HARYANA ELECTRICITY REGULATORY COMMISSION
NOTIFICATION
The 31st October, 2008

Regulation No. HERC /18/2008

In exercise of the power conferred on it by Section 16 read with section 181 of the Electricity Act, 2003 (ACT 36 OF 2003) and all other powers enabling in this behalf; the Haryana Electricity Regulatory Commission hereby frames the following regulations.

1. **Short Title, Commencement and Interpretation**
    1. These regulations may be called the Haryana Electricity Regulatory Commission (Conditions of Transmission Licence) Regulations, 2008.
    2. These regulations shall come into force on the date of their publication in the official Gazette.
    3. These regulations shall extend to the whole of State of Haryana.
    4. These regulations shall apply to the licence issued for Transmission of Electricity under section 14 of the Act; in accordance with HERC (Transmission & Distribution Licensing) Regulation No. HERC/09/2004 as well as to the deemed licensee.
    5. The Punjab General Clauses Act 1898 (1 of 1898), shall apply qua the interpretation of these Regulations.

2. **Definition:**

In these regulations, unless the context otherwise requires, all expressions used herein shall have the meaning assigned to them in the Electricity Act 2003 (36 of 2003). The other expressions used herein but not specifically defined in the Act but defined under the Haryana Electricity Reform Act, 1997 shall have the meaning assigned to them under the said Act, provided that such definitions in the Haryana Electricity Reform Act, 1997 are not inconsistent with the provisions of the Electricity Act, 2003.

3. **Conditions of Licence**

The Conditions of licence applicable to the licensee with effect from the notified date shall be as set out in Form-1 appended to these Regulations.

4. **Power to remove difficulties**

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

By Order of the Commission
Secretary
Haryana Electricity Regulatory Commission

FORM- I

TRANSMISSION LICENCE

Licence granted by the Haryana Electricity Regulatory Commission under Section 14 of the Electricity Act – 2003 (Act 36 of 2003) to .....(Name and Address of the Licensee) for carrying on the business of Transmission of electrical energy within the Area of Supply (as defined in Schedule -1 of the Licence) and with the powers and upon the terms and conditions specified below:

PART I

Terms of The Licence

1. **Short Title**
   The licence may be called "The _____(name of the Licence) Transmission Licence(Licence No. _____

2. **Definitions**

In this licence unless the context otherwise requires:

(1) **"Act"** means the Electricity Act, 2003 (36 of 2003)

(2) **"annual accounts"** means the accounts of the transmission licensee prepared in accordance with the provisions of the Companies Act, 1956 (1 of 1956) and/or in such other manner as may be directed by the Commission in terms of the provisions of the Act where applicable and/or in accordance with standard accounting practice in any other case;

(3) **"area of activity "** means the area of activity stated in the transmission licence within which the transmission licensee is authorised to establish, operate and maintain transmission lines;

(4) **"auditors"** means the transmission licensee's auditors and if the transmission licensee is a company auditors holding office in accordance with the requirements of sections 224 to 234 A or section 619 as applicable, of the Companies Act 1956 (1 of 1956); as amended from time to time

(5) **"authorised"**, in relation to any person, business or activity, means authorised 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;

(6)"**Commission"** means the Haryana Electricity Regulatory Commission;

(7) **"force majeure"** means events beyond the reasonable control of the licensee, including, but not limited to earthquakes, cyclones, floods, storms, adverse weather conditions, war, terrorist attacks, civil commotion or other similar occurrences that leads to any act that would involve a breach of relevant laws or regulations concerned with electrical safety;

(8) **"generator interconnection facilities"** means electrical lines, transformers, bus-bars, switch-gear, plant or apparatus utilized to enable access to a transmission system or distribution system by the generating set(s);

(9) **"Indian Electricity grid code"** means the grid code specified by the Central Commission under clause (h) of sub-section (1) of section 79 of the Act;

(10) **"Haryana grid code"** means grid code specified by the Commission under clause (h) of sub-section (1) of section 86 of the Act;

(11) **"holding company"** shall have the same meaning as in section 4 of the Companies Act,1956 (1 of 1956);

(12) **"intervening transmission facilities"** means the electric lines owned or operated by a transmission licensee where such electric lines can be utilized for transmitting electricity for and on behalf of another licensee at his request and on payment of a tariff or charge

(13) **"licence"** means the licence issued under section 14 of the Act under which the licensee is authorized to conduct the licenced business;

(14) **"licensed business"** means the business of establishment and operation of transmission lines as authorized under the licence;

(15) **"major incident"** means an incident associated with the transmission of electricity, which results in a significant interruption of service, substantial damage to

equipment, or loss of life or significant injury to human beings, or as otherwise directed by the Commission and shall also include any other incident which the Commission expressly declares to be a major incident;

(16) **"operational control"** means possessing the authority to make operational decisions such as commissioning and utilization of units, service lines and equipment etc;

