

# ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

Regulation No.      of 2013

## DISTRIBUTION LICENCE REGULATIONS (DRAFT)

Under the provisions of the Electricity Act 2003 (Act 36 2003), the Commission being vested with the powers to grant licences in the State of Andhra Pradesh, is required to make regulations, in particular, providing for the following matters, namely: (a) period to be specified under the first proviso to section 14; (b) the form and the manner of application under sub-section (1) of section 15; (c) the manner and particulars of application for license to be published under sub-section (2) of section 15; (d) the conditions of licence under section 16; (e) the manner and particulars of notice under clause (a) of subsection (2) of section 18; and (f) publication of the alterations or amendments to be made in the licence under clause (c) of sub-section (2) of section 18.

In exercise of the powers conferred under Section 181(2) read with Section 15, 16 and 18 of the Electricity Act, 2003 (36 of 2003) and all powers enabling it in that behalf, the Andhra Pradesh Electricity Regulatory Commission hereby makes the following **Draft Regulations**, for seeking comments/suggestions from all stakeholders and interested persons, namely:

### CHAPTER-1 Preliminary

#### 1. Short Title, Extent and Commencement

- (a) This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Distribution Licence) Regulation -----, of 2013.
- (b) These Regulations shall apply to all Distribution Licensees in the State and in respect of all applications for Distribution Licence, including applications pending before the Commission at the date of publication of these Regulations.
- (c) This Regulation is applicable to all the Distribution Licensees who were granted License under AP Electricity Reform Act 1998 in the state of Andhra Pradesh.
- (d) This Regulation shall come into force with effect from the date of its publication in the Andhra Pradesh Gazette.

## **CHAPTER-2**

### **General**

## **2. Definitions, Interpretation and Review**

### **(i) Definitions:**

In these Regulations, unless the context otherwise requires: -

- (a) **“Accounting Statement”** means for each financial year, accounting statements for the Licensed Business comprising of :
- (i) balance sheet, prepared in accordance with the form contained in Part I of Schedule VI to the Companies Act, 1956;
  - (ii) profit and loss account, complying with the requirements contained in Part II of Schedule VI to the Companies Act, 1956;
  - (iii) cash flow statement, prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) of the Institute of Chartered Accountants of India; (iv) report of the statutory auditors’ of the Distribution Licensee; (v) cost records prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956, together with notes thereto and a statement of sources and application of funds, and such other supporting statements and information as the Commission may direct from time to time.

Provided that in case of any local authority engaged in the business of electricity, the Accounting Statement shall mean the items, as mentioned above, prepared and maintained in accordance with the relevant Acts or Statutes as applicable to such local authority.

- (b) **“Act”** means the Electricity Act, 2003 (36 of 2003);
- (c) **“Annual Accounts”** means the accounts of the Distribution Licensee prepared in accordance with the provisions of the Companies Act, 1956 and/or in such other manner as may be directed by the Commission from time to time;
- (d) **“Applicant means”** a person who has made an application to the Commission for grant of Distribution Licence;
- (e) **“Area of Distribution” or “Area of Supply”** means the area stated in the Distribution Licence within which the Distribution Licensee is authorized to operate and maintain a Distribution System for supplying electricity to the consumers in his area of supply;

- (f) **"Bulk Supply"** means the supply of electricity by a Licensee to an Authorised Person for Distribution and/or Retail Supply;
- (g) **"Commission"** means the Andhra Pradesh Electricity Regulatory Commission;
- (h) **"Deemed Licensee"** means a person authorised under the first, second, third, and fifth provisos to section 14 of the Act to operate and maintain a distribution system for supply of electricity to the consumers in his area of supply;
- (i) **"Distribution"** means the conveyance or wheeling of electricity by means of a Distribution System;
- (j) **"Distribution Business"** means Authorised business of a Distribution Licensee to operate and maintain a Distribution System for supplying electricity to the consumers in the Area of Supply;
- (k) **"Distribution Licensee"** means the person authorised by the Distribution Licence to operate and maintain a distribution system for supply/conveyance/wheeling of electricity to the consumers in his area of supply and shall include the deemed licensee who is so authorised under section 14 of the Electricity Act;
- (l) **"General Conditions"** mean General Conditions of Distribution Licence as specified in these Regulations;
- (m) **"Licence"** means a licence granted under Section 14 of the Act, 2003;
- (n) **"Licensed Business"** means the business of Distribution and Retail Supply of electricity as authorised under the Distribution Licence;
- (o) **"Major Incident"** means an incident associated with the Distribution of electricity, which results in a significant interruption of service, substantial damage to equipment, or loss of life or significant injury to human beings, or as otherwise specified by the Commission and shall also include any other incident which the Commission declares to be a major incident;
- (p) **"Other Business"** means any business of a Distribution Licensee other than the Licensed Business;
- (q) **"Reform Act"** means the Andhra Pradesh Electricity Reform Act, 1998.

- (r) **“Regulations”** means the regulations made by the Commission under the provisions of the Act;
- (s) **“Retail Supply”** means the supply of electricity to any consumer by a licensee within its area of supply and the words “Retail Supplier” and “Retail Supply Business” shall be construed accordingly in that context.
- (t) **“Specific Conditions”** means the conditions, which are in addition to the General Conditions and not in derogation thereof, which the Commission may lay down specifically for a Distribution Licensee or class of licensees;
- (u) **“State Grid Code”** means the grid code specified by the Commission, covering all material technical aspects relating to connections to and the operation of the Grid, and use of a Distribution System, or (in so far as relevant to the operation and use of a Distribution System) the operation of electric lines and electrical plant connected to the Distribution System, the Distribution Systems, or the system of any Supplier;
- (v) **“State Act”** means the Andhra Pradesh Electricity Reform Act, 1998;
- (w) **“Secretary”** means the Secretary of the Commission;
- (x) **“Year”** means a period of twelve months from 1st April of a calendar year to 31<sup>st</sup> March of the following calendar year.

**(ii) Interpretations**

- (a) Words and expressions used and not defined in these Regulations but defined in the Act shall have the meanings assigned to them in the Act. Expressions used herein but not specifically defined in these Regulations or in the Act but defined under any law passed by a competent legislature and applicable to the electricity industry in the state shall have the meaning assigned to them in such law.
- (b) In the interpretation of these Regulations, unless the context otherwise requires:
  - (1) words in the singular or plural term, as the case may be, shall also be deemed to include the plural or the singular term, respectively;
  - (2) references herein to the Regulations shall be construed as a reference to these Regulations as amended or modified by the Commission from time to time in accordance with the applicable laws in force;

- (c) the headings are inserted for convenience and may not be taken into account for the purpose of interpretation of these Regulations;
- (d) references to the statutes, regulations or guidelines shall be construed as including all statutory provisions consolidating, amending or replacing such statutes, regulations or guidelines, referred to.

### **(iii) Review**

These Regulations may be reviewed by the Commission from time to time, *inter alia* for securing harmonization with the regulation of open access and/or to cater to the needs of developing power markets, in accordance with Section 66 of the Act.

## **CHAPTER-3 Procedure for Grant of Distribution Licence**

**3.** All proceedings under these regulations shall be governed by the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business Regulations), 1999 as amended from time to time.

### **4. Application for Grant of Distribution Licence**

- (i) The application for grant of Distribution Licence shall be submitted to the Commission in the form specified in Schedule-I of these Regulations, and shall be accompanied by application fee as prescribed by the State Government. Such fee shall be payable by way of Bank Draft/Pay Order drawn in favour of the Secretary, A.P Electricity Regulatory Commission.
- (ii) Every application for grant of a Distribution Licence shall be signed by or on behalf of the Applicant and shall be addressed to the Secretary of the Commission. The application shall be filed in six (5) sets.
- (iii) The application for grant of Distribution Licence, along with annexures and enclosures thereto, shall be submitted to the Commission also on a compact disc (CD) after taking necessary measures for data protection, virus detection etc.
- (iv) The Applicant shall post the complete application along with annexures and enclosures on its own website or where it does not have such website, on any other website provide access to the application through the Internet.

