

FORM 2

Distribution & Retail Supply Licence

Licence granted by the Karnataka Electricity Regulatory Commission under Section 19 of the Karnataka Electricity Reform Act, 1999 (Karnataka Act 25 of 1999) to the **Bangalore Electricity Supply Company Limited (BESCOM)** a company incorporated under the Companies Act, 1956, and having its registered office at K.R.Circle, Bangalore 560 001 for carrying on the business of Distribution and Retail Supply of electrical energy within the Area of Retail Supply (as defined in the Licence) and with the powers and upon the terms and conditions specified herein.

PART - I

Definitions and Grant of the Licence

1. Definitions

- 1.1 The words, terms and expressions to which meanings are assigned by the Karnataka Electricity Reform Act, 1999 (Karnataka Act No. 25 of 1999), shall have the same meanings in this licence.
- 1.2 Words, terms and expressions used in this licence which are not defined in this licence or in the Act shall have the meaning given to them in the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948).
- 1.3 In this licence, unless the context otherwise requires, capitalized words shall have the meaning set out below, such that the same will not be contrary to the provisions of the Act:

"Accounting Statement" means for each financial year, accounting Statements in respect of each separate business 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 supporting Statements and information 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 or to any other business together with a description of the basis of that charge; or

- (ii) determined by apportionment or allocation between the Distribution and Retail Supply Business and any other business of the Licensee or its Affiliate together with a description of the basis of the apportionment or allocation.

"**Act**" means the Karnataka Electricity Reform Act, 1999 (Karnataka Act No. 25 of 1999);

"**Affiliate**" means in relation to the Licensee, any Holding Company or Subsidiary of the Licensee, or any Subsidiary of a Holding Company of the Licensee;

"**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;

"**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 19 or exemption granted under section 20 of the Act;

"**Bulk Supplier**" means any person who is Authorised to carry out Bulk Supply;

"**Bulk Supply**" means the procurement and sale of electricity by a Bulk Supplier to a Retail Supplier for resale of such electricity by the purchaser;

"**Bulk Supply Business**" means the Authorised business of Bulk Supply;

"**Central Electricity Regulatory Commission**" means the Commission constituted under the Electricity Regulatory Commission Act, 1998;

"**Commission**" means the Karnataka Electricity Regulatory Commission;

"**Consumer**" means and include any person who or whose installation, is supplied with electricity or who has executed an Agreement with the Licensee for the supply of electricity or any person whose installation is for the time being connected for the purpose of receiving electricity or whose installation has been disconnected or who has registered an application with the Licensee for power supply connection.

This expression whenever the context so admits shall include their/his/its successor/successors in business occupation and permitted assignees or heirs, executors, administrators;

"**Dispose of**" or "**Disposal**" means the sale, gift, lease, licence, loan, security, mortgage, charge or the grant of any other encumbrance or permitting of any encumbrance to subsist or any other disposal to a third party;

"**Distribution**" means the transportation of electricity by means of a Distribution System and all works ancillary thereof;

"**Distribution and Retail Supply Business**" means any Authorised business of the Licensee (i) in or ancillary to Distribution, whether for its own account or that of third parties, through any system owned and/or operated by the Licensee, and (ii) in Retail Supply;

"**Distribution and Retail Supply Licence**" means this licence issued to the Licensee to carry on the business of Distribution and Retail Supply;

"**Distribution Code**" means the Code governing all material technical aspects relating to connections to and the operation and use of the Distribution System as approved by the Commission;

"**Distribution System**" means any system consisting mainly of cables, service lines and overhead lines, electrical plant and meters and other distribution assets having design voltage of 33 KV and under. The Distribution System shall not include any part of the Transmission System except the terminal equipment (metering system, CT and PT) used for the supply of electricity to extra high voltage (66 KV and above) Consumers;

"**Distribution System Operating Standards**" means the standards related to the Licensee's operation of its

