

TRANSMISSION AND BULK SUPPLY LICENCE

Licence granted by the Haryana Electricity Regulatory Commission under Section 15 of the Haryana Electricity Reform Act, 1997 (Haryana Act No. 10 of 1998) to Haryana Vidyut Prasaran Nigam Ltd. – a company incorporated under the Companies Act, 1956 and having its registered office at Shakti Bhawan, Sector 6, Panchkula for carrying out the business of Transmission and Bulk Supply of electrical energy within the Area of Transmission and Bulk Supply and with the powers and upon the terms and conditions specified below.

Part I: Terms of the Licence

1. Short Title

- 1.1 This licence may be called the "The Haryana Transmission and Bulk Supply Licence [Licence No. 1 of 1999]".

2. Definitions

- 2.1 The words, terms and expressions to which meanings are assigned by the Haryana Electricity Reform Act, 1997 (Haryana Act No. 10 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 Haryana Electricity Reform Act, 1997 (Haryana Act No. 10 of 1998) shall have the meanings given to them in the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948).
- 2.3 In this licence unless the context otherwise requires, capitalised words shall have the following meanings:

"Act" means the Haryana Electricity Reform Act, 1997 (Haryana Act No.10 of 1998.);

"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;

"Ancillary Services" means black start, reactive power, frequency control and such other services ancillary to the generation and supply of active power that the Licensee requires for the purpose of securing the stability of the Licensee's Transmission System;

"Area of Transmission and Bulk Supply"

means the geographic area specified in Schedule 1 to this licence within which the Licensee may carry on the activities authorised by this licence;

"Auditors" means the Licensee's auditors for the time, being 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 or exemption granted under Section 16 of the Act;
"Bulk Supply"	means the sale of electricity to any person for resale;
"Bulk Supplier"	means any person who is authorised to carry out Bulk Supply;
"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;
"Central Transmission Utility"	means the government company notified by the Central Government under Section 27A of the Indian Electricity Act, 1910, as amended by the Electricity Laws (Amendment) Act, 1998.
"Commission"	means the Haryana Electricity Regulatory Commission;
"Consumer"	means the end or final user of electricity;
"Controlling Interest"	means the ownership of ten percent or more of the paid up share capital of a company or the ability to control ten percent or more of the voting rights at a general meeting of the company or the ability otherwise to influence materially the management of the company by contract or otherwise;
"Distribution"	means the transportation of electricity by means of a Distribution System;
"Distribution Code"	means the code (including any replacement for the Interim Distribution Code) prepared by the Licensee in accordance with Condition 16 of the Distribution and Retail Supply Licence that is approved by the Commission, as it may be amended, supplemented or replaced from time to time in accordance with Condition 16 of

the Distribution and Retail Supply Licence;

"Distribution and Retail Supply Business"

means the Authorised business of the Licensee in or ancillary to (i) Distribution through any system owned and/or operated by the Licensee and (ii) Retail Supply;

"Distribution and Retail Supply Licensee"

means the holder of a licence under Section 15 of the Act for Distribution and Retail Supply;

"Distribution System"

means any system consisting mainly of cables, service lines and overhead lines, electrical plant, apparatus and meters having design voltage of 33 kV or lower owned or operated by a Distribution and Retail Supply Licensee;

"Generating Set"

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

"Generator Interconnection Facilities"

means any transformers, busbars, switchgear, plant or apparatus utilised to enable access by Generating Sets to the Transmission System or a Distribution System;

"Grid Code"

means the Interim Grid Code or any replacement code prepared by the Licensee in accordance with Condition 17 that is approved by the Commission, as it may be amended, supplemented or replaced from time to time in accordance with Condition 17;

"Holding Company"

shall have the same meaning as in Section 4 of the Companies Act, 1956 (as amended);

"Interim Distribution Code"

means the code submitted by the Licensee pursuant to Paragraph 16.3 of the Distribution and Retail Supply Licence describing in reasonable detail the Licensee's practices and procedures for operating the Distribution System at the date of this licence;

"Interim Grid Code"

means the code submitted by the Licensee pursuant to Condition 17.4 describing in reasonable detail the Licensee's practices and procedures for operating the Transmission System as at the date of this licence;

"Licensee" means Haryana Vidyut Prasaran Nigam Ltd. constituted under Section 13 of the Act;

"Power Supply Operating Standards" means the standards related to the adequacy of the Licensee's management of its power resources approved by the Commission pursuant to Condition 19;

