

THE APTRANSCO DISTRIBUTION AND RETAIL 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 Distribution and Retail 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

1. Short Title

1.This Licence may be called "The APTRANSCO Distribution and Retail Supply Licence (Licence No. 2 of 2000)".

2.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
- (ii) 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 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);

"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 Code" means the code prepared by the Licensee in accordance with Paragraph 17 that is approved by the Commission, as amended, supplemented or replaced from time to time in accordance with the said Paragraph 17;

"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;

"Distribution System Operating Standards" means the standards related to the Licensee's operation of its Distribution System approved by the Commission pursuant to Paragraph 18;

"Distribution System Planning and Security Standards" means the standards related to the adequacy of the Licensee's system planning and security of its Distribution System, as approved by the Commission pursuant to Paragraph 18;

"Existing Distribution System Planning and Security Standards" means the Licensee's standards for system planning and security of the Distribution 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;

"Existing Distribution System Operating Standards" means the Licensee's standards for operating the Distribution 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;

"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 the Licence of the Transmission and Bulk Supply Licensee, covering all material technical aspects relating to, connections to and the operation and use of a Transmission System, or (in so far as relevant to the operation and use of a Transmission System) the operation of electric lines and electrical plant connected to the Transmission System, the Distribution Systems including the Licensee's Distribution System, 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 the Transmission and Bulk Supply licence a compilation of which shall be filed by the Transmission and Bulk Supply Licensee with the Commission within 60 days of the grant of that Licence;

"Interim Distribution Code" means the existing practices and procedures followed by APTRANSCO for operating the Distribution System as of the date of the 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 distribution and retail supply of electrical energy in the Area of Supply as Authorised under this Licence;

"Major Incident" means an incident associated with the Distribution and Retail 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, Distribution 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;

"**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;

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

"**Transmission Business**" means the Authorised business of a Transmission and Bulk Supply Licensee in Transmission, whether for its own account or for that of third parties, through any system owned and/ or operated by such licensee; "Transmission and Bulk Supply Licensee" means APTRANSCO in its capacity as operator of the Transmission Business and as a Bulk Supplier;

"**Transmission System**" means the system consisting mainly of extra high voltage electric lines having design voltage of 66 kV and higher, owned or controlled by the Transmission

and Bulk Supply Licensee, and used for the purposes of the transportation of electricity 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 Distribution System for the transportation of electricity by a Person, in accordance with Paragraph 19.5.

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.

3.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 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

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 import or otherwise acquire electricity under this Licence from any Person other than from a Bulk Supplier under the terms of the Bulk Supply Licence issued by the Commission and at the Bulk Supply tariff approved for such Bulk Supplier;
- (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 any facilities used for the Licensed Business.

5.1.2 Notwithstanding the prohibition contained in Paragraph 5.1.1. above the Licensee shall be entitled to purchase or acquire electricity from a Person whose electrical energy generation unit existing as on date of this Licence is directly connected to and interfaced with the Licensee's Distribution System, provided that the Licensee shall obtain the general or special approval of the Commission for the maximum price payable for such purchase or acquisition of electrical energy.

5.1.3 The Licensee shall not commence any new provision of services to third parties for the transportation of electricity through the Licensee's Distribution System, except with the general or special approval of the Commission. In circumstances requiring immediate remedial action in the interest of continuity of supply to the third parties, the Licensee may commence the activity referred to in this Paragraph 5.1.3, 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 by the Licensee for distribution and retail 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 Distribution System and further subject to the following conditions:

- (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 the 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
- (c) the Licensee shall not transfer any assets utilised in the Distribution System for the purposes of 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 purposes of 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 Licensed Business; and c. that the Licensee will give 15 days notice to the Commission, prior to commencement of the proposed arrangement and along with 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 the 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.

5.4 The Licensee shall not assign this Licence or any of the functions under this Licence to any other Person without the prior approval of the Commission. The Licensee may, however, have an arrangement, with the prior approval of the Commission to assign any of the functions that the Licensee is authorised to conduct or carry out under the Act and this Licence to any Subsidiary of the Licensee, and for this purpose, hold all or part of its assets in such subsidiary, subject to the following conditions:

a.any such Subsidiary shall operate under the overall supervision and control of the Licensee and upon the terms and conditions of this Licence and of any Regulations, guidelines or orders of the Commission;
b.the Licensee's duties and obligations in terms of this Licence, the Act, Regulations, guidelines or orders of the Commission shall continue as before, notwithstanding the arrangement;
c.the provision of services by such subsidiary company shall be efficient and economical; and
d.during the period of the arrangement, except with the written approval of the Commission, the status of such subsidiary Company vis-a-vis the Licensee shall not be changed.

