

Bhopal, Dated: 23rd July, 2004

No.1998/MPERC/2004. In exercise of powers under Section 16 of the Electricity Act 2003, MPERC specifies the Conditions of Transmission License applicable to the Transmission Licensee (including deemed licensee), for carrying on the business of Transmission of electricity within the Area of Transmission of licensee and with the powers and upon the conditions specified herein

## **The Conditions of Transmission License for Transmission Licensee (including deemed licensee)**

### PART I: DEFINITION

#### **1 SHORT TITLE AND COMMENCEMENT**

- 1.1 This document shall be called "The Conditions of Transmission License for Transmission Licensee (including deemed licensee)"
- 1.2 These conditions shall be applicable to Transmission Licensee (including deemed licensee)
- 1.3 These conditions extend to the whole of the State of Madhya Pradesh.
- 1.4 They shall come into force on the date of their publication in the official Gazette of Madhya Pradesh.

#### **2 DEFINITIONS**

- 2.1 Words, terms and expressions to which meanings are assigned by the Electricity Act 2003 shall have the same meanings in this Conditions of License.
- 2.2 In these Conditions of Transmission License, unless the context otherwise requires, the words shall have the meaning set out below, such that the same will not be contrary to the provisions of the Act:

**"Financial Statement"** means for each financial year, financial statements 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 particulars and details and in the manner 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:

charged from the Licensed Business to any Other Business or vice versa together with a description of the basis of that charge;

or determined by apportionment or allocation between the Licensed Business and any Other Business of the Licensee together with a description of the basis of the apportionment or allocation.

The Financial Statement shall show separately the requirements mentioned above for the Licensed Business and Other Business(es) in which the Licensee may be engaged with the approval of the Commission as provided in Clause 5.4 of the Conditions of License.

**"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 (1 of 1956) and/or in such other manner as may be directed by the Commission in terms of the provisions of the Act;

**"Area of Transmission"** means the geographic area referred to in Schedule 1 of these Conditions of License within which any activity authorized by this Conditions of License is allowed;

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

**"Authorized"**, in relation to any Person, business or activity, means authorized by License granted under Section 14 of the Central Act or deemed to be granted under fifth proviso of Section 14 of the Central Act or exemption granted under Section 13 of the Central Act;

**"Central Act"** means the Electricity Act 2003 (36 of 2003) as in force from time to time;

**"Central Commission"** means the Central Electricity Regulatory Commission referred to in sub-section (1) of section 76 of Central Act ;

**"Central Transmission Utility"** means any government company which the Central Government may notify under sub-section (1) of section 38

**"Commission"** means the Madhya Pradesh Electricity Regulatory Commission constituted under the Act;

**"Consumer"** means any person who is supplied with electricity for his own use by a licensee or the Government or by any other person engaged in the business of supplying electricity to the public under this Act or any other law for the time being in force and includes any person whose premises are for the time being connected for the purpose of receiving electricity with the works of a licensee, the Government or such other person, as the case may be. Any person who has applied for availing electricity supply or a person whose electricity connection has been disconnected shall also be regarded as consumer ;

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

**"Distribution and Business"** means the Licensed Business of a Distribution Licensee

**"Distribution Code"** means the code prepared by the Distribution Licensee (s) in accordance with the conditions of the Distribution and Retail Supply License, that is approved by the Commission, as amended, supplemented or replaced from time to time in accordance with conditions of the said Distribution and Retail Supply License (s);

**"Distribution License"** means each of the Licenses as may be issued by the Commission under 14 of the Act for the conduct of the Distribution Business;

**"Distribution Licensee"** means the holder of a Distribution License;

**"Distribution System"** means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers;;

**"Force Majeure"** means events beyond the reasonable control of the Licensee, including unforeseen system disturbances / failures, lock outs, strikes, riots, insurrection command of civil or military authority, fire explosions, earthquakes, cyclones, floods, storms, adverse weather conditions or other similar occurrences that leads to any act that would involve a breach of relevant laws or regulations concerned with electrical safety;

**"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 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);

**"Grid Code"** means the Grid Code which the Commission approves under clause (h) of sub-section (1) of section 86, 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, the Distribution Systems or the system of any Supplier and shall include the Interim Grid Code;

**"Holding Company"** For the purpose of these Conditions of License a Company shall be deemed to be a holding company of another if and only if that other is a subsidiary as defined herein / shall have the same meaning as in section 4 of the Companies Act, 1956;

**"Interim Grid Code"** means the existing practices and procedures followed by MPSEB or Transmission Licensee (including deemed licensee), as the case may be for operating the Transmission System as of the date of issue of these Conditions of License;

**"Interim Distribution Code"** means the existing practices and procedures followed by MPSEB or Transmission Licensee (including deemed licensee) for operating the Distribution System as of the date of the issue of Conditions of Distribution License;

**"License"** means the License under Section 14 of the Central Act under which the Licensee or the Deemed Licensee is Authorized to conduct the Licensed Business;

**"Licensee"** means the entity, which has been granted a License or is a Deemed Licensee under the first or fifth proviso of Section 14 of the Central Act;

**"Licensed Business"** means the business of transmission of electrical energy in the Area of Supply as Authorized under this Conditions of License;

**"Major Incident"** means an incident associated with the transmission of electricity in the Licensee's Area of Supply which results in a significant interruption of service (over 15 days in rural areas and over 3 days in urban areas), substantial damage to

equipment, or loss of life or significant injury to human beings, with the technical characteristics of "significant interruption", "substantial damage", "significant injury" specified in the Grid Code, or Standards of Performance to be approved by the Commission or as otherwise specified by the Commission and shall also include any other incident which the Commission expressly declares to be a major incident;

**"MP Act"** means the Madhya Pradesh Vidyut Sudhar Adhiniyam, 2000 (No. 4 of 2001)

**"MPPTCL"** means the Madhya Pradesh Power Transmission Company Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Shakti Bhavan, Rampur, Jabalpur (MP).