### **5. Receipt and Acknowledgement of Application**

Upon receipt of the application for grant of Distribution Licence, the

Secretary of the Commission shall enter the particulars thereof in a register to be maintained for this purpose and allot a reference number to the application. The Secretary shall send an acknowledgement to the Applicant at the address stated in the application including the date of receipt and the reference number.

## **6. Public Notice of Application**

- (i) The Applicant shall, within seven days after making such application, publish a public notice in one issue each of a daily news paper in English language and two daily news papers in Telugu language having wide circulation in the area of distribution for which the licence is sought, with the following particulars, namely: -
  - (a) Name of the Applicant in bold at the top clearly bringing out whether the Applicant is an individual, or a partnership firm registered under the Indian Partnership Act 1932 (9 of 1932), or a private limited company or a public limited company, incorporated under the Companies Act, 1956, (1 of 1956) or any other incorporated or unincorporated body giving full particulars of its office address and also the registered office address, if any;
  - (b) A statement that the Applicant has submitted an application to the Commission for grant of a Distribution Licence under Section 15 of the Act.
  - (c) Proposed Area of Licence;
  - (d) Financial and technical strength, management profile and share holding pattern, if any, of the Applicant;
  - (e) A statement to the effect that the application and other documents filed before the Commission from time to time, are available with the Applicant for inspection by any person;
  - (f) The names, addresses and other necessary details of the person(s) nominated by the applicant in major cities or towns of area of proposed distribution licence, who can make available for inspection the application and other documents or from whom they can be purchased in person or by post at reasonable charges, not exceeding photocopying charges;
  - (g) Brief particulars of the proposed Distribution Licence

- (h) A statement to the effect that the completed application is available on the website of the Applicant or any other authorised website and can be downloaded free of cost;
- (i) A statement that objections, if any, may be filed before the Secretary, A.P. Electricity Regulatory Commission within 30 days of publication of the notice giving the address of office of the Commission.

Provided that the Applicant may request the Commission to permit it to refrain from publishing any of the above information in order to protect its business interests or rights in intellectual property with sufficient and reasonable grounds and the Commission may grant or reject such request after due consideration.

Provided further that the Applicant may be required to publish, in the manner specified, a non-confidential summary of the above information.

- (ii) In addition to the above, the Commission may direct that notice of the application be served on any designated representative of the Central Government, the State Government, any local authority or any other authority or person or body as the Commission may deem appropriate.
- (iii) The Applicant shall, within 7 days from the date of publication of the notice as aforesaid, submit to the Commission on affidavit with the details of the notice published, and shall also file relevant copies of the newspapers in which the notices are published.

## **7. Public Inspection of Application and Documents**

- (i) From the date of publication of notice in accordance with Regulation 6 above, the Applicant shall make available at its own office and the office/s of its agents (if any) and also with every local authority as may be specified by the Commission from time to time, copies of the application and all the documents submitted therewith.
- (ii). The Applicant shall furnish, to all persons applying, printed copies of its application, together with the attachments thereto, at the reasonable cost of photocopying such material.

## **8. Scrutiny of Application and Calling for Additional Information**

- (i) The Secretary may, upon scrutiny of the application, require the Applicant to furnish, as far as practicable, such additional information or documents as may be considered necessary for the purpose of dealing with the application, within a period of thirty (30) days from the date of receipt of application.
- (ii) If the Secretary finds that the application and the accompanying documents are complete in all respects and after the Applicant has complied with the procedure prescribed for validly submitting an application, the Secretary shall certify that the application is complete for being considered for the grant of a Distribution Licence in accordance with the procedure provided in the Act read with the State Act and these Regulations.

## **9. Objections and Suggestions**

- (i) Any person intending to object to the grant of the Distribution Licence shall file objections within one month from the date of issue of the first advertisement referred to in Regulation 6 above. The objections shall be addressed to the Secretary of the Commission.
- (ii) Where an objection is received from any local authority concerned, the Commission shall, if in its opinion the objection is untenable, record the opinion in writing and communicate it to such local authority along with reasons therefor.
- (iii) Upon receipt of such objections, the Secretary shall imprint the reference number of the concerned application for grant of Distribution Licence on the same and shall place such objections in the file relating to the concerned application.
- (iv) The Secretary shall serve copies of all the objections received by him on the Applicant within one week of the last date for filing of objections specified in clause (i) above.
- (v) The Applicant may submit comments on the objections or suggestions received in response to the notice under Regulation 6 above within 30 (thirty) days of receipt of the objections from the Secretary.
- (vi) In case of an application for a Distribution Licence for an area including the whole or any part of any cantonment, aerodrome, fortress, arsenal, dockyard or camp or of any building or place in

the occupation of the Central Government for defence purposes, before the grant of the Distribution Licence, the Commission shall ascertain that there is no objection, on the part of the Central Government, to the grant of such Distribution Licence.

## **10. Local Inquiry**

- (i) The Commission may, if it considers necessary upon a perusal of the objections and/or comments thereon, or at any time during the course of proceedings for the grant of Distribution Licence, cause a local inquiry to be held, of which notice in writing shall be given to both the Applicant and the objector.
- (ii) Where a local inquiry is ordered and held under clause (i) above, the Commission shall, in its order requiring the local inquiry, or by further order in writing, specify the time within which the local inquiry is to be completed.

Provided that the Commission may, for reasons to be recorded in writing, extend the time fixed by it for the local inquiry.

- (iii) Where a local inquiry is ordered and conducted under clause (i) above, a memorandum of the results of the said local inquiry shall be prepared and shall be signed by the Applicant, the officer or person designated for the purpose of carrying out the inquiry and such other person as the Commission may direct.
- (iv) The results of the local inquiry shall be considered by the Commission while hearing the application for the grant of Distribution Licence.

## **11. Hearing of Application and Grant of Distribution Licence**

- (i) After compliance by the Applicant of all the conditions pertaining to the submission of documents, obtaining of permissions and publication of notices and after the expiry of the time for receiving objections, the Commission may proceed for regular hearing.
- (ii) After inquiry, if any, and the hearing of the application, if conducted, the Commission may decide to grant or to refuse the Distribution Licence.

- (iii) If the Commission decides to grant the Distribution Licence, the licence shall be in the form specified in Schedule-3 of these Regulations. Provided that the Commission may add to alter or amend the form specified for a licence as it may in its discretion deem necessary.
- (iv) Before granting the Distribution Licence, the Commission shall publish a notice of its proposal to grant the Distribution Licence in two such daily newspapers, as the Commission may consider appropriate, stating the name and address of the person to whom it proposes to issue the Distribution Licence, with such other details as the Commission considers appropriate.
- (v) When the Commission has approved a licence, the Secretary shall inform the Applicant, within fourteen (14) days of the date of grant of approval, of such approval and of the form in which it is proposed to grant the Distribution Licence and the conditions to be satisfied by the Applicant, including the fees to be paid for the grant of Distribution Licence.
- (vi) If the Applicant is willing to accept the Distribution Licence with the modifications, changes or additions, if any, and subject to such other terms and conditions as the Commission may direct under clause (ii) above, the applicant shall acknowledge acceptance to the Commission within 15 days of receipt of the approval from the Commission.
- (vii) Where the Commission has decided to refuse the grant of Distribution Licence, the Secretary shall, within fourteen (14) days of such refusal, inform the Applicant of such refusal enclosing a copy of the reasoned order of the Commission in support of such refusal.
- (viii) The Commission shall, as far as practicable, grant the Distribution Licence or reject the application seeking grant of a Distribution Licence, within ninety days of having received the said application.

## **12. Application for grant of Distribution Licence in the area of supply of an existing Distribution Licensee**

A person applying for grant of a licence for distribution of electricity through his own distribution system within the same area of supply of an existing Distribution Licensee shall, in addition to the provisions of Regulation 4, comply with such additional requirements including capital adequacy, credit-worthiness or code of conduct as prescribed by the Central Government.

- 13.** The deemed licensees shall make application in the form specified in Schedule-2 to the Commission to get identified as the deemed Licensee. *Provided* that nothing in Regulations 4 to 12 shall apply to deemed licensees.