Distribution System approved by the Commission pursuant to condition 20;

"Distribution System Planning and Security Standards" means the standards related to the adequacy of the Licensee's planning methods and process for its Distribution System, approved by the Commission pursuant to condition 20;

"Existing Distribution System Planning and Security Standards" means the standards describing in reasonable detail KPTCL's standards for system planning and security of the Distribution System as at the date of this licence;

"Existing Distribution System Operating Standards" means the standards describing in reasonable detail KPTCL's standards for operating the Distribution System as at the date of this licence;

"Force Majeure" means events beyond the reasonable control of the Licensee, including but not limited to earthquakes, cyclones, floods, storms, adverse weather conditions or other similar occurrences that leads to any act that would involve a breach of relevant laws or regulations concerned with electrical safety;

"Generation Set" means any plant or apparatus for the production of electricity and shall where appropriate, include a generating station comprising of one or more than one generating unit;

"Generator Interconnection Facilities" means any transformers, bus-bars, switch-gear, plant or apparatus utilised to enable access to a Transmission System/Distribution System by the Generating Set(s);

"Grid Code (Code of Technical Interface)" means the Grid Code formulated by the Commission or such person/entity as the Commission may authorise covering all material technical aspects relating to, connections to and the operation and use of a Transmission System, or (in so far as relevant to the operation and use of a Transmission System) the operation of electric lines and electrical plant connected to the Transmission System or the Distribution System ;

"KPTCL" means the Karnataka Power Transmission Corporation Limited, a company incorporated under the

Companies Act, 1956, and having its registered office at Kaveri Bhavan, Bangalore 560 009.

"Licensee" means the entity which has been granted a Distribution and Retail Supply licence under the Act;

"Licence Regulations" means the Karnataka Electricity Regulatory Commission (Licensing) Regulations, 2000;

"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 a human being, with the technical characteristics of "significant interruption", "substantial damage", "significant injury" specified in the Grid Code, Distribution Code or Overall Performance Standards to be approved by the Commission or as otherwise specified by the Commission;

"Non-Core Business" means an business, which is not essential to, part of, related to or reasonably incidental to the Distribution and Retail Supply Business;

"Operational Control" means control of the right to operate;

"Overall Performance Standards" means the standards as may be determined by the Commission pursuant to section 36 of the Act;

"Regulations" means the regulations issued by the Commission under section 56 of the Act;

"Retail Supply" means the procurement, Distribution and sale of electricity by a Retail Supplier directly to Consumers;

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

"Separate Business" means each of the Distribution and Retail Supply Business and any Non-Core Business, taken separately from one another;

"Standards of Performance" means such standards of performance as may be determined by the Commission by Regulations made pursuant to section 35 of the Act;

"State Government" means the government of the state of Karnataka;

"**Subsidiary**" shall have the same meaning as in section 4 of the Companies Act, 1956;

"**Tariff Regulations**" means the Karnataka Electricity Regulatory Commission (Tariff) Regulations – 2000;

"**Transmission System**" means the system consisting mainly of extra high voltage electric lines having design voltage of 66 kV and higher and shall include all plant and equipment in connection with Transmission owned and operated by the KPTCL;

"**Use of System**" means use of the Distribution System for the transportation of electricity by a person, in accordance with condition 21.2.

- 1.4 References in this licence to conditions, parts, and schedules shall, unless the context otherwise requires, be construed as references to conditions, parts of and schedules to this licence.

2 Grant of Licence

- 2.1 The Commission, in the exercise of the powers conferred on it by section 19 of the Act, hereby grants to the Licensee a licence for Distribution and Retail Supply of electricity in the Area of Supply, during the period specified in condition 2.3, subject to the conditions set out in parts II, III, IV, V and VI of this licence and the Licensing Regulations.
- 2.2 The conditions are subject to modification or amendment in accordance with their terms, or with the provisions of the Act.

