



# GUIDELINES

# REVAMPED REFORMS- LINKED RESULTS-BASED DISTRIBUTION SECTOR SCHEME



Nodal Agency



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## Chapter I – Introduction

1.1 A well-functioning electricity infrastructure is essential for the success of a modern economy. 24x7 availability of reliable, quality and affordable power is key to economic development of the country. Power sector has witnessed tremendous growth over the past five years in generation, transmission and universal access of electricity. India is surplus in power generation today. The continued progress in inter-state and intra-state transmission network has removed transmission bottlenecks and created sufficient transmission capacity to transmit electricity generated from one region to another.

1.2 In the Distribution Sector, Government of India has been assisting the States / Distribution Companies (DISCOMs) through various schemes since 2014, namely Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY); Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA); and Integrated Power Development Scheme (IPDS). The Distribution system has been strengthened under DDUGJY and IPDS in rural and urban areas respectively. As a result of the implementation of these schemes, India has achieved universal electricity access by connecting ~28 million households in 18 months under Saubhagya. This was the largest expansion of access anywhere in the world in such a time frame.

1.3 Implementation of these schemes has also resulted in improved access to electricity. An independent survey shows that an average Indian household gets almost 20.6 hours of power supply every day, with urban areas getting 22 hours and rural areas getting 20 hours. Steps have also been taken for automation and use of Information Technology (IT) in distribution sector under IPDS and R-APDRP which includes the establishment of Data Centers, GIS mapping of consumers, Asset Mapping, Online energy auditing & accounting, Consumer care centers, AMR meters on feeders & Distribution Transformers, provision of Smart Metering to reduce losses etc. in urban areas.

1.4 Despite the above measures, consumers do not get reliable 24x7 electricity in many parts of the country. Average Technical and Commercial (AT&C) losses and consequently the Average Cost of Supply-Average Revenue Realized (ACS-ARR) gap continue to be high. This sub optimal performance of the distribution sector is due to structural deficiencies and weak infrastructure. The DISCOMs need to focus on improving their operational efficiencies & financial sustainability; and improve consumer services to be able to meet the desired consumer service standards.

1.5 The above requires large scale reforms in Distribution Sector through schemes that would nudge DISCOMs into undertaking required reforms so as to make them financially sustainable and operationally efficient.

1.6 It is with this aim and the Government of India's commitment for providing 24x7 uninterrupted, quality, reliable and affordable power supply, **that the Revamped Reforms Based and Results Linked Distribution Sector Scheme has been formulated by Ministry of Power for supporting DISCOMs to undertake reforms and improve performance in a time bound manner.**

1.7 The Revamped Reforms-based and Results-linked, Distribution Sector Scheme seeks to improve the operational efficiencies and financial sustainability, by providing conditional financial assistance to DISCOMs for strengthening of supply infrastructure based on meeting pre-qualifying criteria and achieving basic minimum benchmarks.

1.8 The Revamped Distribution Sector Scheme has the following parts:

- (i) **Part A - Metering & Distribution Infrastructure Works:** Facilitating in installing smart prepaid meters for all consumers, communicable meters integrated with AMI for all DTs & Feeders and a unified billing and collection system; Feeder Segregation, AB cables installation, SCADA and DMS in urban areas and regular distribution infrastructure creation and strengthening works in all areas.
- (ii) **Part B - Training & Capacity Building and other Enabling & Supporting Activities:** Supporting and enabling components, such as Nodal Agency fee, enabling components of MoP (communication plan, consumer awareness and other associated measures such as third-party evaluation etc), up-gradation of Smart Grid Knowledge Centre, training and capacity building, awards and recognitions etc.

**Ongoing approved projects:** Schemes of IPDS, DDUGJY along with PMDP-2015 for the erstwhile State of Jammu & Kashmir are being subsumed in this scheme to be implemented as per their extant guidelines and under their existing terms & conditions. No new projects will be sanctioned under these schemes but projects already sanctioned under IPDS & DDUGJY will be eligible to receive funds upto 31st March 2022 in this scheme. However, projects sanctioned for Ayodhya, Uttar Pradesh under IPDS and also projects sanctioned under PMDP 2015 will get funds till 31st March 2023.

1.9 Revamped Reforms based and Results Linked Distribution Sector Scheme will have an outlay of **Rs.3,03,758 crore** with an estimated **GBS** from Central Government of **Rs.97,631 crore**.

1.10 Office Memorandum ..... issued by the Ministry of Power in respect of Reforms based and Results Linked Distribution Sector Scheme is enclosed as **Annexure-I**.

1.11 These guidelines shall be applicable for the parts 1.8 (i) & (ii) of the scheme. The existing operational Guidelines/ Standard documents/ procedures shall continue to prevail for implementation of projects sanctioned under DDUGJY, IPDS & PMDP.

## Chapter II - Objectives, Eligible Works and Eligible Entities

### 2.1 Objectives:

The objectives of the scheme are:

- Improve the quality, reliability and affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector.
- Reduce the AT&C losses<sup>1</sup> to pan-India levels of 12-15% by 2024-25;
- Reduce ACS-ARR<sup>2</sup> gap to zero by 2024-25.

It is clarified that the above are the national targets. The state-wise targets will depend on their current levels of AT&C losses and ACS-ARR gap.