**"MPSEB"** means the Madhya Pradesh State Electricity Board, a Board constituted under section 5 of the Electricity (Supply) Act, 1948 for the State of Madhya Pradesh having its head office at Shakti Bhavan, Rampur, Jabalpur (MP).

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

**"Operational Control"** means possessing the authority to make operational decisions such as commissioning and utilization of units, service lines and equipment;

**"Other Business"** means business of the Licensee other than the Licensed Business;

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

**"Person"** shall include any individual, firm, company or association or body of individuals whether incorporated or not;

**"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, or as directed by the Commission.

**"Power Supply Planning and Security Standards"** are such standards as (i) will ensure that the Licensee conducts its planning so that Bulk Supply will meet levels of reliability and quality, to be proposed by the Licensee and approved by the Commission, by reason of sufficiency of power available for the purposes of Bulk Supply; or (ii) the Commission may otherwise specify.

**"Regulations"** means the regulations issued by the Commission under provisions of the Central Act or MP Act;

**"Standards of Performance"** means the standards as may be determined by the Commission pursuant to section 34 of the MP Act and Section 86 (1) (i) of the Central Act;

**"State Government"** means the government of the state of Madhya Pradesh;

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

**"Supply"** in relation to electricity means the sale of electricity to a licensee or consumer;

**"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;

**"Trader"** means the entity holding the Trading license granted under section 14 of the Central Act;

**"Trading"** means purchase of electricity for resale thereof and the expression "trade" shall be construed accordingly;

**"Trading Business"** means the Authorized business of the Trading licensee in the Area of Supply;

**"Transfer"** shall include the sale, exchange, gift, lease, license, loan securitization, mortgage, charge, pledge or grant of any other encumbrance or otherwise permitting of any encumbrance to subsist or parting with physical possession or any other disposition or dealing.

**"Transmission"** means the conveyance of electricity by means of the Transmission System;

**"Transmission Business"** means the Authorized business in Transmission, whether for its own account or for that of any other Person, through any system owned and/or operated by such Licensee;

**"Transmission Licensee"** means the Transmission Licensee (including deemed licensee) in its capacity as operator of the Transmission Business;

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

**"Transmission Planning and Security Standards"** means the standards related to the adequacy of the Licensee's system planning and security of its Transmission System as approved by the Commission;

**"Transmission System"** means the system consisting mainly of extra high voltage electric lines having design voltage of 66 kV and higher, owned or controlled by the Licensee, and used for the purposes of the transportation of electricity 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 bays/equipment up to the interconnection with the Distribution System or to other Users connected to it, and any plant, apparatus and meters owned or used in connection with the transmission of electricity, but shall not include any part of a Distribution System

**"Use of System"** means use of the Transmission System for the transportation of electricity by a Person specified in Clause 19;

**"Users"** means anyone who uses the assets of the Transmission Business including the Generators, Traders, DISCOMS, Distribution Licensees, Consumers availing open access in transmission.

- 2.3 References in this Conditions of License to Clause/Clauses, parts, and schedules shall, unless the context otherwise requires, be construed as references to Clauses, parts of and schedules to this Conditions of License.

### **3 CONDITION OF LICENSE**

- 3.1 The Conditions as specified herein are subject to modifications or amendments to be made by the Commission in accordance with the provisions of the Central Act, the MP Act or the Regulations specified by the Commission.
- 3.2 These Conditions of License shall come into force from the date of issue and, unless revoked earlier by the Commission, in accordance with the provisions of these Conditions of License or the provisions of the Central Act or the MP Act, shall remain in force for 25 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 further periods of 20 years as the Commission may deem fit.

## **PART II - GENERAL CONDITIONS**

### **4 DIRECTIONS**

- 4.1 The Licensee shall comply with the Regulations, orders and directions issued by the Commission from time to time and shall also act in accordance with these Conditions of License, except where the Licensee obtains the approval of the Commission for any deviation there from.

### **5 ACTIVITIES OF THE LICENSEE**

#### **Functions and Duties of the Licensee**

#### 5.1

- (a) The Licensee shall undertake transmission of electricity through its intra-State transmission system;
- (b) The Licensee shall discharge all functions of planning and co-ordination relating to intra-state transmission system with
- i. Central Transmission Utility
  - ii. State Government
  - iii. Generating Companies
  - iv. Regional Power Committees
  - v. Authority
  - vi. Other Licensees;
  - vii. Any other person notified by the State Government in this behalf;
- (c) The Licensee shall ensure development of an efficient, co-ordinated and

economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centers

- (d) The Licensee shall build, maintain and operate an efficient, coordinated and economical inter-State transmission system or intra-State transmission system, as the case may be
  - (e) The Licensee shall provide non-discriminatory open access to its transmission system for use by
    - i. Any Licensee or generating company on payment of the transmission charges; or
    - ii. Any consumer as and when such open access is provided by the Commission under sub-section (2) of section 42, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission; the manner of payment and utilization of the surcharge shall be specified by the State Commission.
  - (f) The Licensee shall not engage in the business of trading in electricity unless specifically permitted.
- 5.2 The Licensee shall undertake the above functions as per the specific guidelines mentioned in this License conditions and in future Codes, orders, regulations and guidelines issued from time to time.

