



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

2nd Floor, OPF Building, G-5/2, Islamabad.
Ph : 9207200 Ext : 330 — Fax : 9210215
E-mail : office@nepra.isb.sdnpk.org
Direct Phone : (051) 9206500

No. NEPRA/Lic-204/HESCO/3108-12

April 23, 2002

Mr. Abdul Rashid Khan,
Chief Executive,
M/s. Hyderabad Electric Supply Co. Ltd. (HESCO),
(WAPDA)
Old State Bank Building
G.O.R Colony
Hyderabad
Phone # 0221-782002

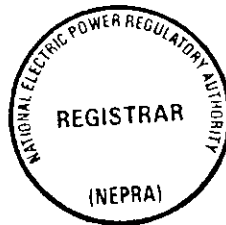
Subject: **Grant of Distribution Licence (No. 05/DL/2002)**
Licence Application No. NEPRA/Lic-204/HESCO
M/s. Hyderabad Electric Supply Co. Ltd.

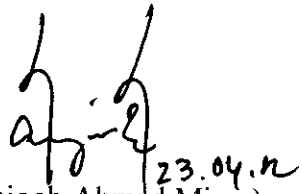
Dear Sir,

Please refer to your letter No. CE/HESCO/SECY/53-54, dated 20.01.2000 addressed to NEPRA for grant of Distribution Licence.

2. Enclosed here is Distribution Licence No. 05/DL/2002 granted by the Authority to M/s. Hyderabad Electric Supply Co. Ltd. in pursuant to Section 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
3. Please quote above mentioned Distribution Licence No. in your future correspondence with the Authority.

DA/As above.




(Mahjoob Ahmad Mirza) 23.04.02

CC (along with enclosures):

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Water & Power, Islamabad.
3. Secretary, Privatization Commission, Islamabad.
4. Secretary, Irrigation & Power Department, Govt. of Sindh, Karachi.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

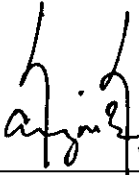
DISTRIBUTION LICENCE NO. 05 /DL/2002

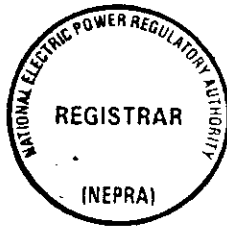
In exercise of the powers conferred on the National Electric Power Regulatory Authority under Section 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the Authority hereby grants a Distribution Licence to


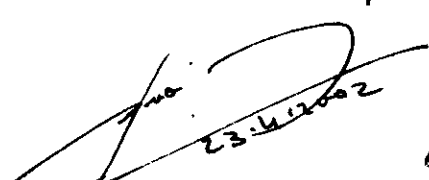
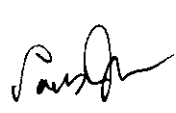
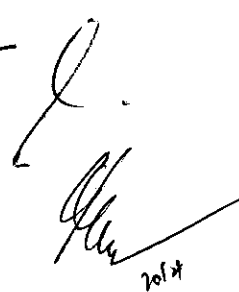
HYDERABAD Electric Supply Company Limited incorporated under the Companies Ordinance, 1984 under Certificate of Incorporation No. L09496 dated 23-04-98

to engage in the distribution service and to make sales of electric power to the consumers in the Service Territory and the Concession Territory subject to and in accordance with the terms and conditions of this Licence.

Issued under my hand at Islamabad this 23rd day of April two thousand and two.


23.04.02
Signed





23.4.2002


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Article 1

Save as expressly provided otherwise the provisions of the National Electric Power Regulatory Authority Licensing (Distribution) Rules 1999 (hereafter referred to as "Rules"), as amended from time to time, shall apply to this Licence.

