of interest was unlawful. The 121 Report of the Public Accounts Committee (2001) opined that proposal for waiving penal interest was contrary to the provisions of the Act.

Audit observed that KSEBL had not been remitting electricity duty and surcharge to Government from 2002-03 onwards and the total amount of interest payable and excluded from netting-off was ₹ 2,678.84 crore from April 2002 to October 2013, out of which ₹ 1,474.20 crore relates to period from April 2010 to October 2013 (accounts upto 31 October 2013 only was finalised) as shown in Table-7.3.

Table-7.3

Period	Interest (₹ in crore)
2002-03 to 2009-10	1,204.64
2010-11 to 31 October 2013	1,474.20
Total	2,678.84

Source: KSEBL Accounts of relevant years.

Secretary to Government, Power Department, justified the exclusion of interest stating that at any point of time over the years, the amount payable to the KSEBL by Government was much more than the Electricity Duty and surcharge payable by KSEBL to Government and therefore imposition of interest only on the duty/surcharge arrears of KSEBL was not deemed reasonable. As the Act had not provided powers to Government for exempting interest under any circumstances, the reply was not acceptable.

- **Exclusion of interest collected from consumers on delayed payment of electricity duty by KSEBL from netting-off**

Audit observed that as part of a one-time settlement, of ₹783.06 crore payable by Kerala Water Authority (KWA) to KSEBL as arrears of electricity dues upto 31 March 2008, Government agreed to pay ₹533.06 crore on behalf of KWA. Later, Government netted-off this amount against dues payable by KSEBL to Government as on 31 March 2008. The amount of ₹533.06 crore included two Government receipts i.e., electricity duty of ₹28.94 crore and interest of ₹12.15 crore on delayed payment of electricity duty receivable from KWA. Of these, amount of electricity duty only was considered for netting-off and interest on delayed payment of electricity duty was excluded. Exclusion of this amount from netting-off resulted in illegal retention of Government revenue of ₹12.15 crore with KSEBL.

Audit also noticed that, from 2010-11 to 2013-14, KSEBL had collected ₹7.58 crore from consumers as interest on delayed

payment of electricity duty. But KSEBL had not remitted this amount to Government account, which resulted in loss of revenue of ₹7.58 crore to Government.

Total loss of revenue to Government due to irregular retention of interest on delayed payment of electricity duty was ₹ 19.73 crore.

Secretary to Government, Power Department did not provide a specific reply to the audit observation, which was on interest collected by KSEBL from KWA/consumers and not remitted to Government account.

Recommendation No. 3- Department may expedite revenue recovery proceedings for early realisation of arrears of government revenue. Government may include interest leviable from KSEBL while netting-off.

[Audit paragraph 7.4.8.3 contained in the Report of C&AG of India for the year ended 31st March, 2015 (Revenue Sector)]

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of committee with officials concerned

19. The Additional Chief Secretary, Power Department informed that a meeting was scheduled with LSGD that evening to discuss the issue of Thrissur Corporation.

20. Regarding the exclusion of interest in netting-off KSEBL dues, the Additional Chief Secretary, Power Department informed that Electricity duty was being levied directly from 01-11-2023 onwards. The matter had been taken up with the Finance Department for final settlement.

21. The Chairman and Managing Director, Kerala State Electricity Board Limited added that a tripartite agreement was reached between the Government, the Union and the KSEBL. As per the terms of the agreement, the electricity duty would be collected by KSEBL and the consumer subsidy should be given to

the KSEBL annually by the government. The pension contribution payable to the Government Master Trust was also decided to be set off annually. KSEBL had to take loans from banks and financial institutions due to non-payment of subsidy amounts.

22. During the discussion regarding the audit observation on the exclusion of interest collected from consumers on delayed payment of electricity duty by KSEBL from netting-off, the Additional Chief Secretary, Power Department reported that the government had taken measures to remit the arrears owed by the water authority in installments. The department requested the Committee to drop the specific audit paragraph in light of that. The Committee accepted the department's response. In addition to that, the Additional Chief Secretary, Power Department updated the Committee that measures were being taken to expedite revenue recovery proceedings.

Conclusions/Recommendations

23. The Committee urges the Department to submit the present status of action taken on the objection related to Thrissur corporation.

7.4.8.4 Irregular grant of exemption

Electricity duty, surcharge etc., are to be collected and remitted by the licensee as prescribed in the statutes. Exemption from payment of duty is also provided for certain categories of consumers. Audit found many cases in which licensees/ consumers had incorrectly availed exemption from payment of electricity duty/ surcharge. Illustrative cases are given below.

- **Surcharge from Railways**

As per Section 3(1)(a) of Kerala State Electricity Surcharge (Levy and Collection) Act, 1989, a surcharge at the rate of 2.5 paise per unit, on all HT/EHT supplies made by KSEBL should be levied, collected and remitted to Government account, for which no exemption was available.

Audit observed that KSEBL supplied 95.41 crore units of energy to Railways from 2010-11 to 2014-15 through 30 HT/EHT connections. Surcharge at the rate of 2.5 paise per unit was leviable on above amounted to ₹2.39 crore. This was not levied and remitted to Government account. Interest leviable on the above non remittance at the rate of 12 per cent per annum worked out to ₹66.07 lakh.

Secretary to Government, Power Department stated (January 2016) that a provision for empowering Government to exempt a consumer from payment of surcharge, similar to electricity duty was under consideration. Reply was silent on the non-levy of surcharge pointed out by audit.

- **Electricity consumed for lighting licensees' premises**

As per Section 4 of Kerala Electricity Duty Act, 1963, energy consumed for public lighting was exempted from electricity duty. Based on this provision, licensees were not paying electricity duty for the energy consumed for lighting their premises. As the premises belonged to the licensees and were not public places, exemption from electricity duty was not applicable. Such consumption falls under public lighting in campuses for which the energy charge applicable was ranging from ₹0.90 to ₹3.60 per unit and electricity duty leviable was 10 per cent of energy price.

Audit observed that from 2010-11 to 2014-15, four⁷ licensees consumed 59.77 lakh units of electricity costing ₹1.38 crore for lighting their premises for which electricity duty not paid was ₹13.85 lakh. Interest was also leviable on the duty not paid.

Audit analysis revealed that licensees benefited were Cochin Port Trust, Technopark, Rubber Park India(P) Ltd. and Infopark.

Secretary to Government, Power Department stated (January 2016) that power consumed for street lighting was sold to none or consumed by Technopark but was enjoyed by people who travel through that area and therefore it comes under public lighting. As

per Kerala Municipality and Panchayat Raj Acts, local bodies are mandatory responsible for providing public lighting in Kerala. Separate tariff is available for public lighting, which is paid only by local bodies in Kerala. As public lighting is exempted from electricity duty, it is not levied from local bodies. In the case of the licensees mentioned in the para, had it been public lighting, the local body would have met the expenses, which was not the case.

- **Unlawful collection charges**

As per Section 4 of Kerala Electricity Duty Act, 1963, duty payable shall be collected and remitted to Government account by licensees. Act did not provide for retaining collection charge on electricity duty and therefore the entire amount collected should be remitted. But licensees retained one percent of electricity duty collected as collection charges, based on Rule 3(3) of the Kerala Electricity Duty Rules, 1963 and remaining amount only was remitted. As the Act did not provide for a collection charge, inclusion of the provision in the rules and retention of collection charge based on such provision were not lawful. Amount of electricity duty short remitted by nine ⁸ licensees due to irregular retention of collection charge was ₹14.55 crore from 2010-11 to 2014-15. Interest was also leviable. The retention of collection charges by licensees implies that the Government had received less electricity duty to that extent.

Secretary to Government, Power Department stated (January 2016) that collection charge was allowed based on the provisions under Rules. The reply was not tenable as the rules framed should be in line with provisions of the Act.

- **Electricity duty on energy consumed for other purposes by the Indian Railways**

As per Section 12 of Kerala Electricity Duty Act, 1963, Indian Railways were exempted from payment of duty for the

electricity consumed in its construction, maintenance or operation ie., the exemption was not applicable for the electricity consumed for other purposes like staff quarters and commercial stalls at railway stations.

A mention was made in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2002, on non-demand of duty by KSEBL from the occupants of railway residential complexes and staff quarters etc as of March 2002.

Audit found that Thiruvananthapuram and Palakkad divisions of Southern Railway had consumed 3.54 crore units of energy for staff quarters and commercial stalls at railway stations from 2010-11 to 2014-15 for which electricity charges involved was ₹19.55 crore. Electricity duty not remitted at the rate of 10 per cent of electricity charges worked out to ₹1.95 crore as shown in Table-7.4. Interest also was leviable for non-remittance of these charges.

Table-7.4

Period	Units consumed (in lakh)			₹ In lakh)	
	Thiruvananthapuram	Palakkad	Total	Energy charges involved	Duty not remitted
2010-11	33.61	37.25	70.86	152.72	15.27
2011-12	36.52	33.32	69.84	317.76	31.78
2012-13	37.21	35.72	72.93	423.54	42.35
2013-14	34.55	34.85	69.40	508.68	50.87
2014-15	34.96	35.67	70.63	552.21	55.22
Total	176.85	176.81	353.66	1954.91	195.49

Audit also noticed that the duty not remitted by Thiruvananthapuram division included ₹ 22.09 lakh collected as electricity duty from occupants of staff quarters. Keeping Government revenue without remitting was unauthorised.

Secretary to Government, Power Department accepted (January 2016) the audit observation and assured to take action.

- **Electricity duty on excess availing of Transmission and Distribution (T&D) loss**

The rate of T&D loss prescribed by KSERC while approving Aggregate Revenue Requirement and Expected Revenue Collection (ARR&ERC) of licensees for each year, ranged from 1.5 to 16 percent during 2010-11 to 2014-15. Audit found that seven licensees⁹ had availed T&D loss in excess of the limits prescribed, which resulted in non-levy of electricity duty for the unauthorised T&D loss availed. Duty not levied on excess T&D loss availed by licensees from 2010-11 to 2014-15 was ₹ 3.42 crore (calculated at rates applicable to self-consumption). Interest was also leviable on the non-levy of duty.

Audit analysis revealed that licensees most benefited were KSEBL, Thrissur Corporation, Technopark and KINESCO.

Department stated (August 2015) that in May 1994 State Government had fixed the maximum T&D loss as eight per cent for all licensees except KSEBL. With the enactment of Electricity Act 2003, KSERC is the authority for approving ARR&ERC of each licensee every year, for which it considers items of income, expenses, percentage of T&D loss etc., and finally approves ARR&ERC. Therefore, percentage fixed by Government is not valid. It was also stated that Act contains no provisions on the levy of electricity duty on energy lost beyond permissible limits. The reply is not tenable since the Act has not been amended prescribing levy of duty on transmission loss in excess of limits prescribed by KSERC.

Secretary to Government, Power Department stated (January 2016) that amendment of Act was under consideration of

Government to define T&D loss for the purpose of levying duty. However, the reply was silent on the non-levy pointed out by Audit.

- **Fixed rates not favourable to Government revenue**

Audit observed that two types of rates existed in Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 for the levy of electricity duty and surcharge as shown in Table-7.5.

Table-7.5

Type of rate	Rate of levy	Applied on
Percentage rate	10 per cent	energy price
Fixed rates	1.2 ps/2 ps/2.5 ps/6 ps/ 10 ps	unit of energy

These rates were in existence since the commencement of the Acts and are continuing even now (January 2016).

The highest of the fixed rates of electricity duty now levied was 10 ps per unit from industrial consumers drawing energy at 11 KV and above. This rate was introduced in 1988, replacing percentage rate of 30 per cent.

A comparison of this rate for the years 1988 and 2015 as shown in Table-7.6.

Table-7.6.

energy charge per unit	In 1988		energy charge per unit	In 2015	
	duty at the rate of 10 ps	equivalent to		duty at the rate of 10 ps	equivalent to
35 ps	10 ps	29 per cent	520 ps	10 ps	2 per cent

By continuing the fixed rate from 1988 without any change, industrial consumers indirectly received reduction in duty rates from 29 to 2 per cent, due to increase in tariff effected periodically.

Audit found that at 29 per cent, amount of duty per unit worked out 151 paise, but duty leviable was 10 paise only. Difference was 141 paise per unit. During 2013-14, total number of

units for which duty paid at the rate of 10 paise per unit was 1,770.68 million units, from which duty received was ₹ 17.71 crore. Had percentage rate been continued, Government would have received ₹ 249.66 crore additionally at the rate of ₹ 1.41 per unit for 2013-14 alone.

Secretary to Government, Power Department stated (January 2016) that the revision of rates was under consideration of Government. Further report had not been received (January 2016).

Recommendation No. 4 - Government may:

- *avoid irregular grant of exemptions to railways and for lighting.*
- *amend Rule relating to collection charges which should be in line with the Act and in the interest of the Government and objective of the Act.*
- *consider amendment of the Act incorporating the treatment of excess T&D loss.*

[Audit paragraph 7.4.8.4 contained in the Report of C&AG of India for the year ended 31st March, 2015 (Revenue Sector)]

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of committee with officials concerned

24. The Chairman and Managing Director of Kerala State Electricity Board Limited informed that an order had been issued in connection with the waiver of surcharge by the Government based on the request made by Railways, and Article 287 of the Constitution of India. When the Principal Accountant General wanted to furnish a copy of the said order, the Additional Chief Secretary, Power Department agreed to submit it.

25. During the discussion of electricity consumed for lighting licensees' premises, the Additional Chief Secretary, Power Department confirmed that demand notices were issued to Technopark and Infopark. The Committee accepted the reply about

the audit observation regarding unlawful collection of charges.

26. To the Audit query regarding the collection of electricity duty for stalls and shops in railway stations, the Additional Chief Secretary informed the Committee that railway quarters had provided separate service connections, and duty was being collected separately. However, as the stalls and shops were part of the Railways, duty could not be collected according to the Electricity Regulatory Commission's letter dated 03-05-2017.

27. When the Committee inquired about the details regarding the audit paragraph about the electricity duty on excess availability of Transmission and Distribution (T&D) loss, the Additional Chief Secretary informed that since the State of Kerala had achieved the least transmission and distribution loss compared to other States, the said audit paragraph might be dropped. The Committee accepted the reply furnished by the government.