(17) **"other business"** means any business of the transmission licensee (other than the licensed business) carried out using the assets and associated facilities of the licensed business and as defined under Section 41 of the Act;

(18) **"performance standards"** means the standards as may be determined by the Commission in pursuant to section 57 of the Act;

(19) **"State Government"** means the Government of the State of Haryana;

(20) **"subsidiary"** shall have the same meaning as defined under section 4 of the Companies Act 1956 (1 of 1956);

(21) **"transfer"** shall include the sale, exchange, gift, lease, licence, loan, securitization, mortgage, charge, pledge or grant of any other encumbrances or otherwise permitting of any encumbrance to subsist or parting with physical possession or any other disposition or deal;

(22) **"transmission business"** means the authorized business of a transmission licensee to transmit electricity, whether for its own account or for that of any other person, through any system owned or operated by such licensee;

(23) **"transmission licensee"** means the entity, which has been granted a transmission licence or is a deemed licensee under the first, second, third or fifth provisos to section 14 of the Act authorized to transmit electricity;

(24) **"transmission operating standards"** means the standards related to the transmission licensee's operation of its transmission system issued by the Commission for a transmission licensee in the state in pursuance of Haryana Electricity Reforms Act,1997;

(25) **"transmission planning and security standards"** means the standards related to the adequacy of the transmission licensee's system planning and security of its transmission system as already issued by the Commission for a transmission licensee in the state in pursuance of Haryana Electricity Reforms Act,1997;

(26) **"transmission system"** means the system consisting mainly of extra high voltage electric lines having design voltage of 66 KV or higher, owned or controlled by the transmission licensee, and used for the purposes of the conveyance of electricity between the switchyards of two generating sets or from the switchyard of a generating set to a substation, or between substations, or to or from any external interconnection and includes all equipments up to the interconnection with the distribution system, and includes any plant, apparatus and meters owned or used in connection with the transmission of electricity, but shall not include any part of a distribution system;

(27) **"use of system"** means use of the transmission system for the transportation of electricity for any person pursuant to a contract entered into with the transmission licensee:

(28) **"users"** means anyone who uses the transmission system; and

(29) the other words, terms and expressions used and not defined in these regulations, but defined under the Act, shall have the meaning as assigned to them in the Act.

3. Term of the Licence

The transmission licence shall come into force on the date to be mentioned by the Commission in the order granting the licence and subject to the terms and conditions of the grant of licence and shall remain in force for the duration mentioned in the licence.

PART II

General Conditions of Transmission Licence

4. Compliance with regulations, codes, orders, guidelines and Directions

4.1 The transmission licensee shall comply with the requirements of laws in force and, in particular, the Act, the Indian Electricity Grid Code and Haryana Grid Code, Transmission Operating Standards, Transmission Planning and Safety Standards, rules, regulations, orders and directions issued by the Commission from time to time;

4.2 The transmission licensee shall duly comply with the orders and directions issued in the discharge of their functions by the National Load Despatch Centre, Regional Load Despatch Centre and the State Load Despatch Centre;

4.3 The transmission licensee shall coordinate with Regional Power Committee, Regional Load Despatch Centre/State Load Despatch Centre and Central Transmission Utility/State Transmission Utility, licensees and/or the generating companies, as may be required, in relation to all activities relating to the licensed business;

4.4 The transmission licensee shall pay the licence fee specified under HERC (Fee) Regulation No. HERC/10/ 2005;

4.5 The transmission licensee shall pay to the State Load Despatch Centre such fee as may be specified by the Commission;

4.6 Where the transmission licensee fails, omits or neglects to undertake any transmission activity for four consecutive quarters, the transmission licence shall be subject to revocation in accordance with the provisions of the Act;

4.7 The transmission licensee shall maintain up-to-date records of its customers and the transactions undertaken by it with other parties and shall provide the same to the Commission as and when required;

4.8 The transmission licensee shall establish adequate communication facilities such as telephone, fax, computer, internet, hotline services, wireless communication system with transmission network. The communication facilities shall establish at head quarter as well as in other establishments.

5. Activities of the Transmission Licensee

The STU and other transmission licensee shall comply with the provisions of Section 39 and Section 40 of the Electricity Act, 2003 respectively while discharging their duties for transmission of electricity.

6. Prohibited Activities

6.1 The transmission licensee shall not, without prior approval of the Commission undertake any transaction to:-

(a) Acquire by purchase or take over or otherwise acquire the utility of any other licensee; or

(b) Acquire or retain any ownership or beneficial interest in the business of a distribution licensee, trading licensee into the licensed area; or

(c) Merge its utility with the utility of any other licensee;

(d) Assign or transfer its transmission licence to any person, by sale, lease, exchange or otherwise in any manner whatsoever;

Provided, that the transmission licensee will be entitled to utilise the transmission licence as a means of facilitating funding or financing the licensed business in the ordinary course of business including loans and credit facilities from banks and financial institutions, subject to the conditions:

(i) that the transmission licensee shall inform the Commission about such arrangements at least 15 days prior to the effective date of the relevant agreements;

(ii) that the transmission licensee shall act in a prudent and reasonable manner in such utilisation of the Transmission licence; and

(iii) that the transmission licensee shall retain operational control over assets in the transmission system.

