



National Electric Power Regulatory Authority (NEPRA) Licensing (Distribution) Regulations, 2021

NOTIFICATION

Islamabad, _____, 2021

S.R.O. _____. In exercise of the powers conferred by Section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the National Electric Power Regulatory Authority hereby notifies the following regulations, namely: —

1. Short title and commencement. — (1). These regulations may be called the National Electric Power Regulatory Authority Licensing (Distribution) Regulations, 2021.

(2). They shall come into force at once.

2. Definitions – (1). In these Regulations, unless there is anything repugnant in the subject or context,—

(i). "Act " means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997);

(ii). "affiliate" in relation to any person, means any person who owns or controls, or is owned or controlled by, or is under common ownership or control with, that person, and for the purposes of this definition—

a. "control" shall mean the right, power or ability to influence or determine any decisions in respect of the conduct of affairs of the person under control, and

"ownership" shall mean the ownership or the right to own the shares or other voting securities of the person owned;

(iii). "applicable documents" means the Act and the rules, regulations, licenses, registrations, directives, codes, standards, guidelines, circulars, orders, determinations, documents, instruments, approvals and

authorizations issued or granted from time to time by the Authority in exercise of its powers under the Act;

- (iv). "auditors", means the licensee's auditors for the time being holding office in accordance with the requirements of the Companies Act, 2017, or such other auditors as may be appointed in respect of the licensee by the Authority from time to time in accordance with these Regulations or the distribution licence;
- (v). "bulk power consumer" means a consumer who purchases or receives electric power, at one premises, in an amount of one megawatt or more or in such other amount and voltage level and with such other characteristics as the Authority may specify and the Authority may specify different amounts and voltage levels and with such other characteristics for different areas;
- (vi). "connection charges " means the charges made or levied or to be made or levied for the carrying out of works and provisions and installation of electrical plant, electric lines and circuits and ancillary distribution system together with charges in respect of maintenance and repair of such items in so far as not otherwise recoverable as use of system charges and in respect of disconnection and the removal of electrical plant, electric lines and circuits, and ancillary meters following disconnection, or such, other charges as may be specified in or pursuant to the distribution license;
- (vii). "distribution eligibility criteria" means the criteria for the eligibility of a person to obtain connection and other distribution services by a distribution licensee, as prescribed under the Rules;
- (viii). "distribution business " means the business of distribution of electric power services carried on or to be carried on by the licensee pursuant to and in accordance with the terms of the distribution licence granted to the licensee;
- (ix). "distribution services" mean, plan, expand, upgrade and maintain the distribution system to deliver and transfer energy for distribution users (consumers and distributed generation); efficient and reliable operation of the distribution system and interconnection with other systems, to deliver

energy to consumers and coordinate distribution connected generation;
Fair and cost-effective distribution connection services to consumers and
generation to access the distribution network;

- (x). "distribution code" means the "the code that defines the technical and operational standards and procedures for the licensee and all those connected to the distribution system of the licensee, that has been prepared by the licensee and approved by the Authority;
- (xi). "Distribution service manual" means the manual of instructions developed by the licensee and approved by the Authority detailing instructions and guidance to the persons connected to the distribution system of the licensee as more fully described under Regulation 9;
- (xii). "grid code" means the grid code prepared by the national grid company or by the System Operator when a separate entity is licensed as System Operator, pursuant to provisions of the Act and approved by the Authority;
- (xiii). "licensee" means the licensee to whom a distribution license is granted in accordance with these regulations and shall include its permitted successors and assigns;
- (xiv). "licensee's investment programme" means the licensee's investment programme referred to in Regulation 15;
- (xv). "prudent utility practices" means the practices of an operator of an electric power undertaking seeking in good faith to perform its obligations and in the conduct of its undertaking exercising that degree of skill, diligence, prudence and foresight which would reasonably be expected from a skilled and experienced operator and complying with the relevant Laws and codes;
- (xvi). "interconnection facilities" means the equipment, including, without limitation, electrical lines or circuits, transformers, switch-gear, safety and projective devices, meters or electrical plant, used for interconnection services;
- (xvii). "separate business " means any other business other than the distribution business of the licensee or any affiliate of the licensee;