28. To the Audit query regarding the fixed rates not favorable to government revenue, the Additional Chief Secretary, Power Department informed that the matter had been rectified at present.

Conclusions/Recommendations

29. The Committee directs the Department to submit to the Accountant General a copy of the order exempting Railways from paying surcharge on sale of electricity

7.4.8.5 Inspections, returns, accounting and related matters

CEI is responsible for initial and periodical inspections of electrical installations as per periodicity fixed under CEA Regulations 2010. Inspection fee at the rates prescribed by the Government shall be collected for the inspections. Since the non-inspection of Electrical installation affects the safety of the public adversely, this has a social significance. Audit found that the Department was not conducting inspections regularly as mentioned in the following paragraphs.

- **Discontinuance of inspection of lifts and escalators**

CEI inspected lifts and escalators and levied inspection fee under Indian Electricity Rules, 1956 issued under Electricity Act, 2003. These rules were replaced by Central Electricity Authority (Measures relating to safety and electric supply) Regulations, 2010 with effect from 20 September 2010. In notification issued under the Regulations on 20 May 2013, Government of Kerala ordered that lifts and escalators may be inspected periodically every year and charge an inspection fee of 1,000.

Audit found, in seven districts selected for audit, Electrical Inspectors discontinued the inspection of lifts and escalators and levy of inspection fee with effect from 2013-14. Due to this, lifts and escalators were functioning under risk of public safety and security, besides loss of revenue. The loss of revenue due to non-levy of inspection fee was ₹91.92 lakh for 8,995 lifts and 197 escalators from 2013-14 to 2014-15.

In the exit conference, the Additional Chief Electrical Inspector stated that since it was not practical to conduct two inspections in a year, steps would be taken to amend the provisions in the notifications. Secretary to Government, Power Department stated (January 2016) that provisions of the Kerala Lift and Escalators Act, 2013, being a special law relating to lift and escalators, prevailed over the Regulations. It was further stated that the observation of audit that total loss of ₹91.92 lakh incurred due to non conduct of periodical inspection under regulation was incorrect.

As per Section 21 of Kerala Lift and Escalators Act 2013, its provisions shall not affect the Electricity Act 2003. Regulations issued under the Electricity Act 2003 was independent of Kerala Lift and Escalators Act 2013 and therefore the reply was not tenable.

- **Shortfall in inspecting medium voltage installations**

As per notifications issued by Government of Kerala under Rule 46 of Indian Electricity Rules 1956 and regulation 30 of Central Electricity Authority (Measures relating to safety and electric supply) Regulations, 2010, all medium voltage installations were to be periodically inspected once in two years.

Audit noticed that medium voltage installations were not inspected by the Department as per periodicity prescribed. From 2010-11 to 2014-15, out of 23,754 medium voltage installations to be inspected in the selected seven districts, Department had inspected 9,126 installations only, which resulted in non-levy of inspection fee of ₹51.10 lakh calculated at the minimum fee prescribed (at the rate of ₹100 upto 2012-13 and ₹500 thereafter) and 1,338 deaths had occurred due to electrical accidents during 2010-11 to 2014.

Secretary to Government, Power Department cited (January 2016) shortage of staff as the reason for short fall in inspections and action was being taken to fill the vacancies. As safety of electrical installations was the primary responsibility of the Department, it should have filled the vacancies well in time.

- **Shortfall in inspection of accounts of licensees**

Department of Electrical Inspectorate conducted inspection of books of accounts of licensees on yearly basis by visiting their premises. For KSEBL, inspection of accounts of 53 out of 65 divisions was pending from 2008-09 to 2013-14 and in respect of four¹⁰ licensees, inspection was pending for the year 2013-14.

Secretary to Government, Power Department cited (January 2016) shortage of staff as the reason for short fall in inspections and stated that action was being taken to fill the vacancies. Audit found that Government had deferred the proposal for filling the

vacancies, due to which arrears in inspection continued to exist.

- **Non/delayed submission of returns by licensees**

As per Section 6 of Kerala Electricity Duty Act, 1963 and section 4 of Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 and rules made there under, licensees were required to submit returns to Chief Electrical Inspector monthly/quarterly/annually, failing which fine not exceeding ₹1,000 was payable as punishment upon conviction.

Audit noticed that out of 1,284 monthly returns to be submitted by six¹¹ licensees during 2010-11 to 2014-15, only 14 monthly returns were submitted on due dates. Delay in the submission of remaining returns ranged from 1 to 796 days. Four¹² licensees did not submit quarterly returns. Delay by the other two licensees ranged from 16 to 422 days. Annual returns were not submitted by any of the licensees.

Returns were the only source of information for the Department to monitor whether the licensees had actually remitted electricity duty/surcharge into Government account before due dates and also to verify the correctness of its calculation. As returns were delayed/not submitted, Chief Electrical Inspector could not monitor timely remittance of duty into Government account and its correctness. Chief Electrical Inspector, who was responsible, had not initiated action for imposing the fine from the licensees through conviction.

Secretary to Government, Power Department stated (January 2016) that existing provisions were inadequate to impose penalty and cited practical difficulty in getting conviction from courts. The

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? KSEBL, Technopark, Infopark, Cochin Port Trust, Rubber Park India (P) Ltd, Thrissur Corporation.

12

? KSEBL, Technopark, Rubber Park India (P) Ltd, Thrissur Corporation.

reply was not acceptable, as provisions in the Acts are clear and specific on penalty and Government should have finalised the procedures for its implementation. Moreover, the Department had not even initiated action in any of the cases. As such, practical difficulty could not be cited as a reason for inaction.

- **Non-accounting of revenue in Government accounts due to netting off KSEBL dues**

As per Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989, licensees were statutorily liable to remit electricity duty and surcharge to Government. But KSEBL stopped remitting the dues to Government account from the year 2002-03 onwards on the contention that Government had not paid the sums due to it. Government accepted non payment of dues by KSEBL and issued orders for netting-off such dues against sums payable by it to KSEBL. It was noticed that Government had not prescribed a clearly defined procedure to ensure the accounting of the receipts and payments involved in the netting-off process in Government accounts. Government had netted off electricity duty and surcharge of ₹5,128.03 crore, relating to the period from April 2002 to October 2013, as shown below, which were not routed through Government accounts as shown in Table-7.7.

Table-7.7.

GO No. and date	Period to which netting off relate	Amount netted off (₹ in crore)		Electricity duty and surcharge involved (₹ in crore)
		Government payments	KSEBL dues	
GO(Ms) No.42/11/PD dated 3/11/2011	2002-03 to 2007-08	5,231.97	3,632.15	2,731.6
GO(P) No.46/2013/PD dated 31/10/2013	4/2008 to 10/2013	1,960.74	2,396.36	2,396.36
Total		7,192.71	6,028.51	5,128.01

Audit observed that due to non-accounting, electricity duty and surcharge of ₹5,128.03 crore was understated in Government accounts and legislative scrutiny was bypassed. Moreover, the practice being followed was against the accounting principles.

Secretary to Government, Power Department cited (January 2016) some action taken in this regard, but the non-accounting of revenue in Government accounts due to netting-off process remained as such.

- **Non submission of annual reconciliation statements**

As per paragraph 74 of Kerala Budget Manual Heads of Departments should reconcile its figures with that of Principal Accountant General (A&E). Unless discrepancies, if any, are detected and pointed out in time, it may not be possible for the PAG to make adjustments in the accounts of the year. For this, Heads of Departments should furnish annual reconciliation statements of receipts and expenditure in respect of every financial year to Principal Accountant General (A&E) before 31 May of next year. It was noticed that Chief Electrical Inspector had not submitted annual reconciliation statements for the receipt head of account '0043 Taxes and Duties on Electricity' in respect of the years from 2010-11 to 2014-15. For 2012-13, annual reconciliation statement was furnished to PAG(A&E) on 28 November 2013, after the finalisation of finance accounts. Due to this, difference of ₹4.96 crore existed between figures of AG and Department in 2012-13.

Secretary to Government, Power Department admitted (January 2016) non-submission of annual reconciliation statements.

- **Non reconciliation of remittances made through**

Janasevana Kendrams¹³ (JSK)

As per Kerala Budget Manual, it was the responsibility of the Drawing and Disbursing Officers (DDOs) to reconcile receipt figures with accounts of the treasury. Receipts of the Department were permitted to be remitted through JSK and challans submitted by applicants were accepted as proof of remittance. JSK remitted their daily collection into District Treasury, Thiruvananthapuram and monthly statements were forwarded to Department.

Audit observed that in seven districts covered in audit, ₹31.41 crore were remitted through JSK from 2010-11 to 2014-15, but the remittances were not reconciled by DDOs of the Department with treasury figures.

Secretary to Government, Power Department admitted (January 2016) that remittances through JSK were not reconciled by Department at present. The reply was silent on the continued non-compliance of provisions of Kerala Budget manual.

- **Irregular netting-off electricity duty due to incorrect calculation of Government share of terminal liability**

As per their orders dated 31 October 2013, State Government permitted KSEBL to retain electricity duty collected from 1 April 2008 to 31 March 2012 as Government share¹⁴ of terminal liability on pension fund of KSEBL. While computing Government share of terminal liability as on 31 October 2013 (date of conversion of KSE Board into company), electricity duty permitted to be retained by KSEBL for the above period was taken as ₹1,301 crore instead of actually collected amount of ₹1,522 crore. Non-inclusion of ₹221 crore (1,522-1,301) resulted in

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?Janasevana Kendram is a single window system provided by Government under Kerala State IT Mission to receive revenues of various departments in each district.

14

?35.4 per cent of total pension liability

additional liability of ₹122.17 crore¹⁵ to Government. As Government was continuously netting-off electricity duty receivable from KSEBL against amounts payable by it to KSEBL, the incorrect calculation resulted in irregular retention of electricity duty with KSEBL. As on 31 March 2015, Government provisionally netted off ₹17.31 crore of electricity duty towards additional liability of ₹122.17 crore, which was irregular.

Secretary to Government, Power Department did not provide a specific reply on the additional liability caused to Government.

Audit also noticed that Government had included ₹524 crore (arrears of KWA already netted-off against electricity duty as on 31st March 2008), in calculating additional liability of Government. Government, as per orders dated 3 November 2011, had ordered to provide the amount as budgetary support over a period of 10 years at the rate of ₹52.40 crore per year, based on which ₹77.40 crore was paid upto 31 March 2015. Ordering budgetary support for an amount which was already netted-off was irregular, due to which the payment of ₹77.40 crore was made twice.

On compensating ₹ 524 crore separately as budgetary support, Secretary to Government, Power Department stated (January 2016) that the actual amount of duty to be netted-off was ₹2,228.31 crore instead of ₹2,731.61 crore. The contention was not acceptable as the amount included in the final netting off orders issued in May 2015 for the period upto 31 October 2013 was ₹2,731.61 crore.

- **Delayed receipt of Government money due to non-uniform dates for remittance**

Licensees collected electricity duty and surcharge from

15

? 221 x 35.4 per cent = ₹ 78.234 crore + interest for 10 years Cf 43.938 crore) = ₹

122.17 crore.

consumers on monthly basis along with energy charges in the same invoice. But Kerala Electricity Duty Rules, 1963 and Kerala Electricity Surcharge (Levy and Collection) Rules, 1992 prescribed non-uniform dates for their remittance into Government account, details of which are as shown in Table-7.8.

Table-7.8.

Type of revenue	Period of collection by licensees	Due date for remittance	Maximum period permitted for retention	Delay in receipt of Government moneys
Electricity duty	Monthly	before close of the succeeding month	30 days	15 days ^{\$}
Surcharge	Monthly	Before 15 of the month following each quarter	75/45/15 days	60 days [#] / 30 days [*]

^{\$} after deducting least of the periods now permitted. ie 15 days.

[#] for surcharge collected in the first month of the quarter.

^{*} for surcharge collected in the second month of the quarter.

Audit found that by fixing non-uniform dates for remittance of Government revenue collected in the same invoice delayed receipt of Government money by 15 to 60 days and also gave undue benefit to the licensees by way of bank interest due to prolonged retention.

Secretary to Government, Power Department did not provide a specific reply in this regard.

Recommendation No. 5- Government may:

- *take remedial measures to take care of inspection of lifts and escalators under regulations issued by Central Government and to ensure that MV installation and accounts of licensee are inspected as per periodicity prescribed.*

- *invoke penal provision on licensee not submitting returns*
- *ensure that receipts involved in netting-off with KSEBL were included in Government accounts and*
- *ensure that remittances through JSK are reconciled as per Kerala Budget Manual*

Conclusions

Audit arrived at the following conclusions based on the PA

- ✓ The licensees were not identifying all LV installations/cable TV poles, which led to non-inspection of such poles, resulting in loss of revenue on inspection fee, besides risking public safety. No streamlined system existed in the Department for monitoring the identification of LV installations/cable TV poles. KSEBL permitted cable TV operators to draw cables without production of safety certificate from the department.
- ✓ Licensees failed in collecting the electricity duty/surcharge payable by the consumers. The Department was also not monitoring effectively to detect lapses/omissions of collection/remittance of electricity duty/surcharge by the licensees. Government lost revenue due to grant of irregular exemptions, irregular deductions from energy charges, non-levy of interest from licensees
- ✓ There was lapse on the part of the Department in discharging the main function of the Department viz., ensure safety of electrical installations connected to electrical supply system in the State by conducting initial/periodical inspections of electrical installations.

[Audit paragraph 7.4.8.5 contained in the Report of C&AG of India for the year ended 31st March, 2015 (Revenue Sector)]

[Note submitted by the Government on the above audit paragraph is included as Appendix II]

Excerpts from the discussion of committee with officials concerned

30. In response to the Audit query, the Additional Chief Secretary, Power Department informed that all the vacancies of Assistant Electrical Inspectors had been filled up, and the inspection procedure had been updated. Furthermore, it was stated that the proposal submitted for the creation of additional post of Chartered Electrical Inspectors was under consideration by the Government.

