

File No44/37/07-D(RE)
Govt. of India
Ministry of Power

Shram Shakti Bhawan,
Rafi Marg,
New Delhi-110001
Dated 6th February, 2008

Order

Subject: Continuation of Rajiv Gandhi Grameen Vidyutikaran Yojana in the XI Plan – Scheme of Rural Electricity Infrastructure and Household Electrification.

1. Sanction of the President is conveyed for continuation of “Rajiv Gandhi Grameen Vidyutikaran Yojana - Scheme of Rural Electricity Infrastructure and Household Electrification”, Scheme in the XI-Plan for attaining the goal of providing access to electricity to all households, electrification of about 1.15 lakh un-electrified villages and electricity connections to 2.34 crore BPL households by 2009. The approval has been accorded for capital subsidy of Rs. 28000 crore during the Eleventh Plan period, at this stage. This is in continuation of Office Memorandum No. 44/19/2004- D (RE) dated 18th March 2005.
2. Rural Electrification Corporation (REC) would be the nodal agency for the scheme.
3. Ninety per cent capital subsidy would be provided towards overall cost of the projects under the scheme, excluding the amount of state or local taxes, which will be borne by the concerned State/ State Utility. 10% of the project cost would be contributed by states through own resources/loan from financial institution.
4. The states will finalize their Rural Electrification Plans in consultation with Ministry of Power and notify the same within six months. Rural Electrification Plan will be a roadmap for generation, transmission, sub-transmission and distribution of electricity in the state which will ensure the achievement of objectives of the scheme.
5. For projects to be eligible for capital subsidy under the scheme, prior commitment of the States would also be obtained before sanction of projects under the scheme for:
 - i) Guarantee by State Government for a minimum daily supply of 6- 8 hours of electricity in the RGGVY network with the assurance of meeting any deficit in this context by supplying

electricity at subsidized tariff as required under the Electricity Act, 2003.

- ii) deployment of franchisees for the management of rural distribution in projects financed under the scheme and to undertake steps necessary to operationize the scheme.

6. SCOPE OF THE SCHEME

Under the scheme, projects could be financed with capital subsidy for provision of:

6.1 Rural Electricity Distribution Backbone (REDB)

Provision of 33/11 KV (or 66/11 KV) sub-stations of adequate capacity and lines in blocks where these do not exist.

6.2 Creation of Village Electrification Infrastructure (VEI)

- i) Electrification of un-electrified villages.
- ii) Electrification of un-electrified habitations with a population of above 100.
- iii) Provision of distribution transformers of appropriate capacity in electrified villages / habitation(s).

6.3 Decentralized Distributed Generation (DDG) and Supply

Decentralized distribution-cum-generation from conventional or renewable or non-conventional sources such as biomass, bio fuel, bio gas, mini hydro, geo thermal and solar etc. for villages where grid connectivity is either not feasible or not cost effective. The funding will be on the pattern of 90% subsidy from Government of India and 10% loan from REC or from own funds of the state /loan from financial institutions. The Monitoring Committee of RGGVY, while sanctioning DDG projects under RGGVY, shall coordinate with MNRE to avoid any overlap. The provision for subsidy requirement for DDG is Rs. 540 crore.

- 6.4 REDB, VEI and DDG would indirectly facilitate power requirement of agriculture and other activities including irrigation pump sets, small and medium industries, khadi and village industries, cold chains, healthcare, education and IT etc. This would facilitate overall rural development, employment generation and poverty alleviation.

6.5 Rural Household Electrification of Below Poverty Line Households:

- (i) BPL households will be provided free electricity connections. The rate of reimbursement for providing free connections to BPL households would be Rs.2200 per household.

(ii) Households above poverty line would be paying for their connections at prescribed connection charges and no subsidy would be available for this purpose.

(iii) Wherever SC/ST population exists amongst BPL households and subject to being eligible otherwise, they will be provided connection free of cost and a separate record will be kept for such connection.

6.6. The over-all subsidy of components from Paras 6.1, 6.2, 6.3 and 6.5 taken together should be kept within 90% of the over-all project cost.

7. **Implementation of a three-tier quality monitoring mechanism.** The projects under the scheme will be subject to Quality Monitoring Mechanism. The details of the Three Tier Quality Control Mechanism at Annexe-I.