"Power Supply Security Planning Standards" means the standards related to the adequacy of the Licensee's acquisition of power resources approved by the Commission pursuant to Condition 19;

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

"Related Person" means any person (i) who holds a Controlling Interest in the Licensee or (ii) in whom the Licensee holds Controlling Interest, and includes a person who holds a Controlling Interest in persons referred to in clauses (i) and (ii) above;

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

"Retail Supplier" means a Supplier who carries out Retail Supply;

"Separate Business" means each of the Transmission Business, the Bulk Supply Business and the Distribution and Retail Supply Business taken separately from one another and from any other business of the Licensee or any Affiliate of the Licensee;

"Standards" means the Transmission Planning and Security Standards, the Transmission Operating Standards, the Power Supply Security Planning Standards and Power Supply Operating Standards;

"Standards of Performance" means such standards of performance as may be determined by the Commission pursuant to Section 33 of the Act;

"Subsidiary"	shall have the same meaning as in Section 4 of the Companies Act, 1956.
"Supplier"	means any person who holds a licence under Section 15 of the Act or is granted an exemption under Section 16 of the Act.
"Supply"	means the sale of electricity either for resale or directly to Consumers;
"Total System"	means Generator Interconnection Facilities, the Licensee's Transmission System and the Distribution Systems of all Suppliers which are located in the Area of Transmission and Bulk Supply;
"Transmission"	means the transportation of electricity by means of the Transmission System;
"Transmission Business"	means any business that the Licensee is Authorised to carry out in or ancillary to Transmission;
"Transmission Operating Standards"	means the standards relating to the Licensee's operation of the Transmission System approved by the Commission pursuant to Condition 19;
"Transmission Planning and Security Standards"	means the standards related to the adequacy of Licensee's planning methods and process for its Transmission System and approved by the Commission pursuant to Condition 19;
"Transmission System"	means the system consisting mainly of extra high voltage electric lines, having design voltage of 66 kV and higher owned or controlled by the Licensee and used for the purposes of the transportation of electricity from a Generating Set to a substation or to another Generating Set or between sub-stations or to or from any external interconnection and includes all 66 kV bays/equipment up to the interconnection with the Distribution System and any plant, apparatus and meters owned or used in connection with the transmission of electricity, but shall not include any part of a Distribution System;
"Use of System"	means use of the Transmission System for the transfer of electricity by a person specified in Condition 24 or a Bulk Supplier pursuant to a contract entered into under the terms of Condition 24;

2.4 References in this licence to Conditions, paragraphs, clauses, parts and Schedules shall unless the context otherwise requires, be construed as reference to conditions, paragraphs and clauses, parts of, and schedules to this licence.

3. Terms 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 Licensee a licence for Transmission and Bulk Supply in the Area of Transmission and Bulk Supply during the period specified in Condition 3.3, subject to the conditions set out in Parts II, III, IV, V, VI and VII of this licence.

3.2 The Conditions are subject to modification or amendment in accordance with their terms, Conditions 25, 26, and 27 and the provisions of the Act.

3.3 This licence shall come into force on the date on which the Commission communicates its decision granting this licence and unless revoked earlier shall remain in force for 30 years from that date.

Part II: General Conditions

4. Directions

4.1 The Licensee shall comply with the directions issued to it 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.

5. Prohibited Activities

5.1 The Licensee shall not:

(a) purchase or otherwise acquire electricity for resale or other disposition to third parties or sell or otherwise transfer electricity to any person in the State of Haryana other than pursuant to this licence or its Distribution and Retail Supply Licence, except to the extent required to meet its obligations under the Indian Electricity Act, 1910, as amended by Electricity Laws (Amendment) Act, 1998 in relation to the inter-state transmission of electricity; or

(b) own or hold, directly or indirectly, any beneficial interest in any Generating Company or Generating Set (other than the Licensee's interest in Generating Sets pursuant to a power purchase agreement entered into in accordance with Condition 15) without the prior written approval of the Commission; or

(c) own or hold, directly or indirectly, without the written approval of the Commission any beneficial interest in any other Supplier, other than one who distributes and

supplies electricity pursuant to a general exemption granted by Regulations or in any facilities used for Distribution in the Area of Transmission and Bulk Supply other than for the purpose of the Distribution and Retail Supply Business; or

- (d) start any non-core activity which is not reasonably incidental to its function as a Licensee, unless specifically authorised by the Commission and subject to such conditions as the Commission may impose.

