

THE APTRANSCO TRANSMISSION AND BULK SUPPLY LICENCE

Licence granted by the Andhra Pradesh Electricity Regulatory Commission under Section 15 of the Andhra Pradesh Electricity Reform Act, 1998 (Andhra Pradesh Act No. 30 of 1998) to the Transmission Corporation of Andhra Pradesh Limited (APTRANSCO), a company incorporated under the Companies Act, 1956, and having its registered office at Vidyut Soudha, Khairatabad, Hyderabad 500 082, for carrying on the business of procurement, Transmission and Bulk Supply of electrical energy within the Area of Supply (as defined in this Licence) and with the powers and upon the terms and conditions specified herein.

Part I - Terms of the Licence

Short Title

1.1 This Licence may be called "The APTRANSCO Transmission and Bulk Supply Licence (Licence No. 1 of 2000)".

Definitions

2.1 Words, terms and expressions to which meanings are assigned by the Andhra Pradesh Electricity Reform Act, 1998 (Andhra Pradesh Act No. 30 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 Andhra Pradesh Electricity Reform Act, 1998, shall have the meaning assigned to them in the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948) and the rules made thereunder.

2.3 In this Licence, unless the context otherwise requires:

"Accounting Statement" means for each financial year, accounting statements comprising a profit and loss account, a balance sheet and a statement of sources and application of funds, together with notes thereto and such other particulars and details and in the manner as the Commission may prescribe from time to time and showing the amounts of any revenue, cost, asset, liability, reserve or provision, which has been either:

(i) charged from the Licensed Business to any Other Business or vice versa together with a description of the basis of that charge;

or

i. determined by apportionment or allocation between the Licensed Business and any Other Business of the Licensee together with a description of the basis of the apportionment or allocation.

The Accounting Statement shall show separately the requirements mentioned above for the Licensed Business and Other Business(es) in which the Licensee may be engaged with the approval of the Commission as provided in Paragraph 5.1.5 of the Licence.

"Act" means the Andhra Pradesh Electricity Reform Act, 1998 (Andhra Pradesh Act No. 30 of 1998);

"Annual Accounts" means the accounts of the Licensee prepared in accordance with the provisions of the Companies Act, 1956 (1 of 1956) and/or in such other manner as may be directed by the Commission in terms of the provisions of the Act;

"APTRANSCO" means the Transmission Corporation of Andhra Pradesh Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Vidyut Soudha, Khairatabad, Hyderabad 500 082;

"Area of Supply" means the geographic area referred to in Schedule 1 of this Licence within which any activity authorised by this Licence is allowed;

"Auditors" means the Licensee's auditors holding office in accordance with the requirements of Sections 224 to 234A 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 of the Act 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 Commission" means the Central Electricity Regulatory Commission constituted under Section 3 of the Electricity Regulatory Commissions Act, 1998 (14 of 1998);

"Central Transmission Utility" means the government company notified by the Central Government under Section 27A of the Indian Electricity Act, 1910, as amended by the Electricity Laws (Amendment) Act, 1998;

"Commission" means the Andhra Pradesh Electricity Regulatory Commission;

"Consumer" means the end or final user of electricity, irrespective of the voltage at which or the system or line from which electricity is supplied, and shall include such other Persons purchasing electrical energy from the Licensee, whom the Commission may specify to be the Consumer of the Licensee;

"Distribution" means the transportation of electricity by means of a Distribution System;

"Distribution and Retail Supply Business" means the Licensed Business of a Distribution Licensee

"Distribution Code" means the code prepared by the Distribution Licensee(s) in accordance with the terms and conditions of the Distribution and Retail Supply Licence, that is approved by the Commission, as amended, supplemented or replaced from time to time in accordance with conditions of the said Distribution and Retail Supply Licence(s);

"Distribution and Retail Supply Licence" means each of the Licences as may be issued by the Commission under Section 15 of the Act for the conduct of the Distribution and Retail Supply Business;

"Distribution Licensee" means the holder of a Distribution and Retail Supply Licence;

"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 and shall also include any other system of higher voltage as the Commission may specifically recognise. A Distribution System shall not include any part of the Transmission System;

"Force Majeure" means events beyond the reasonable control of the Licensee, including earthquakes, cyclones, floods, storms, adverse weather conditions or other similar occurrences.