The licence shall come into force on the date specified by the Commission in the order granting the licence and unless revoked earlier, in accordance with the provisions of condition 13 or the provisions of the Act, shall remain in force for 5 [five] years from that date or such extended period as the Commission may allow.

PART - II

General Conditions

3. Directions

The Licensee shall always comply with the directions issued by the Commission from time to time and shall act in accordance with the terms of this Licence, except where the Licensee obtains the approval of the Commission for any deviation of such directions and terms.

4. Acts Requiring Prior Consent

4.1 The Licensee or its Affiliate shall do the following acts only with the prior written consent of the Commission:

- (a) purchase or import or otherwise acquire electricity or commit itself to do so under this licence except for short duration (less than six months) purchases if the Bulk Supplier is unable to supply.
- (b) sell or otherwise dispose of electricity to any person, other than pursuant to this licence; or
- (c) own or hold any beneficial interest in any Generating Company or Generating Set in the Area of Supply, except in a manner which is incidental to the business carried on under this Licence; or
- (d) own or hold any beneficial interest in any Bulk Supplier.

4.2 Where such prior permission is required, the Licensee will file a suitable application with the Commission disclosing relevant facts in that behalf. The Commission may within 30 days of the application being filed, 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 support of the order passed.

5. Activities of the Licensee

5.1.1 The Licensee shall not commence any new provision of services to third parties for the transportation of electricity through the Licensee's Distribution System, without informing the Commission at least 7 days prior to the commencement of the proposed arrangement.

5.1.2 In circumstances requiring immediate remedial action in the interest of continuity of supply to the Consumers/ third parties the Commission may waive the requirement of the minimum period of notice specified above.

5.1.3 The Licensee may engage in any Non-Core Business, only so long as such activity is likely to result in the gainful employment of the assets and infrastructure comprising the Distribution System and subject to the following conditions:

- (a) the Distribution and Retail Supply Business and the conduct thereof by the Licensee is not prejudiced and / or adversely affected in any manner;
- (b) provided that a proportion of the revenues derived from such business shall, as may be specified by the Commission, be utilised for reducing the charges of the Licensee;

Provided further that the Licensee shall maintain separate accounts for each such Non-Core Business to ensure that Distribution and Retail Supply Business neither subsidises in any way such Business nor encumbers its distribution assets in any way to support such Business.

the Licensee shall always comply with such guidelines that the Commission may specify in this regard.

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, 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.

5.3 The Licensee may engage an Affiliate to provide any goods or services to the Licensee in connection with its Distribution and Retail Supply Business subject to the following conditions:

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

- (b) the transaction will be structured consistent with any regulations framed by the Commission relating to the provision of goods and services with respect to Distribution and Retail Supply Business; and
- (c) the Licensee will give 15 days notice to the Commission, prior to commencement of the proposed arrangement.

5.4 The Licensee may establish Subsidiaries or associated companies or enter into management contracts to conduct or carry out any of the functions that the Licensee is authorized to conduct or carry out under the Act and this Licence. Provided always that:

- (a) any such Subsidiary or associated company or contractors shall operate under the overall supervision and control of the Licensee and upon the terms and conditions of this licence; and
- (b) the Licensee shall have, prior to delegating any function to any such Subsidiary or associated company or contractors, obtained the permission of the Commission, subject to such conditions as the Commission may stipulate.
- (c) the Licensee shall also be responsible for all actions of the subsidiaries or associated companies or contractors.

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. The Commission may within 45 days of the application being filed, 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 support of the order passed. If the Commission does not grant or reject the application in writing within 45 days, then such permission shall be deemed to have been granted.

6. Prohibition of Subsidies

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 authorized by the Commission), except a subsidy granted by the State Government pursuant to section 12(1) of the Act or a subvention pursuant to section 28(1) of the Act.

