

# KERALA STATE ELECTRICITY REGULATORY COMMISSION

## NOTIFICATION

No.1/1/KERC-2005/VIII      *Dated, Thiruvananthapuram, December 14, 2005.*

### CONDITIONS OF LICENCE FOR STATE TRANSMISSION UTILITY REGULATIONS, 2005

#### STATEMENT OF OBJECTS AND REASONS

Section 14 of the Electricity Act, 2003 provides for grant of licence to any person by the Appropriate Commission to transmit, distribute and undertake trading in electricity in any area specified in the licence. First proviso to Section 14 provides that any person engaged in the business of transmission or supply of electricity under the repealed laws or any Act specified in the schedule on or before the appointed date shall be deemed to be a licensee under the Act for such period as may be stipulated in the licence or approval granted under the repealed laws. But the provisions of such repealed laws in respect of such licensee shall apply for a period of one year from the date of commencement of the Electricity Act 2003 or such earlier periods as may be specified by the Commission at the request of the Licensee. It further provides that the Central Transmission Utility, State Transmission Utility as well as Government company or a company referred in sub section (2) of Section 131 and company or companies created in pursuance of the Acts specified in the schedule shall be deemed to be a licensee under the Electricity Act, 2003.

Sub Section (2) (d) of Section 181 of the Act provides that the State Commission may by notification, make regulations under Proviso to Section 16 of the Act to specify any general or specific conditions which shall apply to either a licensee or class of licensees covered by the first to fifth proviso of Section 14 of the Act and such conditions shall be deemed to be conditions of such licence. In exercise of the powers conferred on it by proviso to Section 16 of the Act, Kerala State Electricity Regulatory Commission hereby makes the following regulations, namely.

#### Chapter I

#### GENERAL

**1. Short title and commencement.-** (1) These Regulations may be called the **Kerala State Electricity Regulatory Commission ( Conditions of Licence for State Transmission Utility ) Regulations, 2005.**

(2) They shall come into force from the date of publication in the official gazette.

(3) They shall apply to the whole State of Kerala.

**2. Definitions.-** (1) In these Regulations,

(a) 'Act' means the Electricity Act, 2003 (Central Act No. 36 of 2003;

(b) 'Commission' means the Kerala State Electricity Regulatory Commission.

(2) Words or expressions occurring in these Regulations and not defined herein, but defined in the Act shall bear the same meaning as in the Act.

**3. Conditions of Licence.**-The General and Special Conditions of Licence applicable to State Transmission Utility in Kerala State shall be as set in Form -1 appended to these regulations. The conditions are subject to modification or amendment in accordance with their terms, or with the provisions of the Act.

**4. Amendment of Licence.**- (1) Where in its opinion the public interest so permits, the Commission may, on the application of the licensee or otherwise, make such alterations and amendments in the terms and conditions of licence as given in Form-I; 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.

(2) Where a licensee has made an application proposing any alteration or modifications in his licence under Section 18 of the Act, the licensee shall, within seven days of making such application, publish a notice of such application in two English dailies and two Malayalam dailies circulating in the territory where the licence sought to be amended operates, giving the following particulars:

- a) Brief details of existing licence
- b) Proposed amendments for existing licence and brief reasons for seeking the amendment.

(3) All objections to an application for amendment pursuant to publication of notice as above, received within 30 days of the date of publication of the notice, shall be considered by the Commission.

(4) Where an amendment to a licence is proposed by the Commission *suo motu*, the Commission shall publish a notice of the same in two English dailies and two Malayalam dailies circulating in the area in which the licence proposed to be amended operates, giving such particulars as the Commission deems necessary. All objections to the proposed amendment shall be considered by the Commission if received within 30 days of the publication of the notice.

(5) Provisions relating to grant of licence shall, as far as may be practicable and necessary apply to consideration and disposal of application for amendment of licence.