6.2 The transmission licensee shall not, either directly or through its subsidiary, engage in the business of trading of electricity.

6.3 The transmission licensee shall not make use of the assets of the system for a purpose other than transmission of electricity, except with the prior intimation to the Commission.

Provided further that where the transmission licensee engages in any such business, such proportion of the revenue as specified by the Commission in HERC Regulation No. HERC/17/2007 shall be utilised for reducing charges for transmission and wheeling and separate accounts shall be maintained to ensure that such business does not in any manner encumber the transmission assets or be subsidised by the Licensed Business.

6.4 Wherever prior approval of the Commission is required, the transmission licensee shall submit an appropriate application before the Commission disclosing relevant facts. The Commission may, within 30 days of the filing of the application, seek further information in support of the application. The Commission shall ordinarily within 30 days of such further information being submitted by the transmission licensee, and where no such further information is required, normally within 60 days of the filing of the application, allow the arrangement subject to such terms and conditions or modifications as it considers appropriate or reject the same, for the reasons to be recorded in writing.

7. Provision of information to the Commission including major incident reporting

7.1 The transmission licensee shall furnish to the Commission without undue delay such information, documents and details related to the licensed business or any other business of the transmission licensee, as the Commission may require from time to time for its own purposes or for the purposes of the Government of India, the State Government, the Central Commission or the Central Electricity Authority as the case may be;

7.2 The transmission licensee shall duly maintain the minimum information as required under the provision of Regulation No. HERC/16/2007 i.e. HERC (Minimum Information to be maintained and the manner in which such information is to be maintained by the licensee or the Generating Company) Regulations, 2007;

7.3 The transmission 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 months from the date of such occurrence,-

(a) submit a report to the Commission giving full details of the facts within the knowledge of the transmission licensee regarding the incident and its cause.

(b) in the event the report under sub-clause (a) is likely to take more than 2 months from the date of such incident, the transmission licensee shall within one month from such date of the incident submit a preliminary report with such details which the transmission licensee may reasonably furnish and state reasons interalia as to why the transmission licensee requires more than 2 months 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 require.

7.4 The Commission at its own discretion may require the submission of a report to be prepared by an independent person or agency to be nominated by the Commission at the expense of the transmission licensee.

7.5 The transmission licensee shall also undertake such studies as the Commission may direct it to undertake from time to time for the improvement of its transmission business and any other matter concerning the transmission business that the Commission considers necessary in public interest to avoid recurrence of any such major incident. Alternatively, the Commission may, suo-moto, initiate and undertake such studies through consultants at the cost and expense of the transmission licensee which shall be allowed as pass through in its Aggregate Revenue Requirement (ARR).

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

7.7 The Commission may at any time require the transmission licensee to comply with the provisions of Regulation 7.3 to 7.6 in regard to incidents which the Commission may specifically direct and the transmission licensee shall be

required to comply with the same notwithstanding that such incidents are not major incidents; provided that the time limits specified in Regulation 7.3 shall commence from the date the Commission notifies transmission licensee of such requirement.

7.8 The transmission licensee shall submit a business plan within three months of transmission licence coming in force for such period as the Commission may direct and shall update such plan annually. The business plan shall contain yearwise load growth, yearwise transmission loss reduction proposal alongwith specific action plan, metering plan for metering interface points, investment plan, making good of previous losses, debt restructuring plan, cost reduction plan, projected profit and loss account, projected balance sheets, projected cash flow statements and projected important financial transactions.

7.9 The transmission licensee shall intimate to the Commission by the end of first quarter of each financial year the progress made in implementing the business plan of the previous financial year with the comparison of actual implementation vis-à-vis the plan as approved by the Commission.

8. Other Business

The transmission licensee may, with prior intimation to the Commission, engage in any other business for the optimum utilization of its assets. Where the transmission licensee engages in such other business, the provisions of Regulation No. HERC/17/2007, known as HERC (Treatment of Income of other Business of Transmission Licensee and Distribution Licensee) Regulations 2007 shall be applicable.

9. Investments-

9.1 The transmission licensee shall duly comply with the regulations, guidelines, directions and orders, the Commission may issue from time to time in regard to the investments to be made in the transmission business.

9.2 The transmission licensee shall make the investment in a prudent manner being guided by the duty to build, maintain and operate an efficient, co-ordinated and economical transmission system in the State.

