

Haryana Distribution and Retail Supply Licence

HARYANA

India

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Act 2 of 1999

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Haryana Distribution and Retail Supply Licence Licence No. 2 of 1999. Published vide Notification Haryana Government Gazette Extraordinary dated 16.3.1999. Distribution and Retail Supply Licence Licence granted by the Haryana Electricity Regulatory Commission under Section 15 of the Haryana Reforms Act, 1997 (Haryana Act No. 10 of 1998) to Haryana Vidyut Prasaran Nigam Ltd. - a company incorporated under the Companies Act, 1956 and having its registered office at Shakti Bhawan, Sector 6, Panchkula for carrying on the business of Distribution and Retail Supply of electricity energy within the Area of Supply and with the powers and upon the terms and conditions specified below.

Part I – Terms of the Licence

1. Short Title.

- 1.1 This licence may be called the "Haryana Distribution and Retail Supply Licence (Licence No. 2 of 1999)".

2. Definitions.

- 2.1 The word, terms and expressions to which meanings are assigned by the Haryana Electricity Reform Act, 1997 (Haryana Act No. 10 of 1998), shall have the same meanings in this licence. 2.2 Words, terms and expressions used in this licence which are not defined in this licence or in the Haryana Electricity Reform Act, 1997 (Haryana Act No. 10 of 1998) shall have the meaning given to them in the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948). 2.3 In this licence unless the context otherwise requires, capitalised words shall have the following meanings : "Act" means the Haryana Electricity Reform Act, 1997 (Haryana Act No. 10 of 1998); "Affiliate" means in relation to the Licensee, any Holding Company or Subsidiary of the Licensee, or any Subsidiary of a Holding Company of the Licensee; "Area of Supply" means the geographic area referred to in Schedule I of this licence within which any activity authorised by this

licence is allowed;"Auditors" means the Licensee's auditors for the time being holding office in accordance with the requirements of Sections 224 to 234-A or Section 619 as appropriate of the Companies Act, 1956 (1 of 1956);"Authorised" in relation to any person, business or activity means authorised by licence granted under Section 15 or exemption granted under Section 16 of the Act;"Bulk Supplier" means any person who is Authorised to carry out Bulk Supply;"Bulk Supply" means the sale of electricity to any person for resale;"Bulk Supply Business" means the Authorised business of Bulk supply."Central Electricity Regulatory Commission" means the commission constituted under the Electricity Regulatory Commission Act, 1998;"Commission" means the Haryana Electricity Regulatory Commission;"Consumer" means the end or final user of electricity;"Controlling Interest" means the ownership of ten percent or more of the paid up share capital of a company or the ability to control ten percent or more of the voting rights at a general meeting of the company or the ability otherwise to influence materially the management of the company by contract or otherwise;"Distribution" mean the transportation of electricity by means of a Distribution System;"Distribution and Retail Supply Business" means any Authorised business of the Licensee (i) in or ancillary to Distribution through any system owned and/or operated by the Licensee and (ii) in Retail Supply;"Distribution Business" means Authorised business of the Licensee in or ancillary to Distribution;"Distribution Code" means the code (including any replacement for the Interim Distribution Code) prepared by the Licensee in accordance with Condition 16 that is approved by the Commission, as it may be amended, supplemented or replaced from time to time in accordance with Condition 16;"Distribution System" means any system consisting mainly of cables, service lines and overhead lines, electrical plant and meters having design voltage of 33 kV and under;"Distribution System Operating Standards" means the standards related to the Licensee's operation of its Distribution System approved by the Commission pursuant to Condition 17;"Distribution System Planning and Security Standards" means the standards related to the adequacy of the Licensee's planning methods and process for its Distribution System approved by the Commission pursuant to Condition 17;"Generating Set" means any plant or apparatus for the production of electricity and shall where appropriate include a generating station comprising of one or more than one generating unit;"Generator Interconnection Facilities" means any transformers, busbars, switch-gear, plant or apparatus utilised to enable access to a Transmission System/Distribution System by the Generating Set(s);"Grid Code" means the Interim Grid Code and when approved by the Commission, the final Grid Code pursuant to the licence of the Transmission and Bulk Supply Licensee, covering all material technical aspects relating to, connections to and the operation and use of, a Transmission System or (in so far as relevant to the operation and use of a Transmission System) the operation of electric lines and electrical plant connected to the Transmission System or the Distribution System of any Supplier including the Licensee's Distribution System;"Holding Company" shall have the same meaning as in Section 4 of the Companies Act of 1956 (as amended);"Interim Distribution Code" means the code submitted by the Licensee pursuant to Paragraph 16.3 describing in reasonable detail the Licensee's practices and procedures for operating the Distribution System at the date of this licence;"Interim Grid Code" means the code submitted by the Licensee pursuant to Condition 17.4 of the licence of the Transmission and Bulk Supply Licensee describing in reasonable detail the Licensee's practices and procedures for operating the Transmission System as at the date of the licence of the Transmission and Bulk Supply Licensee;"Licensee" means Haryana Vidyut Prasaran Nigam Ltd. constituted under Section 13 of the Act;"Overall Performance Standards" means the standards as may be determined

