

# TRANSMISSION LICENCE

## FORM - 1

### TRANSMISSION (KPTCL) LICENCE

Licence granted by the Karnataka Electricity Regulatory Commission under section 19 of the Karnataka Electricity Reform Act, 1999 (Karnataka Act No. 25 of 1999) to the Karnataka Power Transmission Corporation Limited (KPTCL) a company incorporated under the Companies Act, 1956, and having its registered office at Cauvery Bhavan, Bangalore-560 009 for carrying on the business of Transmission of electrical energy within the Area of Supply (as defined in the Licence) and ownership and operation of transmission lines and equipment and with the powers and upon the terms and conditions specified herein.

# TRANSMISSION LICENCE

## PART I

### DEFINITIONS AND GRANT OF LICENSE

#### 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 license.

1.2 Words, terms and expressions used in this license that are not defined herein 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 license, 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 (whether or not a Separate Business) together with a description of the basis of that charge; or
  - ii) determined by apportionment or allocation between any Separate Business and any other business of the Licensee or its Affiliate (whether or not a Separate Business) 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 I of this license within which any activity authorized by this license 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;

**"Authorized"**, in relation to any person, business or activity, means authorized by license granted under section 19 or exemption granted under section 20 of the Act;

**"Central Electricity Regulatory Commission"** means the Central Commission constituted under the Electricity Regulatory Commissions 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 Karnataka Electricity Regulatory Commission constituted under the Act;

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

**"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;

**"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 or any act that involves a breach of relevant laws or regulations concerned with electrical safety.

**"Generating 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 final Grid Code approved by the Commission pursuant to this License, and includes the Interim Grid Code 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;

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

**"Interim Grid Code"** means the Code describing in reasonable detail KPTCL's Practices and Procedures for operating , for operating the Transmission System as at the date of this license, and until the approval of the Final Grid Code;

**"Licensee"** 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;

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

**"Major Incident"** means an incident associated with the Transmission and 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, or Overall Performance Standards to be approved by the Commission or as otherwise specified by the Commission;

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

**"Operation"** means the operation of the Transmission System.

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

**"Ownership"** means the ownership of the Transmission System

**"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,

**"Separate Business"** means each of the business of transportation of electrical energy ownership of the Transmission system and operation of the Transmission System taken separately from one another and from any other business of the Licensee;

**"Standards of Performance"** means such standards of performance as may be prescribed 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 Supply license under section 19 of the Act or is granted an exemption under section 20 of the Act;

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

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

**"Total System"** means Generator Interconnection Facilities,- the Transmission System and the Distribution System of all the

Distribution Licensees, which are located in the Area of Supply;

**"Transmission Business"** means the Authorised business of the Licensee, in or ancillary to Transmission, whether for its own account or for that of third parties, through any system owned and/ or operated by the Licensee;

**"Transmission Operating Standards"** means the standards related to the Licensee's operation of its Transmission System approved by the Commission pursuant to condition 17;

**"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 17;

**"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 or controlled by the Licensee.

**"Use of System"** means use of the Transmission System for the transfer of electricity by a person specified in condition 20;

4. References in this license to conditions, parts, and schedules shall, unless the context otherwise requires, be construed as references to conditions, parts of and schedules to this License.

## **2. Grant of License**

2.1 The Commission, in the exercise of the powers conferred on it by section 19 (1) (a) of the Act, hereby grants to the Licensee a license for Transmission 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 license, 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.

3. The license shall come into force on the date on which the Commission communicates its decision granting this license 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 License for such further periods as the Commission may deem fit.

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## **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 license, 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 may do the following acts, only with the prior written consent of the Commission:

(a) Dispose of electricity to any person, other than pursuant to this licence; or

(b) 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 Transmission Business.

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

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

5.1.2 In circumstances requiring immediate remedial action in the interest of continuity of supply to third parties, the Commission may waive the requirement for minimum period of notice specified in Condition 5.1.1 above.

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

(a) the Transmission 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 Transmission Business in which the Licensee is engaged, whether or not authorized by the Commission; and

(c) the Licensee shall always comply with such guidelines as the Commission may specify in this regard.

5.2 The Licensee shall seek the approval of the Commission before making any loans to, or issuing any guarantee for any obligation of any person, where the same is 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 any Affiliate to provide any goods or services to the Licensee, in connection with its Transmission 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 the Transmission Business; and

(c) Licensee will give 15 days notice to the Commission prior to commencement of the proposed arrangement.

5.4.1 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 license;

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

license; and

- a. 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 that the Commission may stipulate.

5.4.2. 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(i) of the Act or a subvention pursuant to section 28(i) of the Act.

## **7. Accounts**

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

7.2 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 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;

Provided that the aforesaid condition 7.2(a) would take effect only from financial year commencing April 01, 2002 and till this date, the Licensee shall be entitled to keep such accounting records as would be required to be kept in respect of the Transmission Business as a whole and the Licensee will not be required to break these down further to each Separate Business; and



(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 such statements and documents to be published in the manner prescribed by the Commission;

(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 or allocation in relation to the preparation of the Accounting Statements in respect of a financial year from those applied in respect of the previous financial year, without prior approval from the Commission.