To obtain the approval of the Commission as aforesaid, the Licensee will file a suitable application with the Commission disclosing relevant facts in that behalf and the Commission shall dispose such application expeditiously.

6. Prohibition of Subsidies

6.1 In respect of the Licensed Business, the Licensee shall not, without prior permission of the Commission, give any subsidy or subvention to, or receive any subsidy or subvention from, any Person or any Other Business of the Licensee (whether or not authorised by the Commission), except a subsidy granted by the State Government pursuant to Section 12(3) of the Act or a subvention pursuant to Section 27(1) of the Act.

7. Accounts

7.1. The financial year of the Licensee shall run from the first of April to the following thirty-first of March.

7.2. Accounting Principles

- (a) keep such accounting records as would be required to be kept in respect of each such business so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to the Licensed Business are separately identifiable in the books of the Licensee, from those of Other Business in which the Licensee may be engaged;
- (b) prepare on a consistent basis from such accounting records and deliver to the Commission :
 - (i) the Accounting Statements;
 - (ii) in respect of the first six months of each financial year, an interim profit and loss account, cash flow statement and balance sheet;
 - (iii) in respect of the Accounting Statements prepared in accordance with this Paragraph 7, an Auditor's report for each financial year, stating whether in their opinion, these statements have been properly prepared in accordance with this Paragraph 7 and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to such businesses to which the statements relate; and
 - (iv) a copy of each interim profit and loss account not later than three months after the end of the period to which it relates, and copies of the Accounting Statements and Auditor's report not later than six months after the end of the financial year to which they relate.

7.3 The Licensee shall not change the basis of charge or apportionment or allocation of revenues or expenses in relation to the preparation of the Accounting Statements in respect of a financial year from those applied in respect of the previous financial year, without prior approval from the Commission.

7.4 Where, in relation to the Accounting Statements in respect of a financial year, the Licensee has changed the basis of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if requested by the Commission, (in addition to preparing Accounting Statements on those bases which it has adopted), prepare such Accounting Statements on the basis which applied in respect of the immediately preceding financial year.

7.5 Accounting Statements under Paragraph 7.2 shall, unless otherwise approved or directed by the Commission:

- (a) be prepared and published with the Annual Accounts of the Licensee, in the manner prescribed in the Regulations;
- (b) state the accounting policies adopted;
- (c) be prepared in accordance with generally accepted Indian accounting standards; and
- (d) be prepared in the form prescribed by the Indian Electricity Rules, 1956 till the Commission stipulates any changes in the form by Regulations;

7.6 References in this Paragraph 7 to costs or liabilities of, or reasonably attributable to Licensed Business or Other Business shall be construed as excluding taxation, and capital liabilities which do not relate principally to such Business and interest thereon.

7.7 The Licensee shall ensure that the Accounting Statements in respect of each financial year prepared under Paragraph 7.2 and the Auditor's report in respect of each financial year referred to in Paragraph 7.2 are publicised in such manner as the Commission may direct

and are made available to any Person requesting them at a price not exceeding the reasonable cost of duplicating them.

8 Prohibition of Undue Preference

8.1 In conduct of the Licensed Business, the Licensee shall not show undue preference to any Person; Provided that the Licensee shall not be deemed to be in breach of its obligations under this Licence if any undue preference results from compliance with any directions of the State Government under Section 22-A and 22-B of the Indian Electricity Act 1910 and Section 12(3) of the Act or in the implementation of any order passed by the Commission.

9 Provision of Information to the Commission

9.1 The Licensee shall furnish to the Commission without undue delay such information, documents and details related to the Licensed Business or any Other Business of the Licensee, as the Commission may require for its own purposes or for the purposes of the Government of India, State Government, the Central Commission and/or the Central Electricity Authority.

9.2 The Licensee shall notify the Commission as soon as possible of any Major Incident affecting any part of the Distribution System which has occurred and shall at the earliest possible and in any event, by no later than two months from the date of such Major Incident:

- (a) submit a report to the Commission giving full details of the facts within the knowledge of the Licensee regarding the incident and its cause.
- (b) In the event the report under sub-Paragraph (a) is likely to take more than 15 days from the date of the Major Incident, the Licensee shall within 15 days from such date of the incident submit a preliminary report with such details which the Licensee can reasonably furnish and state reasons as to why the Licensee requires more than 15 days for giving full report of such incident.
- (c) give copies of the report to all parties concerned with the Major Incident and to such other Persons as the Commission may direct.

9.3 The decision of the Commission as to what is a Major Incident shall be final.

9.4 The Commission at its own discretion may require the submission of a report on any incident or incidents to be prepared by an independent Person at the expense of the Licensee to be included as an expense in the determination of aggregate revenues made in accordance with Paragraph 22.