by the Commission pursuant to Section 34 of the Act; "Regulations" means the regulations issued by the Commission under Section 54 of the Act; "Related Person" means any person : (i) who holds a Controlling Interest in the Licensee or (ii) in whom the Licensee holds Controlling Interest and includes a person who holds Controlling Interest in persons mentioned in Clauses (i) and (ii) above. "Retail Supply" means the sale of electricity to Consumers; "Retail Supply Business" means the Authorised business of Retail Supply; "Separate Business" means each of the Transmission Business, the Bulk Supply Business, the Distribution Business and Retail Supply Business taken separately from one another and from any other business of the Licensee or any Affiliate of the Licensee; "Standards of Performance" means such standards of performance as may be determined by the Commission pursuant to Section 33 of the Act; "Subsidiary" shall have the same meaning as in Section 4 of the Companies Act, 1956; "Supplier" means any person who holds a licence under Section 15 of the Act or is granted an exemption under Section 16 of the Act; "Supply" means the provision of electricity either for resale or directly to Consumers; "Transmission" means the transportation of electricity by means of the Transmission System; "Transmission Business" means any business that the Transmission and Bulk Supply Licensee is authorised to carry out in, or ancillary to, Transmission; "Transmission and Bulk Supply Licensee" means Haryana Vidyut Parsaran Nigam Ltd. constituted under Section 13 of the Act, in its capacity as operator of the Transmission Business and as a Bulk Supplier; "Transmission System" means the system consisting mainly of extra high voltage electric lines having design voltage of 66 kV and higher owned or controlled by the Transmission and Bulk Supply Licensee and used for the purposes of the transportation of electricity from a Generating Set to a substation or to another or between substations or to or from any external interconnection and includes all 66 kV bays/equipment up to the interconnection with the Distribution System, and any plant, apparatus and meters owned or used in connection with the transmission of electricity, but shall not include any part of a Distribution System.

24. Reference in this licence to Conditions, paragraphs, parts, and Schedule shall, unless the context otherwise requires, be construed as reference to conditions, paragraph and parts of and schedules to this licence.

3. Terms of the licence.

- 3.1 The Commission, in the exercise of the powers conferred on it by Section 15 of the Act, hereby grants to the Licensee a licence for Distribution and Supply of electricity to any premises in the Area of Supply set out in Schedule I of the licence during the period specified in Condition 3.3, subject to the conditions set out in Parts II, III, IV, V and VI of this licence. 3.2 The Conditions are subject to modification or amendment in accordance with their terms, the provisions of Conditions 26 and 27 or with the provisions of the Act. 3.3 The licence shall come into force on the date on which the Commission communicates its decision granting this licence and unless revoked earlier shall remain in force for 30 years from that date. 3.4 If the State Government requires any part of the Licensee's Distribution and Retail Supply Business to be vested in another licensee pursuant to a transfer scheme under Section 23(5) of the Act (as it may be modified under Section 25(1)), the Commission may by order amend the Area of Supply in this licence to exclude the authorised area of supply of

the transferee licensee.

Part II – General Conditions

4. Directions.

- 4.1 The Licensee shall comply with the directions issued by the Commission from time to time and shall act in accordance with the terms of this licence; except where the licensee obtains the approval of the Commission for any deviation of such directions and terms.

5. Prohibited Activities.

- 5.1 The Licensee shall not : (a) purchase or import or otherwise acquire electricity for resale under this licence from any person other than a Bulk Supplier or a person who has generated the electricity using a source whose installed capacity does not exceed five MW; or (b) sell or otherwise dispose of electricity to any person, other than pursuant to its Transmission and Bulk Supply Licence or this licence; or (c) own or hold, directly or indirectly, any beneficial interest in any Generating Company or Generating Set (other than the Licensee's interest in Generating Sets pursuant to a power purchase agreement entered into in accordance with Condition 15 of its Transmission and Bulk Supply Licence) without the prior written approval of the Commission; or (d) own or hold, directly or indirectly, any beneficial interest in any other Supplier without the prior written approval of the Commission, other than a person who distributes and supplies electricity pursuant to a general exemption granted by the Commission, or in any facilities used for Distribution in the State of Haryana other than for the purpose of its Distribution and Retail Supply Business; or (e) provide services to third parties for the transportation of electricity through the Licensee's Distribution System, unless Authorised do so by the Commission; or (f) start any non-core activity, unless specifically authorised by the Commission and subject to such conditions as the Commission may impose. In this Condition, "non-core activity" means any activity other than that carried on as part of the Distribution and Retail Supply Business. 5.2 The Licensee shall not engage any Affiliate or Related Person to provide any goods or services in connection with its Distribution and Retail Supply Business unless specifically authorised in writing by the Commission. 5.3 The Licensee shall not make any loans to, or issuance any guarantee for any obligations of, any other person without the prior written approval of the Commission.

6. Prohibition of Acquisition of Controlling Interest.

- 6.1 Upon acquiring information that any person has acquired or intends to acquire Controlling Interest in it, the Licensee shall inform the Commission forthwith of the acquisition or proposed acquisition and shall furnish the Commission with all relevant details in its Resource Plan.

7. Prohibition of Subsidies.

- 7.1 The Licensee shall not, without prior permission of the Commission give any subsidy or subvention to, or receive any subsidy or subvention from, any person or any other business of the Licensee (whether or not Authorised by the Commission), except a subsidy granted by the State Government pursuant to Section 12(3) of the Act or a subvention pursuant to Section 27(3) of the Act.