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 a form under the Regulations, the Accounting Statements may be prepared in the form prescribed under 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 cost of duplicating them.

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

Subject to section 27 of the Act and **condition 20.2**, in the conduct of the Transmission 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 license 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**

9.1 The Licensee shall furnish to the Commission such information documents and details related to the Transmission Business of the Licensee as the Commission may require 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 Transmission Business and any other matter concerning the Transmission Business that the Commission considers necessary in the public interest.**

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.

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

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

## **10. Investments**

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

10.2 The proposed investment plan for the forthcoming financial year will be submitted by the Licensee to the Commission along with the "Expected Revenue Calculation" filed in terms of condition 20, for approval by the Commission. To meet any unforeseen investments required in the interests of the electricity sector or the Licensee's Authorized business, the Licensee will be entitled to reallocate and adjust the investment plans upto a limit of 10% of the overall investment plan and 25% of the approved amount in respect of each item/work of the investment plan. For any circumstances requiring unforeseen investments/ commitments exceeding the proposed/ approved investment plans for the financial year, the Licensee will be entitled to make such additional investments/ commitments only with the approval of the Commission .

## **11. Disposal of Assets**

11.1 The Licensee shall not, in a single transaction, Dispose of or relinquish Operational Control over any land, building, or asset whose estimated book value at the time of the proposed

disposal exceeds Rs.100 lakhs, without complying with this condition 11. **The Licensee shall not divide, partition or split the assets or the cost thereof in order that the provision of this Condition 11 is circumvented.**

2. The Licensee shall give to the Commission, prior written notice of not less than one month of its intention to Dispose of or relinquish Operational Control over any asset covered by **condition 11.1**, whose estimated book value at the time of the proposed disposal exceeds Rs.100 lakhs. Notice shall not be deemed to have been given until such time as the Licensee has provided to the Commission all such further information as the Commission may require.

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

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

(b) the Commission does not inform the Licensee in writing of any objection to such Disposal or relinquishment of Operational Control within the notice period referred to in **condition 11.2**.

and only through transparent and competitive bidding Procedures.

11.4 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,

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

5. Notwithstanding what is stated above, the Licensee will be entitled to utilize the assets as a means of facilitating financing

its investment requirements, including collateral for debt financing, sale and lease back, securitization of receivables, subject to the condition that the Licensee will inform the Commission about such arrangement/s immediately upon execution of the relevant agreement/s.

## 12. Payment of License Fees

12.1 Within 30 days or such further period as the Commission may allow after the coming into force of this license, the Licensee shall pay to the Commission an initial fee of Rs.100 lakhs.

12.2 For as long as this license remains in force, the Licensee shall, by 10th of April of every year, or such further period that the Commission may allow, be liable to pay to the Commission an annual license fee of Rs.50 lakhs for each of the first three years of the license and the Commission shall review such license fee after every three years.

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

- (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 week 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 license pursuant to section 22 of the Act and **condition 13** of this license.
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 21**, but shall not take into account any interest paid pursuant to this **condition 12**.

## 13. Terms of Revocation

13.1 The Commission may, provided that the requirements of section 22 of the Act have been satisfied, at any time revoke this license by not less than 3 months notice in writing to the Licensee, if the Licensee commits a material and/or continuing breach of this license 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.

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

#### **14. Extent of applicability of Indian Electricity Act, 1910 (9 of 1910), Electricity (Supply) Act, 1948 (54 of 1948) and Indian Telegraph Act, 1885 (13 of 1885)**

14.1 The Commission may by order authorize 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).

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

#### **15. Dispute Resolution**

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

### **TRANSMISSION LICENCE**

#### **PART III**

#### **TECHNICAL CONDITIONS**

16. Transmission Planning and Security Standards; Power Supply Planning and Security Standards; Transmission Operating Standards; and Power Supply Operating Standards

16.1 The Licensee 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 Grid Code and the Overall Performance Standards.

16.2 (a) The Licensee shall make arrangements, within twelve months from the date of issue of license, to meet the Power Supply Planning and Security Standards and Power Supply Operating Standards.

(b) The Power Supply Planning and Security 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 proposed by the Licensee and approved by the Commission by reason of sufficiency of power available for the purposes of Bulk Supply; or

i. the Commission may otherwise specify.

b. The Power Supply operating standards are such levels of operational security and quality of supply as are proposed by the licensee to the Commission and approved by the Commission.

3. (a) The Licensee shall, within one month from the date this license becomes effective, submit to the Commission the existing planning and security standards and the operating standards for its Transmission System and the existing, planning and security 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 16.2(c)** take effect.

(b) The Licensee shall, within three months, or such longer time as the Commission may allow, after this license 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 and Transmission Operating Standards, Power Supply Planning and Security Standards, and Power Supply Operating Standards in accordance with conditions 16.1 and 16.2.