#### **State Load Despatch Centre**

- 5.3 Till the establishment of the State Load Despatch Centre (SLDC) by the State Government as per Section 31 (2) of the Central Act, and the State Transmission Utility (STU) undertakes the operations of the SLDC, the following functions, of SLDC, as described below shall be undertaken by the STU:
- (a) It shall be the apex body to ensure integrated operation of the power system in a State
  - (b) It shall monitor grid operations
  - (c) It shall keep accounts of the quantity of electricity transmitted through the State grid
  - (d) It shall exercise supervision and control over the intra-state transmission system; and
  - (e) It shall be responsible for carrying out real time operations for grid control and dispatch of electricity within the State through secure and economic operation of the State grid in accordance with the Grid Standards and the State Grid Code
- 5.4 The SLDC shall give such directions and exercise such supervision and control as may be required for ensuring the integrated grid operations and for achieving the maximum economy and efficiency in the operation of power system in that State.

- 5.5 The Licensee shall comply with the directions of the Regional Load Dispatch Center and the State Load Dispatch Centre (if established by the State Government as distinct from the Licensee).
- 5.6 The SLDC may levy and collect such fees and charges from the generating companies and Licensees engaged in intra-State transmission of electricity, as may be specified by the State Commission.
- 5.7 When it undertakes the operations of SLDC, the STU shall not give undue preference to any User whether within or outside the State and shall abide by regulations and directions of the Commission in this regard.

#### **Limitations on the Transmission Licensee**

- 5.8 The Licensee shall not trade in power, acquire any beneficial interest in any Generating Company or Generating Station / Distribution Company / Trading Company unless specifically permitted.
- 5.9 The Licensee shall not without the prior approval of the Commission:
  - (a) undertake any transaction to acquire by purchase or takeover or otherwise, the utility of any other Licensee, or
  - (b) merge his utility with the utility of any other Licensee,
  - (c) transfer electricity to any Person in the state of Madhya Pradesh, other than pursuant to these Conditions of Licensee,
  - (d) acquire any beneficial interest in any Generating Company of Generating Station or Distribution Licensee or Trading Licensee.
- 5.10 Without prior approval of the Commission, the Licensee shall not transmit electricity to any Person in the state of Madhya Pradesh, other than pursuant to these Conditions of Licensee, except to the extent required to meet its obligations under the Central Act, in relation to the inter-state transmission of electricity.
- 5.11 The Licensee shall not at any time assign his License or transfer the utility, or any part thereof, by sale, lease, exchange or otherwise without prior approval of the Commission.
- 5.12 The Licensee shall not commence any new provision of services to any other Licensee or Person not authorised by the Commission for the transportation of electricity through the Licensee's Transmission System, except with the general or special approval of the Commission.
- 5.13 In circumstances requiring immediate remedial action in the interest of continuity of supply to any Person, the Licensee may commence the activity referred to in Clause 5.2, provided that the Licensee will inform the Commission of such occurrence or circumstances within 5 days thereof.



## **Other Business of the Licensee**

- 5.14 The Licensee may engage in any business to optimize the utilization of assets, but only with prior approval of the Commission. Any such engagement shall be for the purpose of gainful employment of assets only.
- 5.15 A proportion of the revenue derived from such business shall be utilized for reducing the charges for transmission and wheeling. The proportion shall be specified by the Commission when the Licensee approaches the Commission for approval to engage in Other Business.
- 5.16 The Licensee shall ensure that the transmission business does not subsidize in any way such business undertaking nor creates encumbrance on its transmission assets in any way to support such business.
- 5.17 Any engagement by the Licensee in any Other Business may be permitted by the Commission subject to the following conditions and that they should not be in contravention of these Conditions of License:
- (a) the Licensed Transmission Business and the conduct thereof by Transmission Licensee (including deemed licensee) is not prejudiced and/or adversely affected in any manner;
  - (b) the Licensee shall prepare and keep, in respect of Other Business activities, separate accounting records as would be required to be kept in respect of such activities, as if they were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, such Other Business activities are separately identifiable from those of the Licensed Business;
  - (c) the Licensee shall comply with such guidelines, conditions that the Commission may specify in regard to
    - (i) the Licensee engaging in Other Business activities and
    - (ii) payment of fair compensation to the Licensed Transmission Business for the assets of the Licensee utilized for such Other Business activities; and
  - (d) the Licensee shall not transfer the Transmission System or any assets utilized in the Transmission Business for the purposes of any Other Business activities, without the prior approval of the Commission.
  - (e) the Licensee shall be entitled to give equipment / materials in its possession on hire. The licensee shall also be entitled to permit laying of cables for TV channels or other communication channels by laying cables on electric poles in possession of the licensee. The Licensee shall also be entitled to permit affixing of advertisement kiosks on electric poles / properties in possession of Licensee. The Licensee shall be entitled to sell or dispose off scrap / unserviceable / obsolete materials / equipments. The earnings from such activities shall be included in the Annual Revenue Requirement petition to be filed with the Commission on an annual basis