9.5 The Commission may at any time require the Licensee to comply with the provisions of Paragraphs 9.2 to 9.4 as to matters which the Commission may specifically direct and the Licensee shall be obliged to comply with the same notwithstanding that such matters are not Major Incidents; provided that the time limits specified in Paragraph 9.2 shall commence from the date that the Commission notifies Licensee of such requirement.

10. Investments

10.1 The Licensee shall not make any investment under any scheme or schemes except in an economical and efficient manner and in terms of this Licence and in accordance with the Regulations, guidelines, directions and orders the Commission may issue from time to time.

10.2 The Licensee shall promptly notify the Commission, schemes in relation to the Distribution System which the Licensee from time to time proposes to implement together with relevant details, including the estimated cost of such schemes, with requisite break-up and proposed investment plans. The Licensee shall furnish to the Commission such further details and clarifications as to the schemes proposed, as the Commission may require from time to time. The schemes proposed may be implemented by Licensee, subject to the following conditions:

- (a) If the scheme does not involve major investment as defined hereunder, without the need for any specific approval from the Commission but subject however to any reasonable direction or condition which the Commission may give or impose during the implementation of the scheme;
- (b) If the scheme involves major investment, after taking specific prior approval of the Commission as provided in Paragraph 10.3.
- (c)

10.3 The Licensee shall make an application to the Commission for obtaining prior approval of the Commission for schemes involving major investments as per the procedure which the Commission may specify from time to time and demonstrate to the satisfaction of the Commission that:

- (a).there is a need for the major investment in the Distribution System, which the Licensee proposes to undertake,
- (b).the Licensee has examined the economic, technical, system and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new Distribution System assets to meet such need: and
- (d) the Licensee has invited and finalised tenders for procurement of equipment, material and/or services relating to such major investment, in accordance with a transparent tendering procedure as may be specified by the Commission from time to time.

10.4 For the purposes of Paragraph 10 the term "major investment" means any planned investment in or acquisition of distribution facilities, the cost of which, when aggregated with all other investments or acquisitions (if any) forming part of the same overall transaction, equals or exceeds Rupees 500 lakhs.

10.5 The Licensee shall submit to the Commission along with the "Expected Revenue Calculation" filed in terms of Paragraph 22, the annual investment plan for the ensuing financial year and shall make investment in the said financial year in accordance with the said investment plan. Provided, however, if any unforeseen contingencies required reallocation of funds within the schemes listed in the annual investment plan, the Licensee may do so provided further that reallocation in respect of individual project does not exceed Rs. 500 lakhs, after intimating the Commission. If on account of unforeseen circumstances the Licensee is required to make investment in a scheme which does not find a place in the annual investment plan, the Licensee may do so upto the limit of Rs. 500 lakhs after intimating the Commission.

11 Transfer of Assets

11.1 The Licensee shall not, in a single transaction or a set of related transactions, transfer or relinquish Operational Control over any land, building, or other asset whose book value at the time of the proposed transfer exceeds Rs 500 lakhs, without complying with the conditions stipulated in this Paragraph 11.

11.2 The Licensee shall give to the Commission prior written notice of its intention to transfer or relinquish Operational Control over any asset whose value exceeds Rs 500 Lakhs

and disclose all relevant facts. The Commission may, within 30 days of the receipt of the notice, seek further information in support of the transaction and 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, within 60 days of the filing of the application, allow the transfer 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.

11.3 The Licensee may Transfer or relinquish Operational Control over any asset as is specified in any notice given under Paragraph 11.2 if:

- (a) the Commission confirms in writing that it consents to such Transfer or relinquishment of Operational Control subject to such conditions as the Commission may impose; or
- (b) the Commission does not, within the time specified under Paragraph 11.2 for the decision of the Commission give any response to the notice of the Licensee that it intends to deal with the application of the Licensee.

11.4 The Licensee may transfer or relinquish Operational Control over any asset where:

- (a) the Commission has issued directions for the purposes of this Paragraph 11 containing a general consent (whether or not subject to conditions) to:
 - (i) 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 under the mandate of any other Act; or
- (c) the asset in question was acquired and used by the Licensee exclusively or primarily in connection with any Other Business that it has been authorised to carry on pursuant to Paragraph 5.1.5 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 required for the Licensed Business.

11.5 Notwithstanding what is stated above, the Licensee will be entitled to utilise the assets as a means of facilitating funding or financing the Licensed Business in the ordinary course of business, subject to the conditions:

- (a) that the Licensee will inform the Commission about such arrangements at least 15 days prior to the effective date of the relevant agreements;
- (b) the Licensee acts in a prudent and reasonable manner in such utilisation of assets; and
- (c) the Licensee retains the Operational Control over assets in the Distribution System.