### 2.2 Parts of the Scheme:

#### Part A:

Component I: Metering

Component II: Distribution Infrastructure Works

Component III: Project Management

**Part B:** Training, Capacity Building and other Enabling & Supporting Activities.

### 2.3 Eligible Works and Activities under Part A

#### 2.3.1 Component I of Part A – Metering

- i) Elimination of human interface in metering, billing and collection is essential to reduce AT&C losses. To eliminate human interface, an end-to-end technological solution of Advanced Metering Infrastructure (AMI), covering the distribution system is proposed.
- ii) 100% Consumer metering including agriculture consumers shall be covered through prepaid or smart prepaid mode. 100% communicable DT & Feeder Metering with AMI is to be taken up, so as to enable Energy Accounting.
- iii) Existing Feeder Online Monitoring System will be integrated within the AMI system. Unmetered Feeders will be metered and made online. Feeder meters, if not already online, will be made online under the scheme. Existing non communicable DT meters shall also be replaced with communicable meters and integrated with AMI. The new DT

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<sup>1</sup> AT&C losses will be calculated by Power Finance Corporation on basis of the latest approved formula on figures taken from annual audited accounts of Utilities.

<sup>2</sup> ACS-ARR gap for the purpose will be calculated by Power Finance Corporation on subsidy received basis duly adjusted for UDAY grants, and regulatory incomes, if any. For the purpose of such calculations, the immediate preceding available annual audited accounts of the Utilities for the previous year will be considered. In case the DISCOMs fail to provide the same within stipulated timelines of the following year, the DISCOMs concerned would not be eligible for receipt of grant for that year.

meters or those being replaced shall be installed in TOTEX mode and shall be communicable.

- iv) Funding under this Part will be available only if the DISCOM agrees to the operation of pre-paid meters or smart meters in prepayment mode for consumers, and in accordance with the uniform approach indicated by the Central Government.
- v) All DISCOMs that have initiated their smart metering tenders after 1<sup>st</sup> January, 2020 will be eligible for funding, only if the prepaid smart metering works are done in TOTEX mode.

### **2.3.2 Component II of Part A- Distribution Infrastructure Works**

Under this component, Discom can take up works related to technical loss reduction and system strengthening. A list of indicative works are given below:

- (i) Augmentation of Substations
- (ii) Provision of Armoured / Aerial bunched Cables (ABC) in high loss areas
- (iii) Segregation / Bifurcation of feeders and other allied works
- (iv) Replacement of conductors, which are old/frayed
- (v) Additional HT lines to improve quality of supply
- (vi) IT/OT enablement works, Supervisory Control and Data Acquisition (SCADA) in all urban areas; and DMS in 100 urban centres above the population of 2.75 lakhs as per urban census 2011
- (vii) Works like new feeders, capacitors, etc for loss reduction
- (viii) High Voltage Distribution System (HVDS) in high loss areas
- (ix) Distribution Works for system strengthening

Segregation of feeders dedicated only for supply of power for agricultural purpose, which are proposed to be solarized under Kisan Urja Suraksha Evam Utthan Mahabhiyan (KUSUM) scheme will be sanctioned on priority under the scheme. Further, feeders once segregated will not be used for serving other than agricultural loads.

### **2.3.3 Component III of Part A- Project Management**

Project Management Agency (PMA) shall be appointed by each DISCOM for project management related activities.

## **2.4 Eligible entities for Part A:**

All State owned Distribution companies (DISCOMs) and State /UT Power Departments (referred to as Utilities) and excluding private sector power utilities will be eligible for financial assistance under the revamped scheme. The scheme would be optional to DISCOMs and will be implemented in urban and rural areas of all States/UTs except private DISCOMs.

## **2.5 Part B - Training, Capacity Building and other Enabling & Supporting Activities**

Part B focuses on the softer parts – up-gradation of human skills; process improvements; Nodal Agency fee, enabling components of MoP (communication plan, consumer awareness and other associated measures such as third-party evaluation etc), up-gradation of Smart Grid Knowledge Centre, training and capacity building, awards and recognitions etc.

## **Chapter-III- Project Formulation and Approval**

### **3.1 Formulation of Action Plan**

Applicant DISCOM will prepare an Action plan for strengthening its distribution system and to improve its performance by way of various reform measures, which would result in improvement in their operational efficiency and financial viability as well as improve the quality and reliability of power supply to the consumers. Accordingly, the action plan will consist of 3 parts:

- i) Part I - Metering & Distribution Infrastructure Works
- ii) Part II - Reform measures for financial viability
- iii) Part III - Results, Outcomes and Evaluation

#### **3.1.1 Action Plan Part I – Metering and Distribution Infrastructure Works**

DISCOM will spell out major works for components of Part A of the scheme, namely metering and distribution infrastructure works along-with their estimated cost.

Distribution infrastructure works that are required for AT&C loss reduction shall be given priority. Further, works for improving the quality and reliability of the power supply can also be taken up. The indicative list of works that can be taken up has been detailed in Chapter II (2.2.2).

The timelines within which the metering activities need to be completed are as under:

Metering of Feeder and DTs (other than Agriculture DTs): June 2023  
Metering of Agriculture DTs: March 2025  
Pre paid Metering of Consumers: March 2025

#### **3.1.2 Action Plan Part II - Reform measures for financial viability**

This part will contain the analysis of the reasons for losses and describe the measures that will be taken for the reduction of AT&C losses and ACS-ARR gap, along-with the time frame for taking up these measures. DISCOM will specify activities and reforms required to improve their performance in this part of the action plan.

These activities and reform measures will be finalized on basis of its operational and financial data and will be worked out to address Discom-specific problems. For example, if AT&C losses in the Discom are high, then root cause analysis, solutions proposed to be undertaken to address each of such causes and AT&C losses reduction trajectory should be indicated in the Action Plan.

Similarly, if the ACS-ARR gap is high, the reasons and activities to reduce the gap along with the trajectory for gap reduction need to be a part of the Action Plan. Likewise, all other problems impacting viability should be

addressed in the Action plan Part-II.