(6) In the case of an application proposing alterations or modifications in the area of supply comprising the whole or any part of any cantonment, aerodrome, fortress, arsenal, dockyard or camp or of any building or place in the occupation of the Central Government for Defence purposes, the Commission shall not make any alterations or modifications except with the consent of the Central Government.

**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, do anything, not being inconsistent with the provisions of the Act, which appears to it to be necessary or expedient for the purpose of removing the difficulties.

## FORMAT-1

### PART I

#### DEFINITIONS

**1. Definitions.-** (1) In this condition of Licence, unless the context otherwise require,

(a) 'Accounting statement' means, for each financial year, the statements for the licensed 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 details in the manner as the Commission may direct 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 transmission business and any other business of the Licensee or together with a description of the basis of the apportionment or allocation;

(b) 'Act' means the Electricity Act, 2003;

(c). 'annual accounts' means the accounts of the transmission licensee prepared in accordance with the provisions of the Companies Act, 1956 and/or other relevant acts or the manner as may be directed by the Commission in terms of the provisions of the Act;

(d) 'Area ' means the geographic area referred to in the licence along with conditions of licence within which any activity authorized by this licence is allowed;

(e) 'auditors' means the transmission licensee's auditors holding office;

(f) 'authorized', in relation to any person, business or activity, means authorized by licence granted under section 14 of the Act or deemed to be granted under the first, second, third and fifth provisos to section 14 of the Act or exemption granted under section 13 of the Act and the regulations of the Commission;

- (g) 'CERC' means the Central Electricity Regulatory Commission;
- (h) 'Central Transmission Utility' means any government company, which the central government may notify under sub-section (1) of section 38 of the Act;
- (i) 'Commission' means the Kerala State Electricity Regulatory Commission;
- (j) 'Consumer' means the 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;
- (k) 'Dispose of' or 'Disposal' means the sale, gift, lease, license, loan, security, mortgage, charge or the grant of any other encumbrance or permitting of any encumbrance to subsist or any other disposition to a third party;
- (l) 'Force Majeure' means events beyond the reasonable control of the Licensee, including but not limited to grid collapse, earthquakes, cyclones, floods, storms, or other similar occurrences, that leads to or any act that involves a breach of relevant laws or regulations concerned with electrical safety.
- (m) '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;
- (n) 'Generator Interconnection Facilities' means any transformers, bus-bars, switch- gear, plant or apparatus utilised to enable access to a Transmission System /Distribution System by the Generating Set(s);
- (o) 'Licensee' for the purpose of this licence means any person who has a licence for transmission of electricity under section 14 of the Act;
- (p) 'Licence Regulations' means the Kerala State Electricity Regulatory Commission (Licensing) Regulations, 2005;
- (q) 'Major Incident' means an incident associated with the Transmission System of the licensee 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 State Grid Code or Standards of Performance approved by the Commission;

(r) 'Operation' means the operation of the Transmission System.

(s) 'Operational Control' means control of the right to operate the Transmission System;

(t) 'Regulations' means the regulations issued by the Commission under the Act,

(u) '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;

(v) 'State Government' means the Government of Kerala;

(w) 'State Grid Code' means the Grid Code specified by the Commission under clause (h) of sub-section (1) of Section 86 of the Act;

(x) 'Supply' in relation to electricity, means the sale of electricity to a licensee or consumer;

(y) 'Tariff Regulations' means the Kerala State Electricity Regulatory Commission (Tariff) Regulations – 2003 with amendments from time to time;

(z) 'Transmission Business' means the authorised business of the Licensee, in or ancillary to Transmission, whether on its own account or for that of third parties, through any system owned and/ or operated by the Licensee;

(aa) 'Transmission Licensee' means a licensee authorised to establish or operate transmission lines;

(bb) 'Transmission Operating Standards' means the standards related to the Licensee's operation of its Transmission System specified by the Commission;

(cc) 'Transmission Planning and Security Standards' means the standards related to the adequacy of Licensee's planning methods and process for its Transmission System specified by the Commission;

(dd) 'Transmission System' means the system consisting mainly of extra high voltage electric lines having design voltage of 66 kV and above and

shall include all plant and equipment in connection with transmission system owned or controlled by the transmission Licensee;

(ee) 'Use of System' means use of the Transmission System for the transfer of electricity by a person.