In this Condition, "**non-core activity**" means any activity other than that carried on as a part of the Transmission Business, the Bulk Supply Business or the Distribution and Retail Supply Business.

- 5.2 The Licensee shall not engage any Affiliate or Related Person to provide any goods or services in connection with its Transmission and Bulk Supply Business unless specifically authorised in writing by the Commission.
- 5.3 The Licensee shall not make any loans to, or issue any guarantee for any obligations of, any other person without the prior written approval of the Commission.

6. Acquisition of Controlling Interests in the Licensee

- 6.1 Upon acquiring information that any person has acquired or intends to acquire a Controlling Interest in it, the Licensee shall inform the Commission forthwith of the acquisition or proposed acquisition and shall furnish the Commission with all relevant details in its possession.

7. Prohibition of Subsidies among Separate Businesses

- 7.1 In respect of each Separate Business, the Licensee shall not, without the prior permission of the Commission, give any subsidy to or receive any subsidy from any other business of the Licensee, whether or not a Separate Business, or any Affiliate or Related Person, except a subsidy granted by the State Government pursuant to Section 12(3) of the Act or a subvention pursuant to Section 27(3) of the Act.

8. Separate Accounts for Separate Business

- 8.1 The Licensee's financial year shall run from First April to the following Thirty-first March.
- 8.2 The Licensee shall in respect of each Separate Business
 - (a) keep such accounting records as would be required to be kept in respect of each such Separate Business 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 Separate Business or other business; and

- (b) prepare on a consistent basis from such accounting records:
 - (i) for each financial year, account statements comprising a profit and loss account, a balance sheet and a statement of source and application of funds, together with notes thereto, and showing separately in respect of each Separate Business the amounts of any revenue, cost, asset, liability, reserve or provision, which has been either:
 - (A) charged from or to any other business (whether or not a Separate Business) together with a description of the basis of that charge; or
 - (B) determined by apportionment or allocation between any Separate Business and any other business (whether or not a Separate Business) together with a description of the basis of the apportionment or allocation; and
 - (ii) in respect of the first six months of the first financial year and of each subsequent financial year, an interim profit and loss account; and
- (c) provide, in respect of the accounting statements prepared in accordance with this Condition 8, a report in respect of each financial year, by the Auditors, stating whether in their opinion those statements have been properly prepared in accordance with this Condition 8 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
- (d) deliver to the Commission 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.

8.3 Unless permitted to do so by the Commission, the Licensee shall not change the bases of charge or apportionment or allocation referred to in Condition 8.2(b)(i) in relation to the accounting standards in respect of a financial year from those applied in respect of the previous financial year.

8.4 Where, in relation to the accounting statements in respect of a financial year, the Licensee proposes to change 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 proposes to adopt, also prepare such accounting statements on the bases which applied in respect of the immediately preceding financial year.

8.5 Accounting statements for each Separate Business prepared under Condition 8.2(b)(i) shall, unless otherwise approved or directed by the Commission:

- (a) be in the form prescribed by the Companies Act, 1956 (1 of 1956) and the Indian Electricity Rules, 1956;
- (b) be prepared in accordance with generally accepted accounting practices;
- (c) state the accounting policies adopted; and
- (d) be published with the annual accounts of the Licensee, in the manner prescribed in the Regulations.

8.6 References in this Condition 8 to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, capital liabilities which do not relate principally to that Separate Business and interest thereon.

8.7 The Licensee shall ensure that the accounting statements in respect of each financial year prepared under Condition 8.2(b)(i) and the Auditor's report in respect of each financial year referred to in Condition 8.2(c) are made available to any person requesting them at a price not exceeding the reasonable cost of duplicating them.

9. Prohibition of Undue Preference

9.1 In fixing its tariffs and the terms and conditions for Transmission and Bulk Supply, the Licensee shall not show undue preference to any person.

10. Provision of Information to the Commission

10.1 The Licensee shall furnish to the Commission such information, documents and details the Commission may require for its own purposes or for the purposes of the Government of India, the Government of Haryana, the Central Electricity Authority, the Central Transmission Utility or the Central Electricity Regulatory Commission.

10.2 The Licensee shall notify the Commission as soon as possible of any major incident affecting any part of the Transmission System which has occurred and shall, within 2 months of the date of such major incident:

- (a) submit a report giving full details of the facts of 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.