**14. Commencement of the Distribution Licence**

The Distribution Licence shall commence from such date as the Commission may specify.

**15. Duration of the Distribution Licence**

The Distribution License shall be valid for a period of twenty-five years from the date of its commencement, unless it is duly suspended or revoked by the Commission.

**16. Deposit of Maps**

When a Distribution Licence has been granted, three sets of maps of the proposed Area of Licence on a scale of not less than 10 cm to a km or such other scale as may be approved by the Commission in a specific case, shall be signed by the Secretary and dated to correspond with the date of the notification of the grant of the Distribution Licence. One set of the maps shall be deposited with the Commission and the other two sets shall be given to the Distribution Licensee.

**17. Deposit of Copies of Distribution Licence**

- (i) Every person who is granted a Distribution Licence shall within thirty days of the grant thereof:
  - a. have adequate number of copies of the Distribution Licence printed;
  - b. have adequate number of maps prepared showing the Area of Licence;
  - c. arrange to exhibit a copy of such Distribution Licence and maps for public inspection during work hours at its head office, its local office/s (if any) and at the office of every local authority within the Area of Licence.
- (ii) Every Distribution Licensee shall, within the aforesaid period of thirty days, supply free of charge, one copy of the Distribution Licence and the relevant maps to every local authority, as may be specified by the Commission in this

regard within the Area of Licence and shall also make necessary arrangements for the sale of printed copies of the Distribution Licence to all persons applying for the same, at a price not exceeding normal and reasonable photocopying charges per copy.

## **18. Amendment of a Distribution Licence**

- (i) Where in its opinion the public interest so requires, the Commission may, on the application of the Distribution Licensee or of a local authority or otherwise, make such amendments in the terms and conditions of a Distribution Licence as it thinks fit, having regard to the object and purposes of the Act:

Provided that no such amendments shall be made, except with the consent of the Distribution Licensee, unless such consent has, in the opinion of the Commission, been unreasonably withheld.

- (ii) Where a Distribution Licensee has made an application for amendment of its Distribution Licence, the Distribution Licensee shall, within fifteen (15) days of making such application, publish a notice in one issue each of a daily news paper in English language and one daily news papers in Telugu language having wide circulation in the area of operation of distribution licence sought to be amended giving following particulars:
  - (a) Brief details of existing Distribution Licence;
  - (b) Proposed amendments to the existing Distribution Licence; and
  - (c) Reasons for the amendment.
  - (d) The names, addresses and other necessary details of the person(s) nominated by the applicant in major cities or towns of area of proposed distribution licence, who can make available for inspection the application and other documents or from whom they can be purchased in person or by post at reasonable charges, not exceeding photocopying charges;
  - (e) A statement that any person, desirous of making any suggestion or objection with reference to the application to the Commission, may do so by way of written

intimation (six copies) addressed to the Secretary within within thirty days from the date of the first publication of the notice. □

- (iii) All objections to an application for amendment pursuant to publication of notice under clause (ii) above shall be considered by the Commission if received within thirty (30) days from the date of first publication of the notice.
- (iv) Where an amendment to a Distribution Licence is proposed by the Commission suo motu, the Commission shall publish a notice in one issue each of a daily news paper in English language and one daily news papers in Telugu language having wide circulation in the area of operation of distribution licence sought to be amended giving following particulars:
  - (a) Name of the Distribution Licensee and address of main office in the area of supply;
  - (b) Description of alteration or amendment proposed to be made by the Commission;
  - (c) Brief Reasons for proposed alteration or amendment;
  - (d) A statement that any person, desirous of making any suggestion or objection with reference to application to the Commission, may do so by way of written intimation (six copies) addressed to the Secretary within thirty days from the date of the first publication of the notice.

All objections to the proposed amendment, received within one month from the date of first publication of notice, shall be considered by the Commission before effecting or rejecting the proposed amendment.

- (v) The provisions of these Regulations relating to grant of Distribution Licence shall, as far as may be practicable and necessary, apply to consideration and disposal of an application for amendment of Distribution Licence.
- (vi) In the case of an application proposing an amendment in an Area of Licence comprising the whole or any part of the cantonment, aerodrome, fortress, arsenal, dockyard or camp or of any building or place in the occupation of the Central Government for defence purposes, the Commission shall not make the amendment except with the consent of the Central Government.

## **19. Revocation of the Distribution Licence**

- (i) The Commission may revoke a Distribution Licence in accordance with the applicable provisions of the Act and the State Act, in any of the following circumstances, namely:-
  - (a) where the Distribution Licensee, in the opinion of the Commission, makes wilful and prolonged default in doing anything required of it by or under the Act or the State Act or the rules or regulations made thereunder;
  - (b) where the Distribution Licensee has breached any of the terms or conditions of its Distribution Licence, the breach of which is expressly declared by such Distribution Licence to render it liable to revocation;
  - (c) where the Distribution Licensee fails, within the period fixed in this behalf by its Distribution Licence, or any longer period which the Commission may have granted therefor –
    - (1) to show, to the satisfaction of the Commission, that it is in a position fully and efficiently to discharge the duties and obligations imposed on it by its Distribution Licence; or
    - (2) to make the deposit or furnish the security, or pay the fees or other charges required by its Distribution Licence;
  - (d) where, in the opinion of the Commission, the financial position of the Distribution Licensee is such that it is unable fully and efficiently to discharge the duties and obligations imposed on it by its Distribution Licence.
  - (e) where the Distribution Licensee, in the opinion of the Commission, has made default in complying with a direction given by the Commission.

Provided that the licence shall not be revoked except after an enquiry by the adjudicating officer appointed by the Commission under Section 143 of the Act in the manner prescribed by the State Government.

- (ii) Where in its opinion the public interest so requires, the Commission may, on application, or with the consent of the Distribution Licensee, revoke its Distribution Licence as to the whole or any part of its Area of Licence upon such terms and conditions as it thinks fit.

- (iii) On receipt of report of inquiry made under sub-section (i), the Commission may pass appropriate orders, including revocation of Distribution Licence, after giving opportunity to the Distribution Licensee to make representation in connection with the report.
- (iv) No Distribution Licence shall be revoked under clause (i) above, unless the Commission has given to the concerned Distribution Licensee, not less than three months' notice, in writing, stating the grounds on which it proposes to revoke the Distribution Licence, and has considered any cause shown by the concerned Distribution Licensee within the period of that notice, against the proposed revocation.

Where the Commission revokes a Distribution Licence under this Regulation 17, it shall serve a notice of revocation upon the concerned Distribution Licensee and fix a date on which the revocation shall take effect.

The Commission may, instead of revoking a Distribution Licence under clause (i) above, permit it to remain in force subject to such further terms and conditions as it thinks fit to impose, and any further terms or conditions so imposed shall be binding upon and be observed by the Distribution Licensee and shall be of like force and effect as if they were contained in the Distribution Licence.

- (v) Where the Commission revokes a Distribution Licence under these Regulations, it shall serve a notice of revocation upon the Distribution Licensee and fix a date on which the revocation shall take effect.
- (vi) Where the Commission has given notice for revocation of a Distribution Licence under clause (v) above, without prejudice to any penalty which may be imposed, or prosecution proceeding which may be initiated, under the Act and/or the State Act, the Distribution Licensee may, after prior approval of the Commission, sell its utility/business to any person who is found eligible by the Commission for grant of a Distribution Licence.

## **20. Suspension of Distribution Licence and sale of utility**

- (i) If at any time the Commission is of the opinion that the Distribution Licensee-

- (a) has persistently failed to maintain uninterrupted supply of electricity conforming to standards regarding quality of electricity to the consumers; or
- (b) is unable to discharge the functions or perform the duties imposed on it by or under the provisions of the Act or the State Act; or
- (c) has persistently defaulted in complying with any direction given by the Commission under the Act or the State Act; or
- (d) has breached any of the terms and conditions of the Distribution Licence, and circumstances exist which render it necessary for the Commission in public interest so to do, the Commission may, for reasons to be recorded in writing, suspend, for a period not exceeding one year, the Distribution Licence of the Distribution Licensee and appoint an Administrator to discharge the functions of the Distribution Licensee in accordance with the terms and conditions of the Distribution Licence.

