

NO. R/03/2

17<sup>TH</sup> July 2002

## **KPTCL BULK SUPPLY LICENCE**

In the Commission's order dated 29<sup>th</sup> May 2002 on the assignment of KPTCL's Retail supply Licence to ESCOMS, it was indicated that consequential amendments to the KPTCL Supply Licence will be issued by the Commission separately. Accordingly, the Commission has issued necessary amendments to the KPTCL Supply Licence and this Licence has now been designated as "Bulk Supply Licence". Amended Licence, as approved by the Commission, is placed below:

### **FORM 2**

#### **BULK SUPPLY LICENCE**

Licence granted by the Karnataka Electricity Regulatory Commission under Section 19 of the Karnataka Electricity Reform Act, 1999 (Karnataka Act 25 of 1999) to the **Karnataka Power Transmission Corporation Limited**, a Company incorporated under the Companies Act, 1956, and having its Registered Office at Cauvery Bhavan, KG Road, Bangalore-560 009 for carrying on the business of Bulk Supply of electrical energy within the Area of Supply (as defined in the Schedule) and with the powers and upon the terms and conditions specified herein.

### **PART - I**

#### **DEFINITIONS AND GRANT OF THE LICENCE**

##### **1. Definitions**

- 1.1 The words, terms and expressions to which meanings are assigned by the Karnataka Electricity Reform Act, 1999 (Karnataka Act No. 25 of 1999), shall have the same meanings in this licence.

- 1.2 Words, terms and expressions used in this licence which are not defined in this licence or in the Act shall have the meaning given to them in the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948).
- 1.3 In this licence, unless the context otherwise requires, capitalized words shall have the meaning set out below, such that the same will not be contrary to the provisions of the Act:

**"Accounting Statement"** means for each financial year, accounting Statements in respect of each separate business comprising a profit and loss account, a balance sheet and a Statement of sources and application of funds, together with notes thereto, and such other supporting Statements and information as the commission may prescribe from time to time, and showing the amounts of any revenue, cost, asset, liability, reserve or provision, which has been either:

- (i) charged from or to any other business together with a description of the basis of that charge; or
- (ii) determined by apportionment or allocation between the Bulk Supply Business and any other business of the Licensee or its Affiliate together with a description of the basis of the apportionment or allocation.

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

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

**"Annual Accounts"** means the accounts of the licensee prepared in accordance with the provisions of the Companies Act, 1956;

**"Area of Supply"** means the geographic area referred to in Schedule 1 of this licence within which any activity authorised by this licence is allowed;

**"Auditors"** means the Licensee's auditors holding office in accordance with the requirements of sections 224 to 234A or section 619 as appropriate, of the Companies Act 1956 (1 of 1956);

**"Authorised"** in relation to any person, business or activity, means authorised by licence granted under section 19 or exemption granted under section 20 of the Act;

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

**"Bulk Supply"** means the sale of electricity to any person for resale;

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

**"Bulk Supply Licence"** means Bulk Supply Licence issued for carrying out Bulk Supply Business;

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

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

**"Consumer"** means the end or final user of electricity;

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

**"Distribution"** means the transportation of electricity by means of a Distribution System;

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

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

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

**"Force Majeure"** means events beyond the reasonable control of the Licensee, including earthquakes, cyclones, floods, storms, adverse weather conditions or other similar occurrences that leads to any act that would involve a breach of relevant laws or regulations concerned with electrical safety;

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

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

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

**"KPTCL"** means the Karnataka Power Transmission Corporation Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Cauvery Bhavan, Bangalore 560 009;

**"Licensee"** means the entity, which has been granted a Bulk Supply licence under the Act;

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

**"Major Incident"** means an incident associated with the Bulk Supply of electricity in the Licensee's Area of Supply which results in a significant interruption of service, substantial damage to equipment, or loss of life or significant injury to a human being, with the technical characteristics of "significant interruption", "substantial damage", "significant injury" specified in the Grid Code, Distribution Code or Overall Performance Standards to be approved by the Commission or as otherwise specified by the Commission;

**"Non-Core Activity"** means an activity which is not essential to, part of, related to or reasonably incidental to the Bulk Supply Business;

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

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

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

**"Retail Supply"** means the Distribution and sale of electricity to Consumers;

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

**"Retail Supply Licence"** means each of the licence issued to Retail Supply licensees to carry on the business of Retail Supply;