8. **Service Charges/Fees**

(a) The State Utilities and Central Public Sector Undertakings will be provided 8% and 9% respectively of the project cost as charges for implementing the scheme and also for meeting additional expenditure on compulsory third party monitoring at the first tier of the Quality Control Mechanism.

(b) Rural Electrification Corporation Limited (REC) will be given 1% of the project cost as the fee for establishing frameworks for implementation, meeting the scheme related expenditure, appraisal and evaluation both at pre-award and post award stage, monitoring and complete supervision of the programme from concept to completion of the scheme and for quality control of projects at second tier (REC Quality Monitors) of the Quality Control Mechanism

(c) For supporting activities and Quality Monitoring at Third Tier (National Quality Monitors) to be undertaken by Ministry of Power, a provision of 1% of the outlay would be kept. The supporting activities would be in the nature of capacity building, awareness and other administrative and associated expenses, franchisee development and undertaking of pilot studies and projects complementary to the rural electrification scheme.

9. **Monitoring Committee**

The Monitoring Committee constituted by the Ministry of Power under the Chairmanship of Secretary (Power), Government of India will sanction the projects, including revised cost estimates, monitor and review the implementation of the scheme in addition to issuing necessary guidelines from time to time for effective implementation of the scheme;

10. **Cost Norms**

The cost norms for village electrification are as in Annexe –II. 90% grant will not be applicable to the amount of state or local taxes, which will have to be borne by the concerned State / State Utility. They would be released by the Monitoring Committee in exceptional cases to be analyzed for border area, remote districts etc.

11. **Franchisees**

The management of rural distribution would be through franchisees who could be Non-Governmental Organisations (NGOs), Users Association, Panchayat institutions, Cooperatives or individual entrepreneurs . The franchisee arrangement could be for system beyond and including feeders from substation or from and including Distribution Transformer(s). The franchisees should be preferably input based to reduce AT&C losses so as to make the system revenue sustainable.

12. **Revenue Sustainability**

Based on the consumer mix and the prevailing consumer tariff and likely load, the Bulk Supply Tariff (BST) for the franchisee would be determined after ensuring commercial viability of the franchisee. Wherever feasible, bidding may be attempted for determining the BST. This Bulk Supply Tariff would be fully factored into the submissions of the State Utilities to the State Electricity Regulatory Commissions (SERCs) for their revenue requirements and tariff determination. The State Government under the Electricity Act is required to provide the requisite revenue subsidies to the State Utilities if it would like tariff for any category of consumers to be lower than the tariff determined by the SERC. While administering the scheme, prior commitments may be taken from the State Government regarding –

- a. Determination of bulk supply tariff for franchisees in a manner that ensures their commercial viability.
- b. Provision of requisite revenue subsidy by the State Government to the State Utilities as required under the Electricity Act.

13. The capital subsidy for eligible projects under the scheme would be given through REC. These eligible projects shall be implemented fulfilling the conditionalities indicated above at Paras No. 4,5, 7, 11 &12.. In the event the projects are not implemented satisfactorily in accordance with the conditionalities indicated above, the capital subsidy would be converted into interest bearing loans.

14. The services of Central Public Sector Undertakings (CPSUs) have been offered to the states for assisting them in the execution of Rural Electrification Projects as

14. The services of Central Public Sector Undertakings (CPSUs) have been offered to the states for assisting them in the execution of Rural Electrification Projects as per their willingness and requirement. With a view to augment the implementation capacities for the programme, REC has entered into Memorandum of Understanding (MOUs) with NTPC, POWERGRID, NHPC and DVC to make available CPSUs' project management expertise and capabilities to states wishing to use their services. This is being operationalised through a suitable Tripartite/ Quadrapartite Agreement.
15. The expenditure involved on above scheme would be debitable to the following Head under Grant No. 72 – Ministry of Power for the year 2007-08 and corresponding head of account for the subsequent years.