An indicative list of reforms / activities are given below:

- (i) Putting in place a mechanism to ensure that the Government Departments pay for the for electricity consumed, promptly
- (ii) Putting in place a mechanism for ensuring that the consumption by the subsidized categories is accounted for properly and released to the DISCOM in advance as mandated by Section 65 of the Electricity Act 2003, which will be credited to the consumer account maintained by the DISCOM. Subsidy delivery must be targeted via Direct Benefit Transfer (DBT) for improvement in accountability
- (iii) Tariff reforms, including annual tariff fixation, rationalization of consumer categories, and no Regulatory Assets to be created
- (iv) Progression towards cost reflective tariffs, including timely filing of tariff petitions, MYT and timely issuance of tariff orders
- (v) Preparation of and adherence to a roadmap for funding accumulated and current financial losses and clearance of part or whole of regulatory assets through tariff or state funding.
- (vi) Corporate Governance reforms, Operation of part or whole area of supply of DISCOM through private participation or through CPSUs/JVs of CPSUs
- (vii) Distribution Franchisee arrangements in some areas of DISCOM
- (viii) Setting up electricity police stations in line with the provisions of the Electricity Act, 2003
- (ix) Training and Capacity Building of existing manpower, Creation of IT wing within DISCOM for management of IT/OT services or engaging knowledge partners / consultants for the same.
- (x) Laying down, publishing, and reporting of a monthly system of energy audits
- (xi) Compliance of RPO trajectories
- (xii) Publication of quarterly audited/unaudited reports in a standardized format circulated by PFC. Quarterly and Annual Accounts of DISCOMs need to explicitly include details of subsidy and Govt. Dept. dues. The annual accounts of the previous year would be published by DISCOMs latest by September 30th of the current year.
- (xiii) Initiation of performance linked transfer policy for DISCOM staff
- (xiv) Any other activity which serves to achieve the objective of the scheme.

The part should inter-alia lay down the road map for bringing down AT&C losses and reducing ACS-ARR gap to zero by 2024-25 and project the requirement of financial support required from the State Government towards payment of Government dues and subsidies each year for the entire scheme duration. Recognizing the fact that every Discom has its own set of problems, the plan should be tailor-made to each Discom's requirements with a mapping of the problems and solutions clearly demarcated.



### 3.1.3 Action Plan Part III – Results, Outcomes and Evaluation

- The baseline data related to AT&C losses, ACS-ARR gap and other parameters, shall pertain to the base year FY 2019-20 (as applicable), on the basis of the audited annual accounts.
- Based on the action plan parts I and II, outcome and output parameters along with their year-wise targets with respect to the baseline data, weightage and marks shall be spelt out in this part in the form of a Results Evaluation Matrix. The details of results evaluation framework are given in Chapter V.

3.1.4 The Action plan will be formulated by the DISCOM in consultation with the Nodal Agency/Ministry of Power. The action plan will be submitted by the DISCOM to the Nodal agency on the recommendation of the Distribution Reforms Committee (DRC)<sup>3</sup> and with the approval of the State Cabinet.

3.1.5 The State Cabinet approval shall include a decision that in case the Discom is found ineligible as per the Results Evaluation Framework, then the consequent gap in funding required to complete the project will be met by the Discom/State Government.

## 3.2 DPR Formulation

DPRs will be prepared by the applicant Discom with details of the works to be undertaken along with the estimated cost as per Action Plan Part I. DPR, with approval of DRC and in accordance with Action Plan approved by State Cabinet, shall be submitted by the Discoms to the Nodal Agency.

### 3.2.1 Component I of Part A - Metering

A single DPR may be prepared for all Consumer metering works. DT and Feeder metering works may be included in the same or submitted as separate DPRs. Discoms may decide the phasing of implementation based on the cost benefit analysis.

### 3.2.2 Component II of Part A - Distribution Infrastructure Works

3.2.3 DPR has to be formulated to cover the following works on the basis of priority as outlined below:

- Priority 1 (Works leading to Loss Reduction):** Armoured Cabling, AB Cables, Feeder Bifurcation, Feeder Segregation etc

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<sup>3</sup>All States have already set up Distribution Reforms Committee (DRCs), which have been according approvals to the projects proposed by DISCOMs under scheme like IPDS to the Nodal Agency for approval. The same has been detailed in Chapter 4 (4.2)

- ii. **Priority 2 (Works leading to System Strengthening):** Augmentation and Renovation & Modernisation of Substations & lines, new substations and lines etc

3.2.4 The DPR shall be made in two parts. DPR Part I shall be for 50% of eligible project cost, which shall include works as per Priority 1. DPR Part II shall be 50% of eligible project cost, which shall include works as per Priority 2.

3.2.5 In case the distribution losses are low (less than 12% in the base year), then the DISCOM may allocate more funds to System Strengthening works, with suitable justification and details.

### **3.3 Component III: Project Management:**

A Project Management Agency (PMA) shall be appointed by each DISCOM for project management. The scope of PMA may include preparation of DPR, tender documents, awarding, monitoring, quality assurance, material inspection, results evaluation or any other aspect as decided by the Discom. The PMA charges will form part of the Project cost of both Components I and II which will be restricted upto 1% of the cost. PMA charges over and above the permitted amount shall be borne by the respective Discom / State government.

### **3.4 Approval of Action Plan and DPRs**

3.4.1 The Action Plan, DPR for metering component and DPR Part I & Part II for Distribution Infrastructure Works, shall be submitted to the Nodal Agency by September 2021.