Provided that before suspending a Distribution Licence under this section, the Commission shall give a reasonable opportunity to the Distribution Licensee to make representations against the proposed suspension of the Distribution Licence and shall consider the representations, if any, of the Distribution Licensee.

- (ii) Upon suspension of the Distribution Licence as mentioned above, the provision of Section 24 of the Act would apply.

## **21. Payment of Licence Fees**

- (i) Within 30 days, or such other period as the Commission may allow after the commencement of the Licence, the Licensee shall pay an Initial Licence fee as may be specified.
- (ii) For each subsequent Year that the Licence remains in force, the Licensee shall, by 15<sup>th</sup> April of every year or such further period as the Commission may allow, pay to the Commission an annual licence fee (rounded to nearest thousands) as per the Regulation issued under Section 86(1)(g) of the Act. The Commission shall be entitled to review and revise the annual licence fee, if required, after every block of three years for the next block of three years and the Licensee shall be liable to pay such revised annual licence fee.
- (iii) Where the Distribution Licensee fails to pay any of the fees due under sub-clauses (i), or (ii) above by the dates specified:

- (a) The Distribution Licensee shall be liable to pay interest on the outstanding amount at the prevailing bank rate, the interest being payable for the period beginning on the day after which the amount becomes due, and ending on the day on which the payment is made; and
- (b) The Distribution Licensee shall be subject to proceedings for the recovery of the fees; and
- (c) The Commission may revoke the Distribution Licence pursuant to the applicable provisions of the Act and the State Act.

Provided that nothing contained in this clause shall be deemed to discharge any liability that the Distribution Licensee may be subject to under the Act and/or the Reform Act or any other law for the time being in force.

#### **CHAPTER-4**

##### **General Conditions of Distribution Licence**

### **22. Development and Maintenance of Distribution System**

The Distribution Licensee shall have the duty to develop and maintain an efficient, co-ordinated and economical distribution system in its Area of Licence for the purpose of supplying electricity.

### **23. Obligation to supply on demand**

- (i) Subject to the provisions of the Act, the Distribution Licensee shall, on the application of the owner or occupier of any premises within the Area of Licence, give supply of electricity to such premises within one month of the receipt of such application or within such period as may be specified by the Commission if such supply requires extension of distribution mains or new substations.
- (ii) Where the owner or occupier of any premises requires supply of electricity under the terms of clause (i) above, the application shall be made in a form prescribed by the Commission and the procedure for responding to that application shall be in accordance with the procedure approved by the Commission.
- (iii) The Distribution Licensee shall have the duty to provide, if required, any electric plant or electric line for providing the electric supply to the premises in terms of clause (i) above.

Provided that no person shall be entitled to demand, or to continue to receive, from a Licensee (including a Distribution Licensee) a supply

of electricity for any premises having a separate supply unless he has agreed with the Licensee (including the Distribution Licensee) to pay to it such price as determined by the Commission.

#### **24. Open Access**

Subject to the various phases of introduction of open access under Section 42(2) of the Act, the Distribution Licensee shall arrange for the provision of non-discriminatory open access to its distribution system to any persons in accordance with the Open Access Regulations issued by the Commission.

#### **25. Prohibition of subsidies**

The Distribution Licensee shall not give any subsidy or subvention to any person or any Other Business of the Distribution Licensee, except a subsidy granted by the State Government pursuant to Section 65 of the Act.

#### **26. Prohibition of Undue Preference**

- (i) The Distribution Licensee shall not, in providing services required of it under the Distribution Licence and in general conduct of the Licensed Business, show undue preference to any person or class of persons and shall not unreasonably discriminate against any person or class of persons or Licensee or generating company or its consumers or other Licensee's consumers.

Provided that the Distribution Licensee shall not be deemed to be in breach of its obligations under the Distribution Licence if any undue preference results from compliance with any directions of the State Government under the Act or the Reform Act or in the implementation of any order passed by the Commission.

- (ii) Any question as to the meaning of undue preference or unreasonable discrimination shall be decided by the Commission, whose decision in this regard shall be final.

#### **27. Acts Requiring Prior Consent**

- (i) The Distribution Licensee shall not do the following acts without the prior written approval of the Commission -

- (a) undertake any transaction to acquire, by purchase or takeover or otherwise, the utility of any other Licensee;
- (b) merge its utility with the utility of other Licensee; or
- (c) assign the Distribution Licence or transfer its utility or any part thereof, by sale, lease, exchange or otherwise

Provided that approval shall not be required if the utility referred to in sub-clause (a) or sub-clause (b) above is situated in a State other than the State of Andhra Pradesh.

- (ii) Any agreement relating to any transaction specified under clause (i) above, unless made with the prior approval of the Commission, shall be void.
- (iii) The Distribution Licensee shall, before obtaining the approval under clause (i) above from the Commission, give not less than one month's notice to every other Licensee who transmits or distributes electricity in its Area of Licence.
- (iv) Where such prior approval is required, the Distribution Licensee shall file a suitable application with the Commission disclosing relevant facts in that behalf. The Commission may within 3 months of the application being filed, approve the arrangement subject to such terms and conditions or modifications as is considered appropriate or reject the same for reasons to be recorded in writing.

## **28. Other Business of the Distribution Licensee**

- (i) The Distribution Licensee, with prior intimation to the Commission, may engage in any Other Business, only so long as such activity is likely to result in the optimum utilisation of the assets and infrastructure comprising the distribution system and subject to the following conditions:
  - (a) that the Licensed Business and the conduct thereof by the Distribution Licensee is not prejudiced and/or adversely affected in any manner;
  - (b) that a proportion of the revenues derived from such Other Business, as may be specified by the Commission, shall be utilised for reducing the wheeling charges of the Distribution Licensee;
  - (c) that the Distribution Licensee shall maintain separate accounts for each of such Other Business to ensure that

- the Licensed Business neither subsidises such Other Business undertaking in any way nor encumbers its distribution assets in any way to support such business;
- (d) the Distribution Licensee shall always comply with such guidelines as the Commission may specify in this regard.
- (ii) The Distribution Licensee shall seek approval of the Commission before contracting any loans to, or issuing any guarantee for any obligation of any person, where the same is either beyond the permissible limits imposed by the Companies Act, 1956, or cannot be construed as being an exception and/or exemption under the Companies Act, 1956. 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.
  - (iii) Nothing contained in this Regulation 28 shall apply to a local authority engaged, before the commencement of the Act, in the business of distribution of electricity.

## **29. Franchisee**

The Distribution Licensee may authorise any other person to undertake distribution of electricity for a specified area within its Area of Supply

Provided always that:

- (a) any such person shall operate under the overall supervision and control of the Distribution Licensee and in accordance with the terms and conditions of the Distribution Licence; and
- (b) the Distribution Licensee shall, prior to delegating any function, inform the Commission of such action and take its written approval; and
- (c) the Distribution Licensee shall be responsible for all actions of such person in relation to the delegated functions.

## **30. Anti-competitive practices**

The Commission may issue such directions as it considers appropriate to a Distribution Licensee if such Distribution Licensee enters into any agreement or abuses its dominant position or enters into a combination which is likely to cause or causes an adverse effect on competition in electricity industry.

## **31. Compliance with Regulations, Codes, Orders and Directions**

- (i) The Distribution Licensee shall always comply with the Regulations, Codes (including the State Grid Code, the Distribution Code, the Supply Code and the Standards of Performance of Licensees), Orders, Guidelines and Directions issued by the Commission from time to time as may be considered appropriate by the Commission for achieving the purposes of the Act and the State Act and shall act in accordance with the conditions of its Distribution Licence, except where the Distribution Licensee obtains the approval of the Commission for any deviation from such directions and conditions.
- (ii) The Distribution Licensee shall monitor its compliance with the terms of the Distribution Licence and any order, code, guideline or regulations it is required to comply with, and if the Distribution Licensee becomes aware of a material breach, on its part, of the Distribution Licence or any order, code, guideline or regulations, the Distribution Licensee shall notify the Commission of the material breach as soon as possible.

