

***Item 4(1)(b)-(iii)***

**The procedure followed in the decision making process,  
including channels of supervision and accountability**

### **3. The procedure followed in the decision making process, including channels of supervision and accountability**

**3.1** The Corporation provides financial assistance to various state power utilities as also to independent private project developers for power generation, transmission and distribution in the country. It has a well structure divided into various departments/divisions to coordinate the programmes of REC's financing with the concerned SEBs/State Power Utilities and private entrepreneurs to facilitate in formulation of schemes, loan sanction and disbursement and implementation of schemes. The procedures followed by various Departments/Divisions are as follows:-

#### **3.2 TRANSMISSION & DISTRIBUTION (T&D) DIVISION**

##### **3.2.1 Procedure for Sanction of schemes**

The schemes or projects are at present submitted by the Utilities to the concerned Project Offices of REC, located in different States in the Country. Detailed guidelines for formulation of each category of scheme are available which include formats in which requisite information is to be submitted by the utilities. The CPM/ concerned officers of the PO carry out the appraisal of the schemes from techno economic and financial aspects and revisions/ modifications in the projects if required are made, as per norms of REC, in consultation with the concerned Power Utilities . Field appraisal is also done if the information/data available in the DPRs/Project Reports are not adequate. The schemes are then forwarded to the Corporate Office alongwith recommendation of the CPM .

At the CO, the schemes are again scrutinized in the respective desk of T&D to check conformity to guidelines. The schemes may be further revised in consultation with the Utilities, if necessary.

The schemes are then put up to the General Manager (T&D) alongwith the appraisal note/recommendations of the processing officers at CO.

Approvals are taken from the competent authority stipulated in the delegation of powers vide official notes and the approval copies are filed and available with T&D Department in the concerned Desk.

#### **3.3 RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA (RGGVY) DIVN.**

**3.3.1.** Government of India, in April, 2005, launched the scheme 'Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) – Scheme of Rural Electricity Infrastructure and Household Electrification', vide OM No.44/19/2004 D(RE), dated 18<sup>th</sup> March 2005, for the attainment of the National Common Minimum Programme(NCMP) goal of providing access to electricity to all households. The scheme is being implemented through REC.

Under the scheme 90% capital subsidy is being provided by Govt. of India for overall cost of the projects. This approval was for implementation of Phase I of the scheme for capital subsidy of Rs. 5000 crores during –X Plan period.

Further sanction for continuation of the scheme in XI Plan for attaining the goal of providing access to electricity to all households, had been conveyed by Ministry of Power vide OM No.44/37/07-D(RE) dated 6<sup>th</sup> Feb. 2008 with the capital subsidy of Rs. 28,000 crore during the XI Plan period.

“In addition to above, an additional sanction of Rs. 6000 cr. Has been conveyed by MoP for the 11<sup>th</sup> Plan ph-2 projects”.

### **3.3.2. Procedure for sanction of Projects under RGGVY**

The Detailed Project Reports (DPRs) formulated by the concerned project sponsoring authority (State Govt.), in accordance with the guidelines for project formulation under RGGVY issued by MOP/REC, are submitted at the concerned Project Office of REC for the state. The DPRs are then scrutinized by the Project Office in accordance with the guidelines for project formulation and the Office Memorandum of Ministry of Power dated 18.03.2005 and 06.02.2008. After field appraisal of the projects by the project office, the DPRs are forwarded to the RGGVY Division, REC, Corporate office with their recommendations for

consideration of sanction of projects for the financial assistance by the corporation. The DPRs are further scrutinized at RGGVY Division of REC, Corporate Office in accordance with guidelines for project formulation and after reviewing the recommendations of the Project Office, if acceptable, the projects are processed and submitted to the Competent Authority for consideration of approval. The Project approved by the Competent Authority are forwarded to Ministry of Power for sanction by the Monitoring Committee on RGGVY.