7. Accounts

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

7.2 The Licensee shall in respect of each Separate Business:

(a) keep such accounting records in respect of each such Separate Business as if it were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee, from those of any other business in which the Licensee is engaged;

(b) prepare on a consistent basis from such accounting records and deliver to the Commission:

(i) the Accounting Statements;

(ii) in respect of every six months of each financial year, an interim profit and loss account, cash flow Statement and balance sheet together with such supporting documents and information as the Commission may prescribe from time to time.

(iii) in respect of the Accounting Statements prepared in accordance with this condition 7, an Auditor's report in respect of each financial year, stating whether in their opinion, these Statements have been properly prepared in accordance with this condition 7 and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the Separate Business to which the Statements relate; and

- (iv) a copy of each interim profit and loss account not later than forty five days after the end of the period to which it relates, and copies of the Accounting Statements and Auditor's report not later than three months after the end of the financial year to which they relate.
- 7.3 The Licensee shall not change the bases of charge or apportionment allocation 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 such bases of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if requested by the Commission, in addition to preparing Accounting Statements on those bases which it has adopted, prepare such Accounting Statements on the bases which applied in respect of the immediately preceding financial year.
- 7.5 Accounting Statements prepared under condition 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) till the Commission stipulates any form by the Regulations, the Accounting Statements may be prepared in the form prescribed by the Indian Electricity Rules, 1956;
 - (c) be prepared in accordance with generally accepted Indian accounting standards; and
 - (d) state the accounting policies adopted.
- 7.6 References in this condition 7 to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, and capital liabilities which do not relate principally to that Separate Business and interest thereon.
- 7.7 The Licensee shall ensure that the Accounting Statements in respect of each financial year prepared under condition 7.2 and the

Auditor's report in respect of each financial year referred to in condition 7.2(b)(iii) are made available to any person requesting them at a price not exceeding the reasonable cost of duplicating them.

8. Prohibition of Undue Preference

Subject to section 27(6) of the Act in the conduct of the Distribution and Retail Supply 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 Government under section 22-A and 22-B of the Indian Electricity Act 1910 and section 12(1) of the Act or in the implementation of any order passed by the Commission.

9. Provision of Information to the Commission

- 9.1 Licensee shall always furnish to the Commission such information documents and details related to the Supply business of the Licensee in the manner in which the Commission requires for its own purposes or for the purposes of the Government of India, State Government, the Central Electricity Regulatory Commission and/or the Central Electricity Authority. The Licensee shall also undertake such studies as the Commission may direct it to undertake from time to time for the improvement of the Supply business
- 9.2 The licensee shall notify the Commission as soon as possible and in no case later than one week of 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 Licensee regarding the incident and its cause. The Commission at its own discretion may require the submission of a report to be prepared by an independent person at the expense of the Licensee; and
 - (b) give copies of the report to the Commission and to all parties involved in the Major Incident as the Commission may direct.
- 9.3. The Commission may by order, direct the licensee to provide such amount of compensation as the Commission may

specify to persons' who suffer substantial injury or to the heirs of those who lose 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 licensee.

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

10. Investments

10.1 The Licensee shall not make any investment except in an economical and efficient manner and in accordance with the approved investment plan.

10.2 The Commission may require the Licensee to submit a 5-year rolling Plan with details of investment schemes to be undertaken during the period for the approval of the Commission. In such case, the Licensee shall intimate,

(a) the annual investment plan with details of investment schemes to be carried out during the financial year and

(b) the progress made in implementing the annual investment plan of the previous financial year with the comparison of actual implementation vis-à-vis the plan as approved by the Commission.

10.3 If the Commission does not require the Licensee to abide by 10.2, then the Licensee shall submit the annual investment plan for each financial year with details of investment schemes to be undertaken along with ERC (Expected Revenue from Charges) filing.

10.4 The Licensee shall invite and finalise tenders for procurement of equipment, material and/or services relating to such major investment, in accordance with a transparent tendering procedure as per existing rules and regulations.