9.3 The transmission licensee shall submit to the Commission investment plan a month before submission of ARR as a part of the business plan under regulation (7.8) giving details of investment schemes to be undertaken during the concerned period for the approval of the Commission. The transmission licensee shall demonstrate to the satisfaction of the Commission that -

(a) there is a need for such investments in the transmission system contained in the investment plan;
(b) the transmission licensee has examined the economic, technical, system and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new transmission system assets to meet such need.

9.4 The transmission licensee shall intimate, by the end of the first quarter of each financial year -

(a) the progress made in implementing the annual investment plan of the previous financial year with the comparison of actual implementation vis-à-vis the plan as approved by the Commission for the concerned period. Licensee shall furnish physical progress and financial progress vis-à-vis proposed plan on a quarterly basis.

9.5 That the licensee, without prior approval of the Commission, shall not change the scheme wise investments approved by it.

9.6 For the purposes of this regulation, the term "major investment" means any planned investment in or acquisition of transmission facilities, the cost of which, when aggregated with all other investments or acquisitions (if any) forming part of the same overall transaction, equals or exceeds an amount contained in the special conditions applicable to the transmission licensee or otherwise decided by the Commission from time to time by general or special order.

9.7 The transmission licensee shall be entitled to make investment in the transmission business otherwise than those covered under sub-regulations (3) and (4) but for the purposes of considering such investment while determining the tariff, the transmission licensee shall satisfy the Commission that the investment was required for the transmission business and such investment was made in an efficient, co-ordinated, eco-friendly and economical manner.

9.8 The transmission licensee shall submit to the Commission along with the "Expected Revenue Calculations" filed under section 62 of the Act, the highlights of the annual investment plan consisting of those schemes approved by the Commission, schemes submitted before the Commission for approval and all schemes not requiring approval of the Commission planned for the ensuing financial year and shall make investment in the said financial year in accordance with the said investment plan.

9.9 The transmission licensee shall submit to the Commission the relevant load flow studies and details of investment requirement to achieve the planned reduction in technical loss.

10. Accounts and Audit

10.1 The financial year of the licensee shall run from the 1st of April to the following 31st of March.

10.2 The transmission licensee shall:

(a) Maintain separate information and Accounting Statement for the licensed business and any Other Business;
(b) Maintain the Accounting Statement in such form and containing such particulars as may be specified by the Commission and till such time as these are specified by the Commission, the accounts shall be maintained in accordance with the Companies Act, 1956 (1 of 1956) as amended from time to time, where such Act is applicable;
(c) Keep the accounts of the licensed business separate from any other business carried on by the transmission licensee, whether licensed or otherwise;
(d) Prepare on a consistent basis, from such records, Accounting Statements for each financial year comprising a profit and loss account, a balance sheet and a

statement of source and application of funds together with notes thereto and showing separately 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 various business activities together with a description of the basis of the apportionment or allocation;

(e) Provide in respect of the Accounting Statements prepared in accordance with foregoing clauses, a report by the Auditors in respect of each year, stating whether in their opinion the statements have been properly prepared and give a true and fair view of the revenue, costs, assets, and liabilities, reserves reasonably attributable to the business to which the statements relate, and

(f) Submit to the Commission copies of the accounting statements and Auditor's report not later than six months after the end of the financial year to which they relate. Any delay beyond six months may be explained in writing alongwith exemption from the registrar of company affairs if applicable.

10.3 Any person authorized by the Commission shall be entitled to inspect and verify the accounts of the transmission licensee and the transmission licensee shall render all necessary assistance to such person.

10.4 The transmission licensee shall not 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 approval from the Commission.

Provided that if during the financial year a transmission licensee changes the basis of charge or apportionment or allocation in its Accounting Statements from those adopted for the immediately preceding financial year, the Commission may direct the transmission licensee to prepare such Accounting Statements on the previous basis in addition to preparing Accounting Statements on the basis which it has adopted.

10.5 If the transmission licensee is carrying on any other business for the optimum utilisation of its assets, it shall follow the provision of Regulation No. HERC/17/2007 i.e Haryana Electricity Regulatory Commission (Treatment of

Income of other business of transmission licensee and distribution licensees) Regulations, 2007.

10.6 The transmission licensee shall ensure that the Accounting Statements in respect of each financial year and the Auditor's report in respect of each financial year mentioned hereinabove are publicised in such manner as the Commission may direct, and are made available to any person requiring them, at a price not exceeding the reasonable cost of duplicating them, or such price as the Commission may prescribe.

11. Dispute resolution –

The Commission shall adjudicate disputes between the transmission licensee and any other licensee or between the transmission licensee and generating companies and refer any dispute for arbitration in pursuance of clause (f) of sub-section (1) of section 86, read with section 158, of the Act and as per the HERC (Conduct of Business) Regulations 2004 (Regulations No. HERC/06/2004)

12. Payment of licence fees. –

12.1 Within such period as the Commission may specify, the transmission licensee shall pay to the Commission the license fees, initial and also periodic, as specified under the Haryana Electricity Regulatory Commission (Fee) Regulation No. HERC/10/2005.