31. The Committee inquired regarding the audit paragraph on the non-accounting of revenue in government accounts due to netting-off KSEBL dues. The Additional Chief Secretary, Power Department responded that the Kerala State Electricity Board Limited (KSEBL) had submitted the details of accounts for the period up to 31st March 2022 to the Finance Department. However, the details for the period between 1st April 2022 and 31st October 2023 were yet to be submitted. The accounts would be updated when the details for the said period was also given. After 01.11.2023, the Government would collect the electricity duty directly from KSEBL.

32. In response to the audit query regarding the non submission of annual reconciliation statements, the Additional Chief Secretary, Power Department revealed that the issue persisted between 2010 and 2015 as the Finance Officers at that time did not properly verify the Annual Verification Accounts. The officials had been instructed to take appropriate action against them. Moreover, it had been confirmed that the e-treasury system had resolved those problems, and there were no such concerns at present.

33. The Committee accepted the reply regarding the non reconciliation of remittances made through Janasevana Kendrams (JSK).

35. Regarding the irregular netting-off electricity duty due to

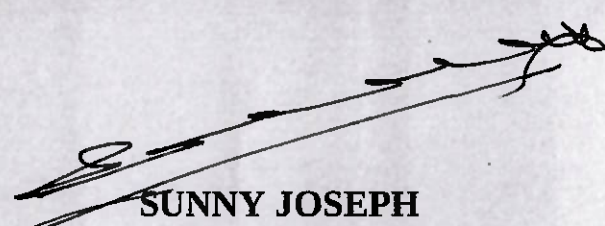
incorrect calculation of government share of terminal liability, the Additional Chief Secretary, Power Department informed that the reconciliation process for the period up to 31st March 2015 had been completed. When asked about the current status of the matter, the Additional Chief Secretary stated that it was currently under the consideration of the Finance Department.

36. When discussed about the audit observation regarding the delayed receipt of government money due to non-uniform dates for remittance, the Additional Chief Secretary, Power Department submitted that the said matter was currently under the consideration of the Finance Department.

Conclusions/Recommendations

37. No Comments

Thiruvananthapuram,
28th January, 2026.


SUNNY JOSEPH
CHAIRPERSON,
COMMITTEE ON PUBLIC ACCOUNTS.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl. No.	Para No.	Department Concerned	Conclusion/Recommendation
1	2	Power	The Committee directs the Department to furnish the present status of revenue recovery proceedings initiated in connection with the licensee, Thrissur Municipal Corporation.
2	8	Power	The Committee directs the department to submit the collection details of revenue from beneficiaries like Asianet Satellite Communications and other cable TV operators.
3	17	Power	The Committee directs the Department to submit the details regarding the revenue recovery measures initiated in connection with Technopark regarding the objection on the electricity duty on sale of self-generated electricity to consumers.
4	18	Power	The Committee directs the department to submit the Collection particulars in connection with Thrissur Corporation, Cochin Special Economic Zone, Rubber Park and KINESCO.
5	23	Power	The Committee urges the Department to submit the present status of action taken on the objection related to Thrissur corporation.
6	29	Power	The Committee directs the Department to submit to the Accountant General a copy of the order exempting Railways from paying surcharge on sale of electricity

APPENDIX II

Notes furnished by Government

I/5906818/2023

GOVERNMENT OF KERALA

POWER (C) DEPARTMENT

**STATEMENT OF ACTION TAKEN ON THE RECOMMENDATIONS
CONTAINED IN THE REPORT OF THE COMPTROLLER & AUDITOR
GENERAL OF INDIA ON REVENUE SECTOR FOR THE YEAR ENDED
31.03.2015- PERFORMANCE AUDIT ON LEVY, COLLECTION AND
ACCOUNTING OF ELECTRICITY DUTY, SURCHARGE AND INSPECTION
FEE-PARAS 7.4.8.1 TO 7.4.8.5**


Sl. No	Para No	Recommendation	Action Taken By Government
1	7.4.8.1	<p>Identification of installations/persons liable to pay electricity duty/inspection fee</p> <p>Recommendation No.1 - Government may :</p> <ul style="list-style-type: none"> Identify all LV installations/ cable TV poles which are now left out and instruct licensees not to issue permit to cable TV operators without production of safety certificate from the Department. Work out a practical process of assessing and realising the revenue from the inspection of cable TV poles. 	<p>Steps are being taken to obtain the details of cable TV operators using KSEB posts from KSEB Divisional Offices.</p> <p>As per the 5th Para of G.O(P)No.1/2017/PD dated 28/01/2017 Government have issued direction that the periodical inspection and testing of all low voltage installation shall be self certified under sub-regulation (2) of regulation 30 of the said Regulation.</p> <p>Government Order G.O(MS).5/2000/PD dated 27.03.2000 stipulates that all KSEB poles being utilised for cable TV operations shall be inspected and certified by the Chief Electrical Inspector. According to this, the inspection to be carried out once in a year has been restricted to be carried out once in three years as per Government Order No. G.O(MS)No.9/2021/Power dated 26.2.2021.</p>

			Based on the audit para recommendation regarding revenue loss by way of non collection of safety certificate from the Electrical Inspectorate, directions were issued to field offices on 07.12.2016 for rejecting the permission for cable drawal through KSEBL Poles in the absence of Safety Certificate from the Electrical Inspectorate. In addition to this, while considering new requests for cable drawals, KSEBL strictly insists on safety certificate from Electrical Inspectorate for sanction to be accorded.
2.	7.4.8.2	<p>Non/short levy of inspection fee/ electricity duty Recommendation No.2 - In order to prevent non/short levy, Government may consider taking the following measures;</p> <ul style="list-style-type: none"> • instruct CEI to ensure that the licensees are levying electricity duty/license fee from consumers/persons liable to pay it. • licensees may be directed to calculate electricity duty on the price of energy indicated in the invoice. • evolve a mechanism to collect the electricity duty/license fee payable by the consumers/persons liable for their payment. 	<p>As contained in the recommendation by PAC, Electricity Duty collection from the consumers who generate electricity for their own use has already been implemented. Direction has already been given as per Order No. K1-1730/2015/CEI dated 25.7.2015 to take readings of the energy meter of generating sets and collect duty accordingly.</p> <p>There are some licensees generating electricity from diesel generating sets owned by them and distributes the same to their consumers during power failure by imposing cost of production only. This being a sale of electricity, they are liable to pay electricity duty under section 3 and 4 of KED Act 1963. But by treating this sale as own consumption, they remit 1.2 ps/units only.</p> <p>Audit on Electricity duty & Surcharge is regularly being conducted in the office of the licensees. The short levy and short accounting of duty & Surcharge comes to notice is reported to the licensees in time. It is not practically possible to conduct audit in all the divisions/section offices of the</p>

			KSEB Ltd with the available staff strength of Electrical Inspectorate. In the present billing system, Electricity duty is levied and collected by KSEB Limited for all categories of consumers (except Public Lighting) as per the schedule of Kerala Electricity Duty Act, 1963. (KSEBL)
3	7.4.8.3	Non levy of interest Recommendation No.3 - Department may expedite revenue recovery proceedings for early realisation of arrears of Government revenue. Government may include interest leviable from KSEBL while netting-off.	Steps are being taken by Electrical Inspectorate to recover the arrears through revenue recovery proceedings. The issue of netting off the dues payable to KSEBL against the electricity duty collected by KSEBL is under process in Government. At the same time, efforts are being taken in Government to clear the arrears of electricity charges payable to KSEBL by Government Departments.
4	7.4.8.4	Irregular grant of exemption Recommendation No.4 - Government may : <ul style="list-style-type: none"> • avoid irregular grant of exemptions to railways and for lighting. • amend Rule relating to collection charges which should be in line with the Act and in the interest of the Government and objective of the Act. • consider amendment of the Act incorporating the treatment of excess T & D loss 	As per the GO(Rt) No. 124/2004/PD dated 17.03.2004 Government had exempted Railways from payment of surcharge. Directions were issued on 16.06.2017 to the Chief Engineers (Distribution) to collect the applicable electricity duty since 2010-11 in respect of service connections effected to Railway staff quarters and commercial stalls for which separate service connections were provided. The Hon'ble KSERC has clarified vide letter dated 03.05.2017 that the shops and stalls in the Railway stations can be considered as an "activity in connection with the essential parts of the working of the railway stations" as it may not be practicable for KSEBL to

			<p>extend independent service connections to each shop. Also, it is not practicable to collect electricity duty for the portion of the current consumed by such shops and stalls in the railway stations where such loads are not segregated.</p> <p>As per section 13 of the KED Act 1963, the State Government may make rules on the fulfillment of the requirements laid down in sections 3 and 4 of the said Act. Accordingly rule 3(3) of the KED Rules 1963 was framed which admits collection charges as the electric licensees play the role of collecting agencies.</p> <p>Electricity duty is being levied as per Schedule of Electricity Duty Act, 1963. As per the schedule, duty is calculated on the energy charge indicated in invoice i.e. based on consumption of electricity. In a distribution system, for particular number of consumers having definite contracted load or contract demand consume certain quantum of energy during a billing period. The consumer will have to pay a certain percentage of amount of energy charge or based on unit of energy consumed towards the duty. This will vary due to behavior of load and period of usage. Thus, T&D loss has no impact on consumption and hence on energy charge payable to the DISCOM. For example, during a particular billing period, the consumption of consumer is 85 units. T&D loss allowed by KSERC is 10% and that achieved by KSEB Ltd. is 15%. Even though, there is an under achievement of 5%, the consumption remains the same (85 units) and hence there is no impact on duty payable to Govt.</p>
5	7.4.8.5	Inspections, accounting and returns, related matters	

		<p>Recommendation No.5 - Government may :</p> <ul style="list-style-type: none"> • take remedial measures to take care of inspection of lifts and escalators under regulations issued by Central Government and to ensure that MV installation and accounts of licensee are inspected as per periodicity prescribed. • invoke penal provision on licensee not submitting returns • ensure that receipts involved in netting-off with KSEBL were included in Government accounts and • ensure that remittances through JSK are reconciled as per Kerala Budget Manual 	<p>Earnest effort will be made to regularize the inspections as per periodicity prescribed in the regulations.</p> <p>For energisation of lifts and escalators, Certificate from Electrical Inspector is mandatory as per the provisions of the Kerala Electricity Supply Code.</p> <p>The matter of non submission of returns was taken up with the licensees and they have started sending the return on time</p> <p>Regarding the penal provision on licensee not submitting returns, it is informed that KSEBL had submitted quarterly surcharge returns and Annual duty return upto Financial Year 2021-22. Provisional quarterly returns for the Financial Year 2022-23 has also been submitted.</p> <p>The matter of netting off the duty is under the consideration of Government. The issues pointed out in the Report will be taken care of while processing this. According to Budget Speech 2023, the process of collecting and retaining electricity duty by Kerala State Electricity Board Limited will cease by 31.10.2023. From 01.11.2023 the amount of Electricity Duty shall be payable directly to Government Account. Steps are being taken to initiate the process.</p> <p>Monthly details of challan paid in various JSKS and details with the data collected from the Jana Sevana Kendram are being received in Electrical Inspectorate.</p> <p>The reconciliation in the Electrical Divisions and Sections have been completed upto 31.03.2023.</p>
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PREETHY C S
 PEN: 101031
 Joint Secretary
 Power Department
 Govt. Secretariat
 Thiruvananthapuram

GOVERNMENT OF KERALA

POWER (C) DEPARTMENT

**REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA ON REVENUE SECTOR FOR THE YEAR
ENDED 31.03.2015- PERFORMANCE AUDIT ON LEVY, COLLECTION AND ACCOUNTING OF ELECTRICITY DUTY,
SURCHARGE AND INSPECTION FEE-PARAS 7.1 to 7.4.8 - ACTION TAKEN STATEMENT**

Sl No.	Para No.	AUDIT FINDINGS & RECOMMENDATION	ACTION TAKEN BY GOVERNMENT
1	7.4.8.1	<p>Identification of installations/persons liable to pay electricity duty/inspection fee</p> <p>Levy and collection of duties/surcharge on electricity prescribed under various Act/Rules can be made effectively only if a streamlined monitoring system is in place in the Department to ensure that the licensees are identifying the consumers/persons liable to pay duty correctly. Audit revealed that there was failure on the part of licensees to identify the persons etc. liable to pay duty/surcharge and an effective system was absent in the Department to detect and correct lapses/omissions on the part of the licensees as narrated in the following paragraphs.</p> <ul style="list-style-type: none"> • Non-identification of cable TV poles The Chief Electrical Inspector had formulated technical and statutory requirements for drawing cable TV network 	<ul style="list-style-type: none"> • Non-identification of cable TV poles The Chief Engineers of Distribution wing of KSEBL have been directed to instruct all the Field Officers,