10.3 The decision of the Commission as to what is a major incident shall be final.

10.4 In this Condition 10:

“major incident” means an incident associated with the generation,

transmission, distribution, supply or use of electrical energy 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 or animal, 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.

11. Disposal of Assets

- 11.1 The Licensee shall not dispose of or relinquish operational control over any land or building of whatever value otherwise than in accordance with this Condition 11.
- 11.2 The Licensee shall not dispose of or relinquish operational control over any assets other than land and buildings otherwise than in accordance with following paragraphs of this Condition 11, if the replacement cost of the assets being disposed of or whose control is being relinquished in a simple transaction or a series of related transaction exceeds Rs.30 lacs.
- 11.3 The Licensee shall give the Commission not less than two months' prior written notice of its intention to dispose of or relinquish operational control over any asset. 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.
- 11.4 The Licensee may dispose of or relinquish operational control over any asset as is specified in any notice given under Condition 11.3 if:
- (a) the Commission confirms in writing that it consents to such disposal or relinquishment subject to such condition 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 control within the notice period referred to in Condition 11.3.
- 11.5 The Licensee may dispose of or relinquish operational control over any asset where:
- (a) the Commission has issued directions for the purposes of this Condition 11 containing a general consent (whether or not subject to conditions) to:
 - (i) transactions of a specified description; and/or
 - (ii) the disposal of or relinquishment of operational control over assets of a specified description and the transaction or the assets are of a description to which

such directions apply and the disposal of or relinquishment is in accordance with any conditions to which the consent is subject; or

- (b) the disposal or relinquishment of operation control in question is required pursuant to the terms of a contract or agreement, executed before the commencement of this licence; or
- (c) the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation;
- (d) the asset in question was acquired and used by the Licensee exclusively in connection with a non-core activity that it has been authorised by the Commission to carry on pursuant to Condition 5.1(d) and does not constitute a legal or beneficial interest in land or form part of the Transmission System or the Distribution System.

11.6 In this Condition 11, disposal includes any sale, gift, lease, licence, loan, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party; and dispose shall be construed accordingly.

12. Payment of Fees

12.1 Within 30 days, or such other period as the Commission may allow after the coming into force of this licence, the Licensee shall pay to the Government of Haryana an initial fee of Rs. 10 lacs.

12.2 For each subsequent year that this licence remains in force, the Licensee shall, by 10th of April of every year, be liable to pay to the Government of Haryana an annual licence fee of Rs. 60 lacs. The Commission shall review and may change the level of such fee every three years.

12.3 Where the Licensee fails to pay to the Government of Haryana any of the fees due under Condition 12.1 or 12.2 by the dates specified:

- (a) the Licensee shall be liable to pay to the Government of Haryana 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 becomes due, and ending on the day on which the Government of Haryana receives payment; and
- (b) the Licensee shall be subject to the proceedings for the recovery of such fees specified in the Act; and
- (c) the Commission may revoke this licence pursuant to Section 18 of the Act and Condition 13 of this licence.

12.4 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 20, but shall not take into account any interest paid pursuant to Condition 12.3 (a).

13. Terms as to Revocation

13.1 The Commission may, provided that the requirements of Section 18 of the Act have been satisfied, at any time revoke this licence by not less than 3 months notice in writing to the Licensee:

(a) if any amount payable under Condition 12 is unpaid after it has become due and remains unpaid for a period of 30 days or such longer period as the Commission may specify; or

(b) if the Licensee wilfully fails to comply with Condition 6; or

(c) if the Licensee has breached any of the Conditions of this licence and does not comply with an order of the Commission rectifying such breach.

13.2 It is a condition of this licence that the Licensee shall 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 compliance Condition 13.2, failure to comply with that order will render the licence liable to revocation pursuant to Section 18(2)(b) of the Act (without prejudice to the Commission's right to revoke the licence on any other applicable grounds).

14. Indian Electricity Act, 1910, (9 of 1910) and Indian Electricity (Supply) Act, 1948 (54 of 1948)

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 clauses XIV and XV. If clause XIV or XV is amended after this licence is issued, the Commission reserves the right to determine by order to what extent those amendments shall be deemed to be incorporated into it.

14.2 The Commission may publish an order authorising the Licensee to exercise any power or authority which could be given to 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 powers for the placing of appliances and apparatus for Transmission that a telegraph authority possess under the Indian Telegraph Act 1885 (13 of 1885).