### **3.3.3 Disbursement of Funds under RGGVY projects**

The disbursement of funds under RGGVY scheme is mainly governed by the relevant 2-party/3-party/4-party agreement concluded amongst the concerned parties [depending upon the situation whether the project implementing agency is State Govt. or State Power Utility (DISCOM or SEB) or CPSUs like POWERGRID, NHPC, DVC, NTPC etc.] and the concerned sanction letter of the project issued by the Chief Project Manager of the concerned project office of REC after receipt of approval of the project by the competent authority. For expeditious implementation of the projects under RGGVY scheme, the concerned State Govt. authorizes REC to release funds for implementation of the project(s), directly to the implementing agency on their behalf, to meet the expenditure to be incurred for implementation of project(s). The entire sum released by REC directly to the implementing agency for implementation of project(s) is deemed to have been drawn by the concerned State Govt. as loan / subsidy, and the concerned State Govt. also undertakes to repay the loan component of such funds, interest thereon and other charges to REC as per the terms & conditions as detailed in the sanction letter(s) issued by REC for these project(s).

## **3.4 GENERATION DIVISION**

### **3.4.1 Sanctioning of Generation Schemes**

REC provides funds to SEBs/State Power Utilities/Private Sector for generation projects like hydro, thermal (coal and gas based), R&M nonconventional, decentralized distributed generation etc. REC is also taking up the job of lead financier for the power projects. However, funding of specific sub sectors under non-conventional energy will be as per policy decision of the company.

### **3.4.2 Application and processing Loans**

Loan application in our prescribed format for Govt./Public sector/SEB and private IPPs (available on our website), are being submitted to the Corporate Office which includes the checklist of essential documents to be submitted for appraisal and sanction of loan assistance. The applications along with essential documents are also accepted at the Zonal/Project Offices, who in turn forward the complete documents and relevant information in full to the Corporate Office.

On receipt of the application in the Generation wing along with the processing fee, wherever applicable, a preliminary scrutiny or a prima facie study is done to check availability of essential documents. Once the complete set of documents and relevant information in full is available, the appraisal process begins.

### **3.4.3 Loan Appraisal and terms and conditions**

REC ensures appraisal of projects on their viability and other criteria as per internal procedures.

The amount of loan to be sanctioned, terms and conditions, etc. are finalized after techno-economic and borrower's appraisal, security etc. Although major projects take time depending on the merits and status of all tie ups, yet it is the endeavor of REC to sanction projects in approx.120 days from the date of receipt of complete information/documents. The time taken would also depend on the projects in hand and organizational procedures.

The sanction of loan would be conveyed to the borrower by the project office or Corporate Office as the case may be along with the detailed terms and conditions through a sanction letter. The ZM/CPM take the necessary steps for loan documentation of the projects in case of state sector as per terms and conditions stipulated in the sanction letter. Loan documentation in case of private sector projects is done by corporate office with the assistance of Legal Division.

### **3.4.4 Disbursement of Loans**

Once the legal documents are executed, required securities are created and pre-disbursement conditions are fulfilled, loan is disbursed as per provisions in the sanction letter.

## **FINANCE DIVISION**

**3.5.1.** Finance Division of the Corporation is responsible for raising resources, disbursement of funds under sanctioned projects and recovery of dues and finalisation of annual accounts of the Corporation. The procedure followed in the division for various activities is as follows.

### **3.5.2/3.5.3 PROCESSING OF CLAIMS & RELEASE OF LOAN INSTALMENTS**

Claims is processed through ERP system. The claim is raised by the Corporate office/Project Offices, as the case may be, and forwarded to Claims Section for release. The Claim received in the Claims Section is checked by the Section and finally approved for payment by DGM (Fin.), except in case of Short Term Loan and Debt-refinancing Loan, where the payment is approved by Director (Fin.). Thereafter, the invoice is created in the system and is approved for payment. The approved invoice is then released by the Banking Section through RTGS/NEFT. Payment is also released through issue of cheque/DD in rare cases.

The details of release are sent to the borrowers on the same day. Subsequently, demand notices for interest and repayment due, are sent to the borrowers sufficiently in advance of the due dates, by Loans Section.”

### **3.5.4. CORPORATE ACCOUNTS & TAXATION (CAT)**

Corporate Accounts section is preparing the Accounts of the Corporation on Annual basis and Limited review results for three quarter ending June September and December . The

Accounting transactions are initially being recorded in respective ERP modules i.e Loan module, Treasury module, Accounts receivable module, Accounts payable module and banking modules. The data from these module is being transferred to General ledger module for accounting and preparation of Financial results. The section is also preparing Annual budget of the Corporation and Statutory MIS reports are also being prepared. CAT section coordinates with Statutory and Govt. Auditors for replies to Audit paras. Fixed asset register of the corporation is also being maintained in the section.