3.4.2 The Action Plan and DPRs for Metering and Part-I of Distribution Infrastructure works shall be scrutinised by the Nodal Agency and approved by the Monitoring Committee with such modifications, as are necessary to achieve the objectives of the Scheme. However, DPR part-II shall be sanctioned, subject to Discom becoming eligible in the evaluation for the year 2021-22 to be carried out in FY 2022-23.

3.4.3 If Discom does not submit the Action Plan, DPR for metering component and DPR Part I and Part II for distribution Infrastructure works by September 2021, then its total eligible sanction amount may be restricted to 50%.

## Chapter IV- Project Implementation

**4.1 Nodal agency:** REC and PFC have been designated as Nodal agency for the scheme. The states have been allocated between both organisations as stated in Annexure-II. All works relating to these states right from sanction to closure shall be the responsibility of the concerned organisations.

**4.2 Distribution Reforms Committee:** All States have already set up Distribution Reforms Committee (DRCs), which have been according approvals to the projects proposed by DISCOMs under scheme like IPDS to the Nodal Agency for approval. The DRC shall be chaired by Secretary (Energy). The members of the Committee shall be Secretary (Finance) or his representative, Secretary (Land Revenue) or his representative and Secretary (Forest and Environment) or his representative.

**4.3. Eligible Cost for determining grant:** The project cost approved by the Monitoring Committee or actual cost incurred, whichever is less, shall be the eligible cost for determining the grant under the scheme. Any cost overrun after approval of the project (by Monitoring Committee) due to any reason whatsoever shall not be eligible for any grant and shall be borne by the Discom/respective State Government. The eligible project cost shall include cost of all components required for implementing the project including all taxes (State, Central, local etc). and all fees like forest clearance, highway and railway crossing fee etc. The project cost shall however not include the cost of land.

**4.4. Tripartite agreement:** A tripartite agreement will be signed among the State Government, DISCOM and Central Government (or Nodal agency on behalf of Central Government) for undertaking and agreeing to their stipulated roles and responsibilities as per provisions of the scheme guidelines. Amongst other clauses, the agreement will also include a clause that performance (i.e., pre-qualification criteria) of the DISCOMs in the revamped Distribution scheme would be considered for any counterpart-financing under this scheme as well as any works beyond the scope of this scheme by PFC, REC, Banks/FI's and Multilateral Development Banks. In case of state power departments, the agreement shall be bipartite.

**4.4.1** Further, the tripartite agreement may also include a provision that in case loan component of the project cost is funded by the NBFCs under MoP, the loan shall be secured through TPA (Tri-partite Agreement) arrangement among Government of India, the State Government and the RBI by making suitable amendments to the same. Thus, in case of default, the due payments can also be recovered through RBI.

### **4.5 Mode of Implementation:**

**4.5.1 Metering:** These projects shall be implemented in TOTEX mode with the following options:

- (i) Installation and commissioning of meters and cost recoveries in equated monthly instalments by PPP or implementation partner (or service provider) with no upfront payment by Discom.
- (ii) Some upfront payment shall be made to the service provider upon installation and commissioning of the meters, with the rest of the recoveries made through

equated monthly instalments over the project period.

**4.5.2 Distribution infrastructure works:** The projects shall be implemented normally on turnkey basis. However, certain works may be taken up on partial turnkey basis or departmentally with the approval of DRC and consent of Nodal Agency. The reasons for the change shall be recorded.

#### **4.6 Standard Bidding Document:**

- (i) The NSGM has issued Standard Bidding Document (SBD) for selection of AMI service provider to bring uniformity of approach for implementation of smart consumer metering solution across the country, which shall be followed by the utilities. For other works, one of the nodal agency shall circulate Standard Bidding Document (SBD).
- (ii) The Discom may make changes in the SBDs, while retaining its basic structure and essence, with the approval of DRC and consent of Nodal Agency.
- (iii) For metering, Standardization Testing and Quality Certification (STQC) & Cyber security aspects have to be mandatorily included in the contract, while following Government of India's stipulations related to source of procurement

#### **4.7 Make in India initiatives:**

Keeping in view the aims and objectives of AtmaNirbhar Bharat Abhiyan, Ministry of Power has issued Public Procurement (Preference to Make in India) for Purchase Preference (linked with local content) Order in respect of Power Sector on 28.7.2020. This order is in line with the DPIIT Notification No.P-45021/2/2017-PP(BE-II) dated 4th June,2020. This order along-with amendments, if any, from time to time, shall be followed by the Discoms in the implementation of the scheme.

#### **4.8 Implementation Period:**

4.8.1 The base year for fixing of targets will be FY 2019-20. If however, the Audited financial results for FY 2020-21 becomes available before submitting the proposal to the Nodal Agency, the base year shall be FY 2020-21. Accordingly, DISCOMs are expected to approach Ministry of Power / Nodal agency with their Action Plan and DPRs based on the audited Annual Accounts, with targeted outcomes for FY 2021-22, FY 2022-23, 2023-24 and 2024-25. There shall be no sanctions after 31.03.2023.

4.8.2 The sunset date for the scheme will be 31.03.2026, beyond which no Central Government funds will be released.

4.8.3 As sunset of the scheme is already defined and disbursement of grant is based on progress and corresponding achievement of targets, it is in the interest of the DISCOMs to complete the projects expeditiously to avail the benefits under the Scheme

**4.9 MIS:** A web portal shall be developed by the Nodal Agency for submission of Action Plan & DPRs, Results evaluation framework, physical & financial progress, quality reports etc and also for generation of MIS reports. The portal will enable seamless flow of data and ensure availability of information to all concerned. Compliance to Data Governance Quality Index shall be appropriately taken care of while developing the portal.