"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 electrical lines, transformers, bus-bars, switch-gear, plant or apparatus utilised to enable access to a Transmission System or Distribution System by the Generating Set(s);

"Grid Code" means the Grid Code which the Commission approves pursuant to this Licence, 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, the Distribution Systems or the system of any Supplier and shall include the Interim Grid Code;

"Holding Company" For the purpose of this Licence a Company shall be deemed to be a holding company of another if and only if that other is a subsidiary as defined herein;

"Interim Grid Code" means the existing practices and procedures followed by APTRANSCO for operating the Transmission System as of the date of this Licence, a compilation of which shall be filed with the Commission within 60 days of the grant of this Licence;

"Licence" means this licence under which the Licensee is Authorised to conduct the Licensed Business;

"Licensee" means APTRANSCO, in its capacity as operator of the Licensed Business;

"Licensed Business" means the business of transmission and bulk supply of electrical energy in the Area of Supply as Authorised under this Licence;

"Major Incident" means an incident associated with the Transmission and Bulk Supply of electricity 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 human beings, with the technical characteristics of "significant interruption", "substantial damage", "significant injury" specified in the Grid Code, or Standards of Performance to be approved by the Commission or as otherwise specified by the Commission and shall also include any other incident which the Commission expressly declares to be a major incident;

"Operational Control" means possessing the authority to make operational decisions such as commissioning and utilisation of units, service lines and equipment;

"Other Business" means business of the Licensee other than the Licensed Business;

"Overall Performance Standards" means the standards as may be determined by the Commission pursuant to Section 34 of the Act;

"Person" shall include any individual, firm, company or association or body of individuals whether incorporated or not;

"Power Supply Operating Standards" are such levels of operational security and quality of Supply as are proposed by the Licensee to the Commission and approved by the Commission.

"Power Supply Planning and Security Standards" are such standards as (i) will ensure that the Licensee conducts its planning so that Bulk Supply will meet levels of reliability and quality, to be proposed by the Licensee and approved by the Commission, by reason of sufficiency of power available for the purposes of Bulk Supply; or (ii) the Commission may otherwise specify.

"Regulations" means the regulations issued by the Commission under the Act;

"Retail Supply" means the sale of electricity to Consumers;

"Retail Supplier" means any Person who is Authorised to carry out Retail Supply;

"Standards of Performance" means such standards of performance related to service to Consumers as may be determined by the Commission under the Act;

"State Government" means the government of the state of Andhra Pradesh;

"Subsidiary" For the purposes of this Licence, a company shall be deemed to be a subsidiary of another if and only if that other holds more than half in nominal value of the equity share capital of the first mentioned company;

"Supplier" means any Person who holds a licence to supply electricity under Section 15 of the Act or is granted an exemption under Section 16 of the Act;

"Supply" means the provision of electricity by a Supplier either for resale or directly to Consumers;

"Transfer" shall include the sale, exchange, gift, lease, licence, loan securitisation, mortgage, charge, pledge or grant of any other encumbrance or otherwise permitting of any encumbrance to subsist or parting with physical possession or any other disposition or dealing.

"Total System" means Generator Interconnection Facilities, the Transmission System and the Distribution System of all the Distribution Licensees, which are located in the Area of Supply;

"Transmission" means the transportation of electricity by means of the Transmission System;

"Transmission and Bulk Supply Licensee" means the APTRANSCO in its capacity as operator of the Transmission Business and as a Bulk Supplier;

"Transmission Business" means the Authorised business in Transmission, whether for its own account or for that of third parties, through any system owned and/or operated by such Licensee;

"Transmission Operating Standards" means the standards related to the Licensee's operation of its Transmission System approved by the Commission pursuant to Paragraph 17;

"Transmission Planning and Security Standards" means the standards related to the adequacy of the Licensee's system planning and security of its Transmission System as approved by the Commission pursuant to Paragraph 17;

"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 Licensee, and used for the purposes of the transportation of electricity between the switchyards of two Generating Sets or from the switchyard of a Generating Set to a substation, or between substations, or to or from any external interconnection and includes all 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;

"Use of System" means use of the Transmission System for the transportation of electricity by a Person specified in Paragraph 20 or a Bulk Supplier pursuant to a contract entered into under the terms of Paragraph 20;

2.4 References in this Licence to Paragraphs, parts, and schedules shall, unless the context otherwise requires, be construed as references to Paragraphs, parts of and schedules to this Licence.