8. Separate Accounts for Separate Business.

- 8.1 The financial year of the licence shall run from the first of April to the following thirty-first of March. 8.2 The Licensee shall in respect of each Separate Business (a) keep such accounting records as would be required to be kept in respect of each such Separate Business as if it were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business in which the Licensee is engaged, whether or not authorised by the Commission; and (b) prepare on a consistent basis from such accounting records : (i) for each financial year, accounting statements, comprising a profit and loss account, a balance sheet and a statement of source and application of funds, together with notes thereto, and showing separately in respect of each Separate Business the amounts of any revenue, cost, asset, liability, reserve or provision, which has been either : (a) charged from or to any other business (whether or not a Separate Business) together with a description of the basis of that charge; or (b) determined by apportionment or allocation between any Separate Business and any other business of the Licensee or its Affiliate (whether or not a Separate Business) together with a description of the basis of the apportionment or allocation; and (ii) in respect of the first six months of the first financial year and of each subsequent financial year, an interim profit and loss account; and (c) provide, in respect of the accounting statements prepared in accordance with this Condition 8, an Auditor's report in respect of each financial year, stating whether in their opinion these statements have been properly prepared in accordance with this Condition 8 and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the Separate Business to which the statements relate; and (d) deliver to the Commission a copy of each interim profit and loss account not later than three months after the end of the period to which it relates, and copies of the accounting statements and Auditor's report not later than six months after the end of the financial year to which they relate. 8.3 Unless permitted to do by the Commission, the Licensee shall not change the bases of charge or apportionment or allocation referred to in Condition 8.2(b)(i) in relation to the accounting standards in respect of a financial year from those applied in respect of the previous financial year. 8.4 Where, in relation to the accounting statements in respect of a financial year, the licensee had changed such bases of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if requested by the Commission, in addition to preparing accounting statements on those bases which it has adopted, prepare such accounting statements on the bases which applied in respect of the immediately preceding financial year. 8.5 Accounting statements for each Separate Business prepared under Condition 8.2(b)(i) shall, unless otherwise approved or directed by the Commission : (a) be in the form prescribed by the Indian Companies Act, 1956 (1 of 1956) and the Indian Electricity Rule,

1956;(b)be prepared in accordance with generally accepted accounting practices;(c)state the accounting policies adopted; and(d)be published with the annual accounts of the Licensee, in the manner prescribed in the Regulations.8.6References in this Condition 8 to costs or liabilities of, or reasonably attributable to any, Separate Business shall be construed as excluding taxation, and capital liabilities which do not relate principally to that Separate Business and Interest thereon.8.7The Licensee shall ensure that the accounting statements in respect of each financial year prepared under Condition 8.2(b)(i) and the Auditor's report in respect of each financial year referred to in Condition 8 are made available to any person requesting them at a price not exceeding the reasonable cost of duplicating them.

9. Prohibition of Undue Preference.

- 9.1 Undue PreferenceSubject to Condition 23.1, in fixing tariffs and the terms and conditions of Supply, the Licensee shall not show undue preference to by person; provided that the Licensee shall not be deemed to be in breach of its obligations under this Licence if any undue preference results from compliance with any directions of the Government under Section 22-A and 22-B of the Indian Electricity Act, 1910 and Section 12(3) of the Act.9.2Phasing out of Tariff Differentials. - Tariff differentials existing at present between Consumers which do not reflect differences in the circumstances of Supply or sale to such Consumers including quantity, load factor, power factor, level and timing of pack demand, conditions of interruptibility, and duration of the agreement, or any other relevant factors shall be phased out by the Licensee over such period as the Commission shall approve in respect of such tariff differentials in accordance with the following procedure :
:(a)within 180 days of the date of the issue of this licence, the Licensee shall submit to the Commission a plan for the phasing out of such tariff differentials over a specified period of time;(b)the Commission shall accept such plan or require modifications to it; and(c)the Licensee shall reduce tariff differentials in accordance with the plan or modifications to it approved by the Commission.

10. Provision of Information to the Commission.

- 10.1 The Licensee shall furnish to the Commission such information, documents and details as the Commission may require for its own purposes or for the purposes of the Government of India, the Government of Haryana, the Central Electricity Authority or the Central Electricity Regulatory Commission.10.2The Licensee shall notify the Commission as soon as possible of any major incident affecting any part of the Distribution System which has occurred and shall, within two months of the date of such major incident;(a)submit a report giving full details of the facts of the incident and its cause. The Commission at its own discretion may require the submission of a report to be prepared by an independent person at the expense of the Licensee; and(b)give copies of the report to the Commission and to all parties involved in the major incident as the Commission may direct.10.3The decision of the Commission as to what is a major incident shall be final.10.4In this condition 10 : "Major incident" means an incident associated with the generation, transmission, distribution, supply or use of electrical energy in the licensee's area of supply which results in a significant interruption of service, substantial damage to equipment, or loss of life or significant injury to a human being or animal, with the technical characteristics of "significant interruption", "substantial

damage", "significant injury" specified in the Grid Code, Distribution Code or Standards of Performance to be approved by the Commission or as otherwise specified by the Commission.