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

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

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

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

"**Supplier**" means any person who holds a licence under section 19 of the Act or is granted an exemption under section 20 of the Act;

"**Supply**" means the procurement, Distribution and provision of electricity by a Supplier either for resale or directly to Consumers;

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

"**Transmission Licensee**" means, where it relates to owning and operation of transmission lines, KPTCL in its capacity as the licence holder for the same, and where it relates to transportation of electricity, any person or entity that has been granted a licence to transport electricity;

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

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

## **2. Grant of Licence**

- 2.1 The Commission, in the exercise of the powers conferred on it by section 19 of the Act, hereby grants to the Licensee a licence for Bulk Supply of electricity in the Area of Supply, during the period specified in condition 2.3, subject to the conditions set out in parts II, III, IV, V and VI of this licence and the Licensing Regulations.
- 2.2 The conditions are subject to modification or amendment in accordance with their terms, or with the provisions of the Act.
- 2.3 The licence comes into effect from 01.06.2002 and unless revoked earlier, in accordance with the provisions of condition 13 or the provisions of the Act, shall remain in force for 15 years from that date, provided that at the expiry of the term, the Commission may

at its discretion and considering the interest of the public and after giving any member of the public an opportunity to file his objections, if any, extend the Licence for such further periods as the Commission may deem fit.

## **PART - II**

### **GENERAL CONDITIONS**

#### **3. Directions**

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

#### **4. Acts Requiring Prior Consent**

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

- (a) purchase or import or otherwise acquire electricity under this licence from any person other than **(i)** a Bulk Supplier; or **(ii)** a person who has generated electricity using a source with installed capacity less than five MW; or
- (b) sell or otherwise dispose of electricity to any person, other than pursuant to this licence; or
- (c) own or hold any beneficial interest in any Generating Company or Generating Set in the Area of Supply, except in a manner which is incidental to the business carried on under this licence; or
- (d) own or hold any beneficial interest in any Supplier, other than **(i)** a person who supplies electricity pursuant to a general exemption granted by the Commission; or **(ii)** in any facilities

used for Supply in the Area of Supply other than for the purpose of its Bulk Supply Business.

- 4.2 Where such prior permission is required, the Licensee will file a suitable application with the Commission disclosing relevant facts in that behalf. The Commission may within 30 days of the application being filed, allow the arrangement subject to such terms and conditions or modifications as is considered appropriate or reject the same, for reasons recorded in writing in support of the order passed.

## **5. Activities of the Licensee**

- 5.1 The Licensee may engage in any Non-Core Activity, subject to the following conditions:
- (a) the Bulk Supply Business and the conduct thereof by the Licensee is not prejudiced and / or adversely affected in any manner;
  - (b) the Licensee shall prepare and keep, in respect of the Non-Core Activity, separate accounting records as would be required to be kept in respect of such Non-Core Activity, as if it were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each such Non-Core Activity are separately identifiable in the books of the Licensee from those of any other business, including the Bulk Supply Business, in which the Licensee is engaged, whether or not authorised by the Commission; and
  - (c) the Licensee shall always comply with such guidelines that the Commission may specify in this regard.
- 5.2 The Licensee shall seek approval of the Commission before making any loans to, or issuing any guarantee for any obligation of any person, where the same is either beyond the permissible limits imposed by the Companies Act, 1956, or cannot be construed as being an exception and/or exemption under the Companies Act, 1956. Loans to employees pursuant to their terms of service and advances to suppliers in the ordinary course of business are excluded from the requirement to seek such approval.



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

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

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

- (a) any such Subsidiary or associated company shall operate under the overall supervision and control of the Licensee and upon the terms and conditions of this licence; and
- (b) the Licensee shall have, prior to delegating any function to any such Subsidiary or associated company, obtained the written approval of the Commission, subject to such conditions as the Commission may stipulate.

To obtain the approval of the Commission as aforesaid, the licensee will file a suitable application with the Commission disclosing relevant facts in that behalf. The Commission may within 45 days of the application being filed, allow the arrangement subject to such terms and conditions or modifications as is considered appropriate or reject the same, for reasons recorded in writing in support of the order passed. If the Commission fails to arrive at a decision within the said period of 45 days, then such permission shall be deemed to have been granted.