(2) Words or expressions occurring in this license and not defined in herein, but defined in the Act, shall bear the same meaning as in the Act.

## PART II GENERAL CONDITIONS

**2. Compliance with laws, rules and regulations.-** (1) The licensee shall comply with the provisions of the Act, rules, regulations, orders and directions issued by the Commission from time to time and the provisions of all other applicable laws, for the time being, in force.

(2) The licensee shall act in accordance with these conditions except where the licensee is exempted from any provisions of these conditions at the time of grant of the licence or otherwise specifically by an approval of the Commission to any deviation there from.

(3) The licensee shall duly comply with the order and directions of the National Load Despatch Centre, the Regional Load Despatch Centre and the State Load Despatch Centre and other statutory authorities issued in the discharge of their functions under the Act.

(4) The Licensee must monitor its compliance with this licence and any order, code or guideline it is required to comply with under clause 4 and if the Licensee becomes aware of a material breach of this licence or any order, code or guideline by the Licensee, the Licensee must notify the Commission of the material breach as soon as possible.

**3. Duties and functions of the State Transmission utility.-** (1) The State Government may notify the Board or Government Company as the State Transmission Utility;

(2) The State Transmission Utility shall not engage in the business of trading in electricity.

(3) The State Government may transfer, and vest any property, interest in property, rights and liabilities connected with, and personal involvement in transmission of electricity, of such State Transmission Utility, to a company or companies to be incorporated under the Companies Act, 1956 (1 of

1956) to function as transmission licensee through a transfer scheme to be effected in the manner specified under Part XIII of the Act and such company or companies shall be deemed to be transmission companies under the Act.

(4) The functions of State Transmission Utility shall be –

(a) to undertake transmission of electricity through intra-state transmission system;

(b) to discharge all functions of planning and coordination relating to intra-State transmission system with –

(i) Central Transmission Utility;

(ii) State Governments;

(iii) Generating companies;

(iv) Regional Power Committees;

(v) Authority;

(vi) Licensees;

(vii) Any other person notified by the State Government in this behalf;

(viii) State Co-ordination Forum as formulated by Section 166 of the Act.

(c) to ensure development of an efficient, coordinated and economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centers;

(d) Subject to the Regulations in force, the Licensee shall arrange for the non-discriminatory open access to its transmission system to any person in accordance with KSERC (Open Access) Regulations, 2005.

(5) On application made by any such person, subject to the condition of availability, 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 at a designated exit point as per agreed conditions

(c) receive payment for the transmission charges / wheeling charges and/or a surcharge as specified by the Commission

(d) such surcharge shall be utilized for the purpose of meeting the requirement of current level of cross subsidy:

(e) such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission:

- (f) such surcharge may be levied till such time the cross subsidies are not eliminated ;
- (g) the manner of payment and utilization of the surcharge shall be specified by the State Commission;
- (h) such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying electricity to the destination of his own use.
- (i) such offer shall include among other things, modification of an existing connection if any or provision for carrying out of works necessary to make the required connection, including the installation of meters; carrying out of any necessary works to reinforce the Licensee's Transmission System; connection charges to be paid and the completion date and such other terms as are relevant to the circumstances.
- (j) 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 pursuant to a request, the Commission may at the request of any party settle such issues between the Licensee and that person and the Licensee shall forthwith enter into and implement such agreement in accordance with the terms as settled by the Commission, which shall be binding on the Licensee.