(c) The Transmission Planning and Security Standards and Transmission Operating Standards, Power Supply Planning and Security Standards and the Power Supply Operating

Standards submitted by the Licensee pursuant to condition 16.2(a), with such modifications as the Commission may require, shall take effect from such dates as the Commission shall specify.

16.4 (a) The Licensee shall not be in breach of its obligations under this license 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 used its reasonable efforts, 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 Planning and Security 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.

5. 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.

16.6. Having regard to any written representations or



objections referred to in condition 16.5(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.

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

16.8 Till the Interim Grid Code is in position, the Licensee shall submit reports in the formats prescribed by the Commission.

16.9 The Licensee shall, on an annual basis:

- a. forecast the demand for power within the Area of Transmission in each of the next succeeding 10 years; and
  - (b) prepare and submit forecasts to the Commission in accordance with the guidelines issued by the Commission from time to time.

16.10 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.

16.11 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 16**.

## 17. Grid Code

17.1 Except as provided in **condition 17.4**, the Licensee shall ensure that, within three months from the issue of the License, there is in force at all times a Grid Code, which meets the requirements of this **condition 17**. Subject to **condition 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 in the State of Karnataka; and

(b) allow the Licensee to comply with its obligations in relation to the inter-State transmission of power.

4. Where no Grid Code in the form provided for in this **condition 17** is in force at the effective date of this license, the Licensee shall not be considered in breach of this **condition 17** provided that:

(a) within six months from the commencement of this license 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 twelve months of the commencement of the license, 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 Supply Licensees, the Generating Companies, the Central Transmission Utility, the Regional Electricity Board and such other persons as the Commission may direct, every three years, review the Grid Code and its implementation. The review should be carried out once in three years and all the representations received during the interim period may be considered after giving the Licensee an opportunity to state its position.

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 cost of duplicating it.

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 Rural Electricity Co-Operatives (RESCOs) 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 license, the Licensee shall undertake operational planning:

a. for the matching to the extent possible of output of all Generating Sets contracted to it 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 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 the pre-existing contractual obligations of the Licensee with Generating Companies; 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 reasonable 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 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**.

# TRANSMISSION LICENCE

## PART IV

### CONNECTION AND USE OF SYSTEM CONDITIONS

#### 19. Requirement to Offer Terms for Use of System and Connection to System

19.1 The Licensee shall make such arrangements for the use of the Transmission System by third parties as are specified in this **condition 19**. 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) to specify tariff and Use of System charges to be paid by the user, which shall be in accordance with **condition 20**.

Explanation: The third parties referred to in this **condition 19.1** are:

- (i) persons authorized under a legislation enacted by the Union of India to wheel power across the Transmission System on an inter-state conveyance of energy;
- (ii) such persons as the Commission may authorize to use the Transmission System.

19.2 On application made by a Supplier for grant of a connection to a Consumer wishing to be connected directly to the Transmission System, the Licensee shall offer to enter into an agreement with such Supplier and/ 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.

19.3 The Licensee shall offer terms for agreements in accordance with **conditions 19.1 or 19.2** as soon as practicable and (save where the Commission consents to a longer period) no more than two months after an application under **conditions 19.1 or 19.2** is made.

19.4 The Licensee shall not be obliged pursuant to this **condition 19** to offer to enter or to enter into any agreement if:

(a) to do so is likely to involve the Licensee:

(i) being in breach of its duties under Section 21 of the Act; or

(ii) being 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) being in breach of the Grid Code; or

(iv) being in breach of any of the conditions of this license; 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

- a. in the case of persons making application for Use of System under **condition 19.1**, such person ceases to be authorized as specified therein; or
- b. in the case that the persons have been identified as not having the financial resources to pay the transmission charges.

19.5 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 19.1 and 19.2** pursuant to a request under this **condition 19**, 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.

19.6 The Licensee shall prepare and submit 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 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 seeking 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 -

19.7 At the request of a person or a Supplier who wishes to use the Transmission System under conditions 19.1 or 19.2, 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.

19.8 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 costs of providing such Statement.

## TRANSMISSION LICENCE

### PART V

#### EXPECTED REVENUE CALCULATION AND TARIFFS

#### **20. Expected Revenue and Tariff Filings:**

1. The Licensee shall follow the methodology, Procedures and other directions included in the Tariff Regulations while filing Statements of Expected Revenue from charges and for proposing or amending any or all of its tariffs.
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 Section 59 and the Sixth Schedule to the Electricity (Supply) Act, 1948, as they may be modified pursuant to Section 27(4) of the Act, as will allow the licensee a fair opportunity to earn a reasonable return.



## **TRANSMISSION LICENCE**

### **PART VI**

### **PENALTY**

#### **21. 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 License.

## **TRANSMISSION LICENCE**

### **SCHEDULE - 1**

#### **KPTCL AREA OF TRANSMISSION**

The entire state of Karnataka, including cantonment, aerodrome, fortresses, arsenal, dockyard or camp or any building or place in occupation of Central Government for defence purposes, where permission has been obtained.

By Order of the Commission

Bangalore 560 001.

Date: 6.12.2000 Secretary / K.E.R.C.