## **6. Prohibition of Subsidies**

The Licensee shall not, without prior permission of the Commission, give any subsidy or subvention to, or receive any subsidy or

subvention from any person or any other business of the Licensee (whether or not authorized by the Commission), except a subsidy granted by the State Government pursuant to section 12(1) of the Act or a subvention pursuant to section 28(1) of the Act.

## **7. Accounts**

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

7.2 The Licensee shall in respect of each Separate Business:

- (a) keep such accounting records in respect of each such Separate Business as if it were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee, from those of any other business in which the Licensee is engaged;
- (b) prepare on a consistent basis from such accounting records and deliver to the Commission:
  - (i) the Accounting Statements;
  - (ii) in respect of every three months of each financial year, an interim profit and loss account, cash flow Statement and balance sheet together with such supporting documents and information as the Commission may prescribe from time to time.
  - (iii) in respect of the Accounting Statements prepared in accordance with this condition 7, an Auditor's report in respect of each financial year, stating whether in their opinion, these Statements have been properly prepared in accordance with this condition 7 and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the Separate Business to which the Statements relate; and

- (iv) a copy of each interim profit and loss account not later than forty five days after the end of the period to which it relates, and copies of the Accounting Statements and Auditor's report not later than three months after the end of the financial year to which they relate.
- 7.3 The Licensee shall not change the bases of charge or apportionment allocation in relation to the preparation of the Accounting Statements in respect of a financial year from those applied in respect of the previous financial year, without prior approval from the Commission.
- 7.4 Where, in relation to the Accounting Statements in respect of a financial year, the Licensee has changed such bases of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if requested by the Commission, in addition to preparing Accounting Statements on those bases which it has adopted, prepare such Accounting Statements on the bases which applied in respect of the immediately preceding financial year.
- 7.5 Accounting Statements prepared under condition 7.2 shall, unless otherwise approved or directed by the Commission:
  - (a) be prepared and published with the Annual Accounts of the Licensee, in the manner prescribed in the Regulations;
  - (b) till the Commission stipulates any form by the Regulations, the Accounting Statements may be prepared in the form prescribed by the Indian Electricity Rules, 1956;
  - (c) be prepared in accordance with generally accepted Indian accounting standards; and
  - (d) state the accounting policies adopted.
- 7.6 References in this condition 7 to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, and capital liabilities which do not relate principally to that Separate Business and interest thereon.

7.7 The Licensee shall ensure that the Accounting Statements in respect of each financial year prepared under condition 7.2 and the Auditor's report in respect of each financial year referred to in condition 7.2(b)(iii) are made available to any person requesting them at a price not exceeding the reasonable cost of duplicating them.

## **8. Prohibition of Undue Preference**

Subject to section 27(5) of the Act in the conduct of the Bulk Supply Business, the Licensee shall not show undue preference to any person. Provided that the Licensee shall not be deemed to be in breach of its obligations under this licence if any undue preference results from compliance with any directions of the Government under section 22-A and 22-B of the Indian Electricity Act 1910 and section 12(1) of the Act.

## **9. Provision of Information to the Commission**

9.1 Licensee shall always furnish to the Commission such information documents and details related to the Bulk Supply business of the Licensee in the manner in which the Commission requires for its own purposes or for the purposes of the Government of India, State Government, the Central Electricity Regulatory Commission and/or the Central Electricity Authority. The Licensee shall also undertake such studies as the Commission may direct it to undertake from time to time for the improvement of the Bulk Supply business

9.2 The licensee shall notify the Commission as soon as possible and in no case later than one week of the occurrence of any Major Incident affecting any part of the Transmission System and shall, within one month of the date of such Major Incident:

- (a) submit a report giving full details of the facts within the knowledge of the Licensee regarding the incident and its cause. The Commission at its own discretion may require the submission of a report to be prepared by an independent person at the expense of the Licensee; and
- (b) give copies of the report to the Commission and to all parties involved in the Major Incident as the Commission may direct.

- 9.3. The Commission may by order, direct the licensee to provide such amount of compensation as the Commission may specify to persons' who suffer substantial injury or to the heirs of those who lose their lives where a Major Incident has been caused by any act of commission, omission or negligence on the part of any of the employees or agents of the licensee.
- 9.4. The decision of the Commission as to what is a Major Incident shall be final.