Term 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 Transmission Corporation of Andhra Pradesh Limited (APTRANSCO-Licensee) this Licence for conducting the Licensed Business, during the period specified in Paragraph 3.3 and subject to the terms and conditions contained in this Licence;

3.2 The terms and conditions as specified in this Licence are subject to modifications or amendments to be made by the Commission in accordance with the provisions of the Act or this Licence;

3.3 This Licence shall come into force with effect from the First of February 2000 and, unless revoked earlier by the Commission, in accordance with the provisions of Paragraph 13 of this Licence and the provisions of the Act, shall remain in force for 30 years from that date. The Commission may, at the instance of the Licensee, renew this Licence for such further period or periods and on such terms and conditions, as the Commission may consider appropriate.

Part II - General Conditions

4. Directions

4.1 The Licensee shall comply with the Regulations, orders and directions issued by the Commission from time to time and shall also act in accordance with the terms and conditions of this Licence, except where the Licensee obtains the approval of the Commission for any deviation therefrom

5. Activities of the Licensee 5.1.1 The Licensee shall not without the prior general or special approval of the Commission:

- a. purchase or otherwise acquire electricity for resale or other disposition to third parties or sell or otherwise transfer electricity to any Person in the state of Andhra Pradesh, other than pursuant to this Licence, except to the extent required to meet

its obligations under the Indian Electricity Act, 1910, as amended by Electricity Laws (Amendment) Act, 1998 in relation to the inter-state transmission of electricity; or

- b. sell or otherwise dispose of electricity to any Person, other than pursuant to this Licence; or
- c. acquire any beneficial interest in any Generating Company or Generating Set in or selling electricity into the Area of Supply, except in a manner which is incidental to the Licensed Business; or
- d. acquire any beneficial interest in any Supplier, other than in the successor Distribution companies to which the Distribution and Retail Supply Business of the Licensee may be transferred.

5.1.2 The Licensee shall not commence any new provision of services to third parties for the transportation of electricity through the Licensee's Transmission System, except with the general or special approval of the Commission

5.1.3 In circumstances requiring immediate remedial action in the interest of continuity of supply to third parties, the Licensee may commence the activity referred to in Paragraph 5.1.2, provided that the Licensee will inform the Commission of such occurrence or circumstances within 5 days thereof.

5.1.4 The Licensee shall purchase the energy required for the bulk supply in an economical manner and under a transparent power purchase or procurement process and in accordance with the Regulations, guidelines, directions made by the Commission from time to time.

5.1.5. The Licensee shall not engage in any Other Business without the prior approval of the Commission and if so permitted by the Commission only so long as such activity is likely to result in the gainful employment of the assets and infrastructure comprising the Transmission System and further subject to the following conditions: ,/p>

- a. the Licensed Business and the conduct thereof by the Licensee is not prejudiced and/or adversely affected in any manner;
- b. the Licensee shall prepare and keep, in respect of Other Business activities, separate accounting records as would be required to be kept in respect of such activities, as if they were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, such Other Business activities are separately identifiable from those of the Licensed Business;
- c. the Licensee shall comply with such guidelines, terms and conditions that the Commission may specify in regard to (i) the Licensee engaging in Other Business activities and (ii) payment of fair compensation to the Licensed Business for the assets of the Licensed Business utilised for such Other Business activities; and
- d. the Licensee shall not Transfer the Transmission System or any assets utilised in the Transmission Business for the purposes of any Other Business activities, without the prior approval of the Commission.

5.2 The Licensee shall seek approval of the Commission before making any loans to, or issuing any guarantee for any obligation of any Person, except when made or issued for the purpose the Licensed Business. Loans to employees pursuant to their terms of service and advances to suppliers in the ordinary course of business are excluded from the requirement to seek such approval.

5.3 The Licensee may engage any of its Subsidiaries or Holding Company or a Subsidiary of such Holding Company to provide any goods or services to the Licensee, in connection with the Licensed Business subject to the following conditions:

- a. that the transaction will be on an arms-length basis and at a value that is fair and reasonable in the circumstances;

- b. that the transaction will be consistent with any Regulations framed by the Commission relating to the provision of goods and services with respect to the Licensed Business; and
- c. that the Licensee will give 15 days notice to the Commission prior to commencement of the proposed arrangement and alongwith the notice provide all relevant details of the arrangement.