### **32. Standards of Performance**

- (i) If a Distribution Licensee fails to meet the standards specified by the Commission in the “Licensees Standards Of Performance” regulation issued under Section 57 of the Act, as applicable to the Distribution Licensee, then, without prejudice to any penalty that may be imposed or prosecution that may be initiated, such Distribution Licensee shall be liable to pay such compensation to the person affected as may be determined by the Commission.

Provided that before determination of compensation, the concerned Distribution Licensee shall be given a reasonable opportunity of being heard.

- (ii) The compensation determined under clause (i) shall be paid by the concerned Distribution Licensee within ninety (90) days of such determination.
- (iii) The Distribution Licensee shall, within the period specified by the Commission, furnish to the Commission the following information, namely:-
  - (a) the level of performance achieved under clause (i) above;
  - (b) the number of cases in which compensation was paid under clause (ii) above and the aggregate amount of the compensation.

- (iv) The Commission shall at least once every year publish, in such form and manner as it considers appropriate, such of the information furnished to it under clause (iii) above.

**33. Co-operation with State Transmission Utility, State Load Despatch Centre and other Licensees**

- (i) The Distribution Licensee shall provide to the State Load Despatch Centre and State Transmission Utility and/or other Licensees, such information as may reasonably be required by them to perform their functions and exercise their powers under the Act and/or the State Act.
- (ii) The Distribution Licensee shall always comply with the directions of State Load Despatch Centre, Regional Load Despatch Centre and State Transmission Utility issued under the Act and/or the State Act.
- (iii) The Distribution Licensee shall co-operate with generating companies, other Licensees and State Load Despatch Centre for the efficient and co-ordinated operation of the power system.

**34. Metering**

- (i) The Distribution Licensee shall follow the Regulations (Installation and Operation of Meters) issued by Central Electricity Authority under Section 55 of the Act
- (ii) For proper accounting and audit in the generation, transmission and distribution or trading of electricity, the Central Electricity Authority may direct the installation of meters by a Distribution Licensee at such stages of distribution or trading of electricity and at such location of distribution or trading of electricity, as it may deem necessary.

**35. Load Forecast Power Procurement Plan**

- i) The Distribution Licensee shall prepare and submit to the Commission year wise demand forecast derived from load forecast within its Area of Supply for two control periods; in accordance with the guidelines/regulations issued by the Commission from time to time;

- ii) The Licensee shall co-operate with the Transmission and other Distribution licensees of the State and AP State Load Dispatch Centre (SLDC) in the preparation of power demand forecast for the state of Andhra Pradesh;
- iii) The Licensee shall submit prospective power procurement plan in Co-ordination with other Distribution Licensees and SLDC based on demand forecast projected. It shall also submit a Distribution Plan based on the demand forecast and power procurement plan as per the guidelines of the Commission.

**36. Power Procurement Procedure:**

- i) The Licensee shall purchase electricity from generators, traders and others as consented to by the Commission (except in cases of emergency purchases as per relevant guidelines) in quantities which the Licensee considers sufficient to meet the expected demand of the Licensee's Consumers, or where appropriate, such lesser quantities generators, traders and others are able to provide on account of shortage of available sources of electricity generation, imports or supply.
- ii) The licensee shall not purchase electrical capacity and / or energy without an authorization granted by the Commission under the terms of this Clause 36. The power procurement of licensee shall be consistent with the detailed power procurement plan submitted to the Commission as a part of resource plan.
- iii) 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. In case of purchase of additional power over and above the power procured through Power Purchase Agreements (PPA) consented by the Commission, the licensees shall adopt competitive bidding method as per the competitive bidding guidelines issued by the Ministry of Power, Government of India and seek approval of the Commission for such procurement.
- iv) 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.

- v) An authorization required under clause (i) above 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 Clause 23 ; 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.
- vi) The restriction imposed in Clause 37(i)1 shall not be applicable For short term purchases (less than one year in duration), provided that such short term purchases are made in accordance with guidelines, if any, issued by the Commission and with in the maximum and minimum prices fixed for such purchase by the Commission in terms of section 62 (1) of the Act. The details of such purchases shall be submitted to the Commission in the manner the Commission directs.
- vii) If the licensee proposes to procure power by a process separate from that specified by the competitive bidding guidelines, it shall in its filing seek the consent of the Commission.

### **37. Investments**

- (i). The Licensees shall submit long term investment plan for 10 years in which, the Licensees shall furnish detailed investment plan for five (5) years, year by year in accordance with Load Forecast and Demand Forecast.

For the purposes of the Load and Demand Forecasts and investment plan, the year shall begin on April 1<sup>st</sup> and end on 31<sup>st</sup> March. Each Licensee shall submit its Load and Demand Forecasts along with detailed investment plan to the Commission in the month of April of each year, and/or at such other times as the Commission may require.

The Licensee shall make any investment under any scheme or schemes except in an economical and efficient manner and in terms of this Regulation and in accordance with the Regulations, guidelines, directions and orders the Commission may issue from time to time.

- (ii). The Licensee shall promptly notify the Commission of all the Investments by 31<sup>st</sup> March of every year pertaining to the Distribution System which the Licensee proposes to implement for subsequent Financial Year together with relevant details in brief, including the estimated cost of such investment schemes, which is in line with the investment plans. The Licensee shall furnish to the Commission such further details and clarifications as to the investments proposed, as the Commission may require from time to time.

### **38. Transfer of Assets**

- (i). Save as provided in this Regulation, the Distribution Licensee shall not, in a single transaction or a set of related transactions, transfer or relinquish Operational Control over any asset whose book value at the time of the proposed Transfer exceeds the amount decided by Commission by directions or by a general or special order.
- (ii). The Distribution Licensee shall give to the Commission prior written notice of its intention to transfer or relinquish Operational Control over any asset whose value exceeds the amount decided by the Commission above and the Distribution Licensee shall disclose to the Commission full details of the assets, the reasons for disposal and all other relevant facts to the Commission.

*Provided that* the Commission may, within thirty (30) working days of the receipt of the notice, seek further information in support of the transaction and shall, generally within thirty (30) working days of such further information being submitted by the Distribution Licensee, and where no such further information is sought by the Commission as above, within sixty (60) days of the filing of the application, approve the Transfer arrangement subject to such terms and conditions or modifications as is considered appropriate or reject the same, for reasons recorded in writing .

- (iii). The Distribution Licensee may Transfer or relinquish Operational Control over any asset referred to above, where:
  - (a) the Commission confirms in writing that it consents to such Transfer or relinquishment of Operational Control subject to such conditions or restrictions as the Commission may impose; or
  - (b) the Commission does not inform the Distribution Licensee in writing of any objection to such Transfer or relinquishment of Operational Control within the period referred to in Regulation

and the transfer is effected by adopting the transparent process specified by the Commission in other applicable Regulations.

*Provided that* the Distribution Licensee shall provide full details of such transactions to the Commission as part of his application to the Commission, for calculation of the aggregate revenue requirement and expected revenue from tariffs and charges in accordance with the Regulations of the Commission specifying the terms and conditions for the determination of tariff.

(iv). The Distribution Licensee may also Transfer or relinquish Operational Control over any asset where:

(a) the Commission has issued directions for the purposes of this Regulation containing a general consent to:

- (i) the transactions of a specified description, and/or
- (ii) the Transfer or relinquishment of Operational Control over assets of a specified description, and/or
- (iii) the Transfer or relinquishment of Operational Control is in accordance with any conditions to which the consent is subject, or

(b) the Transfer or relinquishment of Operational Control in question is required by or as mandated under any other law for the time being in force; or

(c) the asset in question was acquired and used by the Distribution Licensee exclusively in connection with any Other Business and does not constitute a legal or beneficial interest in land, or otherwise form part of the Distribution System or is not otherwise an asset related to or required for the Licensed Business.