(6) The licensee shall take all reasonable steps to ensure that all persons connected to the licensee's system receive a safe, economical and reliable service as provided in the performance standards, and other guidelines issued by the Commission in accordance with the provisions of the Act, rules and regulations framed there under.

(7) The State Transmission Utility shall operate the State Load despatch Centre until a Government Company or any authority or corporation established or constituted by or any State Act, as may be notified by the State Government;

Provided that no Load Despatch Centre shall engage in the business of trading in electricity.

(8) (1) The State load Despatch Centre shall be the apex body to ensure integrated operation of the power system in the State.

(2) The State Load Despatch Centre shall –



- (a) be responsible for optimum scheduling and despatch of electricity within a state, in accordance with contracts entered into with licensees or generating companies operating in the State.
- (b) Monitor grid operations;
- (c) Keep accounts of quantity of electricity transmitted through the State Grid;
- (d) Exercise supervision and control over intrastate transmission system; and
- (e) Be responsible for carrying out real time operations for grid control and despatch of electricity within the State through secure and economic operation of State grid in accordance with the Grid Standards and the State Grid Code.

(3) The State Load Despatch Centre may levy and collect such fee and charges from the generating companies and licensees engaged in intra-State transmission of electricity as may be specified by the State Commission.

**4. Acts Requiring Prior Consent.**-(1)The Licensee shall not do the following acts without the prior written approval of the Commission -

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

Provided that approval shall not be required if the utility referred to in clause (a) or clause (b) is situated in a State other than Kerala.

(2) Any agreement relating to any transaction specified under 4(1) unless made with the prior approval of the Commission shall be void .

(3) The Licensee shall before obtaining such 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 its area of operation.

(4) Where such prior approval is required, the Licensee shall file a suitable application with the Commission disclosing relevant facts in that behalf. The Commission may within 3 months of the application being filed, approve the arrangement subject to such terms and conditions or modifications as may be considered appropriate or reject the same, for reasons to be recorded in writing in support of the order passed.

**5. Other Activities of the Licensee.**-(1) The Licensee with prior intimation to the Commission may engage in any other Business, only so long as such activity is

likely to result in the optimum utilization of the assets and infrastructure comprising the transmission System and subject to the following conditions:

- (a) provided the transmission Business and the conduct thereof by the Licensee is not prejudiced and / or adversely affected in any manner;
- (b) provided that a proportion of the revenues derived from such business shall, as may be specified by the Commission, be utilized for reducing the wheeling charges received by the Licensee;
- (c) provided further that the Licensee shall maintain separate accounts for each such Business to ensure that Transmission Business neither subsidizes in any way such Business undertaking nor encumbers its transmission 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.

(2) The Licensee shall seek the approval of the Commission before contracting any loans to, or issuing any guarantee for any obligation of any person, where the same is either beyond the permissible limits imposed by the statutes, or cannot be construed as being an exception and/or exemption under the statutes. Loans to employees pursuant to their terms of service and advances to suppliers in the ordinary course of business are excluded from the requirement to seek such approval.

**6. Provision of Subsidies.**-*The licensee shall not without prior permission of the Commission, give any subsidy or subvention or receive any subsidy from any person or any other business of the Licensee.*

**7. Accounts.**- (1) Unless otherwise permitted by the Commission the financial year of the licensee for the purposes of these regulations shall run from the first of April to the following thirty-first of March.

(2) The licensee shall, in respect of the licensed business and any other business,

- (a) keep such accounting records as would be required to be kept in respect of each such business so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the licensed business are separately identifiable in the books of the transmission licensee, from those of other business in which the transmission licensee may be engaged;
- (b) prepare on a consistent basis from such accounting records and deliver to the Commission;
  - (i) the accounting statements;
  - (ii) half yearly as well as yearly profit and loss account, cash flow statement and balance sheet together with such supporting documents and information as the Commission may direct from time to time;

- (iii) in respect of the accounting statements prepared, an auditor's report for each financial year, stating whether in their opinion the statements have been properly prepared and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to such business to which the statements relate;

(3) The transmission licensee shall not normally change the basis of charge or apportionment or allocation of revenues or expenses in relation to the preparation of the accounting statements in respect of a financial year from those applied in respect of the previous financial year, without prior intimation to the Commission.