Part III: Technical Conditions

15. Power Procurement Procedure

- 15.1 The Licensee shall purchase power (including Ancillary Services) in an economical and efficient manner.
- 15.2 Except for short term power purchase contracts which commit the Licensee for less than six (6) months or as otherwise permitted by the Commission, all of the Licensee's contracts for the purchase of power (including Ancillary Services) shall be awarded only pursuant to a transparent and competitive procurement process acceptable to the Commission. The Licensee shall follow the Practice Guidelines regarding power procurement issued by the Commission from time to time.
- 15.3 Within thirty (30) days after the effective date of this licence, the Licensee shall file with the Commission a true copy with all the annexures of each power purchase agreement to which it is a party. The Licensee shall also file with the Commission a true copy with all the annexures of each new power purchase agreement to which it becomes a party within thirty (30) days after it becomes binding on the Licensee.

16. Investment

- 16.1 The Licensee shall not make major investment except in an economical and efficient manner.
- 16.2 The Licensee's contracts for major investments shall be awarded only pursuant to a transparent and competitive procurement process acceptable to the Commission. The Licensee shall follow the Practice Guidelines regarding major investments issued by the Commission from time to time.
- 16.3 The Licensee shall file with the Commission a true copy with all the annexures of each new agreement/purchase order pursuant to which it makes a major investment within thirty (30) days of the agreement/purchase order becoming binding on the Licensee.
- 16.4 For the purposes of Condition 16 the term "major investment" shall mean a planned investment in or procurement in a single or series of related transactions of assets (other than power) whose replacement cost is Rs.10 crore or more for the purposes of the Transmission Business or Bulk Supply Business, and "investment" as used herein, includes the acquisition of the right to use or control assets through a contract, lease or other similar arrangement.

17. Grid Code

17.1 Except as provided in Condition 17.4, the Licensee shall ensure that there is in force at all times a Grid Code which meets the requirements of this Condition 17. Subject to Paragraph 17.11, the Licensee shall implement and comply with the Grid Code.

17.2 The Grid Code shall:

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

17.3 The Grid Code shall:

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

- 17.4 Where no Grid Code in the form provided for in this Condition 17 is in force at the effective date of this licence, the Licensee shall not be considered in breach of this Condition 17 provided that:
- (a) within two months or such other time as the Commission may allow from the commencement of this licence the Licensee shall submit an Interim Grid Code to the Commission;
 - (b) the Licensee shall implement and comply with the Interim Grid Code from the date of its submission to the Commission, subject to such modifications as the Commission may direct;
 - (c) within six months of the commencement of the licence, the Licensee shall submit the comprehensive Grid Code described in Conditions 17.2 and 17.3, for the approval of the Commission, which must be formulated by the Licensee after consultation with Suppliers, Generating Companies, Central Transmission Utility, Regional Electricity Board and such other persons as the Commission may direct.
- 17.5 The Interim Grid Code shall continue to remain in effect until such time as the Commission has approved the final Grid Code.
- 17.6 The Licensee shall, in consultation with Distribution and Retail Supply Licensees, Generating Companies, the Central Transmission Utility, the Regional Electricity Board and such other persons as the Commission may direct, every three years, or earlier if required by the Commission, review the Grid Code and its implementation. Following any such review, the Licensee shall send to the Commission:
- (a) a report on the outcome of such review; and
 - (b) any proposed revisions to the Grid Code from time to time as the Licensee reasonably thinks fit for the achievement of the objectives referred to in Condition 17.2; and
 - (c) all written representations or objections from Suppliers arising during the consultation process.
- 17.7 All revisions to the Grid Code shall require the prior written approval of the Commission.
- 17.8 The Commission may issue directions requiring the Licensee to revise, supplement or replace the Grid Code in such manner as may be specified in the directions, and the Licensee shall forthwith comply with any such directions.
- 17.9 The Licensee shall make available a copy of the Grid Code in force to any person requesting it at a price not exceeding the reasonable cost of duplicating it.

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

- (a) any one or any group of persons; or
- (b) the Licensee in the conduct of any business other than the Transmission Business.