- (xviii). "transmission system" means the system comprising of electrical facilities including, without limitation, electrical lines or circuits, electrical plant, transformers, sub-stations, switches, meters, interconnection facilities or other facilities operating at or above the minimum transmission voltage owned or operated by the national grid company or by one or more transmission licensees and used for transmission of electric power from the generation facilities to sub-stations or to other generation facilities or between sub-stations or to or from any interconnection facility, or from the distribution facilities of one licensee to the distribution facilities of another licensee or from a generation facility or distribution facility to a bulk- power consumer;
- (xix). "use of system" means the use of the distribution system of the licensee for the transport of electric power by or for any person;
- (xx). "use of system charges" means the charges made or levied or to be made or levied by the licensee for the use of its distribution system for the purposes of the distribution services but shall not include connection charges; and
- (2). Words and expressions used but not defined in these regulations shall have the same meaning as in the Act.

3. Grant of license: -----(1). Subject to and in accordance with the provisions of these regulations and the distribution license eligibility criteria rules for distribution, the Authority may grant a distribution license to any person to engage in the distribution business within the service territory.

(2). The provisions of these Regulations may be augmented or abridged in a distribution license to the extent and in the manner specified in the distribution license, and a distribution license may also contain additional terms and conditions not inconsistent with the provisions of these regulations or the Act.

4. License fee: -----(1). Following and upon the grant of the distribution license the licensee shall pay to the Authority the license fee, in the amount and manner and at the times specified in the distribution license or relevant regulation specified in this regard.

(2) Without prejudice to the provisions of Regulation 8, the Authority shall have the power to levy penalties on the licensee in the event of delay in payment or non-payment of the license fee due and remaining unpaid, in accordance with the provisions of relevant NEPRA Regulations.

5. Terms and renewal: -----(1). Except where an applicant for distribution license consents to a shorter term, the term of a distribution license shall not be less than ten (10) years.

(2). Upon the expiry of the term of the distribution license, unless revoked earlier in accordance with these regulations or the terms of the distribution license or unless not provided for in the distribution license, the distribution license may be renewed by the Authority for such further term as may be deemed appropriate by the Authority in the manner provided for in the distribution license, keeping in view the compliance to the eligibility criteria, performance of the licensee during the previous term, the interests of the consumers and the electric power industry as a whole and/or any other requirement of these Regulations.

6. Tariff: ----- (1). Unless provided otherwise in the distribution licence, the licensee shall charge a person availing distribution services a tariff including which may include use of system or connection charges as approved by the Authority pursuant to and in accordance with the NEPRA (Tariff Standards and Procedure) Rules, 1998 or such other regulations framed in this regard.

(2). If the tariff is not already determined by the Authority at the time of grant of the distribution license, the licensee shall, no later than ninety (90) days following the date of grant of the distribution license, file a petition before the Authority for the determination of tariff.

(3). 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 rate of return on the capital represented by such costs.

7. Duties and Responsibilities of Distribution Licensee: ----(1). The licensee shall provide, for such period as may be specified in the licence, distribution service in the service territory specified in the licence.

(2) The licensee shall be responsible to provide safe, secured and reliable distribution service with adequate quality of services within its service territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority.

(3) The licensee shall publicly make available tariff schedules and information specifying the Authority's approved rates, charges and other terms and conditions for distribution services.

(4) The licensee shall establish, within three months of the issue of its licence for distribution of electric power and make available to the public, the manner and procedure for obtaining its service as laid down under Regulation 9.