#### **4.10 Completion of the project**

Nodal agency shall approve the project closure. A Project completion certificate, recommended and forwarded by State Energy Department shall be submitted after completion of scheme, which shall consist of:

- (i) Details of major assets created along with actual cost incurred for the project
- (ii) Utilization certificate for grant disbursed
- (iii) Certificate of receipts and expenditure of the project certified by a Chartered Accountant
- (iv) Confirmation of remittance of unutilized grant to the Gol account
- (v) Confirmation that Interest earned on grant disbursed has been remitted to Gol account
- (vi) PMA report on completion containing major works, and details of quality of works and compliance to quality observations.

## Chapter- V – Results Evaluation Framework

5.1 Based on the agreed upon action plan of the State, a Results evaluation framework would be formulated incorporating result parameters and trajectories. The results evaluation framework would have two components (i) Pre-qualifying criteria; and (ii) Result evaluation matrix.

5.1.1 The sanction of DPR Part II and release of grant for the Distribution Infrastructure works will be based on the DISCOM meeting the pre-qualifying criteria and achieving the specified marks in Result Evaluation Matrix.

### 5.2 Pre-Qualification Criteria

5.2.1 The following pre-qualifying criteria must be mandatorily met by the DISCOM before it is evaluated on the basis of the Result Evaluation Matrix.

- i. DISCOM has published quarterly un-audited accounts within 60 days of the end of each quarter during first two years of operation of the scheme (i.e. for FY 2021-22 and FY 2022-23) and thereafter audited quarterly accounts within 45 days from 3<sup>rd</sup> year onwards.
- ii. Further, DISCOM has published audited annual accounts by end of December of the following year during first two years of operation of the scheme (i.e. for FY 2021-22 and FY 2022-23) and thereafter audited annual accounts by end of September of the following year from 3<sup>rd</sup> year onwards.
- iii. DISCOM has ensured that no new Regulatory Assets has been created in latest tariff determination cycle.
- iv. State Government has made 100% payment of subsidy for the previous year and advance payment of subsidy up to current period in line with section 65 of EA2003 and has agreed to pay subsidy arrears, if any by the end of the project period.
- v. All Government Department/ Attached Offices/ Local Bodies have made 100% payment of current electricity dues for the year under evaluation.
- vi. No. of days Payables to Creditors for the year under evaluation is equal to or less than the projected trajectory as per results evaluation framework.
- vii. Tariff order for the current year in which evaluation is being done and true up of penultimate year has been issued and implemented w.e.f. 1<sup>st</sup> April of current FY. The tariff order must clearly specify the tariff without subsidy for different consumer categories and the State Government may separately notify the per unit and/or per KW subsidy payable to the respective consumer categories with the consumer bill clearly reflecting separately the tariff being charged and the subsidy being given by the State Government

5.2.2 All parameters as above required for evaluation viz. regulatory asset values as per tariff order, state government subsidy received details, dues of Government departments, and number of days payables to creditors will mandatorily form a part of the Notes to the audited annual accounts of the Discoms.

## 5.3 Results Evaluation Matrix

5.3.1 Prequalified Discoms shall be assessed on a results evaluation matrix, agreed as part of Action Plan, comprising of four basic categories as below:

Sr. No.	Category	Weightage
1.	Financial Sustainability	60
2.	Outcome of infrastructure Works	20
3.	Infrastructure Works	10
4.	Policy & Structural Reforms, Capacity Building and IT/OT Enablement	10
	Total	100

5.3.2 Recognizing that the year-wise emphasis on desired outcomes could be different, the maximum marks to individual result parameters may vary for every year of evaluation. The result evaluation matrix will be different for each DISCOM and will be fixed for each year based on the cumulative as well as annual performance.

5.3.3 While the weightage of parameters related to Financial Sustainability shall remain at least 60%, variations specific to the needs of the States/DISCOMs for other categories may be made with the approval of the Monitoring Committee.

5.3.4 Within each of the above four categories, individual parameters will be decided as per the requirements of the DISCOM. Maximum marks and agreed targets may be assigned to each parameter in the matrix, based on agreed priority/significance towards achieving the objectives of the scheme.

5.3.5 Evaluation of parameters relating to financial accounts shall be based on audited quarterly/annual accounts.

5.3.6 Result Evaluation matrix may be modified, if required, to include a smaller number of parameters and to exclude those included in the pre-qualifying criteria to avoid duplication and to make the Result Evaluation matrix simple.

5.3.7 For qualifying in the Result Evaluation Matrix, a DISCOM needs to score a minimum of 60 marks.

### 5.3.8 Illustrative Results Evaluation Matrix

S.No	Result Parameter	Weightage	Base year (2019-20) values	Evaluation of cumulative improvement from base year upto year under evaluation			
				Maximum Marks	Target	Achievement	Score
A	Financial Stability	60					
	ACS-ARR Gap (Rs/unit)			30			
	AT&C loss %			20			
	Liquidation of opening arrears of subsidy (Rs. Cr)			15			



	Liquidation of Govt dept dues(Rs.cr)			10			
	No. of creditor days			10			
	No. of debtor days			5			
	Unliquidated regulatory assets (% reduction from base value)			10			
	<b>Total</b>			<b>100</b>			<b>Σ Score</b>
<b>B</b>	<b>Outcomes of Infra works</b>	20					
	Hours of supply (Rural)			35			
	Hours of supply (Urban)			35			
	SAIFI			20			
	DT Failure rate			10			
	<b>Total</b>			<b>100</b>			<b>Σ Score</b>
<b>C</b>	<b>Progress of works under the Part A of the scheme</b>	10					
	% DT meters			50			
	Feeder Separation			10			
	AB cable replacement			10			
	% consumers with prepaid smart meters			10			
	% govt depts with prepaid smart meters			10			
	SCADA-			5			
	ERP			5			
	<b>Total</b>			<b>100</b>			<b>Σ Score</b>
<b>D</b>	<b>Policy and Structural Reforms</b>	10					
	Training			10			
	Corp Governance			10			
	Tariff reforms			15			
	DBT			15			
	Energy audit			20			
	Consumer rights			10			
	Adoption of PPP mode			10			
	Operational Rating			10			
	<b>Total</b>			<b>100</b>			<b>Σ Score</b>