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

18. Central Scheduling and Despatch

18.1 Having regard to information provided to it by Suppliers, Generating Companies, the Central Transmission Utility, the Regional Electricity Boards and other utilities in the region (including information as to forecast levels of electricity demand and availability of generation capacity) and to the requirements of the Transmission Planning and Security Standards and the Transmission Operating Standards referred to in this licence, the Licensee shall undertake operational planning:

- (a) for the matching to the extent possible of output of all Generating Sets contracted to it and any other Bulk Supplier and other sources of power or electrical energy connected to the Licensee's Transmission System (including a reserve of generation to provide a security margin of generation availability) with forecast demand after taking into account, inter alia:
 - (i) any unavailability of Generating Sets; and
 - (ii) constraints from time to time imposed by technical limitations on the Total System or interconnections with other transmission systems or any part(s) thereof;
- (b) consistent with Condition 18.1(a) and in accordance with the Grid Code, for the removal from service of parts of the Transmission System for maintenance, repair, extension or reinforcement.

18.2 Taking account of the factors referred to in Condition 18.3, the Licensee shall schedule and issue direct instructions for the despatch of available Generating Sets and other sources of power as are at such times available to generate electricity and which are subject to despatch instructions:

- (a) in ascending order of relevant prices that are offered for the generation of electricity into the Total System, keeping in view the constraints on hydro-electric generation; and
- (b) as will in aggregate (and after taking account of electricity delivered to or from the Total System from or to other sources) be sufficient to match at all times (to the extent possible having regard to the availability of Generating Sets) expected

demand, taking account of information provided by Suppliers, the Central Transmission Utility and the Regional Electricity Board together with an appropriate margin of reserve.

18.3 The factors referred to in Condition 18.2 include:

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

18.4 The Licensee shall provide to the Commission such information as the Commission shall request concerning the merit order despatch described in Condition 18.2(a) or any aspect of its operation.

18.5 In this Condition 18:

- "available" means the state of a Generating Set such that it can respond successfully to a call to service by the entity with authority to despatch the system; and "availability" shall be construed accordingly;
- "central despatch" means the process of scheduling and issuing direct instructions by the Licensee as referred to in Condition 18.2.

19. Licence Standards

19.1 The Licensee shall plan and operate the Transmission System so as to ensure that the Transmission System is capable of providing an efficient, co-ordinated and economical system of Transmission. In particular, the Licensee shall plan and develop its Transmission System in accordance with Transmission Planning and Security Standards and operate the Transmission System in accordance with Transmission Operating Standards.

19.2 (a) The Licensee shall make arrangements to meet the Power Supply Security Planning Standards and Power Supply Operating Standards.

(b) The Power Supply Security Planning Standards are such standards as:

- (i) will ensure that the Licensee conducts its planning of generation security so that Bulk Supply will meet levels of reliability and quality, to be proposed by the Licensee and approved by the Commission, by reason of sufficiency of power available for the purposes of Bulk Supply; or
- (ii) the Commission may otherwise specify.

- 19.3 The Licensee shall, within one month from the date this licence becomes effective, submit to the Commission the existing planning and security standards and the operating standards for its Transmission System and the existing security planning standards and operating standards relating to generation capacity connected to its Transmission System being followed by the Licensee. Such existing standards, with such modification as the Commission may direct, shall continue to remain in effect until the new standards approved by the Commission pursuant to Condition 19.4(c) take effect.
- 19.4 (a) The Licensee shall, within three months or such longer time as the Commission may allow after this licence has become effective, prepare, in consultation with the Suppliers, Generating Companies, Central Transmission Utility, Regional Electricity Boards and such other person as the Commission may specify, and submit to the Commission for approval the Licensee's proposal for Transmission Planning and Security Standards, Transmission Operating Standards, Power Supply Security Planning Standards, and Power Supply Operating Standards in accordance with Conditions 19.1 and 19.2 above.
- (b) The Licensee's proposal under clause (a) shall include a statement setting out criteria by which the Licensee's compliance with such Standards may be measured. Such criteria should include the number and type of deviations from the Bulk Supply reliability and quality standards approved by the Commission pursuant to Condition 19.2(b). The document in which the Transmission Planning and Security Standards and Transmission Operating Standards are set forth must include a statement by the Licensee as to how it proposes to implement the Standards so as to:
- (i) ensure a satisfactory degree of standardisation of plant, apparatus, and equipment within the State of Haryana, and
- (ii) develop and observe a policy on spare parts required.
- (c) The Transmission Planning and Security Standards, Transmission Operating Standards, Power Supply Security Planning Standards and the Power Supply Operating Standards submitted by the Licensee pursuant to Condition 19.4(a), with such modifications as the Commission may require, shall take effect from such dates as the Commission shall specify.
- 19.5 (a) The Licensee shall not be in breach of its obligations under this licence if it has failed to meet the Transmission Planning and Security Standards or the Transmission Operating Standards due to earthquakes, cyclones, floods, storms, unnatural weather conditions or other similar occurrences beyond its control (except that lack of finances shall not be deemed to be a circumstance beyond the control of the Licensee), provided that, the Licensee has used its best efforts, to the extent reasonably possible, to comply with the Transmission Planning and Security Standards or the Transmission Operating Standards, as the case may be.
- (b) The Licensee shall not be in breach of its obligations under this licence if it has failed to meet the Power Supply Security Planning Standards or the Power Supply