<p>lines through KSEBL poles to ensure safety. Government in an order issued in March 2000 had instructed KSEBL to obtain safety certificate issued by CEI before permitting cable TV operators to draw cables through its poles. Fee prescribed for inspection of poles and issue of safety certificate was ₹ five per pole per year.</p>	<p>not to issue sanction to the Cable TV Operators for drawing Cable TV lines through the poles of KSEBL Ltd. without production of safety certificate from the Chief Electrical Inspector.</p>
<p>• Poles of KSEBL</p> <p>Audit observed that KSEBL permitted cable TV operators for drawing cables through its poles after levying a fee. Data collected from all the 38 divisional offices of KSEBL functioning in the seven districts selected for audit showed that it has permitted cable TV operators for drawing cables through 30.08 lakh poles during 2011-12 to 2014-15. But Electrical Inspectors of district offices had inspected and collected inspection fee for 9.46 lakh poles only. Non-inspection of 20.62 lakh poles resulted in loss of revenue of ₹1.03 crore at the rate of ₹five per pole per year, besides jeopardising public safety.</p> <p>Audit found that Asianet Satellite Communication was the major beneficiary as the non-payment of inspection fee by it was ₹70.37 lakh.</p>	<p>• Poles of KSEBL</p> <p>Sub offices of Electrical Inspectorate have been intimated to identify all KSEBL Poles which are being used to operate cable TV networks. Steps are also being taken to obtain the details of cable TV operators using KSEBL poles from KSEBL Divisional Offices.</p>
<p>• Cable TV operators in Kannan Devan Hill Plantations Company Private Limited (KDHP) area :</p> <p>As per data collected from KDHP, there were 55 Cable TV operators spread over six estates in their licensed area, drawing cables through 485 poles. But Electrical Inspector</p>	<p>• Cable TV operators in Kannan Devan Hill Plantations Company Private Limited (KDHP) area :</p> <p>Cable TV operators were drawing cables through poles by executing agreement with the</p>

had not inspected the poles.	<ul style="list-style-type: none">• Poles of M/s. Reliance Jio Infocom Audit found that Cable TV/mobile operators use their own poles or that of KSEBL for drawing cables for their network. As permitted by Thrissur Corporation in January 2015, M/s. Reliance Jio Infocom erected 1,425 iron pipes along the roads falling under its jurisdiction covering a distance of 28.54 km for drawing optical fiber cables network. But Electrical Inspector had not inspected and fees not levied on the poles.	licensee/KSEBL. Strict direction have given to the licensee not to renew the agreement without producing Safety Certificate from Electrical Inspectorate.
	<ul style="list-style-type: none">• Operators registered with Telecom Regulatory Authority of India (TRAI) As per official website of TRAI, there were 3,461 cable TV operators registered in Kerala. Department inspected poles of only those cable TV operators who remitted the inspection fee and therefore no inspection was pending as per records. It had taken no efforts to verify the existence of other cable TV operators as per TRAI list to ensure that none was functioning without inspection, compromising	<ul style="list-style-type: none">• Poles of M/s. Reliance Jio Infocom As per G.O.(Ms)No.5/2000/PD dated 27/03/2000 & G.O.(Ms)No.9/2021/Power dated 26/02/2021 the fees is levied for drawing of cable TV network through electric poles of KSEBL/licensee. There is no provision for inspecting and demanding fees for drawing cables of TV network /mobile operators through their own poles. Cable TV operators were drawing cables through electric poles by executing agreement with the licensee/ KSEBL. Strict direction have given to the licensee not to renew the agreement without producing Safety Certificate from Electrical Inspectorate.• Operators registered with Telecom Regulatory Authority of India (TRAI) This had already been pointed out in the G.O (MS) No. 5/2000/PD dated 27/03/2000. The licensees including KSEBL are responsible to ensure that permits are not issued to cable TV operators without production of Safety Certificate from the Electrical Inspectorate Department. KSEBL are taking steps to identify/ remove the unauthorised connections

		<p>public safety and remittance of fee. Audit observed that KSEBL permitted cable TV operators to draw cables through the poles without obtaining safety certificate from the Department. Audit noticed that instructions issued by Government cover KSEBL poles only. Department had reported to State Assembly that accidents due to electric shock from cable TV connections were increasing in the State and seven persons met with such accidents in 2013-14 out of which five persons met with the accidents from non-inspected cable TV networks.</p> <p>Secretary to Government, Power Department stated (January 2016) that inspection of 30 lakh odd poles was an impractical proposition. To avoid revenue loss, Government shall consider collection of the inspection fee by licensee and remitting the same to Government account in consultation with the Department and the licensee and inform the position. The reply is not acceptable as safety issues apply to all poles irrespective of ownership, instructions of Government to limit inspection only to KSEBL poles, compromised public safety. Besides, licensees may be instructed not to issue permits to cable TV operators without production of safety certificate from the Department.</p>
<p>through their poles.</p>	<p>• Non-identification of low voltage installations</p> <p>As per Rule 46 of Indian Electricity Rules 1956 and Regulation 30 of Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations, 2010,</p>	<p>• Non-identification of low voltage installations</p> <p>During 2014 - 2015, inspection of around 90 Lakh low voltage installation was practically an impossible</p>

	<p>all electrical installations connected to a supply system shall be periodically inspected and tested by the Department or licensee at intervals not exceeding five years.</p> <p>As per Government of Kerala notification (April 1994), periodical inspection of Low Tension installations was entrusted to Kerala State Electricity Board Limited (KSEBL) and levy of inspection fee was dispensed with. Later, as per notification issued in May 2013, the responsibility of periodical inspection was entrusted to the Department. But KSEBL and Department had not inspected any of the installations during the period of audit. Audit found that Department did not have any information on the Low Tension consumers to be inspected. Number of consumers taking supply from KSEBL and not inspected by KSEBL/Department was 87.89 lakh as of 31 March 2014. Secretary to Government, Power Department stated (January 2016) that inspection of around 90 lakh low voltage installations was practically an impossible task due to staff shortage. The reply is not acceptable as the inspection was mandatory under the rules/regulations issued by Central Government under Electricity Act 2003 and Non-inspection may compromise safety aspects.</p>	<p>task due to shortage of staff. But later as per the 5th Para of G.O (P) No.1/2017/PD dated 28/01/2017 Government have issued direction that the periodical inspection and testing of all low voltage installation shall be self certified under sub-regulation (2) of regulation 30 of the said Regulation.</p>
	<p>Recommendation No.1 - Government may :</p> <ul style="list-style-type: none"> Identify all LV installations/ cable TV poles which are now left out and instruct licensees not to issue permit to 	<p>Steps are being taken to obtain the details of cable TV operators using KSEBL poles from KSEB Divisional</p>

		<p>cable TV operators without production of safety certificate from the Department.</p> <ul style="list-style-type: none"> • Work out a practical process of assessing and realising the revenue from the inspection of cable TV poles. 	<p>Offices.</p> <p>As per the 5th Para of G.O(P) No.1/2017/PD dated 28/01/2017 Government have issued direction that the periodical inspection and testing of all low voltage installation shall be self certified under sub-regulation (2) of regulation 30 of the said Regulation.</p> <p>Based on the audit para recommendation regarding revenue loss by way of non collection of safety certificate from the Electrical Inspectorate, directions were issued by KSEBL to its field offices on 07.12.2016 for rejecting the permission for cable drawal through KSEBL Poles in the absence of Safety Certificate from the Electrical Inspectorate. In addition to this, while considering new requests for cable drawals, KSEBL strictly insists on safety certificate from Electrical Inspectorate for sanction to be accorded.</p>
2	7.4.8.2	<p>Non/short levy of inspection fee/electricity duty</p> <p>As per Section 7 of the Kerala Electricity Duty Act, 1963, the CEI is responsible for ensuring that the duties/fees/surcharge prescribed under the statutes relating to the usage of electricity and inspections of electrical installations are collected at the prescribed rates and accounted for correctly. Department need to take</p>	

	<p>corrective measures if the licensees/consumers were defaulting in the payment of duties/fees. Audit scrutiny revealed that an effective system was absent in the Department to ensure that duties/fees leviable were collected and remitted to Government correctly and in a timely manner. Illustrative cases are given in the following paragraphs.</p>	
	<ul style="list-style-type: none"> • Non-levy of duty due to failure to take meter readings of self-generating sets As per schedule to Section 4 of Kerala Electricity Duty Act 1963, duty at the rate of 1.2 paise per unit was to be paid by the consumers who generate electricity from the self-generating sets and consume for their own use. After approval by Department and energisation by licensee, it was the responsibility of the licensee to take readings of the generating sets and collect duty from the consumers and remit to Government account. It was noticed that five licensees had not taken readings of any of the 234 generating sets installed under their jurisdiction. The details of date of installation of generating sets were not available with the licensees. As per the available records furnished by Techno Park, the date of installation ranged from 2007 to 2014. Chief Electrical Inspector, who was responsible for monitoring the collection of duty, also failed to ensure that the licensees complied with the requirements. As readings were not taken, amount of duty not levied could not be worked out. 	<ul style="list-style-type: none"> • Non-levy of duty due to failure to take meter readings of self-generating sets As contained in the recommendation by Audit, Electricity Duty collection from the consumers who generate electricity for their own use has already been Implemented. Direction had already been given as per Order No.K1-1730/2015/CEI dated 25.07.2015 to take readings of the generating sets and collect duty accordingly.

	<p>Audit analysis revealed that consumers most benefited were Wipro, Nitta Gelatin India Limited, Infosys Limited and TCS Peepul Park as duty was not levied due to failure of licensees in taking meter readings.</p> <p>In the exit conference, Secretary to Government, Power Department directed CEI to intimate all licensees about the provision and to avoid occurrence of such omissions in future. In respect of new self- generating sets, it was directed to include a condition in the sanction order, directing licensees to levy electricity duty as specified in the Act.</p>	
	<p>• License fee for existing/ new lifts and escalators</p> <p>As per Section 5 of Kerala Lifts and Escalators Act, 2013, existing lifts and escalators shall not be continued to work after such period prescribed, from the date of effect of Kerala Lifts and Escalators Rules, 2012. The rules came into force from 31 January 2013 and the period prescribed for obtaining the license was two months ie upto 31/3/2013. License fee prescribed was ₹1,000 per lift/escalator per year and Department was authorised to disconnect power supply to the lifts and escalators, which had not obtained license. Besides, renewal was also applicable to new lifts and escalators which were issued licenses under the Act from 2013-14.</p> <p>In seven districts selected for audit, 4,865 lifts and escalators (existing and new) were functioning during 2013-14. Audit found that the licenses were renewed</p>	<p>• License fee for existing/ new lifts and escalators</p> <p>Even though the provision of Kerala Lifts and Escalators Act 2013 is safeguarding public safety, the Chief Electrical Inspector has forwarded a proposal to frame Kerala Lifts and Escalators Rule under the said Act by providing much emphasis to public safety. This proposal is now under the consideration of Government in file No. A3/191/2022/Power.</p>

based on the applications received from the license holders. Audit observed that if applications were not received, there was no system in the Department to detect the lifts/escalators functioning in the State unauthorisedly. 6,884 (aggregate for 2013-14 and 2014-15) lifts and escalators were functioning without valid license. Loss of license fee at the rate of ₹ 1,000 was ₹68.84 lakh. Besides, these lifts and escalators continued to function at the risk of public safety. The details of Lifts/Escalators for which license not issued / renewed as stipulated in the Kerala Lifts & Escalators Act 2013 in the selected districts are as shown in Table-7.2.

Table-7.2

District	No. of lifts/escalators for which licenses not issued / renewed (2013-14 & 2014-15)	License fee involved (₹)
Ernakulam	2,933	29,33,000
Thiruvananthapuram	1,972	19,72,000
Thrissur	946	9,46,000
Kozhikode	663	6,63,000
Kottayam	221	2,21,000
Idukki	149	1,49,000

Audit analysis revealed that most of these lifts/escalators

<p>belonged to Techno park Phase III, Aerens Goldsouk international, Hotel ABAD Plaza and MPG Hotel and Infrastructure Ventures.</p> <p>Secretary to Government, Power Department stated (January 2016) that electric supply of lifts and escalators alone could not be disconnected as it does not stand as a separate unit. It was further stated that Government was considering amendment of the provisions in this regard. Reply was not acceptable as non-obtaining/non-renewal of license presupposes a possibility of safety risk and the remedy for that can only be non-operation of lift/escalator till license is obtained. While amending the rules, provisions for safeguarding public safety may also be taken into account.</p> <ul style="list-style-type: none"> • Electricity duty on sale of self-generated electricity to consumers <p>As per Section 3 of Kerala Electricity Duty Act, 1963, every licensee shall pay each month to Government a duty calculated at the rate of six paise per unit on energy sold at a price of more than 12 paise per unit. As per Section 4, every consumer belonging to any of the classes specified in schedule to the Act shall pay each month to Government a duty calculated at the rate specified in the schedule.</p> <p>Audit observed that self generating sets in Technopark buildings consisted of those owned by i) consumers and ii) licensee (Technopark). Technopark generated electricity</p>	<ul style="list-style-type: none"> • Electricity duty on sale of self-generated electricity to consumers <p>The Self-generating sets in Techno Park consists of those owned by (i) the consumers and (ii) the licensee, ie Techno Park. Techno Park generates electricity from diesel generating sets owned by them and distributes the same to its consumers during power failure by imposing cost of production only. This Being a sale of electricity, Techno Park is liable to pay electricity duty under section 3 and 4 of KED Act, 1963. But by treating this sale as own consumption, Techno Park remits 1.2 Ps/units only.</p>
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	<p>from diesel generating sets owned by them and installed in various buildings in the campus for consumption of its consumers during power failure. Electricity so generated was sold to the consumers located in such buildings and cost of production of electricity was recovered from them by issuing invoices without showing electricity charges separately. Being sale of electricity by the licensee to its consumers, electricity duty under Sections 3 and 4 was to be remitted to Government account. But Technopark had not remitted the duty since its inception as it treated the sale as own consumption and remitted duty applicable to energy generated for own consumption from self-generating sets at 1.2 paise per unit. From 2010-11 to 2014-15, 30.45 lakh units of electricity involving energy charges of ₹ 1.26 crore was sold, for which duty not remitted was ₹ 14.38 lakh (₹ 1.83 lakh under Section 3 and ₹ 12.55 lakh under Section 4).</p> <p>Secretary to Government, Power Department stated that Technopark generated power for and on behalf of the consumers and collected the diesel charges alone, which was not a sale. Under the Act, consumer who generated the power should use it, for being eligible to pay duty under item 5 of schedule to Section 4. Reply was not acceptable as Technopark was not consuming the power generated by it and payment under item 5 was not in order. The matter may be reported to KSERC for clarification on this type of generation of electricity.</p>	<p>KSERC was requested to clarify this matter as desired by the C&AG in the report. Vide their letter No. 81/Admn/2019/KSERC/969 dt 17.12.2019, KSERC pointed out that the self generated power sold by M/s Technopark cannot be considered as self consumption of the licensee. Moreover, since the mentioned usage is not 'self consumption', the provisions of Kerala Electricity Duty Act 1963 does not make any exemption. Several reminders have been sent to M/s Technopark from Electrical Inspectorate. But the pending amount has not been remitted till date.</p>
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	<p>• Irregular adjustment of subsidy</p> <p>As per schedule to Section 4 of Kerala Electricity Duty Act 1963, domestic consumers were liable to pay electricity duty at the rate of 10 <i>per cent</i> of energy charges indicated in the invoice. KSEERC increased electricity charges with effect from 1 July 2012. Government of Kerala, in August 2012, exempted domestic consumers with monthly consumption up to 120 units and agriculture consumers from payment of increased electricity charges ordered by KSEERC. It was also ordered that the loss sustained by KSEBL on account of the exemption would be compensated by Government by providing cash subsidy. Government provided ₹ 987.69 crore to KSEBL as cash subsidy for the period from July 2012 to March 2015.</p> <p>Audit observed that KSEBL had collected electricity duty on energy charges from such consumers after deducting subsidy instead of actual energy charges indicated in the invoices. This had resulted in non-collection of electricity duty on the entire energy charges from domestic consumers with monthly consumption upto 120 units and agriculture consumers. As Government had not exempted subsidy portion from duty, non-collection of electricity duty for subsidy was irregular. This had resulted in short collection of electricity duty of ₹ 63.49 crore</p> <p>Secretary to Government, Power Department stated that the intention of Government was to protect the consumers</p>	<p>• Irregular adjustment of subsidy</p> <p>As per G.O(Ms) No.18/ 2012/PD dtd: 6/08/2012, Government has ordered to exempt domestic consumers with monthly consumption upto 120 units and agricultural consumers from enhanced electricity charges due to tariff revision, 2012 by providing cash subsidy under section 65 of Electricity Act, 2003. The State Government have provided subsidy to relieve consumers coming under the low income group from paying increased electricity charges. Hence, it is not justifiable to collect duty on subsidy amount from such consumers on behalf of Government and remit the same to the subsidy provider. If the duty was calculated on the increased electricity charges, the same had to be remitted to the Government which would be against the intention of Government to exempt the above class of Consumers from tariff revision, 2012. It may also be noted that in the matter of calculation of electricity duty on subsidy amount, there is no provision incorporated in the Kerala Electricity Duty Act, 1963.</p> <p>It may be noted that in pursuance of the announcement made in the Budget Speech for 2023-24, Government have issued orders as per SRO NO.1146/2023 dated 01/11/2023 directing the KSEBL</p>
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	<p>from any tariff hike and therefore levying electricity duty on increased tariff would obviously be against the intention. If Government had intended so, it should have exercised powers under the Act to exempt such category of consumers from the duty on increased tariff, which was not done and therefore the reply was not tenable.</p>	<p>to remit Electricity duty to Government directly by dispensing with the system allowed for retention of Electricity duty with KSEBL allowed for 10 years.</p>
	<p>• Electricity duty for energy charges for which Government provided cash subsidy</p> <p>Government had exempted consumers having monthly consumption not exceeding 20 units (non-paying group) from payment of energy charges. Amount of energy charges not received by KSEBL due to such exemption was made good by Government by paying equivalent amount as cash subsidy under section 65 of Electricity Act 2003.</p> <p>KSEBL had been implementing the concession to non-paying group (NPG) consumers from 1991 to March 2012 without assistance from State Government. In the tariff order for 2012-13, KSERC had not recognised the NPG consumers and directed KSEBL to obtain subsidy from Government from 2012-13 to continue the concession. KSEBL received the subsidy from Government from April 2012.</p> <p>As per Section 3 of Kerala Electricity Duty Act, 1963, licensees should pay electricity duty at the rate of six paise per unit for the energy sold at a price of more than 12 paise per unit. It was noticed that KSEBL had not paid</p>	<p>• Electricity duty for energy charges for which Government provided cash subsidy</p> <p>KSEBL has not been collecting any amount as electricity charges from the Non-Paying Group (NPG) of consumers and the same is compensated by Government by providing subsidy. Hence it is not justifiable to pay the duty under section 3 of the Kerala Electricity Duty Act, 1963 on the above group of consumers to the Government (ie; the subsidy provider) as the entire electricity charge is borne by the Government by way of subsidy. It may also be noted that the said Act does not contain any provision regarding collection and remittance of duty on NPG of consumers to the Government.</p> <p>Till 31st October, 2023, Electricity Duty was retained by KSEBL against the amount due from Government on account of subsidy, contribution to Master Trust etc. In pursuance of the announcement made in the Budget Speech for 2023-24, Government have issued</p>