In all other cases of engagement of such Subsidiary or Holding Company or a subsidiary of the Holding Company, prior permission of the Commission will be required. Where such prior permission is required, the Licensee will file a suitable application with the Commission disclosing relevant facts. The Commission may, within 30 days of the filing of the application, seek further information in support of the application. The Commission shall generally within 30 days of such further information being submitted by the Licensee, and where no such further information is sought by the Commission as above, generally within 60 days of filing of the application, allow the arrangement subject to such terms and conditions or modifications as is considered appropriate or reject the same, for reasons recorded in writing in the order to be issued by the Commission.

Part III: Technical Conditions

16. Power Procurement Procedure

16.1 The Licensee shall not purchase electrical capacity and/or energy without an authorisation granted by the Commission under the terms of this Paragraph 16.

16.2 The Licensee shall purchase electrical capacity and/or energy in an economical and efficient manner and under a transparent power purchase or procurement process and in accordance with the Regulations, directions, guidelines and orders made for the purpose by the Commission from time to time.

16.3 In case of purchases of allocated share of electrical capacity and/or energy from Central Sector generation and inter-utility exchanges of electrical capacity and/or energy from other Regional Electricity Boards, such processes as are stipulated by the Central Electricity Regulatory Commission shall also be complied with, in addition to the directions and orders of the Commission.

16.4 An authorisation required under Paragraph 16.1 shall be granted when the Licensee has demonstrated to the Commission's satisfaction that:

- a. the additional electrical capacity and/or energy is necessary to meet the Licensee's service obligation in accordance with Paragraph 17; and
- b. the Licensee has examined the economic, technical, system and environmental aspects of commercially viable alternatives to the proposals for purchasing additional electrical capacity and/or energy and such examination has been carried out in a manner approved by the Commission.

16.5 The restriction imposed in Paragraph 16.1 shall not be applicable: for short term purchases (less than six months in duration), provided that such short term purchases are made in accordance with guidelines, if any, issued by the Commission and the details of such purchases shall be submitted to the Commission in the manner the Commission directs;

17. Transmission Planning and Security Standards; Power Supply Planning and Security Standards; Transmission Operating Standards; and Power Supply Operating Standards

17.1 The Licensee shall plan and operate the Transmission System, so as to ensure that the Transmission System is capable of providing an efficient, co-ordinated and economical system of Transmission. In particular, the Licensee shall:

- a. plan and develop its Transmission System in accordance with the Transmission System Planning and Security Standards together with the Grid Code as approved by the Commission; and
- b. operate the Licensee's Transmission System in accordance with the Transmission System Operating Standards together with the Grid Code as approved by the Commission.

17.2. The Licensee shall make arrangements, within twelve months from the date of issue of this Licence, to comply with the Power Supply Planning and Security Standards and Power Supply Operating Standards.

17.3 The Licensee shall, within 60 days from the date this Licence becomes effective, submit to the Commission the existing

- Planning and Security Standards }
- Operating Standards } for its Transmission System and
- Planning and Security Standards }
- Operating Standards } for its Power Supply System including those relating to:
- Generation Capacity connected to its Transmission System being followed by the Licensee.

Such existing standards, with such modification as the Commission may direct, shall continue to remain in effect until the new standards approved by the Commission pursuant to Paragraph 17.4 take effect.

17.4

- a. The Licensee shall, within six months, or such longer time as the Commission may allow, after this Licence has become effective, prepare, in consultation with the Suppliers, Generating Companies, Central Transmission Utility, Regional Electricity Boards and such other Person as the Commission may specify, and submit to the Commission for approval the Licensee's proposal for Transmission Planning and Security Standards, Transmission Operating Standards, Power Supply Planning and Security Standards, and Power Supply Operating Standards in accordance with this Paragraph 17.
- b. The Transmission Planning and Security Standards, Transmission Operating Standards, Power Supply Planning and Security Standards and the Power Supply Operating Standards submitted by the Licensee pursuant to this Paragraph, with such modifications as the Commission may require, shall take effect from such dates as the Commission shall specify.