12.2 Where the transmission licensee fails to pay to the Commission any of the fees due under sub-regulation (1) above by the due date-

(a) without prejudice to other obligations, the transmission licensee shall be liable to pay interest on the outstanding amount as specified there under;

(b) in the event of continued default by the transmission licensee, the Commission may revoke the transmission licence pursuant to Section 19 of the Act.

12.3 The transmission licensee shall be entitled to take into account any fee paid by it under this regulation as an expense in the determination of aggregate revenues to be charged to the tariffs, but shall not take into account any interest paid pursuant to this regulation.

13. Transfer / Disposal of assets –

13.1 The transmission licensee shall segregate the utilized assets and unutilised, unproductive and un-remunerative assets and reduce asset inventory of unproductive and un-remunerative assets.

13.2 The transmission licensee shall maintain "Fixed Assets Register" and undertake an investigation of amount reflected in the capital works in progress account from time to time to ensure that the completed works are transferred to the "Fixed Assets Register" as soon as may be, after they are completed.

13.3 The Commission may either require the transmission licensee to carry out physical verification of assets itself or through an independent agency to be nominated by the Commission, at the cost of the transmission licensee which shall be allowed as pass through in the Aggregate Revenue Requirement (ARR).

13.4 The transmission licensee shall not dispose of or relinquish operational control over any assets, other than land and building, otherwise than in accordance with the paragraphs of Condition 13, if the cost of the assets being disposed of or whose operational control is being relinquished in a single transaction or a series of related transactions, exceeds Rs. One crore or such other amount as may be specified by the Commission from time to time.

13.5 (a) The Licensee shall give to the Commission not less than three weeks prior written notice of its intention to dispose of scrap of conductor, cables, metal, dirty transformer oil, unserviceable & surveyed off tools & plants, vehicles & batteries. In case, there is any change in quantities of scrap items disposed of at the time of auction, the revised quantities and values may be intimated to the Commission within 15 days from the date of auction. However, no new items shall be added in the auction without prior intimation to the Commission;

In the case of individual equipment like power or distribution transformers which are disposed of through NIT, the notice period shall be considered as one month;

To dispose of or relinquish operational control over any other asset the notice period shall be considered as two months. 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.

(b) In order to safeguard against any non-reporting of disposal of material by the licensees, they shall be required to supply the detail of material disposed of during a financial year by 30th April of the following FY.

13.6 The transmission licensee may transfer or relinquish operational control over any asset as is detailed in any notice given under sub regulation (5) where-

(a) the Commission confirms in writing that it consents to such transfer or relinquishment of operational control subject to such conditions as the Commission may impose; or

(b) the Commission does not inform the transmission licensee in writing of any objection to such transfer or relinquishment of operational control within the period referred to in sub-regulation (5) and the transfer is effected by transparent and competitive bidding procedures.

13.7 The transmission licensee may also transfer or relinquish operational control over any asset where-

(a) the Commission has issued directions for the purposes of this regulation containing a general consent (whether or not subject to conditions) to-

(1) the transactions of a specified description, and/or

(2) the transfer or relinquishment of operational control over assets of a specified description, and/or

(3) the transfer or relinquishment of operational control is in accordance with any conditions to which the consent is subject, to or

(b) the transfer or relinquishment of operational control in question is mandated under any other law; or

(c) the asset in question was acquired and used by the transmission licensee exclusively or primarily in connection with any other business and does not constitute a legal or beneficial interest in land, or otherwise form part of the transmission system or is not otherwise an asset required for the licensed business.

13.8 The transmission licensee shall be entitled to utilise the assets as a means of facilitating financing its investment requirement or including collateral for debt financing, securitisation of receivables subject to the conditions:

(a) that the transmission licensee will inform the Commission about such arrangements at least 15 days prior to the effective date of the relevant agreements;

(b) the transmission licensee acts in a prudent and reasonable manner in such utilisation of assets; and

(c) the transmission licensee retains the operational control over assets in the transmission system.

13.9 Notwithstanding anything contained in this regulation 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 ex-post-facto approval of the Commission giving the detailed facts about the situation and the details of the transaction. It shall be the obligation of the transmission licensee to establish to the satisfaction of the Commission of the presence of emergency condition necessitating the transfer of the assets.

13.10 The transaction shall be undertaken on an 'arms-length basis' and at a value that is fair and reasonable in the circumstances, which for the purpose of this Regulation, shall mean with respect to any specific transaction, substantially on term that would be obtained between the Transmission licensee and a third party unrelated to and unconnected with the Transmission licensee.