11. Disposal of Assets.

- 11.1 The Licensee shall not dispose of or relinquish operational control over any land and building of whatever value otherwise than in accordance with this Condition 11.11.2The Licensee shall not dispose of or relinquish operational control over any assets, other than land and building, otherwise than in accordance with following paragraphs of this Condition 11, if the cost of the assets being disposed of or whose operational control is being relinquished in a single transaction or a series of related transactions, exceeds Rs. 30 lacs.11.3The Licensee shall give to the Commission not less than two months' prior written notice of its intention to dispose of or relinquish operational control over any asset. Notice shall not be deemed to have been given until such time as the Licensee has provided to the Commission all such further information as the Commission may require.11.4The Licensee may dispose of or relinquish operational control over any asset as is specified in any notice given under Condition 11.3 if :(a)the Commission confirms in writing that it consents to such disposal or relinquishment subject to such conditions as the Commission may impose; or(b)the Commission does not inform the Licensee in writing of any objection to such disposal of relinquishment of control within the notice period referred to in Condition 11.3.11.5The Licensee may dispose of or relinquish operational control over any asset where :-(a)the Commission has issued directions for the purposes of this Condition 11 containing a general consent (whether or not subject to conditions) to :(i)transactions of a specified description; and/or(ii)the disposal of or relinquishment of operational control over assets of a specified description; and(iii)the transaction or the assets are of description to which such directions apply and the disposal of or relinquishment is in accordance with any conditions to which the consent is subject; or(b)the disposal or relinquishment of operational control in question is required pursuant to the term of a contract or agreement, executed before the commencement of this licence or(c)the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation; or(d)the asset in question was acquired and used by the Licensee exclusively in connection with a non-core activity that it has been authorised by the Commission to carry on pursuant to Condition 5(f) and does not constitute a legal or beneficial interest in land, or form part of the Transmission System or the Distribution System.11.6In this Condition 11, a disposal includes any sale, gift, lease, licence, loan, security, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party.

12. Payment of Fees.

- 12.1 Within 30 days or such other period as the Commission may allow after the coming into force of this licence, the Licensee shall pay to the Government of Haryana an initial fee of Rs. 20 lacs.12.2For as long as this licence remains in force, the Licensee shall, by 10th of April of every year, be liable to pay to the Government of Haryana an annual licence fee of Rs. 120 lacs for each of the first three years of the licence and the Commission shall review such licence fee after every three years.12.3Where the Licensee fails to pay to the Government of Haryana any of the fees due under Conditions 12.1 or 12.2 by the dates specified :(a)the Licensee shall be liable to pay to the

Government of Haryana interest on the outstanding amount at a simple interest rate of two percent per month, the interest being payable for the period beginning on the day after which the amount became due, and ending on the day on which the Government of Haryana receives payment; and(b)the Licensee shall be subject to the proceedings for the recovery of such fees specified in the Act; and(c)The commission may revoke this licence pursuant to Section 18 of the Act and Condition 13 of this licence.12.4The Licensees shall be entitled to take into account any fee paid by it under this Condition 12 in the determination of aggregate revenues made in accordance with Condition 21, but shall not take into account any interest paid pursuant to this Condition 12.

13. Terms as to Revocation.

- 13.1 The Commission may, provided that the requirements of Section 18 of the Act have been satisfied, at any time revoke this licence by not less than 3 months notice in writing to the Licensee : (a) if any amount payable under Condition 12 is unpaid after it has become due and remains unpaid for a period of 30 days or such longer time as the Commission may specify; or (b) if the Licensee wilfully fails to comply with Condition 6; or (c) if the Licensee has breached any of the Conditions of this licence and does not comply with an order of the Commission to rectify such breach.13.2 It is a condition of this licence that the Licensee shall comply with the orders and directions of the Commission under the Act. When the Commission expressly states that an order subjects the Licensee to this compliance Condition 13.2, failure to comply with that order will render the licence liable to revocation in accordance with Section 18 of the Act (without prejudice to the Commission's right to revoke the licence on any other applicable grounds).

14. Indian Electricity Act, 1910 (9 of 1910) and Indian Electricity (Supply) Act, 1948 (54 of 1948).

- 14.1 None of the provisions of the Schedule to the Indian Electricity Act, 1910 shall be deemed to be incorporated into this licence except for Clauses XIV and XV. If Clause XIV or XV is amended after this licence is issued, the Commission reserves the right to determine by order to what extent those amendments shall be deemed to be incorporated into it.14.2 The Commission may publish an order authorising the Licensee to exercise any power or authority which could be given to the Licensee under the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948).14.3 Pursuant to Section 10(10) of the Act, the Licensee shall have all the power for the placing of appliances and apparatus for the Distribution and Supply of electricity that a telegraph authority possess under the Indian Electricity Act, 1885 (13 of 1885).

Part III – Technical Conditions

15. Compliance with the Grid Code.

- 15.1 The Licensee shall comply with the provisions of the Grid Code in so far as applicable to it.15.2 The Commission may on reasonable grounds and after consultation with any affected Generating Companies and Suppliers issue directions relieving the Licensee of its obligation under

Condition 15.1 in respect of such parts of the Grid Code and to such extent as may be specified in those directions.