- 5.18 The Licensee shall seek the approval of the Commission before making any loans to, or issuing any guarantee for any obligation of any Person, except when made or issued for the purposes of the Licensed Transmission Business. 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.
- 5.19 The Licensee may engage any of its Subsidiaries or Holding Company or a Subsidiary of such Holding Company to provide any goods or services to itself, in connection with the Licensed Transmission Business subject to the following conditions:
- (a) that the transaction will be on an arms-length basis and at a value that is fair and reasonable in the circumstances;
  - (b) that the transaction will be consistent with any Regulations framed by the Commission relating to the provision of goods and services with respect to the Licensed Transmission Business;
  - (c) and that the Licensee will give 15 days notice to the Commission prior to commencement of the proposed arrangement and along with the notice provide all relevant details of the arrangement.
- 5.20 In all other cases of engagement of such Subsidiary or Holding Company or a subsidiary of the Holding Company, prior permission of the Commission will be required. Where such prior permission is required, the Licensee will file a suitable application with 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 generally within 30 days of such further information being submitted by the Licensee, and where no such further information is sought by the Commission as above, generally within 60 days of filing of the application, allow the arrangement subject to such conditions or modifications as is considered appropriate or reject the same, for reasons recorded in writing in the order to be issued by the Commission.

## **6 SUBSIDY MECHANISM**

- 6.1 The Licensee shall not, without prior permission of the Commission, give any subsidy or subvention to any Person or any Other Business, or receive any subsidy or subvention from any Person except the State Government pursuant to Section 65 of the Act or any Other Business of the Licensee.

## **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 the Licensed Transmission Business and any Other Business of the Licensee:
- (a) keep such accounting records as would be required to be kept in respect of each such 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, the Licensed Business are separately identifiable in the books of the Licensee, from those of any other business in which the Licensee is engaged; and

- (b) prepare on a consistent basis from such accounting records and deliver to the Commission:
  - (i) the Financial Statements;
  - (ii) in respect of first six 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 Financial Statements prepared in accordance with this clause 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 clause 7 and give a true and fair view of:
    - a) in case of Balance Sheet, of the state of Company Affairs;
    - b) in case of the profit and loss account, of the profit or loss for its financial year.
  - (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 Financial Statements and Auditor's report not later than six months after the end of the financial year to which they relate.

7.3 The Licensee shall not normally change the basis of charge or apportionment or allocation in relation to the preparation of the Financial Statements in respect of a financial year from those applied in respect of the previous financial year, without prior intimation to the Commission. Any change, if proposed, in basis of charge or apportionment of revenues or expenses shall be consistent with the provisions of the Companies Act, 1956, the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) or any guidelines issued by the Commission in this regard.

7.4 Where, in relation to the Financial 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 Financial Statements on those bases which it has adopted, prepare such Financial Statements on the bases which applied in respect of the immediately preceding financial year.

7.5 Financial Statements prepared under clause 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) state the accounting policies adopted.
- (c) be prepared in accordance with Accounting Standards issued by ICAI; and

- 7.6 References in this clause 7 to costs or liabilities of, or reasonably attributable to, Licensed Business or Other Business shall be construed as excluding taxation, and capital liabilities, which do not relate principally to such Business, and interest thereon.
- 7.7 The Licensee shall ensure that the Financial Statements in respect of each financial year prepared under clause 7.2 and the Auditor's report in respect of each financial year referred to in clause 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**

- 8.1 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 these Conditions of License if any undue preference results from compliance with any directions of the State Government under Section 37 of the Central Act or in the implementation of any order passed by the Commission.

## **9 PROVISION OF INFORMATION**

- 9.1 The licensee shall provide all information as applicable to the licensee in the formats enclosed within sixty days from coming into force of these Conditions of License. Subsequently, all the formats shall be filled up and submitted by the licensees, annually, within a month after the completion of every financial year.
- 9.2 The Licensee shall furnish to the Commission without undue delay such information, documents and details related to the Licensed Transmission Business or any Other Business as the Commission may require for its own purposes or for the purposes of the Government of India, State Government, the Central Commission and / or the Central Electricity Authority.
- 9.3 In the event of any Major Incident affecting any part of the Transmission System, the Licensee shall notify the Commission and the Users of the transmission system (if the Major Incident affects them) as soon as possible. The Licensee shall at the earliest possible date and in any event, no later than two months from the date of such Major Incident:
- (a) submit a report to the Commission giving full details of the facts within the knowledge of the Licensee regarding the incident and its cause.
  - (b) In the event the report under sub-clause (a) is likely to take more than 15 days from the date of the Major Incident, the Licensee shall within 15 days from such date of the incident submit a preliminary report with such details which the Licensee can reasonably furnish and state reasons as to why the Licensee requires more than 15 days for giving full report of such incident.
  - (c) give copies of the report to such other Persons as the Commission may direct.
- 9.4 The decision of the Commission as to what is a Major Incident shall be final. The Commission may, after providing an opportunity of hearing the Licensee 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 as a consequence of a Major Incident that has been caused by any act of commission, omission or negligence on the part of any of the employees or agents of the Licensee while performing any function on behalf of the licensee.