12 Payment of Licence Fees

12.1 Within 60 days or such further period as the Commission may allow after the coming into force of this Licence, the Licensee shall pay to the Commission an initial fee of Rs. 160 lakhs in such manner as the Commission may direct.

12.2 For as long as this Licence remains in force, the Licensee shall, by the 10th of April of every year, or such further period as the Commission may allow, pay to the Commission an annual licence fee as mentioned herein. The annual fee shall be Rs 250 lakhs for each of the first three years of this Licence. The Commission shall be entitled to review and revise the annual licence fee, 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.

12.3 Where the Licensee fails to pay to the Commission any of the fees due under Paragraphs 12.1 or 12.2 by the due dates:

- (a) without prejudice to other obligations, the Licensee shall be liable to pay interest on the outstanding amount at a simple interest rate of two percent per month, the interest being payable for the period beginning on the day after which the amount became due, and ending on the day on which the payment is made in cleared funds; and
- (b) the Licensee shall be subject to the proceedings for the recovery of such fees as specified in the Act; and
- (c) the Commission may revoke this Licence pursuant to Section 18 of the Act and Paragraph 13 of this Licence.

12.4 The Licensee shall be entitled to take into account any fee paid by it under this Paragraph 12 as an expense in the determination of aggregate revenues made in accordance with Paragraph 22, but shall not take into account any interest paid pursuant to Paragraph 12.3.

13 Terms as to Revocation

13.1 Subject to the provisions of Section 18 of the Act and the Regulations, the Commission may at any time initiate proceedings against the Licensee for revocation of this Licence and if satisfied in such proceedings on the grounds for revocation, revoke this Licence if the Licensee :

- (a) has in the opinion of the Commission, committed a wilful or unreasonable default in doing anything required of him by or under the Act, the Indian Electricity Act, 1910 or the Electricity (Supply) Act, 1948 or rules made thereunder to the extent applicable in the State, read with the provisions of the Act; or
- (b) has in the opinion of the Commission, committed a material breach of the terms and conditions contained in Paragraphs 4 to 12, 16 to 22 or 24 of this Licence or of any Regulations, codes and standards that the Commission may specify from time to time and has failed to rectify such breach within the time allowed by the Commission; or
- (c) has in the opinion of the Commission, failed to comply with any order or direction issued by the Commission; or
- (d) fails to pay the licence fee or any other fee or fine or charges within the time allowed by the Commission; or
- (e) fails to show to the satisfaction of the Commission within 60 days of being directed by the Commission that the Licensee is in a position to fully and effectively discharge the duties and obligations imposed on him by this Licence or to make the deposit or furnish the security as may be required by the Commission from the Licensee; or
- (f) has committed an act which renders this Licence revocable on any other grounds specified in the Act or the Regulations.

13.2 It is a condition of this Licence that the Licensee shall comply with all the Regulations, codes, standards and also orders and directions of the Commission. When the Commission expressly states that an order subjects the Licensee to such compliance, failure to comply with that order will render this Licence liable to revocation in accordance with Section 18 of the Act (without prejudice to the Commission's right to revoke this Licence on any other applicable grounds).

14 Miscellaneous General Conditions

14.1 None of the provisions of the Schedule to the Indian Electricity Act, 1910 shall be deemed to be incorporated into this Licence except for Sections XIV and XV and the

provisions made under Paragraph 19 of this Licence. If Section XIV or XV is amended after this Licence is issued, the Commission may determine and direct by order, to what extent such amendments shall stand incorporated into the Licence. The decision of the Commission in regard to the above shall be final and binding, subject only to the right of appeal under Section 39 of the Act.

14.2 The Commission may publish an order authorising the Licensee to exercise any power or authority which the Commission may confer on the Licensee under the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act 1948 (54 of 1948).

14.3 Pursuant to Section 10(10) of the Act, the Licensee shall have all the power for the placing of electric supply lines, appliances and apparatus for the Distribution and Retail Supply of electricity that a telegraph authority possesses under the Indian Telegraph Act, 1885 (13 of 1885).

14.4 The Licensee shall comply with the directions of the Electrical Inspector issued pursuant to the powers vested in him under the Indian Electricity Act, 1910 or the Electricity (Supply) Act, 1948 or any rules framed thereunder, provided that any order passed by the Electrical Inspector shall be subject to appeal as provided in Section 38 of the Act.

15. Dispute Resolution and Decision on Interpretation of Licence

1. The Commission shall be entitled to act as arbitrator or nominate arbitrator(s) to adjudicate and settle disputes between the Licensee and any other licensee in pursuance of Section 37(1) of the Act.