5.3.8 The milestones against the parameters may be assigned based on the works planned as per the action plan. If the agreed milestone of respective parameters is met or exceeded, full marks corresponding to that parameter shall be given. If however, there is an underachievement with respect to any parameter, then the marks shall be proportionately reduced. If the parameter remains the same or deteriorates then no mark shall be given.



## Chapter -VI – Scheme Outlay, Funding pattern & Grant release

### 6.1 Scheme Outlay and funding pattern

6.1.1 The estimated outlay for the scheme is Rs 3,03,758 crore with an estimated grant from Central Government of Rs 97,631 crore. Broad details including funding pattern are as below:

S.No	Item Description	Quantity	Outlay (Rs. Crore)	GBS % (Max)	GBS (Rs. Crore)
A-1	Prepaid Smart metering solution including at consumer, DT, and feeder level including integration of existing infrastructure	25 crore	1,50,000	15% (limited upto Rs.900 per meter for Consumer metering)	22,500
A-2	Other costs including encumbrance free standardized billing modules for all states, data management, data analytics, and support to implementation etc.	Lumpsum	800	100%	800
Sub-Total: Part A – Funding for Smart metering			1,50,800		23,300
A-3 to A-6	Distribution Infrastructure works including SCADA, DMS, AB cables, feeder segregation etc.		1,51,528	60% or 90% as the case may be	73301
B1-B4	Part-B		1430	100%	1030*
Total			3,03,758		97631

6.1.2 For Distribution Infrastructure Works, the states have been categorized in two groups for determining the quantum of grant-

(i) Special Category States (All North Eastern States including Sikkim and States/Union Territories of Jammu & Kashmir, Ladakh, Himachal Pradesh, Uttarakhand, Andaman & Nicobar Islands, and Lakshadweep) will be eligible for 90% grant and

(ii) other than Special Category States (all other States) will be eligible for 60%.

6.1.3 Under Part A, the estimated outlay of Rs 1,50,000 Crores is the overall project cost for consumer metering, feeder and DT metering to be carried out in TOTEX mode. It is expected that the DISCOM will be able to fund 85% of the costs due to improvement in billing and collection as a result of prepaid metering. This component is self-financing. State Government/DISCOM may also provide Budgetary support in TOTEX mode, including in hybrid mode. Since the implementation of the metering scheme is proposed through PPP on TOTEX (CAPEX+OPEX) mode, even the DISCOM will not have to pay upfront for the capital expenditure. The scheme envisages the PPP partner to provide metering services in DBFOOT (Design Build Fund Own Operate & Transfer) or similar such modes, which includes funding as well.

6.1.4 For other works under Part A, counterpart funding will be provided by the DISCOM/ State Government. DISCOM can raise funds from PFC, REC, Banks and other Financial Institutions. Further, the counterpart funding from Bilateral/Multilateral funding agencies can also be leveraged, in which case, the Ministry of Finance will extend the benefits of reduced Government guarantee fee to the DISCOM/State Government concerned.

6.1.5 For Project Management, the charges shall be permitted upto 1% of the project cost for both components of Part-A. The grant eligible for the same shall be 60% for other than special category states and 90% for special category states.

## **6.2 Release of grant for Metering and Distribution Infrastructure Works:**

### **6.2.1 Metering:**

- The Government of India grant will be 15% of the cost per meter, subject to the maximum of Rs. 900/meter for Consumer metering in TOTEX mode.
- The Government of India grant will be 15% of the cost per meter for DT & Feeder metering in TOTEX mode.
- The releases related to Metering will be made post demonstration of one successful bill recharge in case of consumer meters and successful communication with server in case of DT & Feeder meters.
- The DISCOM can claim the grant funds in phased manner for every 5% of meters commissioned as above against total number of meters awarded under the scheme.

### **6.2.2 Distribution Infrastructure Works:**

#### **Phase I:**

After approval of the DPR Part I, Discom will become eligible for 10% of the amount sanctioned as advance (10% of 50% of the Distribution Infrastructure Works), 5% on sanction and further 5% on award of works.

#### **Phase II:**

- The Discom shall be evaluated in FY 2022-23 for the achievement of the targets as per the Action Plan for FY 2021-22 and if it qualifies, then,
  - It will become eligible cumulatively for release of 30% of project cost of DPR Part I and
  - It will become eligible for release of 30% of project cost for DPR Part II, which shall include 10% advance on sanction and 20% on award of works.

#### **Phase III:**

The Discom shall be evaluated in FY 2023-24 for the achievement of the targets as per the Action Plan for the FY 2022-23, and if it qualifies, then it will become eligible cumulatively for release of 60% of project cost of DPR Part I & II

## **Phase IV:**

The Discom shall be evaluated in FY 2024-25 for the achievement of the targets as per the Action Plan for the FY 2023-24 and if it qualifies, then it will become cumulatively eligible for release of 100% of project cost of DPR Part I & II.

6.2.3 If a Discom achieves the targets as per Action Plan of any previous FY in a subsequent year, then it shall be eligible for release pertaining to that FY.