- 9.5 The Commission at its own discretion may require the submission of a report on any incident or incidents to be prepared by an independent Person at the expense of the Licensee. Such expenses shall be included in the determination of aggregate revenues made in accordance with these Conditions of License.
- 9.6 The Commission may at any time require the Licensee to comply with the provisions of clauses 9.3 to 9.5 as to incidents which the Commission may specifically direct and the Licensee shall be obliged to comply with the same, notwithstanding that such incidents are not Major Incidents; provided that the time limits specified in clause 9.3 shall commence from the date that the Commission notifies the Licensee of such requirement.
- 9.7 The Licensee shall also undertake such studies as the Commission may direct it to undertake from time to time for the improvement of the Licensed Transmission Business and any other matter concerning the Licensed Transmission Business that the Commission considers necessary in the public interest or in the interest of the electricity industry.
- 9.8 The Licensee shall inform the Commission about any incident of a User not meeting its obligation under an approved contract, or a Force Majeure situation restricting it from meeting its obligation under these Conditions of License.
- 9.9 The Licensee shall submit a 5 year Business Plan (or for a duration as specified by the Commission) within three months from the date of effectiveness of the Transfer Scheme or within three months from the date of issuance of these Conditions of License, whichever is earlier, and updated annually which should contain year-wise load growth, year-wise loss reduction proposed along with specific action plan, investment plan, treatment of previous losses reduction of liabilities, cost reduction plan, projected profit and loss account, projected balance sheet, projected cash flow statements, projected important financial parameters and other information as the Commission may require. Transmission Licensee (including deemed licensee) must also adhere to requirements laid out by the Commission in other notifications or guidelines in this regard.
- 9.10 The Commission may require the Licensee to intimate during the first quarter of each financial year the progress made in implementing the Business Plan of the previous financial year with the comparison of actual implementation vis-à-vis the Plan as approved by the Commission for a block of 5 years. Based on this, the subsequent Plan may be modified subject to approval by the Commission.

## **10 INVESTMENTS**

- 10.1 The Licensee shall not make any investment except in an economical and efficient manner and in keeping with these Conditions of License and in accordance with the Regulations, guidelines, directions and orders the Commission may issue from time to time.
- 10.2 Commission may require the Licensee to submit a 5-year Investment Plan with details of investment schemes to be undertaken during the period for the approval of the Commission. This Investment Plan shall be correlated with the Business Plan mentioned in Clause 9.9. In such case, the Licensee shall intimate, during the first month of each financial year:
- (a) the annual investment plan with details of investment schemes to be carried

out during the financial year and

- (b) the progress made in implementing the annual investment plan of the previous financial year with the comparison of actual implementation vis-à-vis the plan as approved by the Commission for a block of 5 years.
- 10.3 The Licensee shall make an application to the Commission for obtaining prior approval of the Commission for schemes involving investments as per the procedure which the Commission may specify from time to time and demonstrate to the satisfaction of the Commission that:
- (a) there is a need for the investment in the Transmission System, which the Licensee proposes to undertake, and
  - (b) the 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 needs.
- 10.4 The Licensee shall invite and finalize tenders for procurement of equipments, material and/or services relating to such investment, in accordance with a transparent tendering procedure as may be specified by the Commission. If the Licensee has some existing procedure, the same shall be submitted to the Commission for approval.
- 10.5 Transmission Licensee (including deemed licensee) shall submit to the Commission along with the “Expected Revenue Calculation” filed in terms of clause 19, the annual investment plan consisting of those schemes approved by the Commission, schemes submitted before the Commission for approval and shall make investment in the said financial year in accordance with the said investment plan. Provided, however, if any unforeseen contingencies required reallocation of funds within the schemes listed in the annual investment plan, Transmission Licensee (including deemed licensee) may do so, after approval of the Commission. If on account of unforeseen circumstances Transmission Licensee (including deemed licensee) is required to make investment in a scheme, which does not find a place in the annual investment plan, it may do so after approval of the Commission.

## **11 TRANSFER OF ASSETS**

- 11.1 Transmission Licensee (including deemed licensee) shall not, in a single transaction, transfer 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 clause 11. The Licensee shall not divide, partition or split the assets or the cost thereof in order that the provision of this clause 11 is circumvented.
- 11.2 Transmission Licensee (including deemed licensee) shall give to the Commission prior written notice of its intention to transfer or relinquish Operational Control over any asset whose value exceeds Rs 100 Lakhs and disclose all relevant facts. The Commission may, within 30 days of the receipt of the notice, seek further information in support of the transaction and shall, generally within 30 days of such further information being submitted by the Licensee, and where no such further information is sought by the Commission as above, within 60 days of the filing of the application, approve the Transfer Arrangement subject to such conditions or modifications as is considered appropriate or reject the same, for reasons recorded in writing in the order to be issued by the Commission.

