

# **The Distribution Of Electricity License (Additional Requirements Of Capital Adequacy, Creditworthiness And Code Of Conduct) Rules, 2005**

UNION OF INDIA

India

## **The Distribution Of Electricity License (Additional Requirements Of Capital Adequacy, Creditworthiness And Code Of Conduct) Rules, 2005**

### **Rule**

### **THE-DISTRIBUTION-OF-ELECTRICITY-LICENSE-ADDITIONAL-REQUIREMENTS-OF-CAPITAL-ADEQUACY-CREDITWORTHINESS-AND-CODE-OF-CONDUCT-RULES-2005**

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The Distribution Of Electricity License (Additional Requirements Of Capital Adequacy, Creditworthiness And Code Of Conduct) Rules, 2005 Published vide Notification G.S.R. 188(E), dated 23.3.2005, published in the Gazette of India, Extraordinary, Part 2, Section 3(i), dated 23.3.2005.

### **8.**

/459 In exercise of the powers conferred by sub-section (1) of, and clause (b) of sub-section (2) of, section 176 of the Electricity Act, 2003 (36 of 2003), the Central Government hereby makes the following rules, namely:-

#### **1. Short title and commencement**

.- (1) These rules may be called The Distribution of Electricity License (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005. (2) They shall come into force on the date of their publication in the Official Gazette.

## **2. Definition**

.-In these rules, unless the context otherwise requires,-(a)"Act" means the Electricity Act, 2003 (36 of 2003);(b)words and expression used and not defined in these rules but defined in the Electricity Act, 2003 (36 of 2003), shall have the meanings respectively assigned to them in the Act.

## **3. Requirements of capital adequacy and creditworthiness**

.- (1) The Appropriate Commission shall, upon receipt of an application for grant of license for distribution of electricity under sub-section (1) of section 15 of the Electricity Act, 2003, decide the requirement of capital investment for distribution network after hearing the applicant and keeping in view the size of the area of supply and the service obligation with that area in terms of section 43.(2)The applicant for grant of license shall be required to satisfy the Appropriate Commission that on a norm of 30% equity on cost of investment as determined under sub-rule (1), he including the promoters, in case the applicant is a company, would be in a position to make available resources for such equity of the project on the basis of net worth and generation of internal resources of his business including of promoters in the preceding three years after excluding his other committed investments.Explanation .-For the grant of a license for distribution of electricity within the same area in terms of sixth proviso to section 14 of the Act, the area falling within a Municipal Council or a Municipal Corporation as defined in the article 243-Q of the Constitution of India or a revenue district shall be the minimum area of supply.

## **4. Requirement of Code of conduct**

.-The applicant for grant of license shall satisfy the Appropriate Commission that he has not been found guilty or has not been disqualified under any of the following provisions within the last three years from the date of application for the grant of license:(a)section 203, section 274, section 388-B or section 397 of the Companies Act, 1956;(b)section 276, section 276-B, section 276-BB, section 276-C, section 277 or section 278 of the Income-tax Act, 1961;(c)section 15-C, section 15-G, section 15-H or section 15-HA of the Securities and Exchange Board of India Act, 1992;(d)clause (b), (bb), (bbb), (bbbb), (c) or (d) of sub-section (1) of section 9 of the Central Excise Act, 1944;(e)section 132 or section 135 of the Customs Act, 1962, and that the applicant is not a person in whose case license was suspended under section 24 or revoked under section 19 of the Act, within the last three years from the date of application:Provided that where the applicant is a company, it shall satisfy the Appropriate Commission in addition to provisions of this rule that no petition for winding up of the company or any other company of the same promoter has been admitted under section 443(e) of the Companies Act, 1956 on the ground of its being unable to pay its debts.