(v). The Distribution Licensee shall be entitled to utilise the assets for facilitating financing its investment requirement subject to the conditions:

(a) that the Distribution Licensee will inform the Commission about such arrangements at least fifteen (15) working days prior to the effective date of the relevant agreements.

(b) that the financing arrangement is for a period not exceeding seven (7) years or such other period as the Commission may specifically direct;

- (c) the Distribution Licensee acts in a prudent and reasonable manner in such utilisation of assets; and
- (d) the Distribution Licensee retains the Operational Control over assets in the Distribution System.

### **39. Business Plan:**

Subject to other regulations notified by the Commission, the Distribution Licensee shall submit a Business Plan within three (3) months of Distribution Licence coming in force for such period as the Commission may direct and shall update such plan annually. The Business Plan shall *inter alia* contain (i) year wise load growth, (ii) year wise Distribution loss reduction proposal along with specific action plan, (iii) metering plan for metering interface points, (iv) treatment of previous losses, (v) cost reduction plan, and (vii) other important financial analysis or parameters.

Provided that the existing licensees shall submit such Business Plan within three (3) months from date of notification of these Regulations.

The Distribution Licensee shall submit full details to the Commission, by the end of first quarter of each financial year, regarding the progress made in implementing the Business Plan of the previous financial year with the comparison of actual implementation vis-à-vis the Plan as approved by the Commission.

### **40. Protection of Railways, Highways, Telegraphic Lines etc.**

- (i). The Distribution Licensee shall not, in the course of distribution, supply or use of electricity, in any way injure any railway, highway, airport, tramway, canal or water-way or any dock, wharf or piers vested in or controlled by a local authority, or obstruct or interfere with the traffic on any railway, airway, tramway, canal or water-way.
- (ii). The Distribution Licensee shall take all reasonable precautions in constructing, laying down and placing its electric lines, electrical plant and other works and in working its system, so as not to injuriously affect, whether by induction or otherwise, the working of any wire or line used for the purpose of telegraphic, telephone or electric signaling communication, or the currents in such wire or line.
- (iii). Where any difference or dispute arises between the Distribution

Licensee and the telegraph authority as to whether the Distribution Licensee has constructed, laid down or placed its electric lines, electrical plant or other works, or worked its system, in contravention of clause (ii) above or as to whether the working of any wire, line or current is or is not injuriously affected thereby, the matter shall be referred to the Central Government.

- (iv). The Central Government, unless it is of the opinion that the wire or line has been placed in unreasonable proximity to the electric lines, electrical plant or works of the Distribution Licensee after the construction of such lines, plant or works, may direct the Distribution Licensee to make such alterations in, or additions to, its system as may be necessary in order to comply with the provisions of this Regulation 40, and the Distribution Licensee shall make such alterations or additions accordingly:

Provided that nothing in clause (iii) above and this clause (iv) shall apply to the repair, renewal or amendment of any electric line or electrical plant so long as the course of the electric line or electrical plant and the amount and nature of the electricity transmitted thereby are not altered.

- (v). Where the Distribution Licensee makes default in complying with the requirements of this section, it shall pay full compensation for any loss or damage incurred by reason thereof, and, where any difference or dispute arises as to the amount of such compensation, the matter shall be determined by arbitration conducted in accordance with section 158 of the Act.

Explanation - For the purposes of this Regulation 40, a telegraph line shall be deemed to be injuriously affected if telegraphic, telephonic or electric signaling communication by means of such line is, whether through induction or otherwise, prejudicially interfered with by an electric line, electrical plant or other work or by any use made thereof.

#### **41. Information to the Commission:**

- (i) The Distribution Licensee shall furnish to the Commission, without delay, such information, documents and details related to the Licensed Business or any Other Business of the Distribution Licensee, as the Commission may require from time to time, for its own purposes or for the purposes of the Central Government, State Government, the Central Electricity Regulatory Commission, the Central Electricity Authority, the Regional Load Dispatch Centre, State Load Dispatch Centre,

the Central Transmission Utility and the State Transmission Utility. The information shall be furnished in such form as may be specified by the Commission.

- (ii) The Distribution Licensee shall notify the Commission as soon as possible and in no case later than one week after the occurrence of any Major Incident affecting any part of the distribution system and shall, within one month of the date of such Major Incident:
  - (a) Submit a report giving full details of the facts within the knowledge of the Distribution Licensee regarding the Major Incident and its cause. The Commission in its own discretion may require the submission of a report to be prepared by an independent person at the expense of the Distribution 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.
- (iii) The Commission may by order direct the Distribution Licensee to provide such amount of compensation as the Commission may specify to any person who suffers substantial injury or to the heirs of those who have lost their lives, where a Major Incident has been caused by any act of commission, omission or negligence on the part of any of the employees or agents of the Distribution Licensee.
- (iv) The decision of the Commission as to what constitutes a Major Incident shall be final.
- (v) The Distribution Licensee shall, as soon as practicable, report the following to the Commission:
  - a. Any significant change in circumstances which may affect the Distribution Licensee's ability to meet its obligations;
  - b. Any material breach of the provisions of the Act, the State Act, the rules, regulations and codes made thereunder, directives and orders issued by the Commission and the terms of agreements/ arrangements entered into by the Distribution Licensee with other Licensees or generating companies or consumers; and/or
  - c. Any major change in the shareholding pattern or in the

ownership, control or management of the Distribution Licensee.

**42. Other obligations of the Distribution Licensee**

- (i) The Commission may additionally require the Distribution Licensee to:
  - (a) enter into an agreement with another person permitting such person to use electric lines, electrical plants and associated equipment operated by the Distribution Licensee;
  - (b) furnish information and documents which the Commission may require for its purpose;
  - (c) undertake such functions and obligation of the Board under the Indian Electricity Act, 1910 and the Electricity (Supply) Act, 1948 as the Commission may, through a separate order, specify;
  - (d) refer a dispute arising under the Distribution Licence for determination by the Commission or by an arbitrator appointed by the Commission;
  - (e) supply electricity in bulk to other Licensees or exemption holder or sanction holder in the State or to any person outside the State;
  - (f) comply with any direction given by the Commission; and
  - (g) act in accordance with the terms and conditions of the Distribution Licence.

**43. Accounts of the Distribution Licensee**

- (i) The Distribution Licensee shall:
  - (a) Maintain separate information and statement of accounts for the Licensed Business;
  - (b) Maintain the statement of accounts in such form and containing such particulars as may be specified by the Commission and till such time as these are specified by the Commission, the accounts shall be maintained in accordance with the Companies Act, 1956(1 of 1956) as amended from time to time, where applicable, and in accordance with standard accounting practice in all other cases;

- (c) Keep the accounts of the Licensed Business separate from the accounts of any Other Business carried on by the Distribution Licensee, whether licensed or otherwise;
  - (d) Maintain the accounts of the Distribution Business, and the Retail supply Business of the Licensee as separate and distinct businesses. Trading shall always be a separate and distinct business.
  - (e) Prepare on a consistent basis from such records, accounting statements for each Year 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 the amounts of any revenue, cost, asset, liability, reserve, or provision which has been either:
    - 1. Charged from or to any Other Business together with a description of the basis of that charge; or
    - 2. Determined by apportionment or allocation between the various business activities of the Distribution Licensee together with a description of the basis of such apportionment or allocation.
  - (f) Provide in respect of the accounting statements prepared in accordance with the foregoing clauses, a report by the auditors in respect of each Year, stating whether in their opinion the statements have been properly prepared and give a true and fair view of the revenues, costs, assets, liabilities and reserves attributable to the business to which the statements relate, and
  - (g) Submit to the Commission copies of the accounting statements and auditor's report not later than six months after the end of the Year to which they relate.
- (ii) Any person authorised by the Commission shall be entitled to inspect and verify the accounts of the Distribution Licensee and the Distribution Licensee shall render all necessary assistance to such person.

#### **44. Certain powers of the Commission:**

Punishment for non-compliance of directions by the Commission:

The Licensee shall be liable for action under Section 142 of the Act, for contravening any provisions of the Act or the rules or Regulations made thereunder including the conditions stipulated in this Regulations.