6.2.4 If by the end of year 2025-26, a DISCOM is unable to get any fund released, the initial advance of 10% will have to be refunded by the DISCOM.

### **6.3 General Conditions of release of grants (for Part-A- Infrastructure portion)**

The grant (other than advance) shall be released to Discoms, which have been found eligible as above, subject to the following conditions:

- (i) Execution of Tripartite / Bipartite agreement (required before release of advance)
- (ii) Submission of PMA Report
- (iii) Satisfying all pre-qualification Criteria for the year under evaluation
- (iv) Scoring the eligibility marks in the evaluation against results evaluation matrix for the year under evaluation.
- (v) Certificate from Discom regarding utilization of grant already released
- (vi) Certificate regarding receipts and expenditure on the project certified by a Chartered Accountant.
- (vii) Physical and financial (grant and counterpart funding) progress report
- (viii) Arrangement for counter-part funding shall be demonstrated (loan / Discom's own resources / State Government funding)

### **6.4 Release of grant for PMA**

Grant for PMA for both components of Part-A shall be released, subject to the following conditions:

- (i) Releases will be made as per sanction cost or award cost, whichever is lower
- (ii) Releases will be made in the month of March, every year.
- (iii) 10% shall be released as advance in the Year of sanction
- (iv) 30% shall be released each year subsequent to the sanction year
- (v) Subsequent releases shall be subject to utilization certificate of the previous releases

### **6.5 Loan Disbursement**

6.5.1 The Discom can avail loan from any Bank/FI or multilateral financial institutions. The loan may be drawn at any stage of the project, whenever grant funds are not available to meet the obligations of the project . After grant is

disbursed, the Discom may prepay the loan component to the extent of the grant disbursed, for which no prepayment shall be levied in case of REC or PFC loan.

6.5.2 The performance of the DISCOMs in the scheme would be taken into account for any financing out of the scope of this scheme by PFC, REC, Banks/FI's and Multilateral Development Banks.

6.5.3 The loan sanction term shall also contain a clause that loans prepaid out of Gol grant shall not attract prepayment penalty.

## **6.6 Fund Management by Nodal agency**

Nodal Agency shall adopt Corporate Internet Banking (CINB) and all payments shall be made directly to the Discom's dedicated bank account.

## **6.7 Fund Management by Discom**

6.7.1 Discom shall adopt CINB. All project related payments to the contractors (and others) by Discom shall be done directly from the dedicated bank account through e-banking only. Discom shall open any other bank account(s) under the scheme. Nodal agency shall have the view right of Discom account. The nature of the account shall be current account with CLTD (Corporate Liquid Term Deposit) facility.

6.7.2 Any interest earned on capital subsidy/grant shall be remitted to Ministry of Power's bank account on regular basis and at least once in a quarter.

6.7.3 Since capital subsidy/grant under the scheme is Govt. of India money and Utilities are only the custodian of that fund, the Utilities shall take necessary steps to seek exemption from Income Tax Department regarding deduction of Tax at Source by the bank on interest accrued on un-utilized fund under the scheme. However, in case of deduction of TDS by bank, the Utilities shall claim refund of the deducted amount from Income Tax Department directly while filing annual tax return and remit it to Ministry of Power's account.

6.7.4 The Discom shall ensure that funds released under the scheme is utilized for the purpose for which it is released and will not be diverted for any other purposes other than scheme whatsoever. In case of any breach or deviation further release of funds shall be stopped.

6.7.5 The Discom shall ensure that fund shall not be invested in any other bank/branch, whether for short term or medium term, including fixed deposits.

## **6.8 Utilization Certificate**

Discom shall submit utilization certificates (UC) for the funds released during the financial year and the utilization thereof in prescribed format latest by 30<sup>th</sup> April of succeeding year.

## **6.9 Auditing**

6.9.1 The Discom will ensure auditing of the scheme accounts relating to receipts of funds from GoI/Nodal agency and expenditure incurred by the Discom against such receipts during the F.Y. by independent Chartered Accountant and furnish a report to Nodal agency latest by 30<sup>th</sup> June of succeeding year. Nodal agency shall consider release of further funds on the receipt of audited report and certificate from Charter Accountant.

6.9.2 In addition to above, the works and any other aspects like quality, quantity, financial etc. would be open to audit by the office of the Comptroller & Auditor General of India (C&AG) as well as Internal Audit Wing, Office of Controller of Accounts, MoP.

## **6.10 Public Financial Management System (PFMS)**

6.10.1 The scheme being a Government of India program, the release from nodal agency to utilities shall be done through PFMS and utilities shall be using PFMS for funds flows under the scheme.

6.10.2 The Utilities shall mandatorily enter details like receipts, expenditures, etc in PFMS portal. In case of non-entering desired details in PFMS portal, banks may not consider release of funds to Contractors.

6.10.3 Utilities receiving funds under the scheme are to be registered / mapped in PFMS. Nodal agency/Programme Division of Ministry of Power may ensure that all utilities to whom funds are to be released are properly registered/mapped in PFMS.

6.10.4 Nodal agency /Utilities shall submit status of unspent Capital subsidy/grant lying with them to Ministry of Power on quarterly basis.

6.10.5 Utilities shall maintain books of accounts both for receipt of fund from Nodal Agency and release to Contractors for each of the project.

## Chapter VII- Monitoring & Evaluation

**7.1 Third party evaluation of Result Evaluation Framework:** Appropriate third party/parties will be appointed by MOP / Nodal Agency to assess / verify the achievements of DISCOMs with respect to the action plan finalized on periodical basis using the evaluation framework.

