

**KARNATAKA ELECTRICITY REGULATORY COMMISSION (CONDITIONS OF
LICENCE FOR ESCOMs) REGULATIONS, 2004**

Notification No.D/01/03 dated 28.04.2004

(Notified in Karnataka Gazette on 20.05.2004, page Nos.963 to 978)

Preamble

KERC has granted Licence for Distribution and Retail Supply of Electricity to four Distribution Licensees in Karnataka viz., Bangalore Electricity Supply Company (BESCOM), Mangalore Electricity Supply Company (MESCOM), Hubli Electricity Supply Company (HESCOM) and Gulbarga Electricity Supply Company (GESCOM) (ESCOMs for short) for carrying out the business of distribution of electricity for a period of five years within the area specified in the respective Licences vide Order dated 28-01-2003. These licenses were granted under the Karnataka Electricity Reforms Act, 1999. Government of India has notified June 10, 2003 as the date on which the Electricity Act, 2003 has come into force. According to the first proviso to Section 14 of the Electricity Act 2003, any person engaged in the business of transmission or supply of electricity on or before the appointed date, under the provisions *inter alia*, of the Karnataka Electricity Reform Act 1999, shall be deemed to be a Licensee under the Electricity Act, 2003. The fifth proviso to Section 14 also provides that the Companies created in pursuance of the Acts specified in the Schedule (which include the Karnataka Electricity Reforms Act, 1999, (KERA) also) shall be deemed to be Licensees under the Electricity Act, 2003. Section 16 of the Electricity Act, 2003, empowers the Appropriate Commission to specify any general or specific conditions applicable to the Licensees covered by the first to fifth proviso to Section 14, within one year from the appointed date. In exercise of the powers conferred on it by Section 16 of the Electricity Act, 2003, read under appropriate provisions under Karnataka Electricity Regulatory Commission Act, 1999, the Karnataka Electricity Regulatory Commission hereby makes the following Regulations.

1. Short title, Commencement and Extent:

- (a) These Regulations may be called Karnataka Electricity Regulatory Commission (Conditions of Licence for ESCOMs) Regulations, 2004.
- (b) They shall come into force with effect from 10.06.2004
- (c) They shall apply to BESCOM, MESCOM, HESCOM and GESCOM.

2. Definitions

The words, terms and expressions used in these regulations shall have the same meaning assigned by the Electricity Act, 2003 read with KERA, 1999 and in case of conflict, the meaning assigned in the Electricity Act, 2003 shall prevail.

3. Conditions of Licence

- (a) The general and special conditions of license applicable to the ESCOMs with effect from the notified date shall be as set out in Form -I appended to these Regulations

- (b) The conditions of licence in Form 1 shall be deemed to have been incorporated in the Karnataka Electricity Regulatory Commission (Licensing) Regulations, 2000 as amended time to time

4. Amendment to Licence

- (a) The Commission may on application of the Licensee or otherwise and where in its opinion the public interest so permits, make such alterations and amendments in the conditions of the Licence in Form - I as it deems fit:

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

- (b) Before any alterations or amendments are made in the conditions of Licence, the provisions of Section 18(2) of the Act shall have effect.

5. Power to Remove Difficulties

If any difficulty arises in giving effect to any of the provisions of these regulations, the Commission may by general or special order take suitable actions that appear to it to be necessary or expedient for the purpose of removing the difficulties, not being inconsistent with the provisions of the Act

6. Repeals

The conditions of license issued pursuant to the Commission's Order dated 28-1-2003 are repealed from the date on which these regulations come in to force.