16. Distribution Code.

- 16.1 The Licensee shall within six months of issue of this licence prepare and submit to the Commission a Distribution Code. The Distribution Code shall be accompanied by a plan for its implementation. Once the Commission adopts both the Distribution Code and the implementation plan, the Licensee shall (subject to Condition 16.8) implement and comply with such Distribution Code. Where there is an electrical interface between the Licensee and a Supplier engaged in Distribution and Retail Supply, the Licensee shall ensure that the operation of its Distribution System will not disrupt the efficient operation of the interface. 16.2(1) The Distribution Code shall cover all material aspects relating to connections to and the operation of the electrical lines and electrical plant and apparatus connected to the Distribution System in so far as relevant to the operation and use of the Distribution System and shall include, but not be limited to : (a) a Distribution planning and connection code containing : (i) connection conditions specifying the technical, design and operational criteria to be complied with by any person connected or seeking connection with the Licensee's Distribution System; and (ii) planning codes specifying the plan required for laying the distribution lines and the services lines in the Area of Supply, the technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Licensee's Distribution System; and (b) a Distribution operating code specifying the conditions under which the Licensee shall operate the Licensee's Distribution System and under which persons shall operate their plant and/or Distribution System in relation to the Licensee's Distribution System, in so far as necessary to protect the security and quality of supply and safe operation of the Licensee's Distribution System under both normal and abnormal operating conditions. (2) The Distribution Code shall be designed so as to permit the development, maintenance and operation of an efficient, coordinated and economical Distribution System. 16.3 Where no Distribution Code of the form provided in this Condition 16 is in force at the effective date of this licence, the Licensee shall not be considered to be in breach of its obligation under this Condition 16, provided that : (a) within two months or such further time as the Commission may allow the Licensee shall submit for approval of the Commission the existing conditions of supply (the Interim Distribution Code); (b) the Licensee shall implement and comply with the Interim Distribution Code, subject to such modification as the Commission may order; and (c) within six months from the effective date of this licence, the Licensee shall submit to the Commission for its approval the Distribution Code specified in Condition 16.2 after consultation with the other Suppliers, the Transmission and Bulk Supply Licensee, the Generating Companies and such other persons as the Commission may specify. 16.4 The Interim Distribution Code shall continue to remain in effect until the final Distribution Code is approved by the Commission. 16.5 The Licensee shall periodically review (including upon the request of the Commission) the Distribution Code and its implementation in consultation with the Transmission and Bulk Supply Licensee, Generating Companies, other Suppliers and such other persons as the Commission may order. Following any such review, the Licensee shall send to the Commission : (a) a report on the outcome of such review; (b) any proposed revisions to the Distribution Code from time to time as the Licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives of the Distribution Code

as mentioned in Condition 16.2; and(c)all written representations or objections from Suppliers (including any proposals by such Suppliers for revisions to the Distribution Code not accepted by the Licensee in the course of the review) arising during the consultation process.16.6All revisions to the Distribution Code shall require approval from the Commission.16.7The Licensee shall make available a copy of the Distribution Code in force at the relevant time to any person requesting it, at a price not exceeding the reasonable cost of duplicating it.16.8The Commission may issue directions relieving the Licensee of its obligations under the Distribution Code in respect of such parts of the Licensee's Distribution System and to such extent on reasonable grounds as the Commission may indicate.

17. Distribution System Planning and Security Standards, Distribution System Operating Standards, Overall Performance Standards.

- 17.1 The Licensee shall plan and operate the Licensee's Distribution System so as to enquire that, subject to the availability of adequate generating capacity, the system is capable of providing Consumers with a safe, reliable and efficient Supply of electricity. In particular, the Licensee shall:(a)plan and develop the Licensee's Distribution System in accordance with the Distribution System Planning and Security Standards proposed by the Licensee together with the Distribution Code as approved by the Commission; and(b)operate the Licensee's Distribution System in accordance with the Distribution System Operating Standards proposed by the Licensee together with the Distribution Code as approved by the Commission.17.2The Licensee shall, within one month from the date this licence becomes effective, submit to the Commission the existing planning and security standards and operating standards being followed by the Licensee in respect of its Distribution System. The Licensee shall comply with such existing planning and security standards and the operating standards, as may be modified by the Commission, until the Distribution System Planning and Security Standards and Distribution System Operating Standards proposed by the Licensee pursuant to condition 17.3 are approved by the Commission.17.3(a)The Licensee shall, within six months after this licence becomes effective, prepare in consultation with the Suppliers, Generating Companies and such other person as the Commission may specify, and submit to the Commission for approval, the Licensee's proposal for Distribution System Planning and Security Standards and Distribution System Operating Standards in accordance with Condition 17.1 above. The proposal should include a statement setting out criteria by which the Licensee's compliance with the standards may be measured. Such criteria should include the number and type of supply interruptions and deviations from the power supply quality standards specified.(b)The document in which the Distribution System Planning and Security Standards are set forth pursuant to Clause (a) of this Condition 17.3 must include a statement by the Licensee as to how it proposes to implement the standards as so to:(i)ensure a satisfactory degree of standardisation of plant, apparatus, and equipment within the State of Haryana; and(ii)develop and observe a policy on spare parts required;(c)The Distribution System Planning and Security Standards and the Distribution System Operating Standards, with such modification as the Commission may specify, shall take effect from the date specified by the Commission.17.4The Licensee shall, in consultation with the Suppliers, including a Supplier whose Distribution System has an electrical interface with the Licensee and the Transmission and Bulk Supply Licensee, Generating Companies and such other person as the Commission may specify, review the Distribution System Planning and Security Standards and