10.5

10.6 The Licensee shall comply with any Practice Directions regarding approval for investments and capital expenditure that may be issued by the Commission from time to time.

10.7

10.8 To meet any unforeseen investments required in the interests of the electricity sector or the Licensee's Authorised business, the Licensee will be entitled to reallocate and adjust the investment plans up to a limit of 10% of the overall investment plan and 25% of the approved amount in respect of each item/work of the investment plan. For any circumstances requiring unforeseen investments/commitments exceeding the approved investment plans for the financial year, the Licensee will be entitled to make such additional investments/commitments only with the approval of the Commission.

11. Disposal of Assets

11.1 The Licensee shall not, in a single transaction, Dispose of or relinquish Operational Control over any land, building or asset whose estimated book value at the time of the proposed disposal exceeds Rs.10 lakhs, other than in the ordinary course of business, without complying with this condition 11. The Licensee shall not divide, partition or split the assets or the cost thereof in order that the provision of this Condition 11 is circumvented.

11.2 The Licensee shall give to the Commission for its concurrence, prior written notice of not less than one month of its intention to Dispose of or relinquish Operational Control over any asset covered by condition 11.1, whose estimated book value at the time of the proposed disposal exceeds Rs.10 lakhs. Notice shall not be deemed to have been given until such time as the Licensee has provided to the Commission all such further information as the Commission may require.

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

(a) the Commission confirms in writing that it consents to such Disposal or relinquishment of Operational Control subject to such conditions as the Commission may impose; or

(b) the Commission does not inform the Licensee in writing of any objection to such Disposal or relinquishment of Operational Control within the

notice period referred to in condition 11.2 and the transfer is effected by transparent and competitive bidding Procedures.

11.4 The Licensee may Dispose of or relinquish Operational Control over any asset where the Commission has issued directions for the purposes of this condition 11 containing a general consent (whether or not subject to conditions) to:

- (a) transactions of a specified description, and/or
- (b) the Disposal of or relinquishment of Operational Control over assets of a specified description,

Provided that the transaction or the assets are of description to which such directions apply and the Disposal of or relinquishment of Operational Control is in accordance with any conditions to which the consent is subject.

11.5 Notwithstanding what is stated above, the Licensee will be entitled to utilise the assets as a means of facilitating financing its investment requirements, including collateral for debt financing, sale and lease back, securitisation receivables, subject to the condition that the Licensee will inform the Commission about such arrangement/ s immediately upon execution of the relevant agreement/s.

12. Payment of Licence Fees

12.1 For as long as this licence remains in force, the Licensee shall, by 10th of April of every year, or such further period as the Commission may allow, be liable to pay to the Commission an annual licence fee of Rs.10 lakhs when the Area of Supply is the entire State of Karnataka and Rs.2 lakhs in any other case for each of the first five years of the licence and the Commission may review such licence fee after every five years.

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

The Licensee shall be liable to pay to the Commission 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 Commission receives payment; and

(b) The Licensee shall be subject to the proceedings for the recovery of such fees specified in the Act; and

a. The Commission may revoke this licence pursuant to section 18 of the Act and condition 13 of this licence.

12.3 The Licensee shall be entitled to take into account any fee paid by it under this condition 12 in the determination of aggregate revenues made in accordance with condition 24, but shall not take into account any interest paid pursuant to this condition 12.

13. Terms of Revocation

13.1 The Commission may, provided that the requirements of section 22 of the Act have been satisfied, at any time revoke this licence by 3 months notice in writing to the Licensee, if the Licensee commits a Material Breach of this licence and does not comply with an order of the Commission to rectify such Material Breach. Provided that in the event of the Licensee rectifying the breach within the 3 months notice period referred to above, the breach shall be deemed to have been cured and the Licensee shall have no further liability. For the purpose of this Condition 13.1, the term "Material Breach" shall mean a breach of Conditions 4, 5, 6, 8, 10, 11, 17, 19.1 or 25 of this Licence.