By Order of the Commission

Secretary

FORM - 1

CONDITIONS OF LICENSE

PART - I

1. Definitions

- 1.1 The words, terms and expressions used in these conditions of licence, which are not defined in the conditions of licence, shall have the same meanings assigned by the Electricity Act, 2003 read with KERA, 1999 and in case of conflict, the meanings assigned in the Electricity Act, 2003 shall prevail.
- 1.2 In these conditions of licence, unless the context otherwise requires;
- (a) "Accounting Statement" means for each financial year, Accounting Statement 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 Business and any other business of the Licensee or together with a description of the basis of the apportionment or allocation.
 - (b) "Act" means Electricity Act, 2003 (Act No. 36 of 2003)
 - (c) "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;
 - (d) "Area of Supply" means the geographic area within which any activity authorised by the licence is allowed;
 - (e) "Auditors" means the Licensee's auditors holding office in accordance with the requirements of the Companies Act 1956 (Act 1 of 1956);
 - (f) "Authorised", in relation to any person, business or activity, means authorised by licence under Section 14 of the Act.
 - (g) "Commission" means the State Commission for the Karnataka State constituted under Section 82 of the Electricity Act, 2003;
 - (h) "Consumer" means any person who is supplied with electricity for his own use by a Licensee or the Government or by any other person engaged in the business of supplying electricity to the public under the Act or any other law for the time being in

force and includes any person whose premises are for the time being connected for the purpose of receiving electricity with the works of a licensee, the government or such other person, as the case may be;

- (i) "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;
- (j) "Distribution" means the transportation of electricity by means of a Distribution System and all works ancillary thereof;
- (k) "Distribution Business" means any Authorised business of the Licensee 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;
- (l) "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 and amended from time to time;
- (m) "Distribution Licensee" means a Licensee authorised to operate and maintain a Distribution system for supplying electricity to the consumers in his area of supply;
- (n) "Distribution System" means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers;
- (o) "Distribution System Operating Standards" means the standards related to the Licensee's operation of its Distribution System approved by the Commission pursuant to condition 24.2
- (p) "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 24.2;
- (q) "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;
- (r) "Forum" means Forum for redressal of grievances of complainants established by the Distribution Licensee under Karnataka Electricity Regulatory Commission (Consumer Grievance Redressal Forum and Ombudsman) Regulations, 2004.
- (s) "Generating company" means any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person, which owns or operates or maintains a generating station;
- (t) "Licensee" for the purpose of these regulations means BESCO, MESCOM, HESCO and GESCOM as the case may be;

- (u) "Major Incident" means an incident associated with the Distribution 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 persons, with the technical characteristics of "significant interruption", "substantial damage", "significant injury" specified in the Grid Code, Distribution Code or Standards of Performance approved by the Commission;
- (v) "Ombudsman" means the authority appointed / designated by the Commission under Karnataka Electricity Regulatory Commission (Consumer Grievance Redressal Forum and Ombudsman) Regulations, 2004
- (w) "Operational Control" means control of the right to operate;
- (x) "Other Business" means a business, which is not essential to, but part of, related to or reasonably incidental to the Distribution Business;
- (y) "Regulations" means the regulations issued by the Commission under the Act;
- (z) "Supply" in relation to electricity, means the sale of electricity to a Licensee or consumer;
- (za) "Separate Business" means each of the Distribution Business and any other Business, taken separately from one another;
- (zb) "SLDC" means State Load Despatch Centre established under Section 31(1) of the Act
- (zc) "Standards of Performance" means such standards of performance as may be specified by the Commission by Regulations made pursuant to Section 57 of the Act;
- (zd) "State Government" means the Government of the State of Karnataka;
- (ze) "State Grid Code (Code of Technical Interface)" means the State Grid Code specified by the Commission under Section 86(1) (h) of the Act;
- (zf) "STU" means State Transmission Utility notified by the Government of Karnataka under Section 39(1) of the Act
- (zg) "Subsidiary" shall have the same meaning as in Section 4 of the Companies Act, 1956;
- (zh) "Tariff Regulations" means the Karnataka Electricity Regulatory Commission (Tariff) Regulations as amended time to time;
- (zi) "Trader" means any person who is Authorised by a licence to carry out trading in electricity;
- (zj) "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 plants and equipments and buildings in association with Transmission ;
- (b) (zk) "Utility" means the electric lines or electrical plant, and includes all lands, buildings, works and materials attached thereto belonging to any person acting as a generating company or licensee under the provisions of the Act.

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

2. Licensed Activity

2.1 Under these conditions of licence, the Licensee is permitted to carryout the following activities:

(a) Distribution of electricity to consumers in the Area of Supply specified in condition 2.2.

(b) Trading in electricity .

2.2 Area of Supply:

Area of supply shall comprise of the districts as indicated against each ESCOM subject however to any right to any other Licensee(s):

(a) BESCO: - Bangalore Rural and Bangalore Urban, Tumkur, Kolar, Chitradurga and Davangere Districts.