8. Revocation and suspension: ----(1). Subject to and in accordance with the terms of and the procedure set out in the distribution license, the Authority may appoint an administrator in respect of the distribution business or suspend or revoke the distribution licence upon the occurrence of any of the following events, namely: -

- (a). failure by the licensee to pay the license fee when due;
- (b). a breach by the licensee of any of the provisions of the applicable documents which materially and adversely affects the standards, price and quality of service, the reliability and integrity of the distribution system, the transmission system or any generation facility, or the safe, reliable and efficient operation of the electric power industry, save where such breach occurs without the willful or negligent default of the licensee;
- (c) failure of the licensee to prepare or adhere to any codes, programmes or manuals required to be prepared by the licensee and, where applicable, approved by the Authority, pursuant to the applicable documents, where such failure has a material adverse effect on the performance by the licensee of its obligations under the applicable documents or these

regulations;

- (d) except for the purposes of an amalgamation, reconstruction or reorganization of the licensee approved under the relevant NEPRA Regulations the occurrence of any of the following events, namely: ---
- (i). the passing of a resolution by the shareholders for the winding-up of the licensee, with the majority required under the Companies Act, 2017, to give effect to such resolution;
 - (ii). the appointment of receiver, official assignee or administrator of the affairs of the licensee which appointment has not been set aside or stayed within ninety days of the date of such appointment; or
 - (iii). the making by a court of competent jurisdiction of an order for winding-up of the licensee that has not been stayed or set aside within thirty days of the date of the order;
- (e). abandonment by the licensee of the operation of the distribution business or any part thereof;
- (f). the incurring by the licensee of cumulative operating losses as determined in accordance with the applicable documents or, until such time the applicable documents are made, in accordance with the generally accepted accounting principles in Pakistan, consistently applied, without taking into account any depreciation in any financial year in an amount greater than or equal to the sum of forty (40) percent of the shareholders, equity in the licensee at the end of the preceding financial year in circumstances where the Authority is satisfied that the licensee is either unwilling or unable to raise additional equity within the time specified for the purpose by the Authority;
- (g). the assignment or transfer of the distribution licence or the transfer, conveyance, loss or relinquishment by the licensee of the ownership or control or the right to own, control, or operate the distribution business or any material part thereof without an authorization in accordance with the provisions of the Act or these regulations, except where such transfer, conveyance, loss or relinquishment is effected pursuant to a contract approved by the Authority for the management or operation of the distribution system by a person other than the licensee;

- (h). any statement or representation made or information provided by the licensee in the application for the distribution licence or subsequently on the directions of the Authority or pursuant to any applicable documents proving to have been incorrect, inaccurate or misleading in any material aspect and having a material adverse effect on the licensee's ability to perform its obligations under the distribution licence or causing the Authority to issue or renew the distribution licence in the belief of the accuracy and correctness of such statement, representation or information irrespective of whether or not the Authority would have issued the distribution licence if it had knowledge of the inaccuracy of such statement, representation or information;
- (i). the exercise by the lenders, if any, of the licensee of their remedies under the documentation relating to the loans by such lenders in respect of the distribution business, where the exercise of the remedies renders the licensee incapable of performing its obligations in its own right under these regulations or the applicable documents including, without limitation, the removal of the management of the licensee from the control of the distribution business, and the failure, of the licensee to obtain approval of the Authority for the appointment of the successor management within one hundred twenty days after such removal;
- (j). any default by the licensee in the making of any payment, other than the licence fee, required to be made by it under the applicable documents within ninety days of the due date therefore; or
- (k). failure of the licensee to comply with the objects, terms and conditions of the distribution licence due to supervening impossibility notwithstanding the best efforts of the licensee to so comply, where such non-compliance continues for a period of ninety days consecutively or for a cumulative period of one hundred twenty days in a calendar year.

(2). Notwithstanding the provisions of sub-regulation (1), the Authority shall not revoke or suspend a distribution licence nor shall appoint an administrator in respect of the distribution system or any part thereof where the breach by the licensee of the terms of sub-regulation (1) or such additional terms as may be specified in the distribution licence is a direct result of the failure of the licensee to obtain a consent or

its renewal despite the best efforts of the licensee including, without limitation, the compliance by the licensee with the laws applicable in respect thereof.