2. All issues arising in relation to interpretation of this Licence 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, subject only to the right of appeal under section 39 of the Act. The Licensee shall refer all disputes arising under the Licence for determination by the Commission, as provided under Clause (d) of sub-Section (4) of Section 15 of the Act.

Part III: Technical Conditions

16 Compliance with the Grid Code

16.1 The Licensee shall comply with the provisions of the Grid Code, in so far as applicable to it.

16.2 The Commission may, on reasonable grounds and after consultation with any affected Generating Companies, the Transmission and Bulk Supply Licensee and Suppliers, issue directions relieving the Licensee of its obligation under Paragraph 16.1 in respect of such parts of the Grid Code and to such extent as may be specified by the Commission.

16.3 Till the Grid Code is approved by the Commission, the Licensee shall comply with the Interim Grid Code.

17 Distribution Code and Construction Practices

17.1 The Licensee shall, within six months of issue of this Licence, prepare and submit to the Commission a Distribution Code, after consultation with the other Suppliers, the Transmission and Bulk Supply Licensee, the Generating Companies and such other Persons as the Commission may specify. The Distribution Code shall be accompanied by a plan for

its implementation. Once the Commission adopts the Distribution Code and the said implementation plan, the Licensee shall implement and comply with such Distribution Code; Provided that the Commission may issue directions relieving the Licensee of its obligations under the Distribution Code in respect of such parts of the Licensee's Distribution System and to such extent as may be specified by the Commission.

17.2 The Distribution Code shall cover all material technical aspects relating to, connections to, and the operation and use of the Distribution System including the operation of the electrical lines and electrical plant and apparatus connected to the Distribution System in so far as relevant to the operation and use of the Distribution System and shall include, but not be limited to:

- (a) The Distribution planning and connection code containing:
 - (i) planning code specifying the plan for laying the distribution lines and the service lines in the Area of Supply, the technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Licensee's Distribution System; and
 - (ii) connection conditions specifying the technical, design and operational criteria to be complied with by any Person connected or seeking connection with the Licensee's Distribution System; and
- (b) the Distribution operating code specifying the conditions under which the Licensee shall operate the Licensee's Distribution System and under which Persons shall operate their plant and/or Distribution System in relation to the Licensee's Distribution System, in so far as necessary to protect the security and quality of supply and safe operation of the Licensee's Distribution System under both normal and abnormal operating conditions.

17.3 The Distribution Code shall be designed so as to permit the development, maintenance and operation of an efficient, coordinated and economical Distribution System.

17.4 The Licensee shall, till the Distribution Code comes into force, follow the existing codes, standards and practices governing the distribution of electricity with such modifications as the Commission may direct from time to time. The compilation of such existing codes and standards shall be filed by the Licensee with the Commission within 60 days of the grant of this Licence.

17.5 The Licensee shall from time to time, as appropriate, review the Distribution Code and its implementation in consultation with the Transmission and Bulk Supply Licensee, Generating Companies, other Suppliers and such other Persons as the Commission may order. The Licensee shall also undertake such review as and when directed to do by the Commission. Following any such review, the Licensee shall send to the Commission:

- (a) a report on the outcome of such review;
- (b) any proposed revisions to the Distribution Code as the Licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives of the Distribution Code and this Licence; and
- (c) all written representations or objections received during such review.

17.6 All revisions to the Distribution Code shall require approval from the Commission.

17.7 The Licensee shall make available to any Person requesting for it, copies of the Distribution Code and practices thereto in force at the relevant time, at a price not exceeding the reasonable cost of duplicating it.

17.8 The Licensee shall file with the Commission within 60 days from the grant of this Licence the compilation of the existing codes and practices followed by the Licensee relating

to construction of the Licensee's Distribution System and its Distribution facilities and shall follow such codes and practices with such modification as the Commission may direct from time to time. The construction practices shall be reviewed and upgraded by the Licensee from time to time, as appropriate, based on relevant technological improvements and changes.

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

18.1 The Licensee shall comply with the Existing Distribution System Planning and Security Standards and the Existing Distribution System Operating Standards with such modifications as the Commission may direct, until the Distribution System Planning and Security Standards and Distribution System Operating Standards proposed by the Licensee pursuant to Paragraph 18.3 are approved by the Commission. The compilation of such existing standards shall be filed by the Licensee with the Commission within 60 days from the grant of this Licence.

18.2 The Licensee shall plan and operate its Distribution System to ensure that, subject to the availability of adequate power of appropriate quality, the system is capable of providing Consumers with a safe, reliable and efficient Supply of electricity. In particular, the Licensee shall: (a) plan and develop its Distribution System in accordance with the Distribution System Planning and Security Standards together with the Distribution Code as approved by the Commission; and (b) operate the Licensee's Distribution System in accordance with the Distribution System Operating Standards together with the Distribution Code as approved by the Commission.