(4) Where, in relation to the accounting statements in respect of a financial year, the transmission licensee has changed the basis of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the licensee shall, if directed by the Commission, prepare and deliver to the Commission such accounting statements on the basis of those which were applied in respect of the immediately preceding financial year.

(5) The accounting statements shall, unless otherwise directed by the Commission, -

- (a) be prepared and published with the annual accounts of the transmission licensee;
- (b) state the accounting policies adopted;
- (c) be prepared in accordance with the generally accepted Indian accounting standards; and
- (d) be prepared in the form as the Commission may stipulate from time to time;

(6) The references to costs or liabilities of, or reasonably attributable to the licensed business or other business shall be construed as excluding taxation, and capital liabilities which do not relate principally to such business and interest thereon.

(7) The licensee shall ensure that the accounting statements in respect of each financial year and the auditor's report in respect of each financial year are publicised in such manner as the Commission may direct and are made available to any person requesting them at a price not exceeding the reasonable cost of duplicating them.

**8. Prohibition of undue preference.-** The transmission licensee shall not show any undue preference to any person or class of persons or discriminate against any person or class of persons while rendering his services in the area.

Provided that any question as to the meaning of undue preference or unreasonable discrimination shall be decided by the Commission.

Provided that the licensee shall not be deemed to have shown any such undue preference if any differentiation occurs as a result of the implementation of any order of the Commission.

**9. Provision of information to the Commission.-** (1) The licensee shall furnish to the Commission without delay such information, documents and details related to the licensed business or any other business of the licensee, as the Commission may require from time to time for its own purposes.

(2) The licensee shall duly make available all books, records, and documents as required under Sub-Section (3) of Section 128 of the Act.

(3) The licensee shall notify the Commission as soon as possible the occurrence of any major incident affecting any part of its transmission system and, in any event, by not later than two weeks from the date of such occurrence,

- (a) submit a report to the Commission giving full details of the facts within the knowledge of the licensee regarding the incident and its cause;
- (b) in the event the report under clause (a) is likely to take more than two months from the date of such incident, the licensee shall, within one month from such date of the incident, submit a preliminary report with such details which the licensee can reasonably furnish and state reasons as to why the licensee requires more than two weeks for giving full report of such incident; and
- (c) give copies of the report to all parties concerned with the major incident and to such other persons as the Commission may direct.

(4) The Commission at its discretion may require the submission of a report on the major incident to be prepared by an independent person at the expense of the licensee.

(5) The licensee shall duly inform the Commission about any incident restricting it from meeting obligations under the licence granted including any act of omission or commission by others and steps taken by the licensee to mitigate the effect of such incident.

(6) The Commission may by order, direct the Licensee to provide such amount of compensation as the Commission may specify to such person who suffer substantial injury or to the heirs of those who lose their lives where a Major Incident has been caused by any act of commission, omission or negligence on the part of any of the employees or agents of the Licensee.

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

(8) The Commission may at any time require the licensee to comply with the provisions of sub-clause (3) to (6) relating to the incidents which the Commission may specifically direct and the licensee shall be obliged to comply with the same notwithstanding that such incidents are not major incidents; provided that the time limits specified in sub-clause (3) shall commence from the date on which the Commission notifies the licensee of such requirement.

(9) The licensee shall also undertake such studies as the Commission may direct from time to time for the improvement of its transmission system and any other matter concerning the transmission business that the Commission considers necessary to avoid the occurrence of any such major incident.

(10) The licensee shall submit a business plan within three months of the licence coming in force for such period as the Commission may direct and shall update such plan annually.