17.5 The Licensee shall not be in breach of its obligations under this Licence if it has failed to meet the Transmission Planning and Security Standards or the Transmission Operating Standards directly due to Force Majeure, provided that, the Licensee has used its reasonable efforts, to the extent reasonably possible, to comply with the Transmission Planning and Security Standards or the Transmission Operating Standards, as the case may be.

17.6 The Licensee shall make reasonable arrangements to provide for sale to Suppliers, sufficient electricity to meet Power Supply Planning and Security Standards and Power Supply Operating Standards approved by the Commission.

Provided that the Licensee shall not be considered in breach of the requirements of this Paragraph 17.6 in circumstances where, for reasons accepted by the Commission, the Licensee has been unable to provide sufficient Bulk Supply.

17.7 Notwithstanding Paragraph 17.6 in all circumstances where the Licensee has not provided sufficient Bulk Supply to meet actual demand, the Licensee shall nevertheless use reasonable endeavours to meet all demands as far as possible.

17.8 The Licensee shall, in consultation with Suppliers, the Generating Companies, Distribution Licensees in the State, the Central Transmission Utility, the Regional Electricity Board and such other Persons as the Commission may order, review the standards and their implementation on each occasion that it carries out a review of the Grid Code in accordance with Paragraph 18.6. Following any such review, the Licensee shall send to the Commission:

- a. **a report on the outcome of such review; and**
- b. **(b) any revision which the Licensee proposes to make to such documents from time to time (having regard to the outcome of such review); and**
- c. **(c) any written representations or objections (including those not accepted by the Licensee) from Suppliers, the Generating Companies, the Central Transmission Utility, the Regional Electricity Board and such other Persons as the Commission may order arising during the consultation process;**

provided that the Commission may, upon application of the Licensee, relieve the Licensee from the obligation to review the standards and their implementation, to such extent as shall be specified in directions issued to the Licensee by the Commission for the purposes of this condition.

17.9 Having regard to any written representations or objections referred to in Paragraph 17.8(c), and following such further consultation (if any) as the Commission may consider appropriate, the Commission may issue directions requiring the Licensee to revise the standards in such manner as may be specified in the directions.

17.10 The Commission may issue directions requiring the Licensee to revise any of the standards in such manner as may be specified by the Commission.

17.11 Till the Interim Grid Code is in position, the Licensee shall submit reports in the formats prescribed by the Commission.

17.12 The Licensee shall, on an annual basis:

- a. **forecast the demand for power within the Area of Transmission and Bulk Supply in each of the next succeeding 10 years; and**
- b. **prepare and submit forecasts to the Commission in accordance with the guidelines issued by the Commission from time to time.**

17.13 The Licensee shall within 3 months of the end of each financial year, submit to the Commission a report indicating the performance of the Transmission System during the previous financial year. The Licensee shall, if required by the Commission, publish a summary of the report in a manner to be determined by the Commission.

17.14 The Licensee shall, upon request by the Commission, provide to the Commission such information as the Commission may require under this paragraph or for the purpose of monitoring compliance with this Paragraph 17.

18. Grid Code

18.1 Except as provided in Paragraph 18.4, the Licensee shall ensure that, within six months from the issue of the Licence, there is in force at all times a Grid Code, which meets the requirements of this Paragraph 18. Subject to Paragraph 18.11, the Licensee shall implement and comply with the Grid Code.

18.2 The Grid Code shall include:

- a. **all material technical aspects relating to, connections to, and the operation and use of the Transmission System including the operation of electric lines and electrical plant and apparatus connected to the Transmission System in so far as relevant to the operation and use of the Transmission System including, but not limited to, connection conditions specifying the technical, design and operational criteria to be complied with by the Licensee and by any Person connected or seeking connection with the Transmission System or by any Generating Company who is connected with or seeks connection with the Transmission System or the Distribution System of any Supplier.**
- b. **(b) an operating code specifying the conditions under which the Licensee shall operate the Transmission System and under which Generating Companies shall operate their plant and the Suppliers shall operate their Distribution Systems in relation to the Transmission System, in so far as necessary to protect the security and quality of supply and safe operation of the Transmission System under both normal and abnormal operating conditions;**
- c. **a planning code specifying the technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Transmission System;**
- d. **a scheduling and despatch code specifying the system for the scheduling and despatch of Generating Sets;**
- e. **procedures relating to the co-ordination of outages for scheduled maintenance of Generating Sets and transmission and distribution circuits;**
- f. **a metering code setting out requirements and procedures for metering; and**
- g. **a protection code setting out the requirements and co-ordination of protection systems.**