Distribution System Operating Standards together with the review of the Distribution Code pursuant to Condition 16.5. Following any such review, the Licensee shall send to the Commission : (a) a report on the outcome of such review; (b) any revision which the Licensee proposes to make to such standards from time to time (having regard to the outcome of such review); and (c) any written representation or objection (including those not accepted by the Licensee from the Suppliers, Generating Companies, or any Consumer or such other person as the Commission may order), arising during the review; Provided that the Commission may, upon application of the Licensee, relieve the Licensee from the obligation to review the Distribution System Planning and Security Standards and Distribution System Operating Standards and their implementation to such an extent as the Commission may order. 17.5 Having regard to any written representation received by the Commission or upon its own motion, the Commission may require the Licensee to revise the Distribution System Planning and Security Standards and the Distribution System Operating Standards, and Licensee shall comply with the directions of the Commission. 17.6 The Licensee shall within 3 months of the end of each financial year submit to the Commission a report indicating the performance of the Licensee's Distribution System during the previous financial year against the criteria referred to in Condition 17.3. The Licensee shall, if required by the Commission, publish a summary of the report in a manner approved by the Commission. 17.7 The Licensee shall conduct its Distribution and Retail Supply Business in the manner which it reasonably considers to be best calculated to achieve the Overall Performance Standards in connection with providing of electricity Supply services and the promotion of the efficient use of electricity by Consumers, as may be prescribed by the Commission pursuant to Section 34 of the Act. 17.8 The Standards of Performance may be set by the Commission, or may be proposed by the Licensee for the Commission's approval. The Licensee's compliance with the Standards of Performance may be measured by the Commission, in part, by the Licensee's adherence to the Code of Practice on Payment of Bills, Complaint Handling Procedure, and Consumer Rights Statements set forth in accordance with Condition 21 of this licence. 17.9 The Licensee shall supply, at least annually, information to the Commission as to the means by which it proposes to achieve the Overall Performance Standards and the Standards of Performance.

18. Investment.

- 18.1 The Licensee shall not make major investment except in an economical and efficient manner. 18.2 The Licensee's contracts for major investments shall be awarded only pursuant to a transparent and competitive procurement process acceptable to the Commissions. The Licensee shall follow the Practice Guidelines regarding major investments issued by the Commission from time to time. 18.3 The Licensee shall file with the Commission a true copy with all the annexes of each new agreement/purchase order pursuant to which it makes a major investment within thirty (30) days of the agreement/purchase order becoming binding on the Licensee. 18.4 For the purposes of Condition 18, the term "major investment" shall mean a planned investment in or procurement in a single or series of related transactions of assets whose replacement cost is Rs. 50 lacs or more for the purposes of Distribution and Retail Supply Business, and "investment" as used herein, includes the acquisition of the right to use or control assets through a contract, lease or other similar arrangement.

19. Obligation to Connect Consumers and Public Lamps.

- 19.1 (a) Subject to the other provisions of this licence, the Licensee shall, on the application of the owner or occupier of any premises within the Area of Supply, provide connection to the Licensee's Distribution System for the purposes of providing a supply of electricity to those premises, including the laying of any required distribution mains.(b)Where the owner or occupier of any premises requires connection under the terms of Condition 19.1, the form of application to be made and the procedure for responding to that application shall be in accordance with the procedure specified by the Licensee and approved by the Commission.(c)Nothing in this Paragraph 19.1 shall require the Licensee to provide connection in circumstances where :(i)it is prevented from doing so by earthquakes, cyclones, floods, storms, unnatural weather conditions or other similar occurrences beyond his control, except that lack of finances shall not be deemed to be a circumstance beyond the control of the Licensee; or(ii)to do so would involve a breach of relevant laws or regulations concerned with electrical safety.19.2The Licensee shall, before commencing to lay down or place a service-line in any street in which a distribution main has not already been laid down or placed, serve upon the local authority (if any) and upon the owner or occupier of all premises abutting so much of the street as lies between the points of origin and termination of the service line to be laid down or placed, notice stating that the Licensee intends to lay down or place a service line and confirming that, if within 21 days from the date of the notice the local authority or any one or more of such owners or occupiers require in accordance with Conditions 16 and 19 that a Supply shall be given for any public lamps or to their premises (as the case may be), the necessary distribution main will be laid down or placed by the Licensee at the same time as the service line.19.3Where after distribution mains have been laid down under the provisions of Conditions 19.1 or 19.2 and the supply of energy through those mains or any of them has commenced, a requisition is made by the State Government or by a local authority requiring the Licensee to supply for a period of not less than seven years energy for any public lamps within the Area of Supply, the Licensee shall supply, and save in so far as it is prevented from doing so by cyclones, floods, storms or other occurrences beyond its control, continue to supply energy for such lamps in such quantities as the State Government or the local authority, as the case may be, may require. The State Government or the relevant local authority, as the case may be, may require the Licensee :(a)to provide the mains and other equipment for public lamps; and(b)to use for that purpose supports, if any, previously erected or set up by it for Supply of energy.19.4The Licensee may charge may cost reasonably incurred in carrying out works pursuant to Conditions 19.2 and 19.3 to the State Government or to the relevant local authority, as the case may be, in accordance with such procedure as may be approved by the Commission and in accordance with the requirements of the Act and any rules or Regulations.