Operating Standards due to any direction of the State Government to it under Section 22A or 22B of the Indian Electricity Act, 1910.

19.6 The Licensee shall, in consultation with Suppliers, the Generating Companies, the Central Transmission Utility, the Regional Electricity Board and such other persons as the Commission may order, review the Standards and their implementation on each occasion that it carries out a review of the Grid Code in accordance with Condition 17.6. Following any such review, the Licensee shall send to the Commission:-

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

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

19.7 Having regard to any written representations or objections referred to in Condition 19.6(c), and following such further consultation (if any) as the Commission may consider appropriate, the Commission may issue directions requiring the Licensee to revise the Standards in such manner as may be specified in the directions, and the Licensee shall forthwith comply with any such directions.

19.8 The Commission may issue directions requiring the Licensee to revise any of the Standards in such manner as may be specified by the Commission, and the Licensee shall comply with the directions of the Commission.

19.9 The Licensee shall, within 3 months of the end of each financial year, submit to the Commission a report indicating the performance of the Transmission System during the previous financial year against the relevant criteria referred to in Condition 19.1 and of the Licensee during the previous financial year against the relevant Bulk Supply criteria referred to in Condition 19.4. The Licensee shall, if required by the Commission, publish a summary of the reports in a manner to be determined by the Commission.

19.10 The Licensee shall, on an annual basis or more frequently if requested by the Commission:-

- (a) forecast the demand for power within the Area of Transmission and Bulk Supply in each of the next succeeding 10 years; and

(b) prepare and submit forecasts to the Commission in accordance with the Practice Guidelines issued by the Commission from time to time.

19.11 The Licensee shall, upon request by the Commission, provide to the Commission such information as the Commission may require under or for the purpose of monitoring compliance with this Condition 19.

Part IV: Tariffs

20. Duty to Establish Tariffs

20.1 The Licensee shall establish a tariff acceptable to the Commission for its Transmission Business and Bulk Supply Business and shall calculate its charges only in accordance with the relevant tariff, as it may be amended from time to time in accordance with this licence and the other requirements prescribed by the Commission.

20.2 Subject to approval of the Commission, the Licensee may publish a combined tariff for its Transmission Business and Bulk Supply Business reflecting the tariff rates and the other terms and conditions contained in the approved tariffs referred to in Condition 20.1.

21. Annual Revenue and Costs Report

21.1 Each year not later than thirty-first December the Licensee shall prepare and submit to the Commission a report of its expected aggregate revenues and cost of service (including financing costs and its proposed return on equity) for its Transmission Business and Bulk Supply Business for the next succeeding financial year in the manner and form prescribed by the Commission from time to time.

21.2 If the report referred to in Condition 21.1 indicates a significant difference between its expected aggregate revenues and its expected cost of service, the Licensee shall also submit with its report an explanation of the measures it proposes to take, including any proposed tariff amendments to eliminate the difference.

22. Tariff Amendments

22.1 The Licensee shall apply to the Commission to amend its tariffs in accordance with the Act and regulations/directions of the Commission 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 its licence.

22.2 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 the financial principles and their applications provided in the Sixth Schedule to the Electricity (Supply) Act, 1948, as they may be modified pursuant to Section 26(3) of the Act, will allow the Licensee a fair opportunity to recover its full costs and earn a reasonable return.

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

23.1 The Licensee shall be entitled to exercise all the powers or authority that the Commission is capable under the Act of conferring on it to take appropriate action 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 Transmission and Bulk Supply.