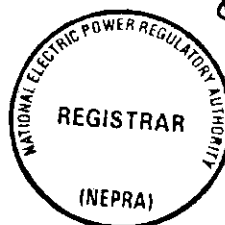
Article 2 Definitions

- 2.1 Unless there is anything repugnant in the subject or context and save as expressly defined hereafter, words and expressions used in this Licence bear the respective meanings given thereto in the Act or in the Rules.
- 2.2 Subject to Article 2.1:
- i. "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997).
 - ii. "Authority" means the Authority constituted under Section 3(1) of the Act
 - iii. "Concession Territory" means the territory outside the Service Territory of the licensee defined by the administrative/geographical boundaries as delineated in Schedule-I to this Licence.
 - iv. "licensee" means Hyderabad Electric Supply Company Limited, and shall include its permitted successors and assigns;

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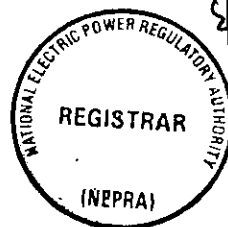
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- v. "Small Power Producer" means owner of a generation facility of below 100 MW gross capacity, who was engaged in generation and sale of electric power as on 22nd April, 2000 and who has not signed any power purchase agreement with WAPDA or KESC or an implementation agreement with the Government of Pakistan.

Article 3 Grant of Licence

- 3.1 This Licence is granted to the licensee to engage in the distribution business within the Service Territory. All disputes relating to the Service Territory shall be decided by the Authority.
- 3.2.(i) The Service Territory of the licensee shall extend upto eight Km on either side and tail end points of its existing 11 kV distribution system as shown in Schedule I to this Licence. This Service Territory shall stand extended on expansion of the licensee's 11 kV distribution system within its Concession Territory as indicated in Article 3.2(iii) below; Provided that the Service Territory shall not include the following :
- (a) area in use of the Armed Forces for defence purposes for which an authorization by the Authority for distribution of power purchased at one or more points for consumption within its own area has been provided. The Authority shall issue such an authorization on a case to case basis. Appropriate compensation to the licensee as determined by the Authority shall be provided in such cases where applicable.



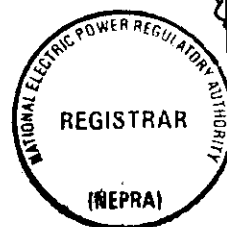
(b) areas in the use of housing colonies, plazas/complexes, and other bulk purchasers, at the option of the organizations or bodies representing the occupiers or owners thereof, which were already operating their own distribution systems within the said areas on the date of issue of this Licence.

(c) an area restricted to three meters on either side of the Small Power Producer's distribution system as set out in the generation licence issued to a Small Power Producer where the Small Power Producer opts to apply for a distribution licence.

3.2.(ii) Without the prior approval of the Authority the licensee shall not change or alter the arrangement, as it existed on the date of the issuance of this Licence, for the supply of electric power to the areas referred to in clauses (a) and (b) of Article 3.2(i)

3.2.(iii) The Concession Territory of the licensee shall comprise the area defined in Schedule-I. The licensee shall have the first right of refusal of distribution services within its Concession Territory. The licensee shall plan its distribution system expansion within its Concession Territory. An area where the licensee is, despite the request of the owners or occupiers thereof, unable to supply electric power under the Authority's approved terms and conditions within one year, shall at the option of owners or occupiers, stand excluded from the Concession Territory. All disputes relating to Concession Territory shall be decided by the Authority.

3.3(i) The licensee shall provide to the Authority digitized plotting of its distribution system on the maps within two years of the issuance of the Licence in the case of 11 kV distribution system including its sub-transmission network and within



three years of the issuance of the Licence in the case of low tension distribution system. The Authority may extend the time required for reasons to be recorded in writing. The licensee shall within 90 days of the issue of this licence provide to the Authority an updated map showing 11 kV distribution system on a 1:50000 scale accurate maps preferably those prepared by Survey of Pakistan, clearly demarcating the extensions made after the system as shown in the maps included in Schedule-I of this Licence. . The licensee shall also on the first day of July of every year provide to the Authority with an updated map showing 11 kV distribution system clearly demarcating the extension(s) made in the immediately preceding year.

- 3.3(ii) The licensee shall furnish quarterly progress report in this regard to the Authority until completion of the digitization process.

Article 4 Licence Fee

The licensee shall pay to the Authority the Licence fee in the amount and manner and at the time set out in Schedule II to this Licence.

Article 5 Term and renewal

The term of this Licence shall be twenty years from the date of the issue of the Licence.

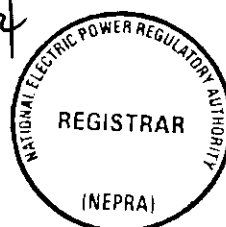
Article 6 Tariff

- 6.1 The licensee shall charge only such tariff as is approved by the Authority from time to time.