<p>electricity duty for the sale of energy to the non-paying group consumers. As KSEBL received cash subsidy from Government on behalf of the consumers, in lieu of energy charges, duty under Section 3 was payable on the energy sold to such consumers.</p> <p>Audit observed that from April 2012 to October 2013, 3.22 million units of energy was sold to non-paying group consumers, for which duty not paid by KSEBL was ₹ 1.93 lakh and interest on the same worked out to ₹ 0.41 lakh.</p> <p>Secretary to Government, Power Department stated (January 2016) that the intention of the Government in giving subsidy was to exempt the most economically vulnerable group of domestic consumers from payment of electricity charge to alleviate their financial burden. Hence, charging electricity duty from such category of consumers would obviously be against the intention of the Government. Audit observation was on non-payment of electricity duty payable under section 3 by KSEBL from its own revenue and not on duty payable by consumers under Section 4, which was not covered in the reply.</p>	<p>orders as per SRO NO.1146/2023 dated 01/11/2023 directing the KSEBL to remit Electricity duty to Government directly by dispensing with the system allowed for retension of Electricity duty with KSEBL allowed for 10 years.</p>
<p>• Irregular deduction of power factor incentive from energy charges</p> <p>As per Section 4 of Kerala Electricity Duty Act, 1963, electricity duty at the rate of 10 per cent was leviable on the price of energy indicated in the invoices issued by the licensees. Tariff orders issued by KSERC for KSEBL prescribed incentive/ penalty to HT/EHT consumers for</p>	<p>• Irregular deduction of power factor incentive from energy charges</p> <p>It is true that power factor incentive/penalty was given/ charged to consumers based on the power factor recorded. This amount was added/deducted from the calculated energy charges and the balance</p>

	<p>power factor improvement. Incentive was 0.15 per cent of energy charges for each 0.01 unit increase in power factor from 0.90 and penalty was one per cent of energy charges for every 0.01 fall in power factor from 0.90.</p> <p>Audit scrutiny of 1.22 lakh invoices issued to non-industrial HT/EHT consumers by KSEBL from 2010-11 to 2014-15, revealed that electricity duty was collected on energy charges after deducting/adding power factor incentive/penalty. Total amount of power factor incentive deducted from the energy charges in respect of 85,677 invoices was ₹ 32.65 crore from 2010-11 to 2014-15. As electricity duty was to be levied on the price of energy indicated in the invoice, deduction of power factor incentive from the price of energy for calculation of electricity duty was irregular. Failure of CEI to detect the erroneous deduction of power factor incentive from energy charges resulted in short levy of electricity duty of ₹ 3.27 crore at the rate of 10 per cent and undue benefit to non-industrial HT consumers falling under commercial, agricultural and general categories. Interest was also leviable. Audit analysis revealed that consumers most benefited were Lulu International Shopping Mall Private Limited, Petronet LNG Ltd., Cochin International Airport Ltd., Amritha Institute of Medical Science and Research Centre and International Airport Authority of India. Secretary to Government, Power Department assured to examine the matter.</p>	<p>amount was collected as electricity charges. Hence duty was charged on the electricity charges payable. KSEBL was consistently following the method of allowing incentive on the full amount and only the net amount has been subjected to duty. This has been done due to ambiguity in the KSERC Tariff Orders. However based on observation by the Principal Accountant General the system of billing has been modified. At this stage the short levy pointed out by the Principal Accountant General cannot be collected from consumers, legally and if KSEBL attempts to recover the same plethora of litigation will arise. Hence the observation may kindly be dropped.</p>
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	<p>Recommendation No.2 - In order to prevent non/short levy, Government may consider taking the following measures;</p> <ul style="list-style-type: none"> • instruct CEI to ensure that the licensees are levying electricity duty/license fee from consumers/persons liable to pay it. • licensees may be directed to calculate electricity duty on the price of energy indicated in the invoice. • evolve a mechanism to collect the electricity duty/license fee payable by the consumers/persons liable for their payment. 	<p>As contained in the recommendation by Audit, Electricity Duty collection from the consumers who generate electricity for their own use has already been implemented. Direction has already been given as per Order No. K1-1730/2015/CEI dated 25.07.2015 to take readings of the energy meter of generating sets and collect duty accordingly.</p> <p>There are some licensee generating electricity from diesel generating sets owned by them and distributes the same to its consumers during power failure by imposing cost of production only. This being a sale of electricity, they are liable to pay electricity duty under section 3 and 4 of KED Act 1963. But by treating this sale as own consumption, they remit 1.2 ps/units only. Directions have already been issued from Electrical Inspectorate on this matter.</p> <p>Audit on Electricity duty & Surcharge is regularly being conducted by Electrical Inspectorate in the office of the licensees. The short levy and short accounting of duty & surcharge comes to notice is reported to the licensees in time.</p> <p>In the present billing system, Electricity duty is levied and collected by KSEB Limited for all</p>
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			categories of consumers (except Public Lighting) as per the schedule of Kerala Electricity Duty Act, 1963.
3	7.4.8.3	<p>Non levy of interest</p> <p>CEI is responsible for ensuring timely collection of duties/fees and its remittance into Government account without delay. In case of delay, interest at the rates prescribed in the Act/Rules is to be levied. Audit found that in many cases, Department failed to collect interest on the belated payments of duty/fee as shown in the illustrative cases below.</p> <ul style="list-style-type: none"> • Delayed payment of balance amount of electricity duty <p>As per order issued in March 1970, Government permitted the licensees to make advance payment of electricity duty subject to the following conditions.</p> <ul style="list-style-type: none"> • Average amount of electricity duty paid for the previous three months will be the amount of advance. • Balance amount should be remitted within 45 days from the due date with interest at the rate of 12 <i>per cent per annum</i>. <p>In Thrissur Corporation, where the system prescribed by Government was followed, it was found that duty paid in advance was always less than the average amount of duty paid for the previous three months. Due to this, balance amount was to be paid in respect of every month, but</p>	<ul style="list-style-type: none"> • Delayed payment of balance amount of electricity duty <p>The total arrear amount to be recovered from Thrissur Corporation for the period from 1974 to 2012 was Rs.21,00,26,904/- of which Rs.12,10,64,046/- have been remitted by the licensee. The payment of remaining amount was challenged by filing WP(C).30260/13 in the Hon: High Court. After hearing both sides the Hon: High court by its judgement dt 12/06/2018, directed the licensee to remit at least 40% of the balance arrears within three months which amounts to Rs.3,58,25,143/-. But the licensee filed Writ Appeal WA 1913/2018 against the judgement in WP(C).30260/13 dated 12/06/2018. The Court allowed the Writ Appeal finding that there is no adjudication of the amount due to the respondent and</p>

<p>interest was not paid for remittances made beyond 45 days from the due date.</p> <p>Audit found that interest not paid for the balance amount remitted 45 days beyond due date was ₹ 45.25 lakh from April 2013 to March 2015.</p> <p>Audit also found that from April 2013 to March 2015, total amount of advance remitted short was ₹4.20 crore. Short remittance per month ranged from ₹ 4.05 lakh to ₹ 41.61 lakh. Undue financial gain received by the licensee by way of bank interest at the rate of four <i>per cent per annum</i> for the amount remitted short was ₹ 16.04 lakh.</p> <p>CEI had conducted inspection upto 2012-13 only and inspections for 2013-14 and 2014-15 were pending.</p> <p>Secretary to Government, Power Department stated (January 2016) that the Hon'ble High Court of Kerala had stayed the revenue recovery proceedings and action was being taken to vacate the stay orders.</p>	<p>therefore the initiation of revenue proceedings is bad in law. On the basis of the legal opinion received from Senior Government Pleader, SLP(C) 20802/2023 has been filed by Government before the Hon Supreme Court. The Hon'ble Supreme Court, as per order dt 06.10.2023 stated as follows;</p> <p><i>"after hearing learned senior counsel appearing for the petitioners and considering the peculiar facts and circumstances of the case, wherein the State is the petitioner and the Municipal Corporation is on the other side, the Court is not inclined to entertain the petition"</i></p> <p>The matter is being processed in Government File No. C2/153/2023/PWR and final decision is not taken.</p>
<ul style="list-style-type: none"> • Exclusion of interest in netting-off KSEBL dues <p>As per Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989, licensees were liable to remit electricity duty and surcharge to Government account. Interest at the rate of 18 and 12 <i>per cent</i> was leviable under Section 8 of Kerala Electricity Duty Act, 1963 and Section 6 of Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 respectively for delayed remittances.</p>	<ul style="list-style-type: none"> • Exclusion of interest in netting-off KSEBL dues <p>On this point, KSEBL has reported as follows : "At any point of time over the years the amount payable to KSEBL by the Government was much more than the electricity duty and surcharge payable by KSEBL to Government and therefore the imposition of interest on the duty/ surcharge arrears of KSEBL</p>

<p>Government had issued orders for netting-off the dues of KSEBL against sums payable by Government to KSEBL. Total amount of KSEBL dues netted off for the period from 4/2002 to 10/2013 was ₹ 6,028.51 crore out of which ₹ 5,128.03 crore related to electricity duty and surcharge. It was noticed that while netting-off the dues, Government excluded the interest payable by KSEBL for delayed remittance of electricity duty and surcharge. As Government had no powers under the Acts to exempt a licensee from payment of interest, the exclusion of interest was unlawful. The 121 Report of the Public Accounts Committee (2001) opined that proposal for waiving penal interest was contrary to the provisions of the Act. Audit observed that KSEBL had not been remitting electricity duty and surcharge to Government from 2002-03 onwards and the total amount of interest payable and excluded from netting-off was ₹ 2,678.84 crore from April 2002 to October 2013, out of which ₹ 1,474.20 crore relates to period from April 2010 to October 2013 (accounts upto 31 October 2013 only was finalised) as shown in Table-7.3.</p>	<p style="text-align: center;">Table-7.3</p> <table><tr><th>Period</th><th>Interest (in core)</th></tr></table>		Period	Interest (in core)
Period	Interest (in core)			
	<p>alone was not deemed reasonable. In this connection it may please be noted that as per Section 65 of the Electricity Act, 2003 if the State Government wishes to grant subsidy to any class of consumers on the tariff fixed by the KSERC, the same should be compensated by providing subsidy in advance to the concerned Electricity Board/Company. If the State Government had released the subsidy due to KSEBL in the previous years in time the Board, would have paid the electricity duty in time and there would not have been any scope for levy of penal interest against the Board for non-payment of duty. Due to non-release of subsidy amounts in time, KSEBL had to borrow from banks and financial institutions by paying interest for financing its working capital and capital investment requirements.”</p> <p>In pursuance of the announcement made in the Budget Speech for 2023-24, Government have issued orders as per SRO NO.1146/2023 dated 01/11/2023 directing the KSEBL to remit Electricity duty to Government directly by dispensing with the system allowed for retention of Electricity duty with KSEBL allowed for 10 years.</p>			

2002-03 to 2009-10	1,204.64
2010-11 to 31 October 2013	1,474.20
Total	2,678.84

Source: KSEBL Accounts of relevant years.