(b) MESCOM: - Shimoga, Udupi, Chikamagalur, Dakshina Kannada, Hassan, Kodagu, Mandya, Mysore and Chamarajnagar.

(c) HESCO: - Dharawad, Gadag, Haveri, Bijapur, Bagalkot, Belgaum and Uttara Kannada.

(d) GESCOM : - Gulbarga, Bidar, Raichur, Koppal and Bellary.

PART - II

General Conditions

3. Compliance with Regulations, Codes, Orders and Directions

3.1 The Licensee shall comply with the Regulations, Codes, Orders, Guidelines and Directions issued by the Commission from time to time as may be considered appropriate by the Commission, for achieving the purposes of the Act and shall act in accordance with the conditions of this licence, except where the Licensee obtains prior approval of the Commission for any deviation from such Regulations, Codes, Orders, Guidelines and Directions.

3.2 The Licensee shall comply with the Orders or Directions issued by the Forum or Ombudsman.

4. Acts Requiring Prior Consent

4.1 The Licensee shall not do the following acts without prior approval of the Commission

- (a) undertake any transaction to acquire by purchase or takeover or otherwise the utility of any other Licensee
- (b) merge his utility with the utility of any other Licensee

Provided that nothing contained in this condition shall apply if the utility of the Licensee is situated in a State other than the State in which the utility referred to in clause (a) or clause (b) is situated.

- 4.2 The Licensee shall not at any time assign his license or transfer his utility, or any part thereof, by sale, lease, exchange or otherwise without the prior approval of the Commission.
- 4.3 Any agreement relating to any transaction specified under 4.1 or 4.2 above, unless made with the prior approval of the Commission, shall be void.
- 4.4 The Licensee shall, before obtaining the approval under 4.1 from the Commission, give not less than one month's notice to every other Licensee who transmits or distributes electricity in the Area of such Licensee who applies for such approval.
- 4.5 Where such prior approval is required, the Licensee shall file a suitable application with the Commission disclosing relevant facts in that behalf. The Commission, within 3 months of such application, shall dispose of the same

5. Duties of the Licensee

- 5.1 It shall be the duty of the Licensee to develop and maintain an efficient, co-ordinated and economical distribution system in his Area of Supply and to supply electricity in accordance with the provisions contained in the Act.
- 5.2 Subject to the other provisions of the licence and other regulations in force, the Licensee shall, on an application by the owner or occupier of any premises within the Area of Supply, give supply of electricity to such premises, within one month after receipt of the application requiring such supply:

Provided that where such supply requires extension of distribution mains or commissioning of new sub-stations, the Distribution Licensee shall supply the electricity to such premises immediately after such extension or commissioning or within such period as may be specified by the Commission.

- 5.3 Where the owner or occupier of any premises requires connection under the terms of condition 5.2, 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.
- 5.4 It shall be the duty of every Distribution Licensee to provide, if required, any electric plant or electric line for giving electric supply to the premises specified under 5.2 above:

Provided that no person shall be entitled to demand, or to continue to receive, from a Licensee a supply of electricity for any premises having a separate supply unless he has agreed with the Licensee to pay to him such price as determined by the Commission.

- 5.5 Subject to applicable regulations, directives and Force Majeure conditions, the Licensee shall always endeavor to procure adequate power of appropriate quality for supply to consumers.
- 5.6 The Licensee shall provide open access to his Distribution System to any person as required under Section 42(2) of the Act and receive wheeling charges and / or surcharge as specified by the Commission.