- 11.3 The Licensee may transfer or relinquish Operational Control over any asset as is specified in any notice given under clause 11.2 if:
- (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 Licensee in writing of any objection to such transfer or relinquishment of Operational Control within the notice period referred to in clause 11.2 and only through transparent and competitive bidding Procedures.
- 11.4 The Licensee may transfer or relinquish Operational Control over any, asset where:
- (a) the Commission has issued directions containing a general consent (whether or not subject to conditions) to:
    - (i) transactions of a specified description, and/or
    - (ii) the transfer or relinquishment of Operational Control over assets of a specified description and/or
    - (iii) the Transfer of or relinquishment of Operational Control is in accordance with any conditions to which the consent is subject, or
  - (b) the transfer or relinquishment of Operational Control in question is required by or under the mandate of any other Act; or
  - (c) the asset in question was acquired and used by the Licensee exclusively or primarily in connection with any Other Business that it has been Authorised to carry on pursuant to clause 11.4 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.
- 11.5 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 conditions
- (a) that the Licensee will inform the Commission about such arrangement/s at least 15 days prior to the effective date of the relevant agreement/s;
  - (b) the Licensee acts in a prudent and reasonable manner in such utilization of assets; and
  - (c) the Licensee retains the Operational Control over assets in the transmission system.
- 11.6 The Licensee shall be entitled to sell or dispose the scrap / unserviceable material / equipments.

## **12 FEES**

### **Payment of Fees**

- 12.1 The transmission licensee shall be required to make an application for determination of tariff under section 62 of the Central Act in accordance with the manner and accompanied by such fees as shall be determined by the Commission by regulations notified by it. The Commission may require the licensee to pay the fee for such periods and duration as may be notified through such regulations.
- 12.2 The Licensee shall be entitled to take into account any fee paid by it under this clause 12 in the determination of aggregate revenues made in accordance with clause 19, but shall not take into account any interest or penalty paid pursuant to this clause.

### **Payment of Other Fees**

- 12.3 The Licensee shall also pay all other fees as may be applicable by regulations of the Commission.

## **13 AMENDMENT OF LICENSE CONDITIONS**

- 13.1 These Conditions of License can be modified by the Commission at any time it deems fit if it is in public interest as per Section 18 of the Central Act. For any such modification, before any alterations or amendments in the Conditions of license are made under this section, the following provisions shall have effect:
- (a) where the Licensee has made an application under Section 18, sub-section (1) of the Central Act proposing any alteration or modifications in the Conditions of License, the Licensee shall publish a notice of such application with such particulars and in such manner as may be specified;
  - (b) in the case of an application proposing alterations or modifications in the area of supply comprising the whole or any part of any cantonment, aerodrome, fortress, arsenal, dockyard or camp or of any building or place in the occupation of the Government for defense purposes, the Commission shall make any alterations or modifications only with the consent of the Central Government;
  - (c) where any alterations or modifications in license conditions are proposed to be made otherwise than on the application of the licensee, the Commission shall publish the proposed alterations or modifications with such particulars and in such manner as may be specified;
  - (d) the Commission shall not make any alterations or modification unless all suggestions or objections received within thirty days from the date of the first publication of the notice have been considered.

## **14 REVOCATION OF LICENSE**

- 14.1 Subject to the provisions of Section 19 of the Central Act, the Commission may at any time initiate proceedings against the Licensee for revocation of permission to operate the Transmission Business of any part thereof under these Conditions of License and if satisfied in such proceedings on the grounds for revocation, revoke the license if the Licensee:



- (a) has, in the opinion of the Commission, committed a willful or prolonged default in doing anything required of him by or under the Central Act or the MP Act or Rules and Regulations made thereunder to the extent applicable in the State; or
- (b) has, in the opinion of the Commission, committed a material breach of the Conditions contained in herein, the breach of which is expressly declared by these Conditions of License to render it liable to revocation of permit to operate.; or
- (c) has in the opinion of the Commission, failed to comply with any order or direction issued by the Commission; or
- (d) fails to pay any fee or fine or charges within the time allowed by the Commission; or
- (e) fails to show to the satisfaction of the Commission within 3 months of being directed by the Commission that the Licensee is in a position to fully and effectively discharge the duties and obligations imposed on him by these Conditions of License or to make the deposit or furnish the security as may be required by the Commission from the Licensee; or
- (f) has committed an act which renders these Conditions of License revocable on any other grounds specified in the Act or the Regulations.

14.2 Pursuant to Section 19(3) of the Central Act, in the event of a move to revocation, the Commission shall give to the Licensee a 3 months notice in writing stating the grounds on which it is proposed that the permit to operate under these Conditions of License be revoked. The Licensee may show cause within this period against the proposed revocation.

14.3 Pursuant to Section 19 (4) of the Central Act, the Commission may also rule that the Licensee may not be entirely revoked, but operations under these Conditions of License may be allowed to continue under additional conditions that the Commission deems fit. Any such further conditions shall be binding on the Licensee and shall be observed by the Licensee and shall be of like force and effect as if it were contained in these Conditions of License.

14.4 When the Commission decides to revoke permits to operate the Licensed Business, it shall serve a notice of revocation upon the Licensee and fix a date on which the revocation shall take effect.

14.5 Where the Commission has given notice for revocation of permit to operate, without prejudice to any penalty which may be imposed or prosecution proceeding which may be initiated under this Act, the Licensee may, after prior approval of that Commission, sell his utility to any Person who is found eligible by that Commission for grant of License as per Section 20 of the Central Act.

14.6 It is a condition of these Conditions of License that Transmission Licensee (including deemed licensee) shall always comply with all the Regulations, Codes, Standards and also Orders and Directions of the Commission. When the Commission expressly states that an order subjects the Licensee to this clause, failure to comply with that order will render the License liable to revocation in accordance with section 19 of the Central Act (without prejudice to the Commission's right to revoke the license on any other applicable grounds).