18.3 The Licensee shall, within six months after this Licence becomes effective, prepare in consultation with the Suppliers, Generating Companies, Transmission and Bulk Supply Licensee and such other Person as the Commission may specify, and submit to the Commission for approval, the Licensee's proposal for Distribution System Planning and Security Standards and Distribution System Operating Standards.

18.4 Having regard to any written representation received by the Commission or upon its own motion, after giving the Licensee an opportunity to present its perspective on the same, for reasons recorded in writing, the Commission may, require the Licensee to revise the Distribution System Planning and Security Standards and the Distribution System Operating Standards, and Licensee shall comply with the directions of the Commission.

18.5 The Licensee shall, within 3 months of the end of each financial year, submit to the Commission a report indicating the performance of the Licensee's Distribution System during the previous financial year. The Licensee shall, if required by the Commission, publish a summary of the report in a manner approved by the Commission.

18.6 The Licensee shall conduct its Licensed Business in the manner which it reasonably considers to be best calculated to achieve the Overall Performance Standards in connection with provision of Supply services and the promotion of the efficient use of electricity by Consumers, as may be prescribed by the Commission pursuant to Section 34 of the Act.

18.7 The Licensee shall supply annually, information to the Commission as to the means by which it proposes to achieve the Overall Performance Standards and other standards referred to in this Paragraph 18.

19 Obligation to Connect Consumers and Public Lamps

19.1 The Licensee shall have the following obligations: (a) Subject to the other provisions of this Licence, the Licensee shall on the application of the owner or occupier of any premise within the Area of Supply, provide connection to the Licensee's Distribution System for the purposes of providing a Supply of electricity to those premises, including the laying of any required distribution mains. (b) Where the owner or occupier of any premises requires connection under the terms of this Paragraph 19.1, the form of application to be made and the procedure for responding to that application shall be in accordance with the procedure specified by the Licensee and approved by the Commission. (c) Nothing in this Paragraph 19.1 shall require the Licensee to provide connection in the event of a Force Majeure.

19.2 The Licensee shall, before commencing to lay down or place a service-line in any area in which a distribution main has not already been laid down or placed, serve upon the local authority (if any) and upon the owner or occupier of all premises abutting so much of the area as lies between the points of origin and termination of the service line to be laid down or placed, a notice stating that the Licensee intends to lay down or place a service line and confirming that if within 21 days from the date of the notice, the local authority or any one or more of such owners or occupiers require in accordance with Paragraphs 17 and 19, that a Supply shall be given for any public lamps or to their premises (as the case may be), the necessary distribution main will be laid down or placed by the Licensee at the same time as the service line.

19.3 Where after distribution mains have been laid down under the provisions of Paragraphs 19.1 or 19.2 and the supply of energy through those mains or any of them has commenced, a requisition is made by the State Government or by a local authority requiring the Licensee to supply for a period of not less than two years, energy for any public lamps within the Area of Supply, the Licensee shall supply, and save in so far as it is prevented from doing so by events of Force Majeure, continue to supply energy for such lamps in such quantities as the State Government or the local authority, as the case may be, may require. The State Government or the relevant local authority, as the case may be, may require the Licensee: (a) to provide the mains and other equipment for public lamps; and (b) to use for that purpose supports, if any, previously erected or set up by it for supply of energy.

19.4 The Licensee may levy any reasonable charge/s for carrying out works/release of supply pursuant to Paragraphs 19.2 and 19.3, in accordance with any procedures that may be stipulated by the Commission as well as the provisions of the Act and/or Regulations.

19.5 The Licensee shall enter into or make such arrangements for the use of the Distribution System including but not limited to electric lines, electrical plant or plants and associated equipment operated by the Licensee as provided in Clause (a) of sub-Section (4) of Section 15 of the Act, by any Person. 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 Distribution System:

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

20 Obligation to Supply and Power Supply Planning Standards

20.1 The Licensee shall take all reasonable steps to ensure that all Consumers connected to the Licensee's Distribution System receive a safe, economical and reliable Supply of electricity as provided in the performance standards referred to in this Licence, the Consumer rights statement referred to in Paragraph 21.3, and the complaint handling procedures referred to in Paragraph 21.2, except where:

- (a) the Licensee discontinues Supply to certain Consumers under Section 24 of Indian Electricity Act 1910 or in accordance with the code of practice, drawn up pursuant to Paragraph 21;
- (b) the Licensee is obliged to regulate the Supply to Consumers as may be directed by the State Government under Section 22-B of the Indian Electricity Act, 1910.