**45. Regulating supply, distribution, consumption and use of electricity:**

If the Commission is of the opinion that it is necessary or expedient so to do for maintaining the efficient supply, securing the equitable distribution of electricity and promoting competition, it may, by order, provide for regulating the supply, distribution, consumption or use thereof.

**46. Investigation and Inspection**

- (i). The Commission may, on being satisfied that the Distribution Licensee has failed to comply with any of the conditions of Distribution Licence or has failed to comply with any of the provisions of the Act or the State Act or rules or regulations made thereunder, at any time, by order in writing, direct any person (hereafter in this section referred to as –Investigating Authority□) specified in the order to investigate the affairs of the Distribution Licensee and to report to the Commission on any investigation made by such Investigating Authority.
- (ii). The Investigating Authority shall conduct the investigation in accordance with the provisions of the Act.
- (iii). On receipt of investigation report from the Investigating Authority, the Commission may, in accordance with the provisions of the Act and after giving such opportunity to the Distribution Licensee to make a representation in connection with the report as in the opinion of the Commission seems reasonable, by order in writing-
  - a) require the Distribution Licensee to take such action in respect of any matter arising out of the report as the Commission may think fit; or
  - b) cancel the Distribution Licence.

The Commission may also take any other action in accordance with the provisions of the Act

- (iv). The Commission may specify the minimum information to be maintained by the Distribution Licensee in its books, the manner in which such information shall be maintained, the checks and other verifications to be adopted by the Distribution Licensee in that connection and all other matters incidental thereto, as are, in its opinion, necessary to enable the Investigating Authority to discharge satisfactorily its functions under this Regulation 42.
- (v). For the purposes of this Regulation 41, the expression – Distribution Licensee shall include, in the case of a Distribution Licensee incorporated in India –
  - (a) the subsidiaries of such Distribution Licensee formed for the purpose of carrying on the business of distribution of electricity exclusively outside India; and
  - (b) all its branches whether situated in India or outside India.
- (vi). All expenses of, and incidental to, any investigation made under this Regulation 42 shall be defrayed by the Distribution Licensee and shall have priority over other debts due from the Distribution Licensee and shall be recoverable as arrears of land revenue.
- (vii). For the purposes of preventing the contravention of any term of the Distribution Licence or provision of the Act or the Reform Act or rules or regulations made thereunder, the Commission may, in accordance with Sections 28 and 29 of the Reform Act, pass an interim order or a final order or convert an interim order into a final order.

#### **47. Introduction of Competition:**

- (i). Subject to the provisions of the Act, the Commission may grant a Distribution Licence to any person(s) in the same Area of Licence as that of the existing Distribution Licensee,
- (ii). For the purposes of introducing competition, and in order to ensure co-operation and co-ordination between the different Distribution Licensees in the same Area of Licence, the Commission may issues such appropriate orders modifying or amending the Distribution Licence as it may deem fit:

Provided that no such order shall be passed unless the Commission provides reasonable opportunity to the Distribution Licensee of being heard on the proposed modification or amendment.

#### **48. Expected Revenue Calculation and Tariffs**

- (i). The Distribution Licensee shall follow the methodology, procedures and directions included in the Tariff Regulations and in other orders of the Commission as may be issued from time to time, while filing the statement of Annual Revenue Requirement (ARR) from charges and for proposing or amending any or all of its tariffs.
- (ii). The amount that the Distribution Licensee is permitted to recover in the form of its tariffs in any financial year is the amount that the Commission determines in accordance with Section 62 of the Act.

#### **49. Provisions applicable to Deemed Licensees**

These General conditions shall apply to **Distribution Licensees** and to all deemed Distribution Licensees under first, third and fifth provisos to section 14 of the Electricity Act.

### **CHAPTER - 5 Miscellaneous**

- 50.** All issues arising in relation to interpretation of these General Conditions and as to the terms and conditions thereof shall be a matter for the determination of the Commission and the decision of the Commission on such issues shall be final.
- 51.** The Commission may in addition to these General Conditions specify Specific Conditions applicable to a specific Distribution Licensee or class of licensees and such conditions shall be deemed to be conditions of licence.
- 52. Savings**
  - a. Save as provided in clause (b) below, the conditions specified in the existing Licence issued under the Reform Act, by the Commission on December 29, 2000 is hereby repealed;
  - b. Notwithstanding the repeal any thing done or any action taken or purported to have been done or taken under the repealed regulations, in so far as it is not inconsistent with the provisions of the Act or rules and regulations made thereunder, be deemed to have been taken under these Regulations.
  - c. Nothing in these Regulations shall be deemed to limit or otherwise affect the power of the Commission to make such orders as may be necessary to meet the ends of justice or to prevent abuse of

process of the Commission.

- d. Nothing in these Regulations shall bar the Commission from adopting a procedure at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient in order to deal with such a matter or class of matters.

### **53. Power to remove difficulties**

If any difficulties arise in giving effect to any provisions of these Regulations, the Commission may, by general or specific order, make such provisions not inconsistent with the provisions of the Act, or the Reform Act or the rules, regulations or codes made thereunder, which appears to it to be necessary or expedient for the purpose of removing the difficulties.

Sd/-  
SECRETARY

Schedule-1  
**APPLICATION FORM FOR GRANT OF DISTRIBUTION LICENCE**

Particulars of the Applicant

1. Name of the Applicant:
2. Form of Incorporation, if any:
3. Address:
4. Name, Designation & Address of the contact person:
5. Contact Tel. Nos.:
6. Fax No.:
7. E-mail ID:
8. Place of Incorporation/Registration:
9. Year of Incorporation/Registration:
10. Geographical Area within which Applicant proposes to undertake distribution:
11. Following documents are to be enclosed
  - a) Certificate of registration/incorporation:
  - b) Certificate for commencement of business:
  - c) Memorandum of Association and Articles of Association:
  - d) Original power of attorney of the signatory to commit the Applicant or its promoter
  - e) Details of Income tax Registration:
  - f) Draft licence

Details of Financial Data of Applicant

12. Net worth (in equivalent Indian Rupees-conversion to be done at the rate of exchange prevailing at the end of each Year) for immediate past 5 (five) financial years. (Specify financial year as applicable)

<i>(DD/MM/YY)</i> to <i>(DD/MM/YY)</i>	In Home Currency	Exchange rate used	In equivalent Indian Rupees

Copies of Annual Reports or certified audited results to be enclosed in support of above.

13. Annual turnover (in equivalent Indian Rupees - conversion to be done at the rate of exchange prevailing at the end of each year) for immediate past 5 (five) financial years. (Specify financial year as applicable)

<i>(DD/MM/YY)</i> to <i>(DD/MM/YY)</i>	In Home Currency	Exchange rate used	In equivalent Indian Rupees

Copies of Annual Reports or certified audited results to be enclosed in support of above.

14. Certificate of Credit Rating
15. Certificate of Standard 'borrowal account'
16. Certificate stating that RBI has not classified the Applicant as a wilful defaulter'.
17. List of documents enclosed in support of Sl. Nos. (10) and (11) above:  
Name of the documents:
  - (a)
  - (b)
  - (c)
  - (d)

18. (a) Whether Applicant himself shall be financing the proposed distribution of electricity fully on its own balance sheet
- (b) If, yes, proposed equity from the Applicant
  - (i) Amount:
  - (ii) Percentage:
19. In case the Applicant proposes to tie up with some other Agency for equity, then name & address of such agency:
  - (a) Name, designation & Address of reference person of the other Agency:
  - (b) Contact Tel. No.:
  - (c) Fax No.:
  - (d) E-mail ID:
  - (e) Proposed equity from the other Agency
    - (i) Amount:
    - (ii) Percentage of total equity:
    - (iii) Currency in which the equity is proposed:
  - (f) Consent letter of the other agency to associate with the Applicant for equity participation to be enclosed.
  - (g) Nature of proposed tie-up between the Applicant and the other agency.
20. Details of debt proposed for the distribution activity: (a) Details of lenders:
  - (b) Amount to be sourced from various lenders:
  - (c) Letters from the lenders in support of the above to be enclosed.
21. Organisational & Managerial Capability of the Applicant:
22. Approach & Methodology:

(The Applicant is required to describe approach & methodology for setting up its distribution system and conduct of the business of distribution of electricity as proposed by it. This should contain a

statement of the Applicant's plan on conduct of the business of distribution of electricity during the first year after the grant of licence and future plans for the said business during the next five years.)