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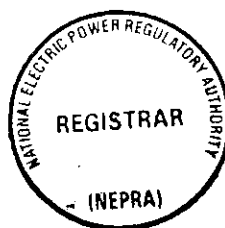
- 6.2 Pending a new tariff determination by the Authority, the tariff notified by the Federal Government shall apply to the Service Territory of the licensee, provided that, no later than ninety days following the grant of the Licence, the licensee shall file a petition before the Authority for determination of tariff for bulk-power consumers within its Service Territory.
- 6.3 The petition referred to in Article 6.2 shall include a statement of use of system charges and connection charges.
- 6.4 The licensee shall participate in such measures as may be directed by the Authority from time to time for development of a competitive power market structure.

Article 7 Exclusivity

Subject to the provisions of Section 22 of the Act the licensee shall, during the term of this License, have the exclusive right to provide distribution service, make sales of electric power, make schemes and engage in incidental activities in the Service Territory, as per provision of Article 3.2(i).

Article 8 Bulk Power Consumers

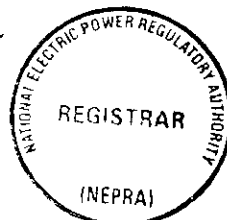
Bulk Power Consumer means, for the purpose of this Licence, in respect of and within the Service Territory, a consumer who receives or purchases at one premises one MW or more power at any voltage level; Provided that the Authority reserves power to itself to review this threshold for this Licence after three years from the issuance of this Licence; Provided further that an existing consumer of a Small Power Producer with a connected load of not less than 20 kW at the time of application for a Generation Licence by the Small Power Producer is also declared to be Bulk Power Consumer so long as it remains a consumer of the said Small Power Producer.



Article 9

Use of system and obligation to offer terms

- 9.1 The licensee shall, within ninety days following the date of issue of the Distribution Licence, if and to the extent not covered in or comprising part of the tariff, prepare and submit to the Authority for approval, statements in a form approved by the Authority setting out the basis upon which the use of system charges and connection charges in each case, as part of the distribution business, shall be calculated (hereinafter referred to as the "charges statement") in all cases in such manner and with such details as shall be necessary to enable any licensee seeking to become a second-tier supplier in respect of the Service Territory to make a reasonable estimate of the charges which may be payable by such person for the use of system.
- 9.2 The charges statement shall include such details and shall set out the methods by which and the principles on which the use of system charges and connection charges will be calculated, keeping in view the characteristics of the distribution system.
- 9.3 If, and to the extent not covered in or comprising part of or determined through or under the tariff, the use of system charges and connection charges shall be calculated on a basis which reflects the costs prudently incurred or to be incurred, less any gains achievable through efficiencies, in the provision, procurement, installation, operation or maintenance of the facilities for use of system or the connection including, without limitation, in respect of any works, extension, replacement or reinforcement of the distribution system or any parts thereof, as the case may be, together with a reasonable return on the capital represented by such costs.
- 9.4 The licensee shall, on a request for second-tier supply offer to enter into an agreement for use of system and connection to the system with any second-tier supplier on terms and conditions specified in the second-tier supply authorization, subject to Section 22 of the Act.

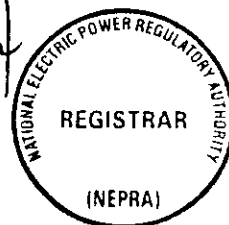


- 9.5 In the event of any dispute between the licensee and another licensee seeking to become a second-tier supplier in respect of the terms of the agreement referred to in Article 9.4 the dispute may be referred by either party for resolution to the Authority. The decision taken by the Authority on any such referral as aforesaid shall be binding on the other licensee and the licensee shall forthwith enter into an agreement with the other licensee seeking to become a second-tier supplier on the terms settled by the Authority.