(3). Any decision for the suspension or revocation of a distribution licence, or the appointment of an administrator in respect of the affairs of the licensee, shall be taken in accordance with the applicable documents.

9. Obligation to connect and distribution services: ---(1). The licensee shall within three (3) months of the issuance of its licence for distribution of electric power make available to the public, distribution service manual as approved by the Authority.

(2). The distribution service manual shall contain instructions and guidance in respect of the following matters, namely: -

- (a). form and manner of application for obtaining each type of distribution service, along with details of any documents to be submitted in support of the application;
- (b). time-frame for providing connection and distribution service;
- (c). safety and security
- (d). procedure and the time-frame for handling and redressal of different descriptions of complaints received;
- (e). the procedure and manner for billing, the time for payment of bills and procedure for collection of bills;
- (f). procedure for notice to persons upon request by a supplier before disconnection for non-payment of bill or theft by the consumer to whom the supplier sells or due to theft;
- (g). procedure and manner for installation of meters and other facilities for connection;
- (h). procedure and manner for installation of meters and other facilities for connection;
- (i). fees and charges for connection, installation of meters, other facilities for connection and resumption of connection after

disconnection;

- (j). procedure for disconnection and remedies for theft of electric power or for use of electric power for purposes other than those specified in the application for connection and service.

(3). The Authority may direct the licensee to include instructions and guidance in respect of matters additional to those specified in sub-regulation (2) with the corresponding justification and, upon being so directed, the licensee shall comply with the directions of the Authority and shall submit to the Authority a revised version of the distribution service manual within fourteen days of being so directed.

(2). Upon submission of the distribution service manual by the licensee, the Authority shall review the distribution service manual and shall grant its approval upon being satisfied as to the adequacy thereof.

(3). The review and approval process, including in respect of any additional matters as may be directed by the Authority in terms of sub-regulation (3) or sub-regulation (6), shall be completed no later than forty five days following the initial submission of the distribution service manual by the licensee.

(4). The Authority may from time to time direct the licensee to revise the distribution service manual in such manner and with respect to such details as the Authority may direct and justify.

(5). Upon approval of the distribution service manual by the Authority, the licensee shall: -

- (a). Publish the manual on its website;
- (b). provide at least one copy, free of charge, to any person seeking connection and service from the licensee; and
- (c). such number of copies, upon payment of charges not exceeding the reasonable cost for the preparation and

dispatch, to any person requesting for the given number of copies of the distribution service manual as revised from time to time.

10. Open access.- (1) The licensee shall provide open access to distribution inter-connection service to all consumers, including a bulk power consumer, who is either connected to or intend to be connected to its distribution system. The inter-connection service shall be offered in terms of non-discriminatory and network service on comparable terms and conditions in accordance to the performance standards of the licensee and requires signing the use of system agreement. The licensee will submit for NEPRA approval template use of system agreements, and will publish on its website the approved template and in accordance to performance standards for distribution services. .

(2) The licensee shall administer its distribution connection (offer to connect) in a fair, transparent and open manner setting out rules, policies, procedures and charges as described in the distribution licence and the licensee distribution service manual and Distribution Code, consistent with all relevant applicable documents.

11. Financial and organizational affairs: ----(1). The licensee shall not, except to the extent authorized in the distribution licence or otherwise -

(a). stand surety, give guarantees or in any other manner offer or provide security for the indebtedness or obligations, contractual or otherwise, of any other person;

(b). acquire or offer to acquire shares or other securities or participating interests in any person after the date of the issue of the distribution licence except---

(i). in any person which was an affiliate of the licensee on the

date of issue of the distribution licence;

- (ii). as may be required to satisfy its obligations under the Laws or the applicable documents;
 - (iii). in a person which conducts an authorized business; or
 - (iv). in order to avoid dilution of the shareholding or participating interest of the licensee in a person in which it holds shares or other securities or participating interests in conformity with the applicable documents;
- (c). recognize any transfer of its shares or other voting securities after the date of issue of the distribution licence where the result of such transfer is for any person to hold in its own right or beneficially own or control voting strength in the licensee equal to or exceeding ten per cent of the total number of votes in any general meeting of the shareholders or the creditors of the licensee:

Provided that, the restriction contained in this clause shall not be applicable in case of shares or other voting securities of the licensee being listed on any recognized national or international stock exchange;

Provided further that the Authority may require the licensee to procure the retention by any of its members of a minimum number of shares or other voting securities, not exceeding the number held by such members on the date of issue of the distribution license, for such period of time as may be specified by the Authority.