Secretary to Government, Power Department, justified the exclusion of interest stating that at any point of time over the years, the amount payable to the KSEBL by Government was much more than the Electricity Duty and surcharge payable by KSEBL to Government and therefore imposition of interest only on the duty/ surcharge arrears of KSEBL was not deemed reasonable. As the Act had not provided powers to Government for exempting interest under any circumstances, the reply was not acceptable.

<ul style="list-style-type: none">• Exclusion of interest collected from consumers on delayed payment of electricity duty by KSEBL from netting-off <p>Audit observed that as part of a one-time settlement, of ₹ 783.06 crore payable by Kerala Water Authority (KWA) to KSEBL as arrears of electricity dues upto 31 March 2008, Government agreed to pay ₹ 533.06 crore on behalf of KWA. Later, Government netted-off this amount against dues payable by KSEBL to Government as on 31 March 2008. The amount of ₹ 533.06 crore included two Government receipts i.e., electricity duty of ₹ 28.94 crore</p>	<ul style="list-style-type: none">• Exclusion of interest collected from consumers on delayed payment of electricity duty by KSEBL from netting-off <p>Kerala Water Authority is an autonomous body coming under the Water Resources Department of Government of Kerala. Since they are irregular in the payment of electricity charges to KSEBL. On accumulation of arrears, the Government intervened and attempted to settle arrears through One Time Settlement (OTS). In the process, KSEBL reduced the interest rate from 24% to 6%. As per the OTS, the Government intended to reduce the arrears of KWA to</p>
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	<p>and interest of ₹ 12.15 crore on delayed payment of electricity duty receivable from KWA. Of these, amount of electricity duty only was considered for netting-off and interest on delayed payment of electricity duty was excluded. Exclusion of this amount from netting-off resulted in illegal retention of Government revenue of ₹ 12.15 crore with KSEBL.</p> <p>Audit also noticed that, from 2010-11 to 2013-14, KSEBL had collected ₹ 7.58 crore from consumers as interest on delayed payment of electricity duty. But KSEBL had not remitted this amount to Government account, which resulted in loss of revenue of ₹ 7.58 crore to Government. Total loss of revenue to Government due to irregular retention of interest on delayed payment of electricity duty was ₹ 19.73 crore.</p> <p>Secretary to Government, Power Department did not provide a specific reply to the audit observation, which was on interest collected by KSEBL from KWA/consumers and not remitted to Government account</p>	<p>minimum.</p> <p>The Electricity duty receivable to Government from KSEBL was less than the amount payable by Government to KSEBL.</p> <p>In pursuance of the announcement made in the Budget Speech for 2023-24, Government have issued orders as per SRO No.1146/2023 dated 01/11/2023 directing the KSEBL to remit Electricity duty to Government directly by dispensing with the system allowed for retention of Electricity duty with KSEBL allowed for 10 years.</p>
	<p>Recommendation No.3 - Department may expedite revenue recovery proceedings for early realisation of arrears of Government revenue. Government may include interest leviable from KSEBL while netting-off.</p>	<p>Steps are being taken by the Electrical Inspectorate to recover the arrears through revenue recovery proceedings.</p> <p>The issue of netting off the dues payable to KSEBL against the electricity duty collected by KSEBL is under process in Government. At the same time, efforts are being taken in Government to clear the</p>

			arrears of electricity charges payable to KSEBL by Government Departments.
4	7.4.8.4	<p>Irregular grant of exemption</p> <p>Electricity duty, surcharge etc., are to be collected and remitted by the licensee as prescribed in the statutes. Exemption from payment of duty is also provided for certain categories of consumers. Audit found many cases in which licensees/ consumers had incorrectly availed exemption from payment of electricity duty/ surcharge. Illustrative cases are given below.</p> <p>• Surcharge from Railways</p> <p>As per Section 3(1)(a) of Kerala State Electricity Surcharge (Levy and Collection) Act, 1989, a surcharge at the rate of 2.5 paise per unit, on all HT/EHT supplies made by KSEBL should be levied, collected and remitted to Government account, for which no exemption was available.</p> <p>Audit observed that KSEBL supplied 95.41 crore units of energy to Railways from 2010-11 to 2014-15 through 30 HT/EHT connections. Surcharge at the rate of 2.5 paise per unit was leviable on above amounted to ₹ 2.39 crore. This was not levied and remitted to Government account. Interest leviable on the above non remittance at the rate of 12 <i>per cent</i> per annum worked out to ₹ 66.07 lakh.</p> <p>Secretary to Government, Power Department stated (January 2016) that a provision for empowering Government to exempt a consumer from payment of</p>	<p>• Surcharge from Railways</p> <p>The Divisional Railway Manager, Thiruvananthapuram requested to exempt the Railways from any surcharge /tax levied by state Government. Considering the request and as per Article 287 of the Constitution of India, the Government, vide GO(Rt) No.124/2004/PD dated 17.03.2004 had exempted Railways from the payment of surcharge on sale of electricity to them.</p>

	<p>surcharge, similar to electricity duty was under consideration. Reply was silent on the non-levy of surcharge pointed out by audit.</p> <p>• Electricity consumed for lighting licensees' premises.</p> <p>As per Section 4 of Kerala Electricity Duty Act, 1963, energy consumed for public lighting was exempted from electricity duty. Based on this provision, licensees were not paying electricity duty for the energy consumed for lighting their premises. As the premises belonged to the licensees and were not public places, exemption from electricity duty was not applicable. Such consumption falls under public lighting in campuses for which the energy charge applicable was ranging from ₹ 0.90 to ₹ 3.60 per unit and electricity duty leviable was 10 per cent of energy price.</p> <p>Audit observed that from 2010-11 to 2014-15, four licensees consumed 59.77 lakh units of electricity costing ₹ 1.38 crore for lighting their premises for which electricity duty not paid was ₹ 13.85 lakh. Interest was also leviable on the duty not paid.</p> <p>Audit analysis revealed that licensees benefited were Cochin Port Trust, Technopark, Rubber Park India(P) Ltd. and Infopark.</p> <p>Secretary to Government, Power Department stated (January 2016) that power consumed for street lighting was sold to none or consumed by Technopark but was</p>	<p>• Electricity consumed for lighting licensees' premises.</p> <p>Action ts being taken by KSEBL for collecting the amount due from the defaulting licensees such as M/s Technopark and Infopark to remit Electricity duty for the energy consumed for lighting their premises along with 18% penal interest. The Chief Electrical Inspector directed the licensees to make the remittance.</p>
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enjoyed by people who travel through that area and therefore it comes under public lighting. As per Kerala Municipality and Panchayat Raj Acts, local bodies are mandatorily responsible for providing public lighting in Kerala. Separate tariff is available for public lighting, which is paid only by local bodies in Kerala. As public lighting is exempted from electricity duty, it is not levied from local bodies. In the case of the licensees mentioned in the para, had it been public lighting, the local body would have met the expenses, which was not the case.

- **Unlawful collection charges**

As per Section 4 of Kerala Electricity Duty Act, 1963, duty payable shall be collected and remitted to Government account by licensees. Act did not provide for retaining collection charge on electricity duty and therefore the entire amount collected should be remitted. But licensees retained one percent of electricity duty collected as collection charges, based on Rule 3(3) of the Kerala Electricity Duty Rules, 1963 and remaining amount only was remitted. As the Act did not provide for a collection charge, inclusion of the provision in the rules and retention of collection charge based on such provision were not lawful. Amount of electricity duty short remitted by nine licensees due to irregular retention of collection charge was ₹ 14.55 crore from 2010-11 to 2014-15. Interest was also leviable. The retention of collection charges by licensees implies that the Government had

- **Unlawful collection charges**

The Kerala Electricity Duty Act, 1963 was passed by the State Legislature with various sections on collection and remittance of electricity duty. The Kerala Electricity Duty Rules, 1963 has been framed based on Section 13 of the Kerala Electricity Duty Act. The Rules are framed for the smooth implementation of the provisions of the Act. As long as the Act does not expressly prohibit retention of collection charges by the collecting agency, the provisions of the rules enabling the agency to retain the collection charges seems in order.

	<p>received less electricity duty to that extent. Secretary to Government, Power Department stated (January 2016) that collection charge was allowed based on the provisions under Rules. The reply was not tenable as the rules framed should be in line with provisions of the Act.</p>	
	<p>• Electricity duty on energy consumed for other purposes by the Indian Railways</p> <p>As per Section 12 of Kerala Electricity Duty Act, 1963, Indian Railways were exempted from payment of duty for the electricity consumed in its construction, maintenance or operation i.e. the exemption was not applicable for the electricity consumed for other purposes like staff quarters and commercial stalls at railway stations.</p> <p>A mention was made in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2002, on non-demand of duty by KSEBL from the occupants of railway residential complexes and staff quarters etc as of March 2002.</p> <p>Audit found that Thiruvananthapuram and Palakkad divisions of Southern Railway had consumed 3.54 crore units of energy for staff quarters and commercial stalls at railway stations from 2010-11 to 2014-15 for which electricity charges involved was ₹ 19.55 crore. Electricity</p>	<p>• Electricity duty on energy consumed for other purposes by the Indian Railways</p> <p>The CEI has intimated the matter to the Divisional Railway Manager, Southern Railway, Thiruvananthapuram. Even after repeated correspondences the original Chalan towards electricity duty of Rs. 22.09 Lakh collected by Southern Railway, Thiruvananthapuram from the occupants of staff quarters has not been remitted. In this situation, Government as per letters No. C2/63/2016-Power dated 27.08.2016, 17.06.2017 and 27.09.2022 has requested the Divisional Railway Manager, Southern Railway, Thiruvananthapuram to remit the amount. However the Railways have not remitted the amount.</p> <p>Necessary instructions have already been issued by KSEBL to all Chief Engineers in the Distribution Wing to initiate immediate action for collecting the electricity duty applicable since 2010-11 in respect of</p>

duty not remitted at the rate of 10 per cent of electricity charges worked out to ₹ 1.95 crore as shown in Table-7.4. Interest also was leviable for non-remittance of these charges.

Table-7.4

Period	Units Consumed (in lakh)			(Rs in lakh)	
	Thiruvananthapuram	Palakkad	Total	Energy charges involved	Duty not remitted
2010-11	33.61	37.25	70.86	152.72	15.27
2011-12	36.52	33.32	69.84	317.76	31.78
2012-13	37.21	35.72	72.93	423.54	42.35
2013-14	34.55	34.85	69.40	508.68	50.87
2014-15	34.96	35.67	70.63	552.21	55.22
Total	176.85	176.81	353.66	1954.91	195.49

Audit also noticed that the duty not remitted by Thiruvananthapuram division included ₹ 22.09 lakh collected as electricity duty from occupants of staff quarters. Keeping Government revenue without remitting was unauthorised. Secretary to Government, Power Department accepted

the service connections effected to railway staff quarters for which separate service connections are provided.

In the case of shops and commercial stalls at railway stations, the Hon'ble Kerala State Electricity Regulatory Commission (KSERC) as per letter No.408/F&T/2017/KSERC/377 dated 03.05.2017 has clarified that these can be considered as "an activity in connection with the essential part of the working of railway stations" as it may not be practicable to extend independent service connections to each shop by KSEBL.

	<p>(January 2016) the audit observation and assured to take action.</p>	<p>Electricity duty on excess availing of Transmission and Distribution (T&D) loss</p> <p>The rate of T&D loss prescribed by KSERC while approving Aggregate Revenue Requirement and Expected Revenue Collection (ARR&ERC) of licensees for each year, ranged from 1.5 to 16 percent during 2010-11 to 2014-15. Audit found that seven licensees had availed T&D loss in excess of the limits prescribed, which resulted in non-levy of electricity duty for the unauthorised T&D loss availed. Duty not levied on excess T&D loss availed by licensees from 2010-11 to 2014-15 was ₹ 3.42 crore (calculated at rates applicable to self-consumption). Interest was also leviable on the non-levy of duty.</p> <p>Audit analysis revealed that licensees most benefited were KSEBL, Thrissur Corporation, Technopark and KINESCO.</p> <p>Department stated (August 2015) that in May 1994 State Government had fixed the maximum T&D loss as eight per cent for all licensees except KSEBL. With the enactment of Electricity Act 2003, KSERC is the authority for approving ARR&ERC of each licensee every year, for which it considers items of income, expenses, percentage</p>
		<p>Electricity duty on excess availing of Transmission and Distribution (T&D) loss</p> <p>Electricity duty is being levied as per Schedule of Electricity Duty Act, 1963. As per the schedule, duty is calculated on the energy charge indicated in the invoice i.e. based on consumption of electricity. In a distribution system, for particular number of consumers having definite contracted load or contract demand consume certain quantum of energy during a billing period. The consumer will have to pay a certain percentage of amount of energy charge or based on unit of energy consumed towards the duty. This will vary due to behavior of load and period of usage. Thus, T&D loss has no impact on consumption and hence on energy charge payable to the DISCOM. For example, during a particular billing period, the consumption of consumer is 85 units. T&D loss allowed by KSERC is 10% and that achieved by KSEB Ltd. is 15%. Even though, there is an under achievement of 5%, the consumption remains the same (85 units) and hence there is no impact on duty payable to Govt.</p> <p>There is no provision in the Electricity Duty Act,</p>