Article 10

Investment programmes, acquisition and disposal of assets

- 10.1 The licensee shall not, except under a prior authorization acquire whether on ownership basis, lease, hire-purchase or other mode of possession or use, any tangible or intangible asset of a nature or value inconsistent with or which is not expressly or by necessary implication stated in the licensee's investment programme approved by the Authority in accordance with its rules and regulations provided that until such time the licensee's investment programme is approved by the Authority in accordance with Rule 17(1), the licensee may acquire assets required for the operation and maintenance of the distribution system or assets of a value not exceeding ten per cent of the figure of the approved investment programme of the licensee for that year.
- 10.2 The licensee shall not except under a prior authorization, sell or dispose in any manner any of the tangible assets comprised in the distribution system or any intangible assets accruing or likely to accrue to the licensee from the distribution business or the second-tier supply business in a manner inconsistent with or which is not expressly stated in the licensee's investment programme approved by the Authority in accordance with its rules and regulations, provided that until such time the licensee's investment programme is approved by the Authority



in terms of Rule 17(1), the licensee may dispose or sell assets of a value not exceeding ten per cent of the figure specified in the approved investment programme of the licensee for that year.

- 10.3 The licensee shall not assume any responsibility for any encumbrance in relation to any asset unless the ownership thereof vests in the licensee.

Article 11
Compliance with Performance Standards

The licensee shall conform to the relevant Performance Standards as may be prescribed by the Authority from time to time.

Article 12
Compliance with Environmental Standards

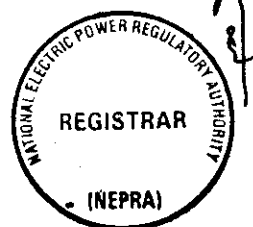
The licensee shall conform to the environmental standards as may be prescribed by the relevant competent authority.

Article 13
Accounting practices

The licensee shall maintain separate accounts for its sale of power business and network business in addition to those provided in Rule 14(2).

Article 14
Maintenance of record

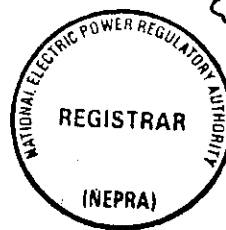
- 14.1 The licensee shall keep complete and accurate record and the data in respect of all aspects of the distribution business and the second-tier supply business, in their original form. Three years after the issuance of this licence the Licensee shall start maintaining the above mentioned record in electronic form also.



- 14.2 Without prejudice to the provisions of the Rule 14(3), unless provided otherwise under the law or the applicable documents, all record and data shall be maintained for a period of five years after the creation of such record or data. The licensee shall not destroy or dispose off any such record or data after the aforesaid period without thirty days prior written notice to the Authority. The licensee shall not dispose off or destroy any record or data which the Authority directs the licensee to preserve.
- 14.3 All record and data maintained in an electronic form shall, subject to just claims of confidentiality, be accessible by staff authorized by the Authority.

Article 15
Provision of information

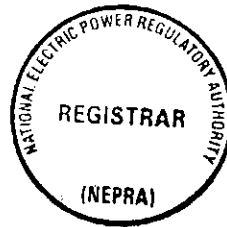
- 15.1 The obligation of the licensee to provide information to the Authority shall be in accordance with Section 44 of the Act.
- 15.2 The licensee shall be subject to such penalties as may be specified in the relevant rules made by the Authority, for failure to furnish such information as may be required from time to time by the Authority and which is or has been in the control or possession of the licensee.



SCHEDULE-I

CONCESSION TERRITORY AND SERVICE TERRITORY

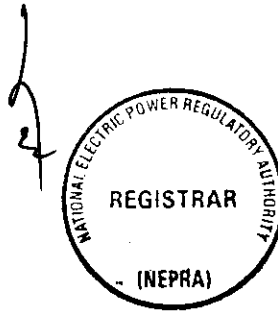
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SCHEDULE -II

- LICENCE FEE (Annual)



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SCHEDULE II

PART I

FEES (Annual)

Distribution Licence:

The fee will be calculated at the rate of Rupees 0.00125 per kWh based upon the number of kilowatt-hours of energy sold by the licensee in a given year.