7.1.1 Niti Aayog will be involved in the process of selection of Independent third parties to be appointed by MOP/Nodal agency for assessment and verification of results with respect to agreed upon Action Plan and Result Evaluation Framework. A separate guidelines will be issued in this regard.

### **7.2 Performance Evaluation of the scheme:**

7.2.1 This will be carried out by a separate third-party agency by the Nodal Agencies. This will consist of following parts:

- a) **A Mid-term evaluation** of the scheme will be done i.e., on the basis of progress made by the scheme beneficiaries, as demonstrated by results obtained for FY 2021-22 & FY 2022-23.
- b) **A Post completion evaluation** of the scheme will be done.

7.2.2 Guidelines for Mid-Term and Post completion evaluation shall be issued separately.

7.2.3 The expenses for Evaluation under 7.1 and 7.2 defined above shall be met from the Part B - component.

### **7.3 Quality Assurance**

The Discom shall be solely responsible & accountable for assuring quality in the scheme works. Accordingly, Discom shall formulate a comprehensive Quality Assurance (QA) and Inspection Plan with an objective to build Quality Infrastructure under the project works. The QA and Inspection Plan shall be an integral Part of the contract agreement with turnkey contractor or equipment supplier/vendor and erection agency as the case may be in case of partial turnkey and departmental execution of works. Documentation with regard to Quality Assurance & Inspection Plan shall be maintained by Discom and kept in proper order for scrutiny during the course of project execution and for future reference. The Discom has to ensure that the quality of material/equipment supplied at site and field execution of works under the project is in accordance with Quality Assurance & Inspection Plan. The implementation of the scheme in the particular district shall be reviewed periodically during meeting of District Vigilance and Monitoring Committee.

## Chapter VIII - Stakeholders of the scheme- Roles and responsibilities

**1. Rural Electrification Corporation Limited (REC) and Power Finance Corporation (PFC) shall be the Nodal Agencies** for operationalization and implementation of the scheme under the overall guidance of MoP. The role of the Nodal agency is as below:

- (i) Notify all the guidelines and formats required for implementation of the project from time to time.
- (ii) Appraise the Action Plan and DPRs before putting up to the Monitoring Committee.
- (iii) Conduct all works relating to holding of the Monitoring Committee meetings for approvals.
- (iv) Evaluation as per Results Framework and determine the eligible releases to be made every year
- (v) Administer the Grant Component.
- (vi) Develop a dedicated web portal for submission of DPRs and for maintaining the MIS of the projects.
- (vii) Monitor physical and financial progress of the projects.

**2. Distribution Reforms Committee (DRC):**

- (i) DRC shall recommend the Action Plan for approval of State Cabinet
- (ii) DRC shall recommend the DPRs for approval of Monitoring Committee
- (iii) Approve any deviations in Standard Bidding Documents by DRC subject to the consent of Nodal Agency
- (iv) Monitoring progress, quality and resolve issues relating to implementation of sanctioned projects

**3. Monitoring Committee:** The Office memorandum issued in this regard is enclosed as **Annexure .....** The Committee will be empowered to:

- (i) Approve operational guidelines including scope of work and to take necessary policy decisions for operationalization of various components of scheme and amendments thereof within the framework approved by CCEA.
- (ii) Sanction of DPRs/Projects, including action Plan and results framework, monitoring and review of implementation of the scheme.
- (iii) Exercise powers vested with the Monitoring Committee constituted in terms of OM No. ....dated ....., in respect of issues pertaining to the implementation of the scheme.

**4. Discom (Discom/Power Department):** The Discom shall be responsible for the following functions:

- (i) Preparation of action plans and DPRs and online submission of the same to the Nodal Agency.
- (ii) Implementation of the scheme within the scheduled completion period as per guidelines.

- (iii) Appointment of Project Management Agency (PMA).
- (iv) Establishment of a dedicated project implementation cell at district level and a centralized cell at Head office level.
- (v) Submission of updated progress of the project to the Nodal Agency including its periodic updation on the web portal.
- (vi) Ensuring that there is no duplication / overlapping of works with any other Government of India and State scheme
- (vii) Any other related information to the Nodal Agency to be provided, as and when required.

**5. State Government:**

- (i) State Cabinet to approve the action plan under the Scheme.
- (ii) To make upfront payment of revenue subsidy to the Discom.
- (iii) To ensure dues of Govt departments and agencies, to the utilities are paid on time
- (iv) To facilitate/enable approval of tariff for the Discom in time every year as per regulations and finance regulatory assets and financial losses.
- (v) To provide support on policy issues on distribution of power in the state.
- (vi) To provide required land for sub stations and facilitate in obtaining other statutory clearances (ROW, forest etc.).
- (vii) To arrange for Discom contribution in case Discom fails to arrange the same.
- (viii) To furnish guarantee for the loan component under the scheme in case the Discom is not able to provide any other mode of security.



**Allocation of States between Nodal agencies**

**States and UTs allocated to REC:**

1. Assam
2. Meghalaya
3. Arunachal Pradesh
4. J&K
5. Ladakh
6. Maharashtra
7. Gujarat
8. Goa
9. DNH
10. Tamil Nadu
11. Puducherry
12. Karnataka
13. Bihar
14. Rajasthan
15. Uttar Pradesh
16. West Bengal

**States and UTs allocated to PFC**

1. Andhra Pradesh
2. Telangana
3. Kerala
4. Madhya Pradesh
5. Chattisgarh
6. Uttarakhand
7. Odisha
8. Jharkhand
9. Punjab
10. Haryana
11. Himachal Pradesh
12. Chandigarh
13. Delhi
14. Andaman Nicobar
15. Sikkim
16. Mizoram
17. Manipur
18. Nagaland
19. Tripura