20. Obligation to Supply and Power Supply Planning Standards.

- 20.1 The Licensee shall take all reasonable steps to ensure that all Consumers connected to the Licensee's Distribution System receive a safe, economical and reliable supply of electricity except where :(a)the Licensee discontinues Supply to certain Consumers under Section 24 of Indian Electricity Act, 1910 (19 of 1910), or in accordance with the Code of Practice drawn up pursuant to Condition 21;(b)the Licensee is obliged to regulate the Supply to Consumers as may be directed by the State Government under Section 22-B of the Indian Electricity Act, 1910 (9 of 1910).20.2The

Licensee shall, on an annual basis or more frequently if requested by the Commission : (a) forecast the demand for power within the Area of Supply in each of the next succeeding 10 years; (b) prepare and submit such forecasts to the Commission in accordance with the Practice Guidelines issued by the Commission from time to time; and (c) co-operate with the Transmission and Bulk Supply Licensee in the preparation of power demand forecasts for the State of Haryana in such manner as the Transmission and Bulk Supply Licensee reasonably considers appropriate. 20.3 Subject to the foregoing paragraphs, the Licensee shall purchase electricity from any Bulk Supplier in quantities which the Licensee considers sufficient to meet the expected demand of the Licensee's Consumers, or where appropriate, such lesser quantities as the Bulk Supplier is able to provide on account of shortage of available sources of electricity production, imports or Supply.

21. Consumer Service.

- 21.1 Code of Practice on Payment of Bills (a) The Licensee shall, within six months after this licence has become effective, prepare and submit to the Commission for its approval a Code of Practice concerning the payment of electricity bills by Consumers and including appropriate guidance for the assistance of such Consumers who may have difficulty in paying such bills and procedures for disconnecting Consumers for non-payment. Upon receiving the Code of Practice, the Commission may hold consultations with Commission Advisory Committee and any body of persons which appears to the Commission to be representative of Consumers. In granting each approval, the Commission may make such modifications as it considers necessary in the public interest. (b) The Commission may, upon receiving a representation or otherwise, require the Licensee to review the Code of Practice prepared in accordance with Condition 21.1(a) and the manner in which it has been operated, with a view to determining whether any modification should be made to it or to the manner of its operation. (c) The Licensee shall, in consultation with such other persons as the Commission may direct, upon review submits any revision to the Code of Practice that it wishes to make to the Commission for its approval, including any representation received by the Licensee and not accepted by it. The Commission may modify the existing Code of Practice concerning payment of bill as it considers necessary. (d) The Licensee shall : (i) draw to the attention of Consumers the existence of the Code of Practice and each substantive revision of it and how they may inspect or obtain a copy of the Code of Practice in its latest form; (ii) make a copy of the Code of Practice revised from time to time available for inspection by members of the public during normal working hours; and (iii) provide free of charge a copy of the Code of Practice revised from time to time to each new Consumer and to any other person who requests it at a price not exceeding the reasonable cost of duplicating it. 21.2 Complaint Handling Procedure : (a) The Licensee shall within three months after this licence has become effective establish with approval of the Commission a procedure for handling complaints from Consumers about the manner in which the Licensee conducts its Distribution and Retail Supply Business. The Commission may after holding such consultations with the Commission Advisory Committee or a person or body of persons appearing to be representative of the interest of the consumers, as the Commission considers necessary, make such modification of the procedure, as it believes necessary in the public interest. (b) The Commission may, upon receiving a representation or otherwise, require the Licensee to review the complaint handling procedure prepared in accordance with Condition 21.2(a) and the manner in which it has been operated, with a view to determining whether any modification should be made to it or to the

manner of its operation.(c)Any procedure established pursuant to this Condition 21.2, including any revisions to it, shall specify the periods within which it is intended that different descriptions of complaint should be processed and resolved.(d)The Licensee shall submit any revision proposed to be made to the procedure established in accordance with Condition 21.2(a) to the Commission for its approval.(e)The Licensee shall : (i)make a copy of the procedure, revised from time to time, available for inspection by members of the public at each of the relevant premises during normal working hours; and(ii)provide free of charge a copy of the procedure revised from time to time to each new Consumer, and to any other person who requests it at a price not exceeding the reasonable cost of duplicating it.21.3Consumer Rights Statement(a)Unless the Commission has framed regulations pursuant to Section 33 of the Act, the Licensee shall, within three months after this licence has come into force or such other time as the Commission may allow, prepare and submit to the Commission for approval a Consumer Rights Statement explaining to Consumers their rights as Consumers of the Licensee in its capacity as operator of its Distribution and Retail Supply Business. The Commission may, upon holding such consultation with the Commission Advisory Committee and such other persons or bodies of persons who the Commission considers as representing the interests of Consumers likely to be affected by it, make such modification of the statement, as it considers necessary in public interest.(b)The Commission may, upon receiving a representation or otherwise require the Licensee to review the Consumer Rights Statement prepared in accordance with Condition 21.3(a) and the manner in which it has been operated, with a view to determining whether any modification should be made to it or to the manner of its operation.(c)The Licensee shall submit any revision to the Consumer Rights Statement that it wishes to make to the Commission for its approval, including any representation received by the Licensee and not accepted by it. The Commission may modify the existing Consumer Rights Statement as it considers necessary in public interest.(d)The Licensee shall : (i)make a copy of the Consumer Rights Statement, revised from time to time, available for inspection by members of the public at each of the relevant premises during normal working hours;(ii)provide free of charge a copy of the Consumer Rights Statement, revised from time to time, to all new Consumers, and to any person who requests it at a price not exceeding the reasonable cost of duplication it; and(iii)distribute the statement in any other manner that the Commission may specify.