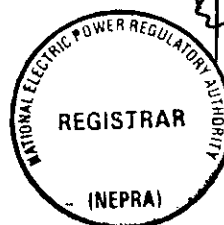
PART II

TERMS OF PAYMENT OF FEE BY THE DISTRIBUTION LICENSEES

- I) The fee for the distribution licences specified in Part I of this schedule shall be paid on a recurring basis in respect of each financial year by the licensee for the term of the licence (hereinafter referred to as the "annual licence fee").
- II) The annual licence fee in respect of any financial year shall be paid in advance within thirty days of the expiry of the preceding financial year, provided that, the annual licence fee for the first financial year shall be paid within thirty days of the date of grant of the licence and shall be prorated for the number of months remaining before the expiry of the financial year in which the licence is granted.
- III) Subject to sub-clauses (V) and (VI), the annual licence fee for any financial year in case of distribution licensees shall be calculated on the basis of the total number of kilowatt-hours of energy transmitted or sold in the preceding financial year.

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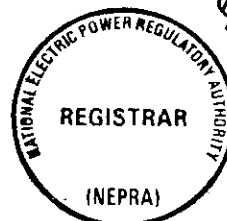


- IV) The distribution licensees shall submit to the Authority, along with the tender of the annual licence fee, an abstract of their relevant accounts for a the preceding financial year demonstrating the total number of kilowatt hours of energy transmitted or sold on the basis of which the annual licence fee for the following financial year is calculated. The abstract of accounts shall be certified as to its accuracy by a responsible officer of the licensee.
- V) In case of distribution licensees already engaged in the business of distribution of energy at the time of application for a license, the calculation of the annual licence fee for the first financial year shall be made on the basis of the total number of kilowatt hours of energy sold, recorded in the books of accounts of the licensee for the preceding financial year.
- VI) In case of applications for new licenses for distribution where there is no recorded data for the number of kilowatt hours of energy transmitted or sold for the respective area of supply, the annual licence fee for the first financial year shall be calculated on the basis of the distribution forecast provided by the applicant for the licence, as modified or approved by the Authority.

PART III

INDEXATION OF FEES

1. Any and all fees payable pursuant to the relevant rules shall be indexed to the Consumer Price Index ("CPI") published from time to time by the Federal Bureau of Statistics.
2. The indexation shall be done on the basis of the most recent CPI prevailing on the date of payment of the fees and shall be increased or decreased, as the case may be, in accordance with the following formula;



$$F_{pd} = F_t [CPI_{Pd} / CPI_{rd}]$$

Where

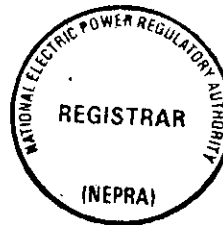
F_{pd} = The actual fee payable on the date of payment

F_t = The respective fee set out in Part I of this schedule.

CPI_{pd} = The most recent CPI prevalent on the last day of the month immediately preceding the month in which the payment is due.

CPI_{rd} = The reference or base CPI, prevalent on the last day of the month in which these rules are notified in the official gazette.

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National Electric Power Regulatory Authority

Subject: Distribution Licence to HESCO

Please find enclosed Determination in the matter of Distribution Licence and map of Service Territory in duplicate of HESCO for further necessary action.

Div (Coord)
Dy # 386
Date 18.4.02

18/4

(Abdul Rashid Kakar)
Director General (Licensing)
April 18, 2002

Director/Coordination

We have received two determinations of the Licenses & maps for HESCO & GEPCO. The determinations of licenses & maps are submitted for approval of the Authority please. [Two copies of determinations & licenses of maps are submitted]

Registrar
Dy. No. 3512 (R)
Dated 23-4-2002

20/04/02

Vice Chairman/M(L)

pl arrange to mark the pages of the determination

M(S)

M(P)

M(T)

Chairman Nepra

Dir. Coord

Registrar

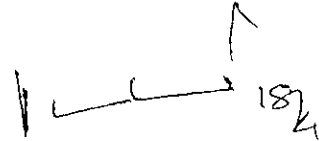
Two sets of original licenses of three sets of maps original signed by the Authority are forwarded to Registrar. 23/04/02

National Electric Power Regulatory Authority

Subject: **Distribution Licence to HESCO**

Please find enclosed Determination in the matter of Distribution Licence and map of Service Territory in duplicate of HESCO for further necessary action.

Div (Coord)
Dy # 386
Date 18.4.02



(Abdul Rashid Kakar)
Director General (Licensing)
April 18, 2002

Director (Coordination)