18.3 The Grid Code shall:

- a. **be designed so as to permit the development, maintenance and operation of an efficient, coordinated and economical system for Transmission and Bulk Supply in the State of Andhra Pradesh; and**
- b. **allow the Licensee to comply with its obligations in relation to the inter-State transmission of power.**

18.4 Where no Grid Code in the form provided for in this Paragraph 18 is in force at the effective date of this Licence, the Licensee shall not be considered in breach of this Paragraph 18 provided that:

- a. **the Licensee shall file with the Commission a compilation of the Interim Grid Code within 60 days of the grant of this Licence;**

- b. **the Licensee shall implement and comply with the Interim Grid Code from the date of its submission to the Commission, subject to such modifications as the Commission may direct; and**
- c. **within six months of the commencement of this Licence, the Licensee shall submit the comprehensive Grid Code described in Paragraphs 18.2 and 18.3, for the approval of the Commission, which must be formulated by the Licensee after consultation with Suppliers, Generating Companies, Distribution Licensees, Central Transmission Utility, Regional Electricity Board and such other Persons as the Commission may direct.**

18.5 The Interim Grid Code shall continue to remain in effect until such time as the Commission has approved the final Grid Code.

18.6 The Licensee shall, in consultation with Distribution Licensees, Generating Companies, the Central Transmission Utility, the Regional Electricity Board and such other Persons as the Commission may specify, review the Grid Code and its implementation from time to time. The Licensee shall also undertake such review as and when directed to do by the Commission. All the representations received during the interim period shall be considered by the Licensee.

- a. **a report on the outcome of such review; and**
- b. **any proposed revisions to the Grid Code from time to time as the Licensee reasonably thinks fit for the achievement of the objectives referred to in Paragraph 18.2; and**
- c. **all written representations or objections from Suppliers arising during the consultation process.**

18.7. All revisions to the Grid Code shall require the prior written approval of the Commission.

18.8 The Commission may issue directions requiring the Licensee to revise, supplement or replace the Grid Code in such manner as may be specified in the directions, and the Licensee shall comply with any such directions.

18.9 The Licensee shall make available a copy of the Grid Code in force to any Person requesting it at a price not exceeding the reasonable cost of duplicating it.

18.10 In preparing, implementing and complying with the Grid Code (including in respect of the scheduling of maintenance of the Transmission System), the Licensee shall not unduly discriminate against or unduly prefer:

- a. **any one or any group of Persons; or**
- b. **itself in the conduct of any business other than the Transmission Business**

18.11 The Commission may issue directions relieving the Licensee or (following consultation with the Licensee) third parties of their obligations to implement or comply with the Grid Code to the extent as may be specified in the directions.

19. Central Scheduling and Despatch

19.1 Having regard to information provided to it by Suppliers, Generating Companies, the Central Transmission Utility, the Distribution Licensees and other utilities in the region (including information as to forecast levels of electricity demand and availability of generation capacity) and to the requirements of the Transmission Planning and Security Standards and the Transmission Operating Standards referred to in this Licence, the

Licensee shall undertake operational planning for the matching to the extent possible of output of all Generating Sets contracted to it and any other Bulk Supplier and other sources of power or electrical energy connected to the Licensee's Transmission System (including a reserve of generation to provide a security margin of generation availability) with forecast demand after taking into account, inter alia:

- a. **any unavailability of Generating Sets; and**
- b. **constraints from time to time imposed by technical limitations on the Total System or interconnections with other transmission systems or any part(s) thereof;**
- c. **consistent with this Paragraph 19.1 and in accordance with the Grid Code, for the removal from service of parts of the Transmission System for maintenance, repair, extension or reinforcement.**

19.2 Taking account of the factors referred to in this Paragraph 19.2, the Licensee shall schedule and issue direct instructions for the despatch of Generating Sets and other sources of power as are at such times available to generate electricity and which are subject to despatch instructions:

- a. **in ascending order of relevant prices that are offered for the generation of electricity into the Total System, keeping in view the constraints on hydro-electric generation, and**
- b. **as will in aggregate (and after taking account of electricity delivered to or from the Total System from or to other sources) be sufficient to match at all times (to the extent possible having regard to the availability of Generating Sets) expected demand, taking account of information provided by Suppliers, the Central Transmission Utility and the Regional Electricity Board together with an appropriate margin of reserve.**

19.3 The factors referred to in Paragraph 19.2 include:

- a. **expected demand (including losses);**
- b. **economic and technical constraints from time to time imposed on the Total System or any part or parts thereof;**
- c. **the dynamic operating characteristics of available Generating Sets; and**
- d. **other matters provided for in the Grid Code.**

19.5 The Licensee shall provide to the Commission such information as the Commission shall request concerning the merit order despatch described in Paragraph 19.2(a) or any aspect of its operation.

19.6 In this Paragraph 19:

"available" means the state of a Generating Set such that it can respond successfully to a call to service by the entity with authority to despatch the system; and

"availability" shall be construed accordingly; "central despatch" means the process of scheduling and issuing direct instructions by the Licensee as referred to in Paragraph 19.

Part IV : Connection and Use of System Conditions

20. Requirement to Offer Terms for Use of System and Connection to System

20.1 The Licensee shall make such arrangements for the use of the Transmission System by third parties as are specified in this Paragraph 20. On application made by any such third party, the Licensee shall offer to enter into an agreement with that Person for the use of the Transmission System:

- a. **to accept into the Transmission System electricity provided by that Person;**
- b. **to deliver such electricity, adjusted for losses of electricity, to a designated exit point;**
- c. **that specifies tariff and Use of System charges to be paid by the user, which shall be in accordance with Paragraph 22.**

Explanation: The third parties referred to in this Paragraph 20.1 are:

- i. Persons authorised under a legislation enacted by the Union of India to wheel power across the Transmission System in an inter-state conveyance of energy;
- ii. such Persons as the Commission may authorise to use the Transmission System.

20.2 On application made by a Supplier for grant of a connection to a Consumer wishing to be connected directly to the Transmission System, the Licensee shall offer to enter into an agreement with such Supplier and/ or Consumer, as the case may be, for connection to the Transmission System or for modification of such an existing connection and such offer shall make provision for:

- a. **the carrying out of works necessary to make the required connection, including the installation of meters;**
- b. **the carrying out of any necessary works to reinforce the Licensee's Transmission System;**
- c. **the connection charges to be paid in accordance with Paragraph 22; and**
- d. **the completion date and such other terms as are relevant to the circumstances.**

20.3 The Licensee shall offer terms for agreements in accordance with Paragraphs 20.1 or 20.2 as soon as practicable and (save where the Commission consents to a longer period) no more than two months after an application under Paragraphs 20.1 or 20.2 is made.

20.4 The Licensee shall not be obliged pursuant to this Paragraph 20 to offer to enter or to enter into any agreement if:

- a. **to do so is likely to involve the Licensee:**
 - (i) **in breach of its duties under Section 17 of the Act; or**
 - (ii) **in breach of any rules or Regulations relating to safety or standards applicable to the Transmission Business including, the Indian Electricity Rules 1956; or**
 - (iii) **in breach of the Grid Code; or (iv) in breach of any of the conditions of this Licence; or**
- b. **the Person making the application does not undertake to comply with the Grid Code from time to time in force to the extent that it is applicable to that Person; or**
- c. **in the case of Persons making application for Use of System under Paragraph 20.1, such Person ceases to be authorised as specified therein; or**
- d. **in the case that the Persons do not have the financial resources to pay the transmission charges.**

20.5 If, after a period which appears to the Commission to be reasonable for the purpose, the Licensee has failed to enter into an agreement with any applicant

referred to in Paragraphs 20.1 and 20.2 pursuant to a request under this Paragraph 20, the Commission may at the request of any party settle such terms in dispute between the Licensee and that Person and, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms as settled by the Commission.