(11) The Commission may require the licensee to intimate by the end of the first quarter of each financial year the progress made in implementing the business plan of the previous financial year with the comparison of actual achievement *vis-à-vis* the plan as approved by the Commission.

**10. Transfer or Disposal of Assets.**-(1) In a single transaction, the Licensee shall not dispose of or relinquish Operational Control over any land, building or specific asset whose estimated book value at the time of the proposed disposal exceeds an amount given under the special conditions under Part V, other than in the ordinary course of business. The Licensee shall not divide, partition or split the assets or the cost thereof, which would result in circumventing this Condition.

(2) Prior written notice of not less than one month of its intention to dispose of or relinquish Operational Control over any asset covered by condition 12 (1) shall be given to the Commission for its concurrence. 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.

(3) The Licensee may Dispose of or relinquish Operational Control over any asset as is specified in any notice given under sub clause (2) if 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 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 subclause (2) and the transfer is effected by transparent and competitive bidding Procedures.

(4) The Licensee may Dispose of or relinquish Operational Control over any asset where the Commission has issued directions for the purposes of this sub-clause containing a general consent (whether or not subject to conditions) to transactions of a specified description, and/or the disposal of or relinquishment of Operational Control over assets of a specified description. Provided that the transaction or the assets are of description to which such directions apply and the Disposal of or relinquishment of Operational Control is in accordance with any conditions to which the consent is subjected.

(5) The licensee shall be entitled to utilise the assets as a means of facilitating financing its investment requirement including collateral for debt financing, securitisation of receivables etc. for the licensed business subject to the conditions that -

- (a) the licensee will inform the Commission about such arrangements at least 15 days prior to the effective date of the relevant agreements;
- (b) the licensee acts in a prudent and reasonable manner in such utilisation of assets; and
- (c) the licensee retains the operational control over assets in the transmission system.

(6) Notwithstanding anything contained in this licence, in case of any emergency condition, the transmission licensee may transfer the assets subject to the condition that the transmission licensee shall, immediately after such a transaction, seek post-facto approval of the Commission giving the detailed facts about the emergency and the details of the transaction entered into. It shall be the obligation of the licensee to establish to the satisfaction of the Commission of the presence of emergency condition necessitating the transfer of the assets

**11. Payment of licence fees.** - (1) During the tenure of Licence, the licensee shall pay to the Commission the licence fees, mentioned in the special conditions under Part V by 30<sup>th</sup> March every year. .

(2) Where the licensee fails to pay to the Commission any of the fees due under sub-clause (1) by the due dates;

(a) without prejudice to other obligations, the licensee shall be liable to pay interest on the outstanding amount at a simple interest at twice the ruling bank rate payable for the period beginning on the day after which the amount became due, and ending on the day on which the payment is made to the Commission; and

(b) in the event of continued default by the licensee, the Commission may initiate action for revocation of licence.

(3) The licensee shall be entitled to take into account any fee paid by it under this regulation excluding however the interest for delayed payment as an expense in the determination of aggregate revenues to be charged to the tariffs.

**12. Dispute Resolution.-** The Licensee may at any time, shall refer any or all disputes arising under the licensee for determination by the Commission or such other person as the Commission may decide in this behalf.

**13. Standards and procedures.** -At the request of the Commission, 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

**14. Compliance Examiner.** - The Commission may appoint an independent examiner to conduct audit and report the results to the Commission on:

- a. Licensee's compliance with obligations/duties under this licence including obligations to comply with codes and guidelines and
- b. The reliability and quality of information reported by the Licensee to the Commission and the consistency of that information with the Commission's specifications.

**15. Default by the Licensee.** - Any default to exercise authority as is granted to the Licensee by the Act, Regulations, and this licence in a situation where it is necessary to do so will be construed to be a breach of the conditions of licence.