Part V: Connection and Use of System Conditions

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

24.1 The Licensee shall make such arrangements for the use of the Transmission System by third parties as are specified in this Condition 24. On application made by any such third party, the Licensee shall offer to enter into an agreement with that person for the use of the Transmission System:

- (a) to accept into the Transmission System electricity provided by that person;
- (b) to deliver such electricity, adjusted for losses of electricity, to a designated exit point;
- (c) that specifies tariff and Use of System charges to be paid by the user, which shall be in accordance with Condition 20.

24.2 The third parties referred to in Condition 24.1 are:

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

24.3 On application made by a Supplier or a Consumer wishing to be connected directly to the Transmission System, the Licensee shall offer to enter into an agreement with

such Supplier or Consumer, as the case may be, for connection to the Transmission System or for modification of such an existing connection and such offer shall make provision for:

- (a) the carrying out of works necessary to make the required connection, including the installation of meters;
- (b) the carrying out of any necessary works to reinforce the Licensee's Transmission System;
- (c) the connection charges to be paid in accordance with Condition 20; and
- (d) the completion date and such other terms as are relevant to the circumstances.

24.4 The Licensee shall offer terms for agreements in accordance with Conditions 24.1 or 24.2 as soon as practicable and (save where the Commission consents to a longer period) in any event no more than two months after an application under Conditions 24.1 or 24.3 is made.

24.5 The Licensee shall not be obliged pursuant to this Condition 24 to offer to enter or to enter into any agreement if:

- (a) to do so is likely to involve the Licensee:
 - (i) in breach of its duties under Section 18 of the Act; or
 - (ii) in breach of any rules or Regulations relating to safety or standards applicable to the Transmission Business including, the Indian Electricity Rules 1956; or
 - (iii) in breach of the Grid Code; or
 - (iv) in breach of any of the Conditions of this licence; or
- (b) the person making the application does not undertake to comply with the Grid Code from time to time in force to the extent that it is applicable to that person; or
- (c) in the case of persons making application for Use of System under Condition 24.1, such person ceases to be authorised as specified in Condition 24.2.

24.6 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 24.1 and 24.3 pursuant to a request under this Condition 24, the Commission may at the request of any party settle such terms in dispute between the Licensee and that person and, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms as settled by the Commission.

- 24.7 The Licensee shall prepare and submit to the Commission on an annual basis, a statement showing in respect of each of the (five) succeeding financial years forecasts of circuit capacity, power flows and loading on the Transmission System under standard planning criteria, together with:
- (a) such further information as shall be reasonably necessary to enable any person seeking Use of System to identify and evaluate the opportunities available when connecting to and making use of such system; and
 - (b) a commentary prepared by the Licensee indicating the Licensee's views as to those parts of the Licensee's Transmission System most suited to new connections and transport of further quantities of electricity.

At the request of a person or a Supplier who wishes to use the Transmission System under Conditions 24.1 or 24.3, the Licensee shall prepare an update to the above statement, incorporating most recent data but specifically including any facility for which any other person or a Supplier has requested use of and connection to the Transmission System.

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

Part VI: Separation of Functions and Competition Conditions

25. Separation of Functions

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

26. Introduction of Competition in Bulk Supply

- 26.1 The Commission may, after consultation with the Licensee, Distribution and Retail Supply Licensees, Generating Companies, Central Transmission Utility, Regional Electricity Boards and such other persons as the Commission may consider necessary, formulate arrangements for the introduction of competition in Bulk Supply in the State of Haryana.
- 26.2 The Commission may 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 Condition 26.1.

27. Introduction of Competition in Retail Supply

- 27.1 The Commission may, after consultation with the Licensee, Distribution and Retail Supply Licensees, Generating Companies, Central Transmission Utility, Regional Electricity Boards and such other persons as the Commission may consider necessary, including the Licensee, formulate arrangements for the introduction of competition in Retail Supply in the State of Haryana.
- 27.2 The Commission may 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 VII: Penalty

28. Penalty for Contravention of Conditions of the Licence

- 28.1 The Licensee shall be liable for action under Section 41 of the Act in appropriate cases.

Schedule 1

Area of Transmission and Bulk Supply

The Area of Transmission and Bulk Supply shall comprise the State of Haryana. However, for cantonment, aerodrome, fortress, arsenal, dockyard or camp or any building or place in occupation of the Central Government for defence purposes, the licence will be effective only upon production of a no objection certificate from the Central Government.