Part IV – Tariffs and Expected Revenue Calculation

22. Tariffs and Expected Revenue Calculation.

- 22.1 Tariffs(a)The Licensee shall establish a tariff acceptable to the Commission for each of its Distribution and Retail Supply Business and shall calculate its charges only in accordance with this licence and the other requirements prescribed by the Commission.(b)Subject to any contrary direction of the Commission, the Licensee may publish a combined tariff for its Distribution and Retail Supply Business reflecting the tariff rates and the other terms and conditions contained in the approved tariffs referred to in Condition 22.1(a).22.2Expected Revenue Calculation(a)Each year not later than 31st December, the Licensee shall prepare and submit to the Commission a report of its expected aggregate revenues and cost of service (including financing costs and its proposed return on equity) for its Distribution and Retail Supply Business for the next succeeding financial year in the manner and form prescribed by the Commission from time to time.(b)If the report referred to in

paragraph 22.2(a) indicates a significant difference between its expected aggregate revenues and its expected cost of service, the Licensee shall also submit with its report an explanation of the measures it proposes to take, including any proposed tariff amendments, to eliminate the difference.

23. Amendment of Tariffs and Charges.

- 23.1 The Licensee shall apply to the Commission to amend its tariffs in accordance with the Act if the Commission so requires, in order to remove any undue discrimination identified by the Commission or to cause the Licensee's expected revenue to correspond to the amount that it is permitted to recover under this licence. 23.2 The amount that the Licensee is permitted to recover from its tariffs in any financial year is the amount that the Commissioner determines in accordance with the financial principles and their applications provided in the Sixth Schedule to the Electricity (Supply) Act, 1948, as they may be modified pursuant to Section 26(3) of the Act, will allow the Licensee a fair opportunity to earn a reasonable return. 23.3 The Licensee may at any time pursuant to the direction of the State Government to provide any subsidy in accordance with Section 12(3) of the Act submit to the Commission for its approval an amendment to the tariff approved by the Commission for the relevant period to take into account the subsidy directed by the Government. Such amendment shall also indicate the anticipated difference between revenue earnings in accordance with the tariff established under Condition 22.1 and in accordance with the tariff proposed by the Licensee under this Condition 23.3.

24. Powers of the Licensee for Revenue Realisations, Meter Tempering, etc.

- 24.1 The Licensee shall be entitled to exercise any authority that the Commission is capable under the Act of conferring on it to take appropriate action for : (a) revenue realisations; (b) prosecution for theft; (c) deterring tampering with meters; and (d) preventing diversion of electricity; and all such similar matters affecting Distribution and Retail Supply.

25. Provision of Subsidies to Certain Consumers.

- 25.1 The Commission may allow the Licensee to set tariffs which do not satisfy Condition 22, if the departure is in accordance with the policy of the State Government under Section 12 of the Act, subject to the State Government expressly undertaking to make such compensation to the Licensee for loss of revenue by the Licensee for such departure. Such compensation for a year shall not be less than that estimated by the Licensee and approved by the Commission of the difference in that financial year between : (a) the revenue which the Licensee is entitled to recover under the terms of Condition 22.1; and (b) the revenue received from the tariff consistent with the tariff proposed under Paragraph 23.3. 25.2 Within one month of the end of each financial year, the Licensee shall calculate the difference for the financial year between the actual values of Conditions 25.1(a) and 25.1(b), and submit such calculation to the Commission for approval. The mode of payment will be decided by the Commission from time to time in accordance with Section 12(3) of the Act.

Part V – Competition Conditions

26. Introduction of Competition in Bulk Supply.

- 26.1 (a) The Commission may, after consultation with the Licensee, the Suppliers and Generating Companies formulate arrangements for the introduction of compensation in Bulk Supply in the State of Haryana.(b)The Commission may issue such orders modifying or amending the Conditions of this licence as it shall consider appropriate for the purpose of implementing the arrangements referred to in this Condition 26.

27. Introduction of Competition in Retail Supply.

- 27.1 (a) The Commission may, after consultation with the Licensee, Suppliers and Generating Companies formulate arrangements for the introduction of competition in Retail Supply in the State of Haryana.(b)The Commission may issue such orders modifying or amending the Conditions of this licence as it shall consider appropriate for the purpose of implementing the arrangements referred to in this Condition 27.

Part VI – Penalty

28. Penalty for Contravention of Conditions of the Licence.

- 28.1 The Licensee shall be liable for action under Section 41 of the Act in appropriate cases.

Schedule 1

Area of Distribution and Retail SupplyThe area of Distribution and Retail Supply shall comprise the State of Haryana. However, for cantonment, aerodrome, fortress, arsenal, dockyard or camp or any building or place in occupation of the Central Government for defence purposes, the licence will be effective only upon production of a no objection certificate from the Central Government.