20.6 The Licensee shall prepare and submit to the Commission on an annual basis, a statement showing in respect of each of the 5 succeeding financial years forecasts of circuit capacity, power flows and loading on the Transmission System under standard planning criteria, together with:

- a. **such further information as shall be reasonably necessary to enable any Person seeking Use of System to identify and evaluate the opportunities available when connecting to and making use of such system; and**
- b. **a commentary prepared by the Licensee indicating the Licensee's views as to those parts of the Licensee's Transmission System most suited to new connections and transport of further quantities of electricity.**

20.7 At the request of a Person or a Supplier who wishes to use the Transmission System under Paragraphs 20.1 or 20.2, the Licensee shall prepare an update to the above statement, incorporating most recent data but specifically including any facility for which any other Person or a Supplier has requested use of and connection to the Transmission System.

20.8 The Licensee may make a charge for any statement given or sent to Persons seeking Use of System, of an amount reflecting the Licensee's reasonable costs of providing such a statement.

Part V : Separation of functions and competition conditions

21 Separation of functions and competition conditions

21.1 Separation of Functions

The Commission may, after hearing all affected Suppliers (including the Licensee) and Generating Companies formulate arrangements to require that the Transmission Business and the Bulk Supply Business be carried out under separate licences. The Commission may issue necessary orders making relevant changes in this Licence.

21.2.Introduction of competition in Bulk Supply and formation of Subsidiary or associated grid companies

Subject to the applicable provisions of the Indian Electricity Act, 1910 and the Electricity (Supply) Act, 1948 the Commission may, after hearing Suppliers (including the Licensee), Persons who own or operate a Generating Set and authorised Persons connected to the Transmission System in the Area of Supply including the Distribution Licensees formulate arrangements for the introduction of competition in Bulk Supply and formation of Subsidiary or associated grid companies. In such an event the Commission may issue necessary orders making relevant changes in this Licence.

Part VI: Expected Revenue Calculation and Tariffs

22. Expected Revenue Calculation and Tariffs

22.1 The Licensee shall establish tariff and calculate the charges in accordance with the provisions of Section 26 of the Act read with Regulations and the Licence conditions.

22.2 Expected Revenue Calculation

- (a) Till the financial year ending on 31st March 2002, not later than 31st December every year, the Licensee shall prepare and submit to the Commission (i) a Statement with full details of its expected aggregate revenues and cost of service for the ensuing financial year (including financing costs and its proposed return on equity) for its Licensed Business, in accordance with section 26(5) of the Act and (ii) the annual investment plan giving specific details of the investment which the Licensee proposes to make in the ensuing financial year and which the Licensee desires to be covered under the revenue requirements in the ensuing financial year with appropriate references to schemes, if any, already approved by the Commission of which such investments form a part.
- (b) Commencing from 1st April 2002, not later than 31st December every year, the Licensee shall prepare and submit to the Commission the Statement and the investment details referred to in the above Paragraph for each of its Licensed Businesses and Other Businesses.
- (c) If the statements referred to in Paragraph 22.1(a) or (b) indicate a significant difference between its expected aggregate revenues and its expected cost of service, the Licensee shall also submit with the statement an explanation of the measures it proposes to take, including any proposal for tariff amendments, to eliminate the difference.

22.3 Tariffs

- (a) The amount that the Licensee is permitted to recover from its tariffs in any financial year is the amount that the Commission determines in accordance with the provisions of section 26 of the Act.
- (b) The Licensee shall establish a tariff as approved by the Commission, for the Licensee's Transmission and Bulk Supply Business and shall calculate its charges in accordance with this Licence, the Regulations, the orders of the Commission and other requirements prescribed by the Commission from time to time.
- (c) Save as otherwise directed by the Commission, the Licensee may publish a combined tariff for its Transmission and Bulk Supply Business reflecting the tariff charges and the other terms and conditions contained in the approved tariffs referred to in Paragraph 22.3(b).

22.4 The Licensee may apply to the Commission to amend its tariffs in accordance with the Act and applicable Regulations and directions of the Commission.

22.5 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.

Part VII: Penalty

23 Penalty for Contravention of Conditions of the Licence

The Licensee shall be liable for action under Sections 31, 40, 41 and other applicable provisions of the Act and the Regulations.

Schedule 1

APTRANSCO Area of Transmission and Bulk Supply The entire state of Andhra Pradesh, excluding cantonment, aerodrome, fortresses, arsenal, dockyard or camp or any building or place in occupation of Central Government for defence purposes.

By order Of The Commission

Hyderabad 31-01-2000.

Secretary/APERC