	<p>of T&D loss etc., and finally approves ARR&ERC. Therefore, percentage fixed by Government is not valid. It was also stated that Act contains no provisions on the levy of electricity duty on energy lost beyond permissible limits. The reply is not tenable since the Act has not been amended prescribing levy of duty on transmission loss in excess of limits prescribed by KSERC.</p> <p>Secretary to Government, Power Department stated (January 2016) that amendment of Act was under consideration of Government to define T&D loss for the purpose of levying duty. However, the reply was silent on the non-levy pointed out by Audit.</p>	<p>1963 regarding duty to be paid on Transmission & Distribution loss incurred beyond the limit fixed by KSERC. KSEBL is only an agent in the collection and remittance of duty to the Government as per the prevailing Electricity Duty Act and rules there under. Hence it may not be insisted to pay duty on energy lost beyond the limit fixed by KSERC.</p> <p>It is also stated that, target has been fixed for reduction of T&D loss so as to enable the utility to take remedial measures to strengthen the system to reduce the loss. The transmission system of KSEBL is 32 to 40 years old.</p> <p>To upgrade the system to control the T&D loss, transmission system requires huge capital investment which KSEBL can not afford within a short span of time. Every effort is being taken by KSEBL for upgradation and strengthening of the system to mitigate the loss. Proposals for loss reduction activities are included in Revamped Distribution Sector Scheme (RDSS), announced by Ministry of Power, Government of India. It is further reported that KSEBL can not pay duty to Government which it has not collected and calculation of duty on T&D loss is not justifiable.</p>
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• Fixed rates not favourable to Government revenue	• Fixed rates not favourable to Government revenue												
<p>Audit observed that two types of rates existed in Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 for the levy of electricity duty and surcharge as shown in Table-7.5.</p> <table><tr><th>Type of rate</th><th>Rate of Levy</th><th>Applied on</th></tr><tr><td>Percentage rate</td><td>10 per cent</td><td>Energy Price</td></tr><tr><td>Fixed rates</td><td>1.2 ps/ 2 ps /2.5ps /6ps /10ps</td><td>Unit of Energy</td></tr></table> <p>These rates were in existence since the commencement of the Acts and are continuing even now (January 2016). The highest of the fixed rates of electricity duty now levied was 10 ps per unit from industrial consumers drawing energy at 11 KV and above. This rate was introduced in 1988, replacing percentage rate of 30 <i>per cent</i>.</p> <p>A comparison of this rate for the years 1988 and 2015 as shown in Table-7.6.</p>	Type of rate	Rate of Levy	Applied on	Percentage rate	10 per cent	Energy Price	Fixed rates	1.2 ps/ 2 ps /2.5ps /6ps /10ps	Unit of Energy	<p>In the Budget Speech 2023-24, it is declared that the Electricity Duty applicable to Industrial and Commercial consumers coming under the category of High Tension (HT) from the existing rate of 10 paise per unit to 5% of energy charges. In pursuance of this declaration the following amendment made in the Kerala Electricity Duty Act 1963, as per Kerala Finance Act 2023. The relevant portion of Kerala Finance Act 2023 (Act 17 of 2023) is as follows:</p> <p>“ 6. Amendment of Act 23 of 1963 – In the Kerala Electricity Duty Act, 1963 (23 of 1963), in the Schedule, in item no. 4, in column (3), for the figure and words “10 Paise per unit of energy consumed”, the words “Five percent of the price of energy indicated in the invoice” shall be substituted.</p> <p>In addition to this it has been decided to consider the proposal for amendment of other items of Kerala Electricity Duty Act 1963 while preparing budget proposals for 2024-25.</p>			
Type of rate	Rate of Levy	Applied on											
Percentage rate	10 per cent	Energy Price											
Fixed rates	1.2 ps/ 2 ps /2.5ps /6ps /10ps	Unit of Energy											
	<p>Table-7.5</p> <table><tr><th colspan="2">In 1998</th><th colspan="2">In 2015</th></tr><tr><td>Energy charges</td><td>Duty at the rate</td><td>Energy charges</td><td>Duty at Equivalence rate lent to</td></tr><tr><td></td><td></td><td></td><td></td></tr></table>	In 1998		In 2015		Energy charges	Duty at the rate	Energy charges	Duty at Equivalence rate lent to				
In 1998		In 2015											
Energy charges	Duty at the rate	Energy charges	Duty at Equivalence rate lent to										

per unit	of 10 ps	nt to	per unit	of 10 ps	
35ps	10ps	29perce nt	520ps	10ps	2perce nt

By continuing the fixed rate from 1988 without any change, industrial consumers indirectly received reduction in duty rates from 29 to 2 *per cent*, due to increase in tariff effected periodically.

Audit found that at 29 *per cent*, amount of duty per unit worked out 151 paise, but duty leviable was 10 paise only. Difference was 141 paise per unit. During 2013-14, total number of units for which duty paid at the rate of 10 paise per unit was 1,770.68 million units, from which duty received was ₹ 17.71 crore. Had percentage rate been continued, Government would have received ₹ 249.66 crore additionally at the rate of ₹ 1.41 per unit for 2013-14 alone.

Secretary to Government, Power Department stated (January 2016) that the revision of rates was under consideration of Government. Further report had not been received (January 2016).

Recommendation No.4 - Government may :

- avoid irregular grant of exemptions to railways and for lighting.
- amend Rule relating to collection charges which should be in line with the Act and in the interest of the Government and objective of the Act.

As per the GO(Rt) No. 124/2004/PD dated 17.03.2004 Government had exempted Railways from payment of surcharge.

Directions were issued on 16.06.2017 to the Chief

<ul style="list-style-type: none"> consider amendment of the Act incorporating the treatment of excess T & D loss 	<p>Engineers (Distribution) to collect the applicable electricity duty since 2010-11 in respect of service connections effected to Railway staff quarters and commercial stalls for which separate service connections were provided.</p> <p>The Hon'ble KSERC has clarified vide letter No.408/F&T/2017/KSERC/377 dated 03.05.2017 that, the shops and stalls in the Railway stations can be considered as an "activity in connection with the essential parts of the working of the railway stations" as it may not be practicable for KSEBL to extend independent service connections to each shop. Also, it is not practicable to collect electricity duty for the portion of the electricity consumed by such shops and stalls in the railway stations where such loads are not segregated.</p> <p>As per section 13 of the KED Act 1963, the State Government may make rules on the fulfillment of the requirements laid down in sections 3 and 4 of the said Act. Accordingly rule 3(3) of the KED Rules 1963 was framed which admits collection charges as the electric licensees play the role of collecting agencies.</p> <p>Electricity duty is being levied as per Schedule of Electricity Duty Act, 1963. As per the schedule, duty</p>
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			is calculated on the energy charge indicated in the invoice i.e. based on consumption of electricity. In a distribution system, for particular number of consumers having definite contracted load or contract demand consume certain quantum of energy during a billing period. The consumer will have to pay a certain percentage of amount of energy charge or based on unit of energy consumed towards the duty. This will vary due to behavior of load and period of usage. Thus, T&D loss has no impact on consumption and hence on energy charge payable to the DISCOM. For example, during a particular billing period, the consumption of consumer is 85 units. T&D loss allowed by KSERC is 10% and that achieved by KSEB Ltd. is 15%. Even though, there is an under achievement of 5%, the consumption remains the same (85 units) and hence there is no impact on duty payable to Government.
5	7.4.8.5	Inspections, returns, accounting and related matters CEI is responsible for initial and periodical inspections of electrical installations as per periodicity fixed under CEA Regulations 2010. Inspection fee at the rates prescribed by the Government shall be collected for the inspections. Since the non-inspection of Electrical installation affects the safety of the public adversely, this has a social significance. Audit found that the Department was not conducting inspections regularly as mentioned in the	

	<p>following paragraphs.</p> <ul style="list-style-type: none"> • Discontinuance of inspection of lifts and escalators <p>CEI inspected lifts and escalators and levied inspection fee under Indian Electricity Rules, 1956 issued under Electricity Act, 2003. These rules were replaced by Central Electricity Authority (Measures relating to safety and electric supply) Regulations, 2010 with effect from 20 September 2010. In notification issued under the Regulations on 20 May 2013, Government of Kerala ordered that lifts and escalators may be inspected periodically every year and charge an inspection fee of ₹ 1,000.</p> <p>Audit found, in seven districts selected for audit, Electrical Inspectors discontinued the inspection of lifts and escalators and levy of inspection fee with effect from 2013-14. Due to this, lifts and escalators were functioning under risk of public safety and security, besides loss of revenue. The loss of revenue due to non-levy of inspection fee was ₹ 91.92 lakh for 8,995 lifts and 197 escalators from 2013-14 to 2014-15.</p> <p>In the exit conference, the Additional Chief Electrical Inspector stated that since it was not practical to conduct two inspections in a year, steps would be taken to amend the provisions in the notifications. Secretary to Government, Power Department stated (January 2016) that provisions of the Kerala Lift and Escalators Act, 2013,</p>	<ul style="list-style-type: none"> • Discontinuance of inspection of lifts and escalators <p>Seven districts selected for audit, Electrical Inspectors discontinued the inspection of lifts and escalators and levy of inspection fee with effect from 2013-14. The loss of revenue due to non - levy of inspection fee was Rs. 91.92 lakh for 8,995 lifts and 197 escalators from 2013 - 2014 to 2014 -2015.</p> <p>The vacancies of Assistant Electrical Inspectors were filled in may 2017. Also to reduce shortfall in lift inspection an Adalath was conducted during 10.11.2022 to 09.02.2023. The inspection target is achieved now.</p>
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<p>being a special law relating to lift and escalators, prevailed over the Regulations. It was further stated that the observation of audit that total loss of ₹ 91.92 lakh incurred due to non conduct of periodical inspection under regulation was incorrect.</p> <p>As per Section 21 of Kerala Lift and Escalators Act 2013, its provisions shall not affect the Electricity Act 2003. Regulations issued under the Electricity Act 2003 was independent of Kerala Lift and Escalators Act 2013 and therefore the reply was not tenable.</p>	
<p>• Shortfall in inspecting medium voltage installations</p> <p>As per notifications issued by Government of Kerala under Rule 46 of Indian Electricity Rules 1956 and regulation 30 of Central Electricity Authority (Measures relating to safety and electric supply) Regulations, 2010, all medium voltage installations were to be periodically inspected once in two years.</p> <p>Audit noticed that medium voltage installations were not inspected by the Department as per periodicity prescribed. From 2010-11 to 2014-15, out of 23,754 medium voltage installations to be inspected in the selected seven districts, Department had inspected 9,126 installations only, which resulted in non-levy of inspection fee of ₹ 51.10 lakh calculated at the minimum fee prescribed (at the rate of ₹ 100 upto 2012-13 and ₹ 500 thereafter) and 1,338 deaths had occurred due to electrical accidents during 2010-11 to</p>	<p>• Shortfall in inspecting medium voltage installations</p> <p>The vacancies of Assistant Electrical Inspectors were filled in may 2017. Now the Inspection of Medium Voltage installations are regular.</p>

	<p>2014.</p> <p>Secretary to Government, Power Department cited (January 2016) shortage of staff as the reason for short fall in inspections and action was being taken to fill the vacancies. As safety of electrical installations was the primary responsibility of the Department, it should have filled the vacancies well in time.</p> <ul style="list-style-type: none"> • Shortfall in inspection of accounts of licensees Department of Electrical Inspectorate conducted inspection of books of accounts of licensees on yearly basis by visiting their premises. For KSEBL, inspection of accounts of 53 out of 65 divisions was pending from 2008-09 to 2013-14 and in respect of four licensees, inspection was pending for the year 2013-14. <p>Secretary to Government, Power Department cited (January 2016) shortage of staff as the reason for short fall in inspections and stated that action was being taken to fill the vacancies. Audit found that Government had deferred the proposal for filling the vacancies, due to which arrears in inspection continued to exist.</p> <ul style="list-style-type: none"> • Non/delayed submission of returns by licensees As per Section 6 of Kerala Electricity Duty Act, 1963 and section 4 of Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 and rules made there- under, licensees were required to submit returns to Chief 	<ul style="list-style-type: none"> • Shortfall in inspection of accounts of licensees The vacancies of Assistant Electrical Inspectors were filled in may 2017. The recommendation by the Chief Electrical Inspector for creation of additional posts is being examined by Government. • Non/delayed submission of returns by licensees The matter was taken up by Chief Electrical Inspector with the licensees and they are now sending the return on time.
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	<p>Electrical Inspector monthly/quarterly/annually, failing which fine not exceeding ₹ 1,000 was payable as punishment upon conviction.</p> <p>Audit noticed that out of 1,284 monthly returns to be submitted by six licensees during 2010-11 to 2014-15, only 14 monthly returns were submitted on due dates. Delay in the submission of remaining returns ranged from 1 to 796 days. Four licensees did not submit quarterly returns. Delay by the other two licensees ranged from 16 to 422 days. Annual returns were not submitted by any of the licensees.</p> <p>Returns were the only source of information for the Department to monitor whether the licensees had actually remitted electricity duty/surcharge into Government account before due dates and also to verify the correctness of its calculation. As returns were delayed/not submitted, Chief Electrical Inspector could not monitor timely remittance of duty into Government account and its correctness. Chief Electrical Inspector, who was responsible, had not initiated action for imposing the fine from the licensees through conviction.</p> <p>Secretary to Government, Power Department stated (January 2016) that existing provisions were inadequate to impose penalty and cited practical difficulty in getting conviction from courts. The reply was not acceptable, as provisions in the Acts are clear and specific on penalty and</p>	<p>At present all licensees including KSEBL are submitting their monthly and yearly returns promptly. Any lapse in submitting the monthly/yearly returns are taken seriously and a fine up to One Thousand Rupees for each month of delay / non-remittance is also imposed. As a result, the Chief Electrical Inspectorate could monitor remittance of electricity duty into Government exchequer more accurately and promptly.</p> <p>KSEBL is regularly submitting annual returns and an attempt is going on to make suitable changes in the software for generation of monthly and quarterly returns. It may be noted that KSEBL has submitted Quarterly surcharge return and Annual duty return up to Financial year 2021-2022. Provisional Quarterly returns for the Financial Year 2022-23 has also been submitted.</p>
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<p>Government should have finalised the procedures for its implementation. Moreover, the Department had not even initiated action in any of the cases. As such, practical difficulty could not be cited as a reason for inaction.</p>	
<p>• Non-accounting of revenue in Government accounts due to netting-off KSEBL dues</p> <p>As per Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989, licensees were statutorily liable to remit electricity duty and surcharge to Government. But KSEBL stopped remitting the dues to Government account from the year 2002-03 onwards on the contention that Government had not paid the sums due to it. Government accepted non-payment of dues by KSEBL and issued orders for netting-off such dues against sums payable by it to KSEBL. It was noticed that Government had not prescribed a clearly defined procedure to ensure the accounting of the receipts and payments involved in the netting-off process in Government accounts. Government had netted off electricity duty and surcharge of ₹ 5,128.03 crore, relating to the period from April 2002 to October 2013, as shown below, which were not routed through Government accounts as shown in Table-7.7.</p> <p style="text-align: right;">Table-7.7</p>	<p>• Non-accounting of revenue in Government accounts due to netting-off KSEBL dues</p> <p>Till 31.10.2023, Electricity Duty was retained by KSEBL against the amount due from Government on account of subsidy, contribution to Master Trust etc. In pursuance of the announcement made in the Budget Speech for 2023-24, Government have issued orders as per SRO NO.1146/2023 dated 01/11/2023 directing the KSEBL to remit Electricity duty to Government directly by dispensing with the system allowed for retention of Electricity duty with KSEBL allowed for 10 years.</p>

GO No and date	Period to which netting off relate	Amount netted off (Rs in Crore)		Electricity duty and surcharge involved (Rs in Crore)
		Government payments	KSEBL Dues	
GO(Ms) No.42/11/ PD dated 3/11/2011	2002-03 to 2007-08	5,231.97	3,632.15	2,731.67
GO(P) No.46/2013/ PD dated 31/10/2013	4/2008 to 10/2013	1,960.74	2,396.36	2,396.36
Total		7,192.71	6,028.51	5,128.03

Audit observed that due to non-accounting, electricity duty and surcharge of ₹ 5,128.03 crore was understated in Government accounts and legislative scrutiny was bypassed. Moreover, the practice being followed was against the accounting principles.