## **15 MISCELLANEOUS GENERAL CONDITIONS**

15.1 In carrying out its function and obligations under these Conditions of License, the Licensee shall comply with the requirements of the Central Act and the MP Act and regulations made thereunder, to the extent they are not in conflict with each other. In the event of conflict, the provisions of the Central Act will be applicable.

15.2 The Licensee shall comply with the directions of the Electrical Inspector appointed by the State Government under section 162 of the Central Act, provided that any order passed by the Electrical Inspector shall be subject to appeal as provided in section 162 of the Central Act.

## **16 DISPUTE RESOLUTION AND DECISION ON INTERPRETATION OF LICENSE**

16.1 The Commission shall be entitled to act as arbitrator or nominate arbitrator(s) to adjudicate and settle disputes between the Licensee and any other Licensee in pursuance of section 86 (1) (f) of the Central Act or section 39(1)(b) of the MP Act.

16.2 All issues arising in relation to interpretation of these Conditions of License shall be a matter for the determination of the Commission and the decision of the Commission on such issues shall be final, subject only to the right of appeal under Section 110 of the Central Act.

## **PART III: TECHNICAL CONDITIONS**

### **17 GRID CODE**

17.1 The Licensee shall ensure that, within three months from the issue of these Conditions of License there is in force at all times a Grid Code, which meets the requirements of this Clause 17 the Licensee shall implement and comply with the Grid Code.

17.2 The Grid Code shall include:

- (a) 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 including, but not limited to, connection conditions specifying the technical, design and operational criteria to be complied with by the Licensee and by any Person / User 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 connection conditions, technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Transmission System;
- (d) a Metering Code setting out requirements and procedures for metering; and
- (e) 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 Madhya Pradesh; and
- (b) allow the Licensee to comply with its obligations in relation to the inter-State transmission of power.

17.4 All revisions to the Grid Code shall require the prior written approval of the Commission.

17.5 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.

17.6 The Licensee shall make available a copy of the Grid Code in force to any Person / User requesting it at a price not exceeding the reasonable cost of duplicating it.

17.7 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 Licensed Transmission Business

17.8 The Commission may issue directions relieving the Licensee or following consultation with the Licensee any Person of their obligations to implement or comply with the Grid Code to the extent as may be specified in the directions.

## **18 TRANSMISSION PLANNING AND SECURITY STANDARDS, TRANSMISSION OPERATING STANDARDS**

- 18.1 The Licensee shall plan and operate the Transmission System, so as to ensure that the Transmission System is capable of providing an efficient, co-coordinated and economical system of Transmission and shall comply with any codes or regulations specified by the Commission in the regard as per provisions of Section 86 (1) (i) of the Central Act. In particular, the Licensee shall:
- (a) plan and develop its Transmission System in accordance with the Transmission System Planning and Security Standards together with the Grid Code as approved by the Commission; and
  - (b) operate the Transmission System in accordance with the Transmission System Operating Standards together with the Grid Code as approved by the Commission.
- 18.2 The Licensee shall, within 60 days from the date the Conditions of this License become effective, submit to the Commission the existing Planning and Security Standards and the Operating Standards for its Transmission System
- 18.3 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 these Conditions of License take effect:
- (a) The Licensee shall, within six months from the date of issue of these Conditions of License or such longer time as the Commission may allow after these Conditions become effective, prepare, in consultation with the Suppliers, Generating Companies, Central Transmission Utility, Regional Electricity Boards and such other Person as the Commission may specify, and submit to the Commission for approval the Licensee's proposal for Transmission Planning and Security Standards, Transmission Operating Standards, in accordance with this Clause.
  - (b) The Transmission Planning and Security Standards, Transmission Operating Standards submitted by Transmission Licensee (including deemed licensee) pursuant to the Conditions of License, with such modifications as the Commission may require, shall take effect from such dates as the Commission shall specify.
- 18.4 The Licensee shall not be in breach of its obligations under these Conditions of License if it has failed to meet the Transmission Planning and Security Standards or the Transmission Operating Standards directly due to Force Majeure, provided that, the Licensee has used its reasonable efforts, to the extent reasonably possible, to comply with the Transmission Planning and Security Standards or the Transmission Operating Standards, as the case may be.
- 18.5 The Licensee shall make reasonable arrangements to provide for transfer of electricity to Suppliers and Open Access consumers. Provided that the Licensee shall not be considered in breach of the requirements of this Clause 18.5 in circumstances where, for reasons accepted by the Commission, the Licensee has been unable to transmit.

18.6 The Licensee shall, in consultation with Users, 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 Clause 18.7. 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 Users, 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 by the Licensee, relieve it (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.

18.7 Having regard to any written representations or objections referred to in Clause 18.6 (c), and following such further consultation (if any) as the Commission may consider appropriate, the Commission may issue directions requiring the Licensee to revise the Standards in such manner as may be specified in the directions.

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

18.9 The Licensee shall submit reports in the formats prescribed by the Commission.

18.10 The Licensee shall, on an annual basis:

- (a) forecast the quantum of power to be wheeled through its transmission system based on the forecast made available by Users within the Area of Transmission in each of the next succeeding five years; and
- (b) estimate the quantum of inter-State transmission that will occur through its wires in each of the succeeding five years; and
- (c) prepare and submit forecasts to the Commission in accordance with the guidelines issued by the Commission from time to time.