13.2 It is a condition of this licence that the Licensee shall always comply with the orders and directions of the Commission under the Act. When the Commission expressly states that an order subjects the Licensee to this condition 13.2, failure to comply with that order will render the licence liable to revocation in accordance with section 22 of the Act (without prejudice to the Commission's right to revoke the licence on any other applicable grounds).

14. Extent of applicability of the Schedules to Indian Electricity Act, 1910 (9 of 1910)

None of the provisions of the Schedule of the Indian Electricity Act, 1910 shall be deemed to be incorporated into this licence except for sections XIV and XV of the said

Schedule. If a section XIV or XV is amended after this licence is issued, the Commission may determine by order, to what extent those amendments shall be required to be incorporated into the licence.

15. Extent of grant of powers and authority under the Indian Electricity Act, 1910 (9 of 1910), Electricity (Supply) Act, 1948 (54 of 1948) and Indian Telegraph Act, 1885 (13 of 1885)

15.1 The Commission may publish an order authorizing the Licensee to exercise any power or Authority that could be given to the Licensee under the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act 1948 (54 of 1948).

15.2 Pursuant to section 10(9) of the Act, the Licensee shall have all the power for the placing of appliances and apparatus for the Supply of electricity that a telegraph authority possesses under the Indian Telegraph Act, 1885 (13 of 1885).

16. Dispute Resolution

16.1 The Commission shall be entitled to act as arbitrator or nominate arbitrator to adjudicate and settle disputes in pursuance of section 39(1) of the Act.

16.2

16.3 The Commission is also entitled to require the Licensee, at any time, to refer any or all disputes arising under the licence for determination by the Commission or such other person as the Commission may decide in this behalf.

PART - III

Technical Conditions

17. Power Procurement Procedure

17.1 Except where purchase of electrical capacity and/or energy is done as per conditions exempt in 4.1(a), the Licensee shall not purchase electrical capacity and/or energy without an authorization granted by the Commission under the terms of condition 17.2 and 17.3 following.

17.2 The Licensee shall purchase electrical capacity and/or energy in an economical and efficient manner under a

transparent procurement process as approved by the Commission after following the guidelines issued by the Commission from time to time relating to preparation of load forecasts, power procurement plan and power procurement procedure.

17.3 An authorization required under condition 17.1 shall be granted when the Licensee has demonstrated to the Commission's satisfaction that:

- (a) KPTCL is unable to economically supply the additional electrical capacity and that the additional electrical capacity and/or energy is necessary to meet the Licensee's service obligation in accordance with condition 21; 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 (including arrangements for reducing the level of demand) and such examination has been carried out- in a manner approved by the Commission.
- (c) The Commission may within 180 days grant authorization or may reject the application of the Licensee recording its reasons in writing. If the Commission does not grant or reject the application in writing within 180 days, then such permission shall be deemed to have been granted.

17.4 In all circumstances the Licensee shall purchase electrical capacity and/or energy in a manner

- (a) which requires its generator/supplier, apart from the Bulk Supplier, to be compliant with the Grid Code
- (b) which shall not undermine KPTCL's ability to discharge the obligation KPTCL has under an agreement which is deemed to be approved through section 27(2) of the Act
- (c) the details of contracts entered into for capacity/energy purchases along with the demand requirements are intimated to the Commission in a reasonable time.

18. Compliance with the Grid Code

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

18.2 The Commission may, on reasonable grounds and after consultation with any affected Generating Companies and Suppliers, issue directions relieving the Licensee of its obligation under condition 18.1 in respect of such parts of the Grid Code and to such extent as may be specified in those directions.

19. Distribution Code

19.1 The Licensee shall implement and comply with the Distribution Code; Provided that the Commission may issue an order either on an application or Suo-motu 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 the Commission may specify.