## **10. Investments**

Approval for investments and approval for disposal of assets shall be obtained by the licensee from the Commission, in such cases and in such manner as may be specified by the Commission from time to time.

## **11. Payment of Licence Fees**

- 11.1 The Licensee having already paid the License Fee for the year 2002-03, no further licence fee is payable for that year.
- 11.2 Commencing from 2003-04, for as long as this licence remains in force, the Licensee shall, by 10<sup>th</sup> of April of every year, or such further period as the Commission may allow, be liable to pay to the Commission an annual licence fee of Rs.5 lakhs (Rupees five lakhs), for each of the first three years of the licence and the Commission may review such licence fee after three years.
- 11.3 Where the Licensee fails to pay to the Commission any, of the fees due under conditions 11.2 by the due date:
- (a) The Licensee shall be liable to pay to the Commission interest on the outstanding amount at a simple interest rate of two percent per month, the interest being payable for the period beginning on the day after which the amount became due, and ending on the day on which the Commission receives payment; and
  - (b) The Licensee shall be subject to the proceedings for the recovery of such fees specified in the Act; and

(c) The Commission may revoke this licence pursuant to section 18 of the Act and condition 12 of this Licence.

11.4 The Licensee shall be entitled to take into account any fee paid by it under this condition 11 in the determination of aggregate revenues made in accordance with condition 19, but shall not take into account any interest paid pursuant to this condition 11.

## **12. Terms of Revocation**

12.1 The Commission may, provided that the requirements of section 22 of the Act have been satisfied, at any time revoke this licence by 3 months notice in writing to the Licensee, if the Licensee commits a Material and Continuing Breach of this licence and does not comply with an order of the Commission to rectify such material and/or continuing breach. Provided that in the event the Licensee rectifies the breach within the 3 months notice period referred to above, the breach shall be deemed to have been cured and the Licensee shall have no further liability. For the purpose of this Condition 12.1, the term "Material And Continuing Breach" shall mean a breach of Conditions 4, 5, 6, 8, 10, 16 or 20 of this Licence.

12.2 It is a condition of this licence that the Licensee shall always comply with the orders and directions of the Commission under the Act. When the Commission expressly states that an order subjects the Licensee to this condition 12.2, failure to comply with that order will render the licence liable to revocation in accordance with section 22 of the Act (without prejudice to the Commission's right to revoke the licence on any other applicable grounds).

## **13. Extent of applicability of the Schedules to Indian Electricity Act, 1910 (9 of 1910)**

None of the provisions of the Schedule of the Indian Electricity Act, 1910 shall be deemed to be incorporated into this licence except for sections XIV and XV of the said Schedule. If sections XIV or XV are amended after this licence is issued, the Commission may determine by order, to what extent those amendments shall be required to be incorporated into the licence.

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

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

**15. Dispute Resolution**

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

## PART - III

### TECHNICAL CONDITIONS

#### 16. Power Procurement Procedure

- 16.1 The Licensee shall not purchase electrical capacity and/or energy without an authorization granted by the Commission under the terms of this condition 16.
- 16.2 The Licensee shall purchase electrical capacity and/or energy in an economical and efficient manner under a transparent procurement process as approved by the Commission after following the guidelines issued by the Commission from time to time relating to preparation of load forecasts, power procurement plan and power procurement procedure. In case of purchases of allocated share of electrical capacity and/or energy from central sector generation and inter-utility exchanges of electrical capacity and/or energy from other Regional Electricity Boards, such processes as are stipulated by the Central Electricity Regulatory Commission and/ or the Commission shall apply.
- 16.3 An authorization required under condition 16.1 shall be granted when the Licensee has demonstrated to the Commission's satisfaction that:
- (a) the additional electrical capacity and/or energy is necessary to meet the demand for capacity and/or energy faced by the Licensee;
  - (b) the Licensee has examined the economic, technical, system and environmental aspects of commercially viable alternatives to the proposals for purchasing additional electrical capacity and/or energy and such examination has been carried out in a manner approved by the Commission.
- 16.4 The restriction imposed in condition 16.1 shall not be applicable:
- (a) for short term purchases (less than six months in duration), provided that the details of such purchases shall be submitted to the Commission; and



- (b) to contracts or agreements approved by the Commission, or deemed to have been approved, before the commencement of this licence.