- (2). The licensee shall include provisions in its articles of association to

give effect to the provisions of sub-clause (c) of sub-regulation (1) so that any purported transfer of its shares or other voting securities in violation of the provisions of clause (c) of sub-regulation (1) shall *ipso-facto* be invalid.

(3). In considering any request of the licensee for dispensation from the application of clause (c) of sub-regulation (1) in case of any proposed transfer, the Authority shall *inter alia* take into account -

- (a). the promotion of competition in the electric power industry as a whole; and
- (b). the change, if any, in the control or management of the licensee -- likely to result from the authorization if granted.

12. Accounting Practices: --- (1). Subject to and in accordance with the terms of the distribution licence, the licensee shall prepare the accounts in respect of each of the distribution business if any, in accordance with the NEPRA rules and regulations, provided that the Authority may, pending the notification in the official Gazette of the NEPRA (Uniform System of Accounts) Regulations, require the licensee to prepare its accounts in respect of each of the distribution business and the separate businesses, if any, in accordance with the provisions of the Companies Act, 2017.

1. The licensee shall ensure that the licensee and each of its affiliates maintains accounting and financial reporting arrangements which enable separate accounts to be prepared for each separate business and showing the financial affairs of each such separate business as if it were a separate company so that the revenues, costs, assets, liabilities, capital, reserves and provisions thereof, or reasonably attributable to each separate business are separately identifiable in the books of the licensee and its affiliates from those of any other business, in sufficient detail for the purposes of determination of the revenue requirements of the licensee.

(2). In specifying the accounting requirements in the distribution licence, the Authority may, without prejudice to its powers to delete, modify or supplement such provisions or add further provisions, require the licensee and any of its affiliates to --

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- (i). maintain and preserve the books of account and accounting records in respect of each financial year for the time specified in the distribution licence;
- (ii). prepare on a consistent basis from such accounting records in respect of each financial year, accounting statements comprising of a profit and loss account, a balance sheet and a statement of source and application of funds, together with notes thereto, and showing separately in respect of each separate business and in appropriate detail the amounts of any revenue, costs, asset, liability, reserve or provision which has been either---
 - (a). charged from or to any other business, whether or not a separate business, together with a description of the basis of that charge; or
 - (b). determined by apportionment or allocation between any separate business together with a description of the basis of the apportionment or allocation.

13. Distribution code: ----- (1). No later than one hundred twenty days following the date of issue of the distribution license, the licensee shall prepare and submit to the Authority for approval; and shall at all times have in force and implement, a distribution code covering all material technical, design, planning, development, operational, maintenance and other aspects relating to the distribution system with such details and particulars as may be specified by the Authority in the distribution license.

(2). The distribution code shall be drawn up to ensure strict compliance by the licensee with the provisions of the grid code including, without limitation, the instructions by the System Operator in respect of coordination and conditions in connections with transmission, dispatchable generation and demand control, as well as timely provision of information

(3). the instructions from time to time of the System Operator in respect of the

use and operation of the distribution system.