20.2 The Licensee shall, on an annual basis:

- (a) forecast the demand for power within the Area of Supply in each of the next succeeding 10 years;
- (b) prepare and submit such forecasts to the Commission in accordance with the guidelines issued by the Commission from time to time; and
- (c) co-operate with the Transmission and Bulk Supply Licensee in the preparation of power demand forecasts for the state of Andhra Pradesh.

20.3 Subject to the foregoing Paragraphs, the Licensee shall purchase electricity from Bulk Suppliers and others as consented to by the Commission in quantities which the Licensee considers sufficient to meet the expected demand of the Licensee's Consumers, or where appropriate, such lesser quantities as the Bulk Suppliers and others are able to provide on account of shortage of available sources of electricity production, imports or supply.

20.4 The Licensee shall purchase electricity in the manner specified in Paragraph 5.1.4.

21 Consumer Service

21.1 Code of Practice on Payment of Bills

- (a) The Licensee shall, within six months after this Licence has become effective, prepare and submit to the Commission, for its approval, a code of practice concerning the payment of electricity bills by Consumers and including appropriate guidance for the assistance of such Consumers who may have difficulty in paying such bills, and procedures for disconnecting Consumers for non-payment. In granting the approval, the Commission may make such modifications as it considers necessary.
- (b) The Commission may, upon receiving a representation or otherwise, require the Licensee to review the code of practice prepared in accordance with Paragraph 21.1(a) and the manner in which it has been implemented with a view to determine whether any modification should be made to it or to the manner of its implementation.
- (c) The Licensee shall, in consultation with such other Persons as the Commission may direct upon review submit any revision to the code of practice that it wishes to make, to the Commission for its approval, including any representation received by the Licensee and not accepted by it. The Commission may modify the code of practice concerning payment of bills as it considers necessary.
- (d) The Licensee shall:
 - (i) draw to the attention of Consumers, in such manner as the Commission may direct, the existence of the code of practice and each substantive revision of it and how they may inspect or obtain a copy of the code of practice in its latest form;
 - (ii) make a copy of the code of practice, revised from time to time, available for inspection by members of the public during normal working hours; and
 - (iii) provide free of charge an updated copy of the code of practice revised from time

to time to each new Consumer and to any other Person who requests it at a price not exceeding the reasonable cost of duplicating it.

(e) The Licensee shall comply with its existing practice and procedures with respect to the payment of electricity bills by Consumers, with such modifications as the Commission may direct, until the code of practice on payment of bills by Consumers, as mentioned in this Paragraph is adopted with the approval of the Commission. The compilation of such existing practice and procedure shall be filed by the Licensee with the Commission within 60 days from the grant of this Licence.

21.2 Complaint Handling Procedure: (a) The Licensee shall within six months after this Licence has become effective and with approval of the Commission, specify a procedure for handling complaints from Consumers of the Licensee. The Commission may hold consultations with the Commission Advisory Committee or a Person or body of Persons, who the Commission considers as representing the interest of the Consumers likely to be affected and make such modification of the procedure, as it believes necessary before granting such approval.

(b) The Commission may, upon receiving a representation, or otherwise, require the Licensee to review the complaint handling procedure prepared in accordance with Paragraph 21.2(a) and the manner in which it has been implemented, with a view to determine whether any modification should be made to it or to the manner of its implementation.

(c) Any procedure established pursuant to this Paragraph 21.2, including any revisions to it, shall specify the periods within which it is intended that different kinds of complaint should be processed and resolved.

(d) The Licensee shall submit any revision proposed to be made to the procedure established in accordance with Paragraph 21.2(a) to the Commission for its approval.

(e) The Licensee shall:

(i) draw to the attention of Consumers, in such manner as the Commission may direct, the existence of the complaint handling procedure and each substantive revision of it and how the Consumers may inspect or obtain copies of such procedure in its latest form.

(ii) make a copy of its complaint handling procedure, revised from time to time, available for inspection by members of the public at the relevant offices of the Licensee during normal working hours; and

(iii) provide free of charge a copy of the complaint handling procedure revised from time to time to each new Consumer, and to any other Person who requests it at a price not exceeding the reasonable cost of duplicating it.

21.3 Consumer Rights Statement (a) The Licensee shall, within six months after this Licence has come into force or such other time as the Commission may allow, prepare and submit to the Commission for approval, a consumer rights statement, explaining to Consumers their rights as Consumers served by the Licensee. The Commission may, upon holding such consultation with the Commission Advisory Committee, and such other Persons or bodies of Persons who the Commission considers as representing the interests of Consumers likely to be affected by it, and may make such modification of the statement, as it considers necessary in public interest.

(b) The Commission may, upon receiving a representation or otherwise, require the Licensee to review the consumer rights statement prepared in accordance with Paragraph 21.3(a) and the manner in which it has been implemented with a view to determining whether any modification should be made to it or to the manner of its implementation.