14. Investigation of certain matters by the Commission and Penalty for Contravention of Conditions of License.

14.1 The Commission may, on being satisfied that a transmission licensee has failed to comply with any of the conditions of the transmission licence or has failed to comply with any of the provisions of the Act or rules or regulations made there under, at any time, by order in writing, direct any person (referred to as "Investigating Authority") specified in the order to investigate the affairs of any transmission licensee and to report to the Commission on any investigation made by such Investigating Authority.

14.2 The Investigating Authority shall conduct the investigation in accordance with the provisions under Section 128 of the Electricity Act, 2003.

14.3 On receipt of investigation report from the Investigating Authority, the Commission may, in accordance with the provisions of the Electricity Act, 2003 and after giving such opportunity to the transmission licensee to make a representation in connection with the report as in the opinion of the Commission deems proper, by order in writing-

(a) require the transmission licensee to take such actions in respect of any matter arising out of the report as the Commission may think fit; or

(b) cancel the transmission license.

14.4 The Commission may also take any other action in accordance with the Section 142 and 146 of the Act.

PART – III

TECHNICAL CONDITIONS

15. Standards and Procedures (Transmission Planning , Security Standards and Transmission Operating Standards):-

15.1 The transmission licensee shall plan and operate the transmission system, so as to ensure that transmission system built, operated and maintained to provide an efficient, economical and coordinated system of transmission, in accordance with the Haryana Grid Code and the overall standards of performance.

15.2 The transmission licensee shall follow the transmission operating standards and transmission planning and security standards for its transmission system as already issued by the Commission for a transmission licensee in the state in pursuance of Haryana Electricity Reforms Act,1997;

15.3 The transmission licensee shall not be in breach of its obligations, except for failure to meet the transmission planning and security standards or the transmission operating standards due to force majeure, provided that, the transmission 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.

15.4 The transmission licensee may, in consultation with suppliers, the generating companies, the Central Transmission Utility, the State Transmission Utility, the Regional Power Committee and such other persons as the Commission may direct, send a proposal to review the standards and their implementation on each occasion when a review of the grid code is undertaken. Following any such proposal, the transmission licensee shall send to the Commission.-

(a) a report on the outcome of such proposal;

(b) any revision which the transmission licensee proposes to make to such documents (having regard to the outcome of such review); and

(c) any written representations or objections (including those not accepted by the transmission licensee) from suppliers, the generating companies, the Central Transmission Utility, the State Transmission Utility, the Regional Power

Committee and such other persons as the Commission may direct arising during the consultation process:

15.5 The Commission may, having regard to any written representations and objections received and following such further consultation as the Commission may consider appropriate, to revise the standards in such manner as may be stated in the directions.

15.6 The transmission 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 transmission licensee shall, if required by the Commission, publish the report in a manner to be determined by the Commission. The copies of this report shall also be furnished by the transmission licensee to all persons applying for the same at the normal cost of photocopying.

15.7 The transmission licensee shall provide to the Commission such information as the Commission may require under or for the purpose of monitoring the duties and responsibilities of the transmission licensee.

16. <u>Grid code</u> –

16.1 The transmission licensee shall ensure due compliance with the Indian Electricity Grid Code and the Haryana Grid Code in operation.

16.2 The Commission shall specify state Grid Code under sub-section (1) (a) of section 86 of the Act.

16.3 The transmission licensee shall, in consultation with other transmission licensees, generating companies, the Central Transmission Utility, the State Transmission Utility, the Regional Power Committee and such other persons as the Commission may direct , review the grid code and its implementation from time to time in so far as the operation of the transmission system is concerned. Such review should be carried at least once in three years. Following any such review, the transmission licensee shall send to the Commission and the State Transmission Utility:

(a) a report on the outcome of such review; and

(b) any proposed revisions to the grid code from time to time as the transmission licensee reasonably thinks fit; and

(c) all written representations or objections received by the transmission licensee during the consultation process.

17. <u>Connection and use of system</u>.-

17.1 The transmission licensee shall provide non-discriminatory open access to use of his transmission system, by users subject to the availability of the adequate transmission capacity in accordance with open access regulations notified by the Commission and further subject to the users' agreeing to pay all applicable charges including the transmission charges and surcharges, wherever applicable.

17.2 On application made for grant of a connection by any person intending to use the transmission system the transmission licensee shall offer to enter into an agreement with such person for connection to the transmission system or for modification of such an existing connection and such offer shall make provision for

(a) carrying out of works necessary to make the required connection, including the installation of meters as per CEA regulations on Installation and Operation of Meters notified on 17th March, 2006;

(b) carrying out of necessary works to reinforce the transmission licensee's transmission system;

(d) the connection charges to be paid as directed by the Commission ; and

(e) the completion date and such other terms as are relevant to the circumstances.