(4). The distribution code shall be consistent in material particulars with the grid code and shall be drawn-up with the aim, among others as may be specified in the distribution license-----

- (a). to achieve the performance standards specified in the NEPRA rules and regulations within the time limit and in the manner specified in this respect in the distribution licence;
 - (b). towards the development, maintenance and operation of a safe, efficient, coordinated and economical system for the distribution of electric power;
 - (c). to facilitate competition in the supply of electric power;
 - (d). to secure and ensure compliance by the licensee in the operations and maintenance of the distribution system and any transmission facilities declared by the Authority to be comprised in the distribution system with the grid code; and
 - (e). towards the availability for operation by the national grid company/System Operator as the case may in a manner consistent with the grid code, of any transmission facilities declared by the Authority to be comprised in the distribution system which may be directed by the Authority to be operated by the national grid company:
- (5). The Authority may impose conditions in the distribution license for---
- (a). the periodic review of and revisions to the distribution code and its implementation;
 - (b). supply of copies thereof to any person requesting for a copy;
 - (c). approval of revisions to the distribution code proposed by the licensee; and
 - (d). avoidance of discrimination or undue preference by the licensee or any of its affiliates.

(6). The Authority may, following consultation with the licensee, issue directions relieving the licensee of its obligations under the distribution code in respect of such parts of the distribution system and to such extent as may be specified in the directions.

14. Uniform industrial standards and codes of conduct: --- (1). The licensee shall participate in such measures and activities as may be initiated by the Authority for the development of uniform industry standards and codes of conduct in accordance with the NEPRA rules and regulations.

(2). The distribution licence may provide incentives to participate and consequences for failure to participate in the measures and activities referred to in sub-regulation (1).

15. Investment programmes, acquisition and disposal of assets: ----(1). The licensee shall, no later than one hundred eighty days following the grant of its licence submit the licensee's investment programme to the Authority for approval.

(2). The licensee's investment programme shall be drawn up consistently with the provisions of the NEPRA rules and regulations, and to achieve the distribution performance standards.

(3). 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 the applicable documents, provided however that, until such time the licensee's investment programme is approved by the Authority in terms of sub-regulation (1), the Licensee may acquire assets required for the operation and maintenance of the distribution system or assets of a value not exceeding the value specified for the purpose by the Authority in the distribution licence.

(4). 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 the applicable documents, provided that until such time the licensee's investment programme is approved by the Authority in terms of sub-regulation-(1), the licensee may dispose or sell assets of a value not exceeding the value specified for the purpose by the Authority in the distribution license.

(5). The Authority may impose additional conditions in the distribution license or may specify the procedure in respect of the manner of acquisition or disposition of or the creation or permitting the subsistence of any encumbrance over the assets comprised in the distribution system or accruing or likely to accrue from the distribution business.

16. Insurance: ----- The licensee shall obtain and maintain such policies of insurance as may be specified in the distribution licence, provided that the licensee shall not be obliged to obtain and maintain any insurance until such time the Authority makes and enforces a policy decision for insurance to be obtained by the entire electric power industry.

17. Maintenance of records: ----- (1). The licensee shall keep complete and accurate records and other data in respect of all aspects of the distribution business of the nature and in the manner as may be specified in the distribution licence.

(2). All such records and data shall, unless provided otherwise under the laws or the applicable documents, be maintained for a period of five years after the creation of such record or data, provided that the licensee shall not destroy or dispose of any such records or data after the period aforesaid without thirty days prior written notice to the Authority. The licensee shall not dispose of or destroy any records or data which the Authority directs the licensee to preserves.

(3). The Authority shall have the right, upon forty-eight hours prior written notice to the licensee, to examine the records and data of the licensee at any time during normal office hours.

18. Provision of information: ----- (1). The Authority may specify in the distribution license the extent and scope of the licensee obligation to furnish to the Authority information regarding any activity of the licensee.

(2). Subject to sub-regulation (1), the licensee shall be subject to such penalties as may be specified in the NEPRA rules and regulations, for failure to furnish such information as may be required from time to time by the Authority and which is or ought to be or have been in the control or possession of the licensee.

19. Power to amend or grant dispensation.--- The Authority may amend, delete or supplement the provisions of these regulations, in whole or in part, in their application in respect of a distribution licence at the time of grant of such licence, provided that, following the issue of a distribution licence, the Authority may amend the terms of the distribution licence only in accordance with the NEPRA and regulations.

Registrar

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