6. Other Activities of the Licensee

- 6.1 The Licensee, with prior intimation to the Commission may engage in any other Business for the optimum utilisation of the assets and infrastructure comprising the Distribution System as provided under Section 51 of the Act, subject to the following conditions:
- (a) the Distribution Business and the conduct thereof by the Licensee is not prejudiced and / or adversely affected in any manner;
 - (b) a proportion of the revenues derived from such business shall, as may be specified by the Commission, be utilised for reducing the wheeling charges of the Licensee;
 - (c) the Licensee shall maintain separate accounts for each such Business undertaking to ensure that Distribution Business neither subsidises in any way such business undertaking nor encumbers its distribution assets in any way to support such business.
 - (d) the Licensee shall always comply with such guidelines that the Commission may specify in this regard.
- 6.2 The Licensee shall follow the provisions of the Companies Act, 1956, for contracting any loans to, or issuing any guarantee for any obligation of any person and in case of any deviation, the Licensee shall take prior approval from the Commission.
- 6.3 The Licensee may authorise any other person to carry out any of the functions that the Licensee is authorized to conduct or carry out under the Act. Provided that:
- (a) any such other person shall operate under the overall supervision and control of the Licensee and upon these conditions of licence; and
 - (b) the Licensee shall have, prior to delegating any function, informed the Commission of such action.
 - (c) the Licensee shall be responsible for all actions of such other person.

7 Conditions of Supply

- 7.1 The Licensee, within 3 months of this conditions of licence coming into force, submit a draft "Model Conditions of Supply" describing the operating practices and connection

policies of the Licensee along with draft “Standard Agreements” to the Commission for approval .

- 7.2 The Commission shall direct the Licensee to amend the drafts specified above before approval if it is found to be unfair and unreasonable. Upon approval of the drafts by the Commission, the licensee shall notify the documents for use.
- 7.3 The Commission may on an application by the Licensee or by the affected person make such amendments and alterations in the above documents as it deems fit.

8. Prohibition of Subsidies

The Licensee shall not, without prior permission of the Commission, receive any subsidy from any person, except a subsidy granted by the State Government pursuant to Section 65 of the Act / Section 12(1) of KER Act or a subvention pursuant to Section 28(1) of KER Act.

9 Utilisation of Surcharge:

The Licensee shall keep separate accounts of the surcharge collected pursuant to condition 5.6 and utilize the same in the manner specified by the Commission.

10. Accounts

- 10.1 The financial year of the Licensee shall be from the first day of April to the following thirty first day of March.
- 10.2 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, 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 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 six months after the end of the financial year to which they relate.
- 10.3 The Licensee shall not change the bases of charge or apportionment or 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.
- 10.4 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.
- 10.5 Accounting Statements prepared under condition 10.2 shall, unless otherwise specified by the Commission, shall be in accordance with the Companies Act, 1956.
- 10.6 References in this condition 10 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.
- 10.7 The Licensee shall ensure that the Accounting Statements in respect of each financial year prepared under condition 10.2 and the Auditor's report in respect of each financial year referred to in condition 10.2(b)(iii) are made available to any person on payment of a price not exceeding the reasonable cost of duplicating them.
- 11. Prohibition of Undue Preference**
- 11.1 Subject to Section 62 of the Act, in fixing charges, the Licensee shall not show undue preference to any person or class of persons or discriminate against any person or class of persons.
- 11.2 Any question as to the meaning of undue preference or unreasonable discrimination shall be decided by the Commission.
- 12. Provision of Information to the Commission**
- 12.1 The Licensee shall furnish to the Commission such information, documents and details related to the business of Licensee in the manner in which the Commission requires for its purposes.
- 12.2 The Licensee shall undertake such studies as the Commission may direct it to undertake from time to time for the improvement of the Distribution Business.
- 12.3 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 submit a report giving full details of the facts within the knowledge of the Licensee regarding the incident and its cause.

- 12.4 The Commission may require the submission of a report to be prepared by an independent person at the expense of the Licensee of the major incident except in the matters covered under Section 161 of the Act. The Licensee shall give copies of the report to the Commission and to all parties involved in the Major Incident as the Commission may direct.

13. Investments

- 13.1 The Licensee shall make investments in an economical and efficient manner and in accordance with the approved investment plan.
- 13.2 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.
- 13.3 If the Commission does not require the Licensee to abide by condition 13.2, the Licensee shall submit the annual investment plan for each financial year with details of investment schemes to be undertaken along with Expected Revenue from Charges (ERC) filing
- 13.4 The Licensee shall invite and finalise tenders for procurement of equipment, material and/or services in accordance with the transparent tendering procedure as per existing rules and regulations.
- 13.5 The Licensee shall comply with the directions regarding approval for investments and capital expenditure that may be issued by the Commission from time to time.
- 13.6 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. In case of 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.