## **17. Compliance with the Grid Code**

- 17.1 The Licensee shall comply with the provisions of the Grid Code, in so far as applicable to it.
- 17.2 The Commission may, on reasonable grounds and after consultation with any affected Generating Companies and Suppliers, issue directions relieving the Licensee of its obligation under condition 17.1 in respect of such parts of the Grid Code and to such extent as may be specified in those directions.

## **18 Obligation to Supply and Power Supply Planning Standards**

- 18.1 The Licensee shall, on an annual basis;
  - (a) forecast the demand for power within the Area of Supply in each of the next succeeding 10 years;
  - (b) prepare and submit such forecasts to the Commission in accordance with the guidelines issued by the Commission from time to time; and
  - (c) co-operate with the KPTCL in the preparation of power demand forecasts for the State of Karnataka.

## **PART - IV**

### **EXPECTED REVENUE CALCULATION AND TARIFFS**

## **19. Expected Revenue Calculation and Tariffs**

- 19.1 The Licensee shall follow the methodology, Procedures and other directions included in the Tariff Regulations while filing the

Statement of Expected Revenue from charges and for proposing or amending any or all of its Bulk Supply tariffs.

- 19.2 The amount that the licensee is permitted to recover from its Bulk Supply tariffs in any financial year is the amount that the Commission determines in accordance with the financial principles and their applications provided in Section 59 and the Sixth Schedule to the Electricity (Supply) Act, 1948, as they may be modified pursuant to Section 27(3) of the Act, as will allow the licensee a fair opportunity to earn a reasonable return.

**20. Powers of the Licensee for Revenue Realisation, Meter Tampering etc**

Pursuant to Section 19 (10) of the Act, the Licensee shall be entitled to exercise any power or authority to take appropriate actions for:

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

and all such similar matters affecting Bulk Supply. Any failure/negligence to exercise such authority in a situation where it is necessary to do so will be construed to be a breach of the conditions of licence.

**21. Provision of Subsidies to Certain Consumers**

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

- (a) the State Government shall compensate the Licensee to the extent of the subsidies granted in terms of Section 12(1) of the Act;
- (b) the Commission may issue guidelines or regulations for application of the subsidy and payment of compensation to

the Licensee. The Commission will make the following determinations in terms of Section 12(1) of the Act:

- (i) the amounts of the compensation payable by the State Government to the Licensee;
  - (ii) the terms, conditions and manner / mode for the application of the subsidy and the payment of the compensation;
  - (iii) the time frame for the payment of the Compensation; and
  - (iv) the consequences of the State Government's failure to pay the compensation amounts within stipulated time frame and manner.
- (c) The Licensee will submit to the State Government and the Commission in advance, monthly projected calculations of compensation payable by the State Government for the next quarter, in accordance with any guidelines or regulations stipulated by the Commission.
- (d) Within one month of the end of each financial year, the Licensee shall submit to the Commission and the State Government, the actual amount of compensation payable to the Licensee in terms of this condition. The Commission will approve of the net adjustments for the past financial year by and between the State Government and the Licensee.

## **PART - V**

### **CONDITIONS**

#### **22. Introduction of Competition in Bulk Supply**

- 22.1 The Commission may, after consultation with the Licensee, Suppliers and Generating Companies, formulate arrangements for the introduction of competition in Bulk Supply in the State of Karnataka. These consultations will adhere to the principles of

natural justice and will afford a reasonable opportunity to the affected parties to represent their perspectives in the matter.

- 22.2 The Commission may, with reasons recorded in writing, issue such orders modifying or amending the conditions of this licence, as it shall consider appropriate for the purpose of implementing the arrangements referred to in this condition 22.

## **PART - VI**

### **PENALTY**

#### **23. Penalty for Contravention of Conditions of the Licence**

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

By Order of the Commission

Secretary/K.E.R.C.

Place: Bangalore.

Date : 17.07.2002.

**SCHEDULE - 1**

**KPTCL AREA OF SUPPLY**

The area of supply shall comprise of the State of Karnataka subject to, however, any rights of any other licensees granted a licence, or an exemption from holding a licence, under the Act.

By Order of the Commission

Secretary/K.E.R.C.

Place: Bangalore.

Date : 17.07.2002.