18.11 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 a summary of the report 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.

18.12 The Licensee shall, upon request by the Commission, provide to the Commission such information as the Commission may require under this clause or for the purpose of monitoring compliance with this Clause 18.

## **PART IV: CONNECTION AND USE OF SYSTEM CHARGES**

### **19 REQUIREMENT TO OFFER TERMS OF USE OF SYSTEM AND CONNECTION TO SYSTEMS**

19.1 The Licensee shall make such arrangements for the use of the Transmission System by Users as specified in this Clause 19. On application made by any such User or Person, the Licensee shall offer to enter into an agreement with that person for the use of the Transmission System conforming to the Connection Conditions specified in the Grid Code and on payment of Use of System Charges as may be specified by the Commission

Explanation: The Users referred to in this Clause 19.1 are:

- a) Persons authorized to use the network of the Licensee for the purpose of transmission of electrical energy;
- b) such Persons as the Commission may authorize to use the Transmission System.

19.2 The Licensee shall not be obliged pursuant to this Clause 19 to ‘offer to enter’ or ‘to enter’ into any agreement if

- (a) it is likely to result in breach of its duties under Section 40 of the Act; or
- (b) 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;
- (c) being in breach of the Grid Code; or
  - (i) being in breach of any of these Conditions of License; or
  - (ii) 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
  - (iii) in the case of Persons making application for Use of System under Clause 19.1, such Person ceases to be authorized as specified therein; or
  - (iv) in the case that the Persons have been identified as not having the financial resources to pay the transmission charges.

19.3 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 Clauses 19.1 and 19.2 pursuant to a request under this Clause 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.

- 19.4 The Licensee shall prepare and submit to the Commission on an annual basis, a statement showing in respect of each of the 5 succeeding financial years forecasts of circuit capacity, power flows and loading on the Transmission System under standard planning criteria, together with:
- (a) such further information as shall be reasonably necessary to enable any Person seeking Use of System to identify and evaluate the opportunities available when connecting to and making use of such system; and
  - (b) a commentary prepared by the Licensee indicating its views as to those parts of its Transmission System most suited to new connections and transport of further quantities of electricity.
- 19.5 At the request of a Person or a Supplier who wishes to use the Transmission System under Clauses 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.
- 19.6 The Licensee may make a charge for any statement given or sent to Persons seeking Use of System, of an amount reflecting the Licensee's reasonable costs of providing such a statement.
- 19.7 By virtue of these Conditions of License, the Licensee is entitled to undertake all activities necessary, related or incidental to the conduct of the License Transmission Business this would include laying and operating appropriate communication network to implement information technology based solutions like remote metering etc. for the Licensed Transmission Business.
- 19.8 The provisions of section 67 of the Central Act conferring powers on the licensee and casting obligations on him shall apply wherever the context requires.

## **PART V: EXPECTED REVENUE CALCULATION AND TARIFFS**

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

- 20.1 The Licensee shall calculate the expected revenue from charges which it is permitted to recover in accordance with the provisions of the Central Act read with Regulations notified under 181 (2) (zf), these Conditions of License, the orders of the Commission and other requirements specified by the Commission from time to time.

## **PART VI: OPEN ACCESS IN TRANSMISSION**

### **21 INTRODUCTION OF OPEN ACCESS**

- 21.1 As per requirement of Section 40 of the Act, the Commission shall formulate arrangements for the introduction of open access in the Transmission System in the State of Madhya Pradesh.
- 21.2 It shall be the duty of the Transmission Licensee:

- (a) to provide non-discriminatory open access to its transmission system for use by
    - (i) any licensee or generating company on payment of the transmission charges; or
    - (ii) any consumer as and when such open access is provided by the State Commission under sub-section (2) of section 42, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission:
- 21.3 The surcharge shall be utilised for the purpose of meeting the requirement of current level cross-subsidy provided that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the Appropriate Commission. Further, such surcharge may be levied till such time the cross subsidies are not eliminated. The manner of payment and utilization of the surcharge shall be specified by the Appropriate Commission. Such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.
- 21.4 Subject to clause 21.1, the Commission may, in accordance with the provisions of the Act and for reasons to be recorded in writing, issue such orders modifying or amending the Conditions of this License as it shall consider appropriate for the purpose of implementing the arrangements referred to in this clause.
- 21.5 For this purpose, the Licensee may be required to undertake several technical studies that it shall be required to do as per orders of the Commission.

## **PART VI: PENALTY**

### **22 PENALTY FOR CONTRAVENTION OF CONDITIONS OF THE LICENSE**

- 22.1 Violation or persistent non-compliance of directions under this Conditions of License by the licensee shall attract action under Section 142 of the Central Act and Sections 31, 45, and 46 of MP Act and other applicable provisions of the Act and the Regulations. The Penalty shall not be included in the Annual Revenue Requirement of the Licensee.

## **SCHEDULE 1**

### **23 AREA OF TRANSMISSION**

- 23.1 The entire state of Madhya Pradesh,
- 23.2 The condition imposed by section 15 (2) (ii) of Electricity Act 2003 shall have to be fulfilled by the licensee.

By order of the Commission

ASHOK SHARMA, Dy. Secy.