14. Disposal of Assets

- 14.1 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.25 lakhs, other than in the ordinary course of business, without complying with this condition 14. The Licensee shall not divide, partition or split the assets or the cost thereof which results in circumventing this Condition.
- 14.2 The Licensee shall give to the Commission for its concurrence, prior notice of not less than one month of its intention to Dispose of or relinquish Operational Control over any asset covered by condition 14.1, whose estimated book value at the time of the proposed disposal exceeds Rs.25 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.
- 14.3 The Licensee may Dispose of or relinquish Operational Control over any asset as is specified in any notice given under condition 14.2 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 14.2 and the transfer is effected by transparent and competitive bidding procedures.
- 14.4 The Licensee may Dispose of or relinquish Operational Control over any asset where the Commission has issued directions for the purposes of this condition 14 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 which the consent is subjected to.
- 14.5 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 of receivables, subject to the condition that the Licensee will inform the Commission about such arrangement/s immediately upon execution of the relevant agreement/s.

15. Payment of Licence Fees

- 15.1 During the tenure of the licence, the Licensee shall, by 30th 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 as specified by the Commission.
- 15.2 Where the Licensee fails to pay to the Commission any of the fees due under conditions 15.1, within due date, the Licensee shall be liable to pay to the Commission simple interest on the outstanding amount at a rate of one percent per month, it 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;
- 15.3 Where the Licensee fails to pay any fee under condition 15.1 or any interest under condition 15.2, the Commission may revoke this licence pursuant to Section 19 of the Act and condition 19.
- 15.4 The Licensee shall be entitled to take into account any fee paid by it under this condition 15 in the determination of aggregate revenues made in accordance with condition 27, but shall not take into account any interest paid pursuant to this condition 15.2.

16. Dispute Resolution

The Commission shall adjudicate upon the disputes between the Licensees and Generating companies and to refer any dispute for arbitration.

17. Standards and procedures

The Licensee is required to participate and assist the Commission to the extent required by the Commission in the development, issue and review of any standards, codes, procedures proposed or notified by the Commission

18. Penalty for Contravention of Conditions of the Licence

The Licensee shall be liable for action under Sections 142 and 146 of the Act in appropriate cases for contravening any one or more of the provisions of these conditions of licence.

19. Terms of Revocation

The Commission may, at any time after complying with the requirements of Section 19 of the Act, revoke the licence by 3 months notice in writing to the Licensee. For the purpose of clause (b) of Subsection (1) of Section 19 of the Act, the breach of any of the Conditions 3 to 8, 11 to 15, 20 to 24, 26.1, 27, and 28 of this licence are hereby declared to render the licence liable to revocation.

PART - III

Technical Conditions

20. Load Forecast

The Licensee shall on an annual basis:

- (a) forecast the demand for electricity 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 STU in the preparation of electricity demand forecasts for the state of Karnataka.

21. Power Procurement Procedure

21.1 The Licensee shall in all circumstances purchase electrical capacity and/or energy in an efficient and economical manner under a transparent procurement process as approved by the Commission and following the guidelines issued by the Commission from time to time relating to preparation of load forecasts, power procurement plan and power procurement procedure.

21.2 The Licensee shall not purchase electrical capacity and/or energy without an authorization granted by the Commission under the terms of condition 21.1 except in the case of short duration purchases for less than 6 months.

21.3 An authorization required under condition 21.2 shall be granted when the Licensee has demonstrated to the Commission's satisfaction that:

- (a) electrical capacity and/or energy is necessary to meet the Licensee's service obligation in accordance with condition 2.1(a); and is consistent with the approved load forecast and power purchase plan
- (b) the Licensee has examined the economic, technical, system and environmental aspects of commercially viable alternatives to the proposals for purchasing 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.

The Commission shall dispose of the application within 120 days from the date of receipt of such application

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

- (a) which is in compliance with the State Grid Code
- (b) the details of contracts entered into for capacity/energy purchases are furnished to the Commission within one month from the conclusion of such contracts.

22 Compliance with the State Grid Code

- 22.1 The Licensee shall comply with the provisions of the State Grid Code, in so far as applicable to it.
- 22.2 The Commission may, on reasonable grounds and after consultation with any affected Generating Companies, traders and Licensees, issue orders relieving the Licensee of its obligation under condition 22.1 in respect of such parts of the Grid Code and to such extent as may be laid down in those directions.