17.3 The transmission licensee shall offer terms for agreements in accordance with sub-regulation 17.1and 17.2 and State Grid Code within sixty days to the intended users of the system. The transmission licensee shall not be obliged to enter into any agreement if-

(a) the adequate transmission capacity is not available in the transmission system, provided that the existence or absence of such available capacity shall be subject to determination by the State Transmission Utility and in case of any dispute pertaining to the same on such determination the same shall be subject to the decision of the Commission;

(b) it is likely to result in breach of its duties under the Act; or

(c) it is likely to result in breach of any rules or regulations relating to safety or standards applicable to the transmission business including, the prevailing rules;

(d) being in breach of any of the grid code;

(e) the person making the application does not undertake to comply with the grid code in force to the extent that it is applicable to that person;

(f) the person making the application does not agree to pay the applicable charges, surcharge, adjustment for losses of electricity in the transmission systems determined by the Commission.

17.4 If, after a period, which appears to the Commission to be reasonable for the said purpose, the transmission licensee has failed to enter into an agreement with any intending user of the transmission system, the Commission may at the request of such intending user settle such terms in dispute between the transmission licensee and that person and, the transmission licensee shall forthwith enter into and implement such agreement in accordance with its terms as settled by the Commission.

17.5 The transmission licensee shall prepare and submit to the Commission on an annual basis, a statement showing, forecast of circuit capacity, power flows and loading on the transmission system under standard planning criteria in each of the next succeeding 10 years together with,-

(a) such further information as shall be reasonably necessary to enable any person seeking the use of the system to identify and evaluate the opportunities available when connecting to and making use of such system; and

(b) a statement prepared by the transmission licensee indicating its views as to those parts of its transmission system most suited to new connections and transport of further quantities of electricity.

17.6 At the request of a person or a supplier who wishes to use the transmission system, the transmission 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.

17.7 The transmission licensee may charge for any statement given or sent to persons seeking use of system, reflecting the transmission licensee's reasonable costs of providing such a statement.

17.8 The transmission licensee is entitled to undertake all activities necessary, related or incidental to the conduct of the transmission business, which would include laying and operating appropriate communication network to implement information technology based solutions like remote metering etc. for the licensed transmission business.

18. <u>Co-operation with STU, SLDC and other Licensees-</u>

18.1 The transmission licensee shall provide to SLDC, STU and/or to other Licensees such information that may reasonably be required to perform its functions and exercise its powers under the Act.

18.2 The transmission licensee shall comply with the directions of SLDC and STU issued under the Act.

18.3 The transmission licensee shall co-operate with the generating companies, other Licensees and with the SLDC for the efficient and co-ordinated operation of the power system.

PART – IV

Tariff and Expected Revenue Requirement Calculation

19. <u>Tariff and Expected Revenue Requirement Calculation</u>-

19.1. The transmission licensee shall, within such time as may be specified by the Commission, -

(a) build a credible and accurate database of costs and expenditure so that the stakeholders can focus on these costs and expenses to have rational basis for the determination of tariffs with some regulatory certainty; and

(b) with a view to improve the quality of service, increase revenue and reduce transmission losses, the transmission licensee shall carry out compulsory energy audit; plan and manage its transmission system and rationalize the existing manpower, for improvement in efficiency through scientific engineering resource management, improving and updating the organizational strategies, systems and skills.

19.2. Tariff

a) The transmission licensee shall establish a tariff acceptable to the Commission for the Transmission Business and calculate its charges only in accordance with this license and the other requirements/guidelines as prescribed by the Commission.

b) The transmission licensee shall follow the methodology, procedures and other directions included in the Terms and Conditions of determining Transmission Tariff Regulations as notified by the Commission and in other orders of the Commission as may be issued from time to time, while filing the Statement of Expected Revenue requirement from Charges and for proposing or amending any or all of its tariffs.

19.3. Expected Revenue Requirement Calculation

a) Each year not later than 30th November the Licensee shall prepare and submit to the Commission a report of its expected aggregate revenues and cost of service (including financing costs and its proposed return on equity) for its Transmission

Business for the succeeding financial year in the manner and form prescribed by the Commission from time to time.

b) If the report referred to in Regulation 19.3(a) indicates a significant difference between its expected aggregate revenues and its expected cost of service, either surplus or deficit the Licensee shall submit with its report an explanation of the measures it proposes to take, including any proposed tariff amendments, to eliminate the difference or disposal of surplus.

c) If the transmission licensee fails to submit the ARR within the period specified above or any extension thereof granted by the Commission, the Commission may impose fine up to an extent of 0.5% of the aggregate Revenue Requirement which would be disallowed from the ensuing year aggregate revenue requirement.

d) The transmission licensee shall pay to the distribution licensee concerned, as provided in sections 39 and 40 read with sub-section (2) of section 42, of the Act, the amount of surcharge if any permitted to be recovered by the transmission licensee in the case of transmission of electricity to the consumer as directed by the Commission.

20. Amendments of Tariffs and Charges

20.1 The transmission licensee shall apply to the Commission to amend its tariffs in accordance with the Act if the Commission so requires, in order to remove any undue discrimination identified by the Commission or to cause the Licensee's expected revenue to correspond to the amount that it is permitted to recover under this licensee.