The Taxation section is handling all the taxation matters of the Corporation i.e – Deposit of income tax, filling of return, service tax matters etc.

### **3.5.5 RESOURCE MOBILISATION**

Annual borrowing program me is approved by Board of Directors and accordingly the amount is borrowed as and when required. Required decisions are taken based on delegation of powers in this regard. In case of investment we have investment policy with delegation of power.

### **3.5.6 RECOVERY**

There is a Recovery Cell, headed by Addl. General Manager. The Cell monitors all receipts and cases of defaults are pursued with the Borrower. Project Offices and Operation Divisions also assist in pursuing the cases of default. If due to any reason , default persists for a period longer than considered normal, persuasion is made from higher levels. In some cases, looking into circumstances of each case, reschedulements//waivers etc. is considered. In rare cases where persuasion fails, all necessary action including invocation of Securities, taking u p matter with DRT etc. is taken up with the approval of management.

Strong System of Review/Reporting exists in the Organization.

### **3.5.7 ALM Section**

ALM section prepared the Agenda and Minutes of ALCO (Assets Liability Management Committee). ALCO monitors the liquidity risk, interest rate risk and foreign currency risk faced by the corporation.

### **3.5.8 Decentralised Distributed Generation Division.**

3.5.8.1 Procedure for Sanction of schemes

3.5.8.2 DDG Projects are received from State Government Implementing Agencies such as SEB, SREDA etc. either through REC Project office or directly at Corporate Office.

3.5.8.3 Preliminary Scrutiny and project appraisal is done at Corporate office by DDG Division.

3.5.8.4 Preparation of Agenda and Executive Summary for Implementation Support Group (ISG) by DDG Division at Corporate Office.

3.5.8.5 Meeting of Implementation Support Group for review of DDG Projects is arranged/Coordinated by DDG Division.

3.5.8.6 Record notes for the ISG meeting are issued by DDG Division.

3.5.8.7 Agenda for Monitoring Committee is prepared by DDG Division for approval of CMD, REC.

3.5.8.8 Sanction letters are issued after receipt of approval of Monitoring Committee of RGGVY.

## **3.6 Renewable Energy Division**

### **3.6.1 Sanctioning of Renewable Schemes**

REC provides funds to SEBs/State Power Utilities/Private Sector for grid-connected Renewable projects like Solar, Biomass, Wind and Small Hydro Projects. These are subject to the Renewable Energy Guidelines / Policy adopted by the company.

### **3.6.2 Application and processing Loans**

Loan application in our prescribed format for Govt./Public sector/SEB and private IPPs (available on our website), are being submitted to the Corporate Office which includes the checklist of essential documents to be submitted for appraisal and sanction of loan assistance. The applications along with essential documents are also accepted at the Zonal/Project Offices, who in turn forward the complete documents and relevant information in full to the Corporate Office. On receipt of the application in the Renewable Division, along with the stipulated processing fee wherever applicable, a preliminary scrutiny is done to check availability of essential documents. Once the complete set of documents and relevant information in full is available, the detailed appraisal process begins.

### **3.6.3 Loan Appraisal and terms and conditions**

REC ensures appraisal of projects on their viability and other criteria as per internal procedures. The amount of loan to be sanctioned, terms and conditions, etc. are finalized after techno-economic and borrower's appraisal, security etc. The time taken depends on the projects in hand and organizational procedures and the requisite information submitted by our esteemed borrowers. The sanction of loan would be conveyed to the borrower by the project office or Corporate Office as the case may be, along with the detailed terms and conditions through a sanction letter. In case of state sector projects, REC Zonal / Chief Project Managers take the necessary steps for loan documentation of the projects as per terms and conditions stipulated in the sanction letter. Loan documentation in case of private sector projects is done by corporate office with the assistance of Legal Division.

### **3.6.4 Disbursement of Loans**

Once the legal documents are executed, required securities are created and pre-disbursement conditions are fulfilled, loan is disbursed as per provisions in the sanction letter and RECs disbursement procedure.