23. Compliance with the Distribution Code

The Licensee shall implement and comply with the Distribution Code specified by the Commission; 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 laydown.

24. Compliance with Standards

- 24.1 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 Standards specified by the Commission, except where the Licensee is obliged to regulate the Supply as may be directed by the Commission under Section 23 of the Act, 2003.
- 24.2 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.
- 24.3 The Licensee shall conduct its Distribution Business in the manner which it reasonably considers to be the best to achieve the Standards of Performance specified by the Commission pursuant to Section 57 of the Act.
- 24.4 The Standards of Performance as approved by the Commission shall be complied with by the Licensee unless circumstances or conditions beyond the control of the Licensee prevent the Licensee from doing so.

- 24.5 If the Licensee does not comply with all or any of the standards of performance under condition 24.4, the Licensee shall pay compensation specified by the Commission in accordance with the KERC (Standards of Performance) Regulations 2004.
- 24.6 The Licensee shall not include any compensation /penalty/fine paid due to deficient service in the ERC / cost to be recovered from the consumers.
- 24.7 The Licensee shall, within the period specified by the Commission, furnish to the Commission information on the level of performance achieved against the standards of performance specified by the Commission and the number of cases in which compensation was made and the aggregate amount of compensation paid.

25 Co-operation with STU, SLDC and other Licensees

- 25.1 The Licensee shall provide to SLDC, STU and/or to other Licensees such information that may reasonably be required to perform its functions and exercise its powers under the Act
- 25.2 The Licensee shall comply with the directions of SLDC and STU issued under the Act.
- 25.3 The Licensee shall co-operate with the generating companies, other Licensees and with the SLDC for the efficient and co-ordinated operation of the power system

26. Consumer Service

26.1 Supply Code

The Licensee shall

- (a) comply with the Supply Code specified by the Commission
- (b) bring to the notice of the Consumers the existence of the Supply Code (and conditions of supply), each of its substantive revision and their right to inspect or obtain a copy in its latest form;
- (c) make available a copy of the Code (and conditions of supply) revised from time to time, for inspection by the public during normal working hours; and
- (d) provide free of charge an updated copy of the Code (and conditions of supply) 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.

26.2 Customer Charter

The Licensee shall prepare, publicise and adhere to a Customer Charter detailing all the rights, entitlements and responsibilities of the consumers and obligations of the Licensee relating to supply of electricity including the Licensee's guaranteed service levels and other aspects of their relationship under the Act and other applicable laws and regulations. The Customer Charter shall include among other things approved consumer complaint handing procedure, consumer right statement and consumer right to information ;

26.3 Consumer Complaint Handling Procedure

The Licensee shall comply with the Complaint Handling Procedure specified by the Commission. The Licensee shall:

- (a) make a copy of the Complaint Handling Procedure, revised from time to time, available for inspection by the public at each of the relevant premises during normal working hours; and
- (b) 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.

26.4 Consumer's Right to Information

A Licensee on request of the consumer, to the extent that is reasonably available to the Licensee provide:

- (a) information on all services provided by the Licensee including the information on the charges or alternative tariff schemes which may be available to the consumers
- (b) information on meter readings for the electricity services provided to the consumer premises by the Licensee ; and
- (c) information on the status of the consumer's account with the Licensee;

Licensee may charge a reasonable amount for providing information under this section unless the information requested is of general nature.

27. Expected Revenue Calculation and Tariffs

27.1 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.

27.2 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 62 of the Act.

28. Powers of the Licensee

Failure to exercise any power granted to the Licensee under the provisions of the Act, the Regulations and/or this conditions of licence in a situation where it is warranted shall be construed as a breach of the conditions of licence.

PART - IV**Other Conditions****29. Introduction of competition**

- 29.1 The Commission may grant licence to any person (s) to distribute electricity in the same area of supply as that of the Licensee subject to the proviso to Section 14 of the Act.
- 29.2 The Licensee shall not enter into any agreement or abuse its dominant position or enter into a combination which is likely to cause or causes an adverse effect on competition in the electricity industry.

By order of the Commission

Place: Bangalore

Date: 28-04-2004

Secretary/K.E.R.C