20. Distribution System Planning and Security Standards, Distribution system Operating Standards, Overall Performance Standards.

20.1 The Licensee shall plan and operate its Distribution System to ensure that, subject to the availability of adequate power of appropriate quality, the Distribution 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.

20.2 The Licensee shall comply with Existing Distribution System Planning and Security Standards and the Existing Distribution System Operating Standards, as may be modified by the Commission.

20.3 The Licensee shall conduct its Distribution and Retail Supply Business in the manner which it reasonably considers to be best calculated to achieve the Overall Performance Standards

in connection with provision of electricity supply services and the promotion of the efficient use of electricity by Consumers, as may be prescribed by the Commission pursuant to section 36 of the Act.

20.4 The Standards of Performance as approved by the Commission should be complied with by the Licensee. The Licensee's compliance with the Standards of Performance may be measured by the Commission, in part, by the Licensee's adherence to the Code of Practice on Payment of Bills, Complaint Handling Procedure, and Consumer Rights Statement set forth in accordance with condition 23 of this licence.

20.5 The Licensee shall supply every six months, information to the Commission as to the means by which it proposes to achieve the Overall Performance Standards and the Standards of Performance.

21. Obligation to Connect Consumers and Public Lamps

21.1 The Licensee shall have the following obligations:

(a) Subject to the other provisions of this licence and Force Majeure events, 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 supply of electricity to those premises, including the laying of any required distribution mains.

(b)

(c) Where the owner or occupier of any premises requires connection under the terms of condition 21.1, the form of application to be made and the Procedure for responding to that application shall be in accordance with the procedure approved by the Commission.

(c) The Licensee shall always endeavor, subject to applicable regulations or directives or Force Majeure, to procure adequate power of appropriate quality for Supply to Consumers.

21.2 The Licensee shall make such arrangements for the use of the Distribution System by such third parties as the Commission may authorize. 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) to accept into the Distribution System electricity provided by that person,
- (b) to deliver such electricity, adjusted for losses of electricity and time differences between supply and drawl to a designated exit point;
- (d) based on tariff and Use of System charges to be paid by the user, which shall be in accordance with condition 24.

21.3 If, after a period which appears to the Commission to be reasonable for the purpose, the Licensee has failed to enter into an agreement with any applicant referred to in conditions 21.1 and 21.2 pursuant to a request under condition 21, the Commission may at the request of any party settle such terms in dispute between the Licensee and that person and, the Licensee forthwith enter into and implement such agreement in accordance with its terms as settled by the Commission.

22. Obligation to Supply and Power Supply Planning Standards

22.1 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 defined in the levels required in the Overall Performance Standards, the Consumer Rights Statement, and the Complaint Handling Procedures, 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 on payment of Bills drawn up pursuant to condition 23; or
- (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, in consultation with KPTCL.

22.2 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 KPTCL in the preparation of power demand forecasts for the state of Karnataka.

22.3 The Licensee shall provide information in the manner prescribed by KPTCL, which KPTCL may require to fulfill its obligation as State Transmission Utility.

23. Consumer Service

23.1 Code of Practice on Payment of Bills

- (a) The Licensee shall comply with the code of Practice on Payment of Bills as approved by the Commission
- (b) The Licensee shall:
 - (i) draw to the attention of Consumers the existence of the Code of Practice and each substantive revision of it and how they may inspect or obtain a copy of the Code of Practice in its latest form;
 - (ii) make a copy of the Code of Practice revised from time to time, available for inspection by members of the public during normal working hours; and
 - (iii) provide free of charge 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 cost of duplicating it.

23.2 Complaint Handling Procedure

- (a) The Licensee shall comply with the Complaint Handling Procedure as approved by the Commission.
- (b) The Licensee shall:
 - (i) make a copy of the Procedure, revised from time to time, available for inspection by members of the public at each of the

relevant premises during normal working hours; and

- (ii) provide free of charge a copy of the Procedure revised from time to time to each new Consumer, and to any other person who requests it at a price not exceeding the cost of duplicating it.