2801 Power (Major Head)
06 – Rural Electrification (Sub-Major Head)
06.800- Other Expenditure (Minor Head)
03 - Rural Electrification Corporation - for Rajiv Gandhi Grameen Vidyutikaran Yojana
03.00.33 - Subsidies

16. This issues with the concurrence of Finance Wing vide their diary No.499/Fin/08 dated the 24th January, 2008.

(Devender Singh)

Joint Secretary to the Government of India

To

1. Chief Secretaries of all States
2. Secretary (Power/Energy) of all States
3. Chairman of all State Utilities
4. Chairman & Managing Director, REC, SCOPE Complex, New Delhi

A THREE TIER QUALITY CONTROL MECHANISM UNDER RGGVY

1. (a) First Tier

Project implementing agency (PIA) would be responsible for the first tier of the Quality Control Structure. Further PIA will engage third party inspection agency, whose responsibility will be to ensure that all the materials to be utilized and the workmanship conform to the prescribed specifications. It will be synchronized with phased release of funds under RGGVY and inspection and proof of corrective action will be mandatory requirement for release of funds. This inspection will cover approx. 50% villages on random sample basis for each project.

(b) Second Tier

Rural Electrification Corporation, will get the inspection done of the works materials from its non-field staff and by outsourcing it. REC may outsource it to retired employees of State Electricity Boards/State Utilities/CPSUs All such reports should be organized and analyzed by REC through the project implementation. These individuals would be designated as REC Quality Monitors (RQM).

The inspection will cover quality checks at pre-shipment stage at the vendors' outlet of major materials and 10% villages on random sample basis.

(c) Third Tier

Independent Evaluators (Individuals / Agency) will be engaged by the Ministry of Power for evaluation, at random, of supply and erection under the programme. These persons would be designated as National Quality Monitors (NQM). It will be the responsibility of the state to facilitate the inspection of works by the NQM, who shall be given free access to all administrative, technical and financial records. Evaluation will cover 1% villages. They shall also report on the general functioning of the Quality Control mechanism in the District.

2. The Monitors shall submit their report to the Ministry. The reports of the NQMs will be sent by REC to the RQM for appropriate action within a period to be specified. In case quality check by RQM or NQM reveals 'unsatisfactory' work, the implementing agency shall ensure that the contractor replace the material or rectifies the workmanship (as the case may be) within the time period stipulated. In respect of NQM Reports, the REC

Quality Coordinator shall, each month, report on the action taken on each of the pending Reports. All works rated 'unsatisfactory' shall be re-inspected by RQM or

NQM after a rectification report has been received from the REC Quality Coordinator. REC will designate an Executive Director as in-charge of the Monitoring system.

3. Recurrent adverse reports about quality of works in a given District / State might entail suspension of the Programme in that area till the underlying causes of defective work have been addressed.

4. The REC Quality Coordinator / Third party inspection unit shall be the authority to receive and inquire into complaints / representations in respect of quality of works and they would be responsible for sending a reply after proper investigation to the complainant within 30 days. The REC for this purpose, shall ensure the following : -

- (i) The name, address and other details of the REC Quality Coordinator/ third party inspection unit will be given adequate publicity in the State (including tender notices, websites, etc.) as the authority empowered to receive complaints.
- (ii) All complaints shall be acknowledged on receipt (giving registration no.) and likely date of reply shall be indicated. On receipt of the report, the complainant shall be informed of the outcome and the action taken / proposed.
- (iii) Complaints received through the Ministry of Power, REC will normally be sent to the REC Quality Coordinator for enquiry and necessary action. In case report from an RQM is desired, this shall be furnished within the time specified. In case an adequate response is not received within the stated time schedule, the REC may depute an NQM and further processing will be done only on the basis of NQM report.
- (iv) The RQC shall make a monthly report to the REC (in a prescribed format) and the status of action on complaints shall be discussed in the District Committees.
- (v) REC could develop a web site for complaints, inspection and rectification.

5. The Quality Control Mechanism would be governed by the Quality Control Manual being prepared by REC for the scheme. This is to be completed and circulated by 29th February, 2008.

ANNEXE -II

COST NORMS FOR VILLAGE ELECTRIFICATION

1.	Electrification of unelectrified village	Cost (Rs. In lakhs)
a	In normal terrain	13
b	In hilly,tribal,desert areas	18
2	Intensive electrification of already electrified village	
a	In normal terrain	4
b	In hilly,tribal,desert areas	6
3	Cost of electricity connection to BPL household	0.22