(c) The Licensee shall submit any revision to the consumer rights statement that it wishes to make to the Commission for its approval, including any representation received by the Licensee and not accepted by it. The Commission may modify the existing consumer rights

statement as it considers necessary.

(d) The Licensee shall:

- (i) draw to the attention of Consumers, in such manner as the Commission may direct, the existence of its consumer rights statement and each substantive revision of it and how they may inspect or obtain a copy of such consumer rights statement in its latest form.
- (ii) make a copy of its consumer rights statement, revised from time to time, available for inspection by members of the public at its offices during normal working hours; and
- (iii) provide a copy of the consumer rights statement, revised from time to time, to all new Consumers to be served by it, and to any other Person who requests it at a price not exceeding the reasonable cost of duplicating it.

21.4 The Standards of Performance may be set by the Commission, or may be proposed by the Licensee for the Commission's approval. The Commission may evaluate the Licensee's compliance with the Standards of Performance and adherence to the code of practice on payment of bills, complaint handling procedure and consumer rights statement set forth in accordance with this Paragraph 21 and the Licensee shall provide to the Commission such information as it may require to enable it to do so.

21.5 Without prejudice to the other requirements under this Licence, the Commission may, prescribe the types of grievances and complaints of the Consumers, which shall be attended to by the Licensee within the time specified by the Commission and the Commission shall be entitled to prescribe an appropriate level of compensation, which the Licensee shall pay to the Consumers in the event of any default or failure on the part of the Licensee to attend timely to such grievance or complaint. The Commission may also require the Licensee to pay directly to Consumers concerned the compensation amount and file a statement thereof with the Commission. The Commission may make regulations and pass orders to give effect to the above.

Part IV: 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 these Licence conditions.

22.2 Expected Revenue Calculation

- (a) 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 desire 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 part.

If the statement referred to in Paragraph 22.2(a) indicates a significant difference between its expected aggregate revenues and its expected cost of service, the Licensee shall also submit with 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 shall be 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 Licensed Business and shall calculate its charges under that approved tariff in accordance with this Licence, the Regulations, the orders of the Commission and the 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 Licensed 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 or under the Act.

23 Powers of the Licensee for Revenue Realisation, Meter Tampering, etc

23.1 Pursuant to Section 15(10) of the Act, the Licensee shall have the powers and authority to take appropriate actions for:

- (a) revenue realisation;
- (b) prosecution for theft;
- (c) deterring tampering with meters; and
- (d) preventing diversion of electricity;

and all such similar matters affecting Distribution or Retail Supply.

24 Provision of Subsidies to Certain Consumers

24.1(a) In the event the State Government makes any order providing for any subsidy for any class or classes of consumers in terms of Section 12(3) of the Act, the Commission shall be entitled to issue guidelines or make orders in regard to the following:

(i) the amounts, terms, conditions and manner and/or mode for the application of the subsidy and the payment of the compensation;

(ii) the time frame for the payment of the compensation; and

(iii) the consequences of the State Government's failure to pay the compensation amounts within stipulated time frame and manner.

(b) The Licensee will submit to the State Government and the Commission in advance, the monthly projected calculations of compensation payable by the State Government, in accordance with any guidelines or regulations stipulated by the Commission.

24.2 Within one month of the end of each financial year, the Licensee shall calculate and submit to the Commission and the State Government, the actual amount of compensation payable to the Licensee in terms of this condition. The Commission will approve of the net adjustments for the past financial year by and between the State Government and the Licensee.

Part V - Competition Conditions

25 Introduction of Competition in Retail Supply

25.1 The Commission may, after consultation with the Licensee, Suppliers and Generating Companies, formulate arrangements for the introduction of competition in Retail Supply in the State of Andhra Pradesh. These consultations will adhere to the principles of natural justice and will afford a reasonable opportunity to the affected parties to represent their perspectives in the matter.

25.2 Subject to Paragraph 25.1, the Commission may, in accordance with the provisions of the Act and for reasons to be recorded in writing, issue such orders modifying or amending the terms or conditions of this Licence as it shall consider appropriate for the purpose of implementing the arrangements referred to in this Paragraph 25.

25.3 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 of the Transmission and Bulk Supply Licensee be carried out under separate licences. In such an event the Commission may issue necessary orders making relevant changes in this Licence.

25.4 Subject to the applicable provisions of the Act, 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, 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 - Penalty

26 Penalty for Contravention of Conditions of the Licence

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

Schedule

APTRANSCO Area of Distribution and Retail 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 and without however affecting the rights of any other Licensee or exemption holder, as the case may be, under Sections 15 or 16 of the Act.

By order of the Commission

Hyderabad 31-01-2000.

Secretary/APERC