PART III  
TECHNICAL CONDITIONS

**16. Co-operation with RLDC, SLDC and other Licensees.** - (1) The State Transmission Utility shall provide to SLDC, and RLDC and/or to other Licensees such information that may reasonably be required to perform their functions and exercise their powers under the Act.

(2) The State Transmission Utility shall comply with the directions of SLDC and RLDC issued under the Act.

(3) The Licensee shall co-operate with the generating companies, other Licensees and with the SLDC and RLDC for the efficient and co-ordinate operation of the power system.

**17. State Grid Code.**- (1) The State Transmission Utility shall ensure that at all times the Indian Electricity Grid Code (IEGC) and State Grid Code shall be implemented and complied with.

(2) The State Transmission Utility shall plan and operate the Transmission System, so as to ensure that Transmission System is capable of providing an efficient and coordinated system of Transmission, in accordance with the State Grid Code and the Performance Standards specified by the Commission.

(3) The State Transmission Utility shall meet the Power Supply Planning and Security Standards and Power Supply Operating Standards specified by the Commission

(4) The State Transmission Utility 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 Force Majeure, provided that, the Licensee has made reasonable efforts, to comply with the Transmission Planning and Security Standards or the Transmission System Operating Standards, as the case may be. 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 System Operating Standards due to any direction of the Commission to it under section 23 of the Act.

(5) The Commission may issue directions requiring the Licensee to revise any of the standards in such manner as may be specified by the Commission.

(6) The Licensee shall prepare and submit to the Commission on an annual basis, a Statement showing in respect of each of the 5 succeeding financial Years forecasts of circuit capacity, power flows and loading on the Transmission System of the Licensee under standard planning criteria, together with 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 seeking use of such

system, and 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.

**18. Expected Revenue Calculation and Tariffs.**- (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.

(2) The licensee shall calculate the Annual Revenue requirements and expected revenue from charges in accordance with the provisions of the Act, the regulations, and other guidelines, orders and directions issued by the Commission from time to time.

(3) 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. The Licensee shall, if required by the Commission, publish the reports in a manner to be determined by the Commission. Copies of this report shall be furnished to all persons applying for the same at the cost of photocopying.

(4) 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 clause.

**19. Investments.** -(1) Investments shall be made by the Licensee in an economical and efficient manner and in accordance with the approved investment plan.

(2) The Licensee has 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 achievement vis-à-vis the plan as approved by the Commission.

(3) 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.

(4) The Licensee shall comply with all the directions regarding approval for investments and capital expenditure that may be issued by the Commission from time to time.

(5) To meet any unforeseen investments required in the interest of the electricity sector or the Licensee's Authorised business, the Licensee will be entitled to reallocate and adjust the investment plan 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.



**20. Abuse of powers.** - The Licensee shall not at any time 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.

PART IV  
OTHER CONDITIONS

**21. 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.

**22. Terms of Revocation.**- The Commission may, at any time after complying with the requirements of Section 19 of the Act, revoke this licence by 3 months notice in writing to the Licensee. For the purpose of clause (b) of Subsection (i) of Section 19 of the Act, the breach of any of the Conditions 4 to 22 of this licence are hereby declared to render the licence liable to revocation.

**23. Miscellaneous.** – (1) All issues arising in relation to interpretation of this licence and as to the terms and conditions thereof shall be a matter for the determination of the Commission and the decision of the Commission on such issues shall be final, subject only to the right of appeal under section 111 of the Act.

(2) The Commission may at the time of grant of the transmission licence waive or modify the application of any of the provisions of this licence either in the order granting the licence or by special conditions made applicable to a specific distribution licensee.

PART V  
SPECIAL CONDITIONS

**24. Relinquishment of Operational Control.**- Value of Asset which requires prior notice for relinquishment of operational control as per clause 10 in respect of the Licensee shall be Rs.1 Crore.

**25. Licence Fee.**- The Licence shall pay every year Licence fee at the rate specified in Kerala State Electricity Regulatory Commission (Fees) Regulations, 2005.