20.2 The amount that the transmission licensee is permitted to recover from its tariffs in any financial year is the amount that the Commission determines in accordance with Section 62 of the Act.

20.3 The transmission licensee may apply to the Commission to amend its tariffs in accordance with provision of the Act and regulations made there under and directions of the Commission.

PART-V

OTHER CONDITIONS

21. Application of the general conditions to the State Transmission Utility-

The provisions of these regulations shall apply to the State Transmission Utility save as the provisions relating to revocation of the transmission licence as per HERC (Transmission and Distribution Licensing) Regulation No. HERC/09/2004, functions of State Load Despatch Centre under section 32 of the Act and activities of the State Transmission Utility under clauses (b) and (c) of sub-section (2) of section 39 of the Act.

22. Provisions applicable to Licensees

22.1 Upon the expiry of one year from the date of commencement of the Act 'the effective date', the provisions of the Act and the rules and regulations thereunder shall be applicable to a licensee under the first proviso to Section 14 of the Act.

Provided that the conditions of licence specified in PART- II of these Regulations shall be deemed to be the general conditions of licence for such licensee as on the effective date.

Provided however that the period of licence of such licensee shall be such period as may be stipulated in the licence, clearance or approval granted to such licensee under the repealed laws or such Act specified in the Schedule to the Act and where no period has been so stipulated, the period of licence of such licensee shall be a period of twenty five (25) years from the date of commencement of the Act:

Provided also that the conditions or stipulations contained in the licence, clearance or approval granted to such licensee under the repealed laws or such Act specified in the Schedule to the Act which are not specified in PART-II of these Regulations and are not inconsistent with the provisions of the Act and the rules and regulations made thereunder shall be deemed to be the specific conditions of licence as at the effective date.

22.2 Every licensee under the first proviso to Section 14 of the Act shall, within one month from the date of notification of these Regulations, submit his licence for alteration or

modification by the Commission in order to bring such licence into conformity with the provisions of the Act and the rules and regulations thereunder:

Provided that so long as the licence of a licensee referred to in the first proviso to section 14 of the Act is sub judice before the Commission or any court of law/tribunal or arbitrator or any other authority as at the effective date, wherein the licensee is a party, such licensee shall maintain status quo in terms of any order or direction given to such licensee by the Commission or any court of law/tribunal or arbitrator or any other authority until any final order or direction is passed by the Commission or any court of law/tribunal or arbitrator or any other authority:

Provided further that any such alteration or modification to the licence shall be made in accordance with the provisions of the Act and rules and regulations made thereunder and any final order or direction passed by the Commission or any court of law/tribunal or arbitrator or any other authority referred to in the first proviso above:

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

22.3 Where the State Government has published a transfer scheme in accordance with Part XIII of the Act, the Government Company or company vested with any property, interest in property, rights and liabilities by virtue of such transfer scheme shall not be required to comply with the procedure contained in these Regulations for grant of licence.

23. Powers of the Licensee

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

24. Introduction of Competition

24.1. The Commission may grant licence to any person (s) to transmit electricity in the same area as that of licensee or any other area in the State of Haryana. The licensee shall not claim any exclusivity.

24.2. The Licensee shall not enter into any agreement or abuse its dominant position or enter into a collaboration that is likely to cause or causes an adverse effect on competition in the electricity industry. The Commission shall have power to decide whether any agreement or act of the licensee is likely to cause or causes an adverse effect on competition in the electric industry in the State. The decision of the Commission shall be final in this regard.

25. <u>Miscellaneous</u>-

25.1. All issues arising in relation to interpretation of these regulations 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, however subject to the right of appeal under section 111 of the Act.

25.2. The Commission may, at the time of grant of transmission licence, waive or modify the application of any of the provisions of these regulations either in the order granting the licence or by specific conditions made applicable to a specific transmission licence.

26. <u>Savings</u>

26.1. Nothing in these Regulations shall be deemed to limit or otherwise affect the power of the Commission to make such orders as may be necessary to meet the ends of justice or to prevent abuse of process of the Commission.

26.2. Nothing in these Regulations shall bar the Commission from adopting a procedure at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient in order to deal with such a matter or class of matters.

26.3. Nothing in these Regulations shall, expressly or impliedly, bar the Commission from dealing with any matter or exercising any power under the Act, and the Commission may deal with such matters, and exercise such powers and functions in such manner as it deems fit.

By Order of the Commission
Secretary
Haryana Electricity Regulatory Commission

Schedule - 1

(Description of the area of Supply for the Licence under consideration) .....However, for cantonment, aerodrome, fortress, arsenal, dockyard or camp or any building or place in occupation of the Central Government for defence purpose, the license will be effective only upon production of a no objection certificate from the Central Government.