23. Data relating to the applicant's future business

(i) Five year Business Plan for transmission or distribution of electricity for which the application is being made and funding arrangements for meeting its obligations under proposed licence for maintenance, operation, improvement and expansion for future load growth.

(ii) Five year annual forecasts of costs, sales, revenues and project financing stating the assumptions underlying the figures provided.

(Signature of the Applicant)  
Dated:

Schedule-2

**APPLICATION FORM FOR DEEMED LICENCE**

1. Details of Applicant
  - (a) Full name of Applicant :
  - (b) Address of Applicant :
  - (c) Application fee (DD details) :
  - (d) Registered Office Address :
  - (e) Local Office Address  
/ Administrative Office Address :
  - (f) Contact Tel. Nos. :
  - (g) Fax No. :
  - (h) E-mail ID :
  - (i) Details of Authorized Signatory :
  - (j) # Form of Incorporation, if any :
  - (k) # Place of Incorporation/Registration :
  - (l) # Year of Incorporation/Registration :
  - (m) # Following documents are to be enclosed
    - (i). Certificate of registration/incorporation:
    - (ii). Certificate for commencement of business:
    - (iii). Memorandum of Association and Articles of Association  
(Duly mentioning Power Distribution is one of the Business Activity)
    - (iv). Original power of attorney of the signatory to commit the Applicant or its promoter
    - (v). Details of Income tax Registration:
2. Names and addresses of Directors / Competent Officers :  
(Furnish details, if applicable)
3. # Principal shareholders/  
Partners/Members :
4. # Principal Business Activity :

5. Geographical Area within which Applicant proposes to undertake distribution (to mention boundaries referring to the attached map when necessary)
6. Power Details
  - (a) Sourcing of Power
    - (i) Voltage(s) :
    - (ii) Source of supply (Own generation/Purchase from Others/Discom)
    - (iii) Quantum of electricity handled in last 12 months
      - a. Demand (MW) :
      - b. Energy (MU) :
    - (iv) Do you have any power supply agreement with any Discom/generator/ Trader, if so, mention brief details power purchase :
  - (b) Supply of Power
    - (i) Voltages of supply :
    - (iii) Persons to whom electricity is intended to be distributed with full details of categories of persons (members/employees' colonies/ other concerns/general public, etc.) :
  - (d) Funding arrangements for maintenance, operation, improvements and expansion to meet future load growth ,supply obligations, etc.:
  - (e) Whether Applicant himself will be financing the proposed distribution of electricity fully on its own balance sheet

If, yes, proposed equity from the Applicant

- (i) Amount:
- (ii) Percentage:

7. Organizational and Managerial Capability of the applicant:  
(The applicant is required to enclose proof of its Organizational & Managerial Capability, proposed organizational structure and curriculum-vitae of various executives, proposed office etc.)
  - (i) Management Capability :

(ii) Financial Strength :

(iii) Ability to discharge supply function in a sustainable manner:

8. (a) Date from which Deemed License is sought:

(b) Period for which Deemed License is sought:

9. Detailed justification for seeking License:

10. Other Information

(a) Whether the applicant or any of his partners or promoters or Directors or Associates has been declared insolvent and has not been discharged. If so, the details thereof.

(b) Details of cases resulting in conviction of fraud or economic offences of the applicant, any of his partners, promoters or Directors or Associates during the three years preceding the year of making application.

(c) Details of all pending cases involving the applicant, any of his partners or promoters or Directors or Associates, which shall include nature of the dispute, whether civil or criminal, name of the other party or parties, the court before whom pending and the latest status.

(d) Whether the applicant or any of his partners, or promoters or Directors or Associates were ever refused license. If so, give the details of date of making application, date of refusal and reasons for refusal.

11. List of Documents enclosed:

(i)

(ii)

(iii)

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**Place:**

**(Signature of the authorized person)**

**Date :**

*Note: # Not applicable for Government of India and Government of Andhra Pradesh Departments / Ministries*

**List of Documents to Accompany:**

- (1) Certificate of Incorporation from Registrar of Companies.
- (2) Copies of Company's Memorandum/Articles of Association/ Partnership deed etc.
- (3) Proof of Authorization to sign the application form.
- (4) Data relating to management and Financial Capability
  - (a) Managerial:
    - (i) Senior management's curriculum vitae
    - (ii) Cadre strength for different categories, technical and non-technical
  - (b) Financial:
    - (i) Bank references asserting that the Applicant is financially solvent.
    - (ii) Most recent Balance Sheet.
    - (iii) Audited accounts for the Applicant and any Holding Company, Subsidiary or affiliated company for each of the three most recent financial years.
    - (iv) Any accompanying notes and certifications on the above statements from a reputed chartered accountant.
- (5) Data relating to the Applicant's future Business
  - (i) Five year Business Plan for the business for which the application relates
  - (ii) Five year annual forecasts of costs, sales, revenues and project financing stating the assumptions underlying the figures provided.
- (6) Detailed Map(s) of the proposed area of supply  

Detailed map(s) showing the area supplied and the configuration of the Transmission/Sub-transmission and Distribution System, including information on Substations. The map shall clearly distinguish between the existing System and any new facilities that are or will be required for the purposes of providing Supply.

The map shall indicate the streets and roads in which the energy is supplied and distinguish between public and private.
- (7) Proof of Service of the Copy of Application on incumbent Distribution /State Transmission Utility (STU).
- (8) Reasons for not furnishing any of the above documents thereof.
- (9) Details of Income tax Registration:
- (10) Any other relevant information.

Schedule-3  
**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION  
HYDERBAD**

**DISTRIBUTION LICENCE**

1. The **ANDHRA PRADESH** Electricity Regulatory Commission (hereinafter referred to as the Commission□), in exercise of the powers conferred under Section 14 of the Electricity Act, 2003, hereby grants this licence to M/s ..... (hereinafter referred to as the licensee) to distribute electricity in the area of distribution as specified below, subject to the provisions made in the Acts, the rules, general conditions of Distribution Licence specified under the A.P Electricity Regulatory Commission (Distribution Licence) Regulations, and other Regulations specified by the Commission (herein after referred to as –Regulations), including statutory amendments, alterations, modifications, reenactments thereof, which shall be read as part and parcel of this licence.
  
2. Area of Distribution  
The area of Distribution shall be the whole of the area bounded as follows:  
  
North – By  
East – By  
South – By  
West – By
  
3. This licence is not transferable, except in accordance with the provisions of the Acts, the Rules and the Regulations.
  
4. (1) The licensee shall not without prior approval of the Commission—
  - (a) undertake any transaction to acquire by purchase or take over or otherwise, the utility of any other licensee; or
  - (b) merge its utility with utility of any other licensee;  
(2) The licensee shall not at any time assign its licence, or transfer its utility, or any part thereof, by sale, lease, exchange or otherwise without the prior approval of the Commission  
  
(3) Any agreement relating to any transaction referred to in sub-clause (1) and sub-clause (2) unless made with the approval of the Commission, shall be void.
  
5. The grant of this licence to the licensee shall not in any way hinder or restrict the right of the Commission to grant a licence to any other

person within the same area for Distribution of electricity. The licensee shall not claim any exclusivity.

6. This licence shall commence on the date of its issue and unless revoked earlier, shall continue to be in force for a period of 25 (twenty five) years.
7. The licensee may with prior intimation to the Commission, engage in any business for optimum utilisation of its assets.

Provided that the licensee shall not engage in the business of transmission of electricity.

8. The licensee shall pay license fee as specified by the Commission.
9. The provisions contained in the Acts shall apply to the licensee with regard to revocation of licence and sale of his utility.

Sd/-  
SECRETARY