Secretary to Government, Power Department cited (January 2016) some action taken in this regard, but the non-accounting of revenue in Government accounts due to netting-off process remained as such.

	<p>• Non submission of annual reconciliation statements</p> <p>As per paragraph 74 of Kerala Budget Manual, Heads of Departments should reconcile its figures with that of Principal Accountant General (A&E). Unless discrepancies, if any, are detected and pointed out in time, it may not be possible for the PAG to make adjustments in the accounts of the year. For this, Heads of Departments should furnish annual reconciliation statements of receipts and expenditure in respect of every financial year to Principal Accountant General (A&E) before 31 May of next year. It was noticed that Chief Electrical Inspector had not submitted annual reconciliation statements for the receipt head of account '0043 Taxes and Duties on Electricity' in respect of the years from 2010-11 to 2014-15. For 2012-13, annual reconciliation statement was furnished to PAG(A&E) on 28 November 2013, after the finalisation of finance accounts. Due to this, difference of ₹ 4.96 crore existed between figures of AG and Department in 2012-13.</p> <p>Secretary to Government, Power Department admitted (January 2016) non-submission of annual reconciliation statements.</p>	<p>• Non submission of annual reconciliation statements</p> <p>Chief Electrical Inspector had not submitted annual reconciliation Statements for the receipt head of account "0043 Taxes and Duties on Electricity" in respect of the years from 2010 - 2011 to 2014 - 2015. Since the remittance particulars are not forwarded by Treasuries, reconciliation of receipts has not been done properly. After the conversion of treasury into e-treasury this issue is resolved for present remittances.</p>
	<p>• Non reconciliation of remittances made through Janasevana Kendrams (JSK)</p> <p>As per Kerala Budget Manual, it was the responsibility of the Drawing and Disbursing Officers (DDOs) to reconcile</p>	<p>• Non reconciliation of remittances made through Janasevana Kendrams (JSK)</p> <p>Monthly details of challan paid in various JSKS and</p>

<p>receipt figures with accounts of the treasury. Receipts of the Department were permitted to be remitted through JSK and challans submitted by applicants were accepted as proof of remittance. JSK remitted their daily collection into District Treasury, Thiruvananthapuram and monthly statements were forwarded to Department.</p> <p>Audit observed that in seven districts covered in audit, ₹ 31.41 crore were remitted through JSK from 2010-11 to 2014-15, but the remittances were not reconciled by DDOs of the Department with treasury figures.</p> <p>Secretary to Government, Power Department admitted (January 2016) that remittances through JSK were not reconciled by Department at present. The reply was silent on the continued non-compliance of provisions of Kerala Budget manual.</p>	<p>details with the data collected from the Jana Sevana Kendram are being received in Electrical Inspectorate. The reconciliation in the Electrical Divisions and Sections have been completed up to 31.03.2023</p>
<ul style="list-style-type: none">• Irregular netting-off electricity duty due to incorrect calculation of Government share of terminal liability <p>As per their orders dated 31 October 2013, State Government permitted KSEBL to retain electricity duty collected from 1 April 2008 to 31 March 2012 as Government share of terminal liability on pension fund of KSEBL. While computing Government share of terminal liability as on 31 October 2013 (date of conversion of KSEBL into company), electricity duty permitted to be retained by KSEBL for the above period was taken as ₹ 1,301 crore instead of actually collected amount of ₹</p>	<ul style="list-style-type: none">• Irregular netting-off electricity duty due to incorrect calculation of Government share of terminal liability <p>As per their orders dated 31 October 2013, State Government permitted KSEBL to retain electricity duty collected from 1 April 2008 to 31 March 2012 as Government share of terminal liability on pension fund of KSEBL.</p> <p>In this regard, KSEBL has reported as follows : "The contention that the inclusion of an amount</p>

	<p>1,522 crore. Non-inclusion of ₹ 221 crore (1,522-1,301) resulted in additional liability of ₹ 122.17 crore to Government. As Government was continuously netting-off electricity duty receivable from KSEBL against amounts payable by it to KSEBL, the incorrect calculation resulted in irregular retention of electricity duty with KSEBL. As on 31 March 2015, Government provisionally netted off ₹ 17.31 crore of electricity duty towards additional liability of ₹ 122.17 crore, which was irregular.</p> <p>Secretary to Government, Power Department did not provide a specific reply on the additional liability caused to Government.</p> <p>Audit also noticed that Government had included ₹ 524 crore (arrears of KWA already netted-off against electricity duty as on 31 March 2008), in calculating additional liability of Government. Government, as per orders dated 3 November 2011, had ordered to provide the amount as budgetary support over a period of 10 years at the rate of ₹ 52.40 crore per year, based on which ₹ 77.40 crore was paid upto 31 March 2015. Ordering budgetary support for an amount which was already netted-off was irregular, due to which the payment of ₹ 77.40 crore was made twice.</p> <p>On compensating ₹ 524 crore separately as budgetary support, Secretary to Government, Power Department stated (January 2016) that the actual amount of duty to be netted-off was ₹ 2,228.31 crore instead of ₹ 2,731.61 crore. The contention was not acceptable as the amount</p>	<p>Rs.524 crore included in the netting off as on 31.03.2008 was again included as the amount receivable from Government on account of writing off dues of Kerala Water Authority vide GO(Rt) No.17/2015/PD dated 13.05.2015 is not proper. It may be noted that Rs.524 crore was netted off as on 31.03.2008 as part of netting off dues between KSE Board and the Government of Kerala. During the reversion of assets and liabilities of KSEB to KSEB Ltd., Government of Kerala vide G.O.(P) No.3/2015/PD dated 28.01.2015 in the second transfer scheme has stated that Rs.524 crore will be provided through budgetary support over a period of 10 years in equal installments to meet the liability of pension fund. This amount was part of funding arrangement of the Pension Master Trust. Even though this amount was transferred from the treasury to the bank account of KSEBL, this amount is utilized for pension payment by transferring the same to the bank account of Pension Master Trust. Hence it could not be considered as amount paid to KSEBL from the Government. In the books of Kerala State Electricity Board Limited Employees Master Pension and Gratuity Trust as on 31.03.2016 amount receivable from KSEB Ltd towards Pensionary benefits booked as Rs.12419 crore as in the G.O(P)No.3/2015/PD dated 28.01.2015, which includes Rs.524 crore.</p>
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	<p>included in the final netting off orders issued in May 2015 for the period upto 31 October 2013 was ₹ 2,731.61 crore.</p>	<p>The minutes of the Meeting convened by the Power Department on the issue of netting off dues between KSEB Board and State Government held on 23.03.2009 is attached herewith. In the minutes, para No.9 it was noted that as per the books of accounts of erstwhile KSE Board the duty payable to Government as on 31.03.2008 was Rs.2228.38 crore. However in the Netting off statement the duty payable to Government as on 31.03.2008, this was taken as 2731.67 crore as audit observation by AG in page 5 vide clause 1.4 of Chapter 1 of its report to Government of Kerala pertaining to Chief Electrical Inspectorate for the year 2007-08. The difference of Rs.503.24 crore may be the interest portion of electricity duty payable to be confirmed at the Government level.</p> <p>The contribution of the Government while forming the pension Master Trust was through funding of 10 year 9% bond of Rs.3751 crore plus interest ie, Rs.5861 crore and budgetary provision of Rs.524 crore over a period of 10 years in equal installments. Out of this Rs.52.4 crore received on 2012-13 and Rs.17.47 crore received before 31.10.2013. Hence balance of Rs.454.13 crore was shown as receivable from the Government of Kerala in the Second transfer scheme</p>
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		<p>vide G.O(P)No.3/2015/PD dated 28.01.2015. When the Pension Master Trust was formed Rs.69.87 crore received by the KSE Board was transferred to the account of Pension Master Trust. It is evident from the books of accounts of Pension Master Trust that the amount to be received from KSEBL as budgetary support was Rs.524 crore. As per the G.O. the amount receivable from the Government of Kerala was shown as Rs.6315.13 crore including Rs.5861 crore, being the amount permitted to retain from the Electricity Duty and the balance amount of Rs.524 crore. From the above it is clear that no excess amount has been paid by the Government to either KSEBL or to the Pension Master Trust."</p> <p>Till 31.10.2023, Electricity Duty was retained by KSEBL against the amount due from Government on account of subsidy, contribution to Master Trust etc. In pursuance of the announcement made in the Budget Speech for 2023-24, Government have issued orders as per SRO NO.1146/2023 dated 01/11/2023 directing the KSEBL to remit Electricity duty to Government directly by dispensing with the system allowed for retention of Electricity duty with KSEBL allowed for 10 years.</p>
	<ul style="list-style-type: none"> • Delayed receipt of Government money due to 	<ul style="list-style-type: none"> • Delayed receipt of Government money due

non-uniform dates for remittance

Licenses collected electricity duty and surcharge from consumers on monthly basis along with energy charges in the same invoice. But Kerala Electricity Duty Rules, 1963 and Kerala Electricity Surcharge (Levy and Collection) Rules, 1992 prescribed non-uniform dates for their remittance into Government account, details of which are as shown in Table-7.8.

Table-7.8

Type of revenue	Period of collection by licenses	Due date for remittance	Maximum period permitted for retention	Delay in receipt of Government moneys
Electricity duty	Monthly	before close of the succeeding month	30 days	15 days ⁵
Surcharge	Monthly	before 15 of the month following each quarter	75/45/15	60 days [#] / 30 days*


⁵ after deducting least of the periods now permitted, i.e. 15 days.

[#] for surcharge collected in the first month of the quarter.


* for surcharge collected in the second month of the

to non-uniform dates for remittance

It is based on the two separate acts. The KED Act 1963 & The electricity surcharge (levy & collection) Act 1989. The electricity duty and surcharge are being collected through 'one and the same invoice but different deadline are fixed for their remittance. The matter of making necessary amendments to the Surcharge Act, 1989 is being examined by the Government.

	<p>quarter.</p> <p>Audit found that by fixing non-uniform dates for remittance of Government revenue collected in the same invoice delayed receipt of Government money by 15 to 60 days and also gave undue benefit to the licensees by way of bank interest due to prolonged retention.</p> <p>Secretary to Government, Power Department did not provide a specific reply in this regard.</p> <p>Recommendation No.5 - Government may :</p> <ul style="list-style-type: none"> • take remedial measures to take care of inspection of lifts and escalators under regulations issued by Central Government and to ensure that MV installation and accounts of licensee are inspected as per periodicity prescribed. • invoke penal provision on licensee not submitting returns • ensure that receipts involved in netting-off with KSEBL were included in Government accounts and • ensure that remittances through JSK are reconciled as per Kerala Budget Manual. <p style="text-align: right;">  P. R. E. E. L. H. C. S. Joint Secretary Power Department Govt. Secretariat Thiruvananthapuram </p>	<p>Earnest effort will be made to regularize the inspections as per periodicity prescribed in the regulations. The vacancies of Assistant Electrical Inspectors were filled in May 2017. Also to reduce shortfall in lift inspection an Adalath was conducted during 10.11.2022 to 09.02.2023. The inspection target is achieved now.</p> <p>For energisation of lifts and escalators, Certificate from Electrical Inspector is mandatory as per the provisions of the Kerala Electricity Supply Code. The matter of non submission of returns was taken up with the licensees and they have started sending the return on time.</p> <p>Regarding the penal provision on licensee not submitting returns, it is informed that KSEBL had submitted quarterly surcharge returns and Annual duty return upto Financial Year 2021-22. Provisional</p>
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		<p>quarterly returns for the Financial Year 2022-23 has also been submitted.</p> <p>The matter of netting off the duty is under the consideration of Government.</p> <p>Government have already issued orders as per SRO NO.1146/2023 dated 01/11/2023 directing the KSEBL to remit Electricity duty to Government directly by dispensing with the system allowed for retention of Electricity duty with KSEBL allowed for 10 years. The Government is in the process of reconciling figures of electricity duty retained by KSEBL and amounts payable to KSEBL by Government.</p> <p>Monthly details of challan paid in various JSKS and details with the data collected from the Jana Sevaha Kendram are being received in Electrical Inspectorate. The reconciliation in the Electrical Divisions and Sections have been completed upto 31.03.2023.</p>
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 Joint Secretary
 Power Department
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