23.3 Consumer Rights Statement

- (a) The Licensee shall comply with the Consumer Rights Statement as approved by the Commission.
- (b) The Licensee shall give wide publicity to the Consumer Rights Statement by:
 - (i) Publishing it in two English dailies and two Kannada dailies circulating in the State of Karnataka, and
 - (ii) making a copy of it, revised from time to time, available for inspection by members of the public at each of the relevant premises during normal working hours;
 - (iii) providing free of charge a copy of it, revised from time to time, to all new Consumers; and to any other person who requests it at a price not exceeding the cost of duplicating it.

PART - IV

Expected Revenue Calculation and Tariffs

24. Expected Revenue Calculation and Tariffs

- 24.1 The Licensee shall follow the methodology, Procedures and other 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 Expected Revenue from charges and for proposing or amending any or all of its tariffs.
- 24.2 The amount that the licensee is permitted to recover from its tariffs in any financial year is the amount that the

Commission determines in accordance with Section 27 of the Act.

25. Powers of the Licensee regarding Revenue Realisation, Meter Tampering etc

25.1 Pursuant to Section 19 (10) of the Act, the Licensee shall be entitled to exercise any power or 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 and Supply. Any failure/negligence to exercise such authority in a situation where it is necessary to do so will be construed to be a breach of the conditions of licence

26. Provision of Subsidies to Certain Consumers

26.1 Where in a tariff set by the Commission, the Government by the issue of a policy directive under Section 12 (1) of the Act, requires the grant of a subsidy:

- (a) the State Government shall compensate the Licensee to the extent of the subsidies granted in terms of Section 12(1) of the Act. The Licensee shall be entitled to charge a tariff approved by the Commission to the extent the subsidy granted is not paid by the Government;
- (b) the Commission may issue guidelines or regulations for application of the subsidy and payment of compensation to the Licensee. The Commission will make the following determinations in terms of Section 12(1) of the Act:
 - (i) the amounts of the compensation payable by the State Government to the Licensee;
 - (ii) the terms, conditions and manner / mode for the application of the

subsidy and the payment of the compensation;

- (iii) the time frame for the payment of the Compensation; and
 - (iv) the consequences of the State Government's failure to pay the compensation amounts within stipulated time frame and manner.
- (c) The Licensee will submit to the State Government and the Commission in advance, monthly projected calculations of compensation payable by the State Government for the next quarter, in accordance with any guidelines or regulations stipulated by the Commission.
- (d) Within one month of the end of each financial year, the Licensee shall 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

Conditions

27. Introduction of Competition in Retail Supply

- 27.1 The Commission may, after considering applicable Government Policy and in consultation with the Distribution and Retail Supply Licensee and Generating Companies, formulate arrangements for the introduction of competition in Retail Supply in the State of Karnataka. These consultations will adhere to the principles of natural justice, financial viability of the sector and will afford a reasonable opportunity to the affected parties to represent their perspectives in the matter.
- 27.2 The Commission may, with reasons recorded in writing, issue such orders modifying or amending the conditions of this licence, as it shall consider appropriate for the purpose of implementing the arrangements referred to in this condition 27.

PART - VI

Penalty

28. Penalty for Contravention of Conditions of the Licence

28.1 The Licensee shall be liable for action under sections 42 and 43 of the Act in appropriate cases for contravening any one or more of the provisions of this Licence.

SCHEDULE - 1**BESCOM AREA OF SUPPLY**

The area of supply shall comprise of the Bangalore Metropolitan area and the following districts in the State of Karnataka – Bangalore Rural and Bangalore Urban, Tumkur, Kolar, Chitradurga and Davangere Districts subject to however any right to any other licensees.

By order of the Commission

Place: Bangalore

Secretary/K.E.R.C.

Date: 28-Jan-03