



# National Electric Power Regulatory Authority Licensing (Electric Power Supplier) 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, Commencement and Applicability.** (1). These regulations may be called the National Electric Power Regulatory Authority Licensing (Electric Power Supplier) Regulations, 2021.

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

(3). These regulations shall be applicable to supply licensees including deemed licensees and all consumers of such licensees.

**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) with all its amendments issued from time to time;

(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

- b. "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 electric power supply license;
- (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). "competitive electric power supplier" means a person licensed by the Authority to engage in the supply of electric power to all consumers in the territory specified in the license;
- (vii). "Competitive Trading Bilateral Contract Market" means any arrangements implemented by or under the directions of the Authority for market based sales and purchases of electric power including balancing market or an electric power exchange or other means;
- (viii). "consumer supply manual" means the manual of instructions developed

by the licensee and approved by the Authority detailing instructions and guidance to the consumers for requesting electric power supply services, as more fully described in the Regulation- 9 of these Regulations;

- (ix). "commercial code" means a specific procedure or set of procedures established by the market operator for carrying out the market operations, including commercial operations, processes and functions, required under the Market Operator License and Regulations, with the approval of the Authority;
- (x). "consumer eligibility criteria" means the criteria for the eligibility of consumers to obtain supply of electric power as developed by the Authority;
- (xi). "deemed licensee" means holder of a distribution license on the date of coming into effect of the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 deemed to hold a license for supply of electric power in terms of section 23E of the Act;
- (xii). "electricity supply code" means the electricity supply code referred to in Regulation- 14;
- (xiii). "licensee" means a person who has been granted a license under the Act to undertake supply of electricity and shall include competitive electric power supplier and Default Supplier as the context may permit;
- (xiv). "licensee's investment programme" means the licensee's investment programme referred to in Regulation-16;
- (xv). "licensee's power acquisition programme" means the licensee's power acquisition programme referred to in Regulation-11;

- (xvi). "power acquisition" means power acquisition contracts plus purchases in the balancing mechanism or other centralized market trading arrangements in the competitive trading bilateral contract market;
- (xvii). "separate business " means each of the supply business or any other business taken separately from one another and from any other business of the licensee or any affiliate of the licensee;
- (xviii). "supply" means the sale of electricity to consumers;
- (xix). "supply business " means the business of supply of electric power carried on or to be carried on by the licensee pursuant to and in accordance with the terms of the electric power supply license granted to the licensee;
- (xx). "supply services" means services to make sales of electric power to consumers in the specified service territory;
- (xxi). "Default Supplier" means a person who holds a distribution license and is also responsible to supply electric power to all consumers in its territory on non- discriminatory basis and the consumers not served by any other supplier;
- (xxii). "service territory" means the area specified in the electric power supply license within which the licensee is authorized to conduct the supply business; 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, the Authority may grant an electric power supply license to any person to engage in the supply business within the service territory.

(2). The provisions of these regulations may be augmented or abridged in

the electric power supply license to the extent and in the manner specified in the electric power supply license, and an electric power supply license may also contain additional terms and conditions not inconsistent with the provisions of these regulations and in accordance with the NEPRA Licensing (Application & Modification Procedure) Regulations or the Act.

**4. License fee:** - (1). Following and upon the grant of the electric power supply license the licensee shall pay to the Authority the license fee in accordance with relevant NEPRA Fees Regulations.

(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 the relevant applicable documents;

**5. Terms and renewal:** - (1). Minimum term of electric power supply license shall be ten (10) years.

(2). Unless revoked earlier in accordance with these Regulations or the terms of the electric power supply license or unless not provided for in the electric power supply license, the electric power supply license may be renewed by the Authority at the request of the licensee for such further term and in the manner provided for in the electric power supply license, keeping in view the performance of the licensee during the previous term.

(3) Till the time the request for renewal of electric power supply license is pending before the Authority, such person engaged in supply business shall be deemed as electric power supply licensee.

**6. Tariff:** - (1). Unless provided otherwise in the electric power supply license, the competitive electric power supplier shall charge a prudent and competitive tariff to its consumers for supply services, which shall not be higher than a regulated tariff of the Default Supplier;

(2). The Default Supplier shall charge a tariff as determined and approved

by the Authority.

(3). If the tariff as specified in sub-regulation (2) is not already determined by the authority at the time of grant of the electric power supply license, the Default Supplier shall, no later than ninety days following the date of grant of the electric power supply license, file a petition before the Authority for the determination of such tariff.

**7. Duties and Responsibilities of the Licensee:** - (1). The licensee shall provide, for such period as may be specified in the license, electric power supply service on non-exclusive basis in the service territory specified in the license.

(2) The licensee shall be responsible as per the Act to provide safe, secured, reliable and efficient electric power supply 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 specifying the Authority's applicable rates, charges and other terms and conditions for power sales to consumers.

(4) The licensee shall establish, within three months of the issue of its license for electric power supply and make available to the public, the manner and procedure for obtaining its supply service.

**8. Revocation and suspension:** - (1). Subject to and in accordance with the terms of and the procedure set out in the electric power supply license, the Authority may suspend or revoke the electric power supply license 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, quality, reliability, efficiency and integrity of

supply services 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 NEPRA Act and 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 supply business or any part thereof;
- (f). the incurring by the Supplier licensee of cumulative operating losses as determined in accordance with the relevant rules and regulations or, until such time the rules and regulations 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 electric power supply license or the transfer, conveyance, loss or relinquishment by the licensee of the ownership or control or the right to own, control, or operate the supply 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 supply business by a person other than the licensee;
- (h). any statement or representation made or information provided by the licensee in the application for the electric power supply license 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 electric power supply license or causing the Authority to issue or renew the electric power supply license 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 electric power supply license if it had knowledge of the inaccuracy of such statement, representation or information;
- (i). any default by the licensee in the making of any payment, other than the license fee, required to be made by it under the



applicable documents within ninety days of the due date therefore; or

- (j) failure of the licensee to comply with the objects, terms and conditions of the electric power supply license 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). Where the Authority revokes or suspends license of Default Supplier, it may appoint an administrator to take over its supply business.

(3). Notwithstanding the provisions of sub-regulation (1), the Authority shall not revoke or suspend a electric power supply license nor shall appoint an administrator in respect of the supply business of Default Supplier 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 electric power supply license is a direct result of the failure of the licensee 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.

(4). Any decision for the suspension or revocation of an electric power supply license, 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 supply:** - (1). Within one month after the date of issue of the electric power supply license, the licensee shall develop and submit the consumer supply manual to the Authority for approval.

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

- (a). exchange of information and questions between the consumer and the Supplier;

- (b). efficient use of electric power, including with reference to characteristics of supply or usage such as time of day, week or season;
- (c). procedure and the time-frame for handling and redressal of different descriptions of complaints by consumers;
- (d). the procedure and manner for billing, the time for payment of bills and procedure for payment of bills;
- (e). procedure for notice to consumers before disconnection for non-payment of bills;
- (f). fees and charges for providing supply services and resumption of supply services after disconnection;
- (g). collection of arrears upon or following resumption of supply services; and
- (h). procedure for disconnection and the remedies for theft of electric power or for use of electric power for purposes other than those specified in the application for supply services.

(3). The Authority may direct the licensee to include instructions and guidance in respect of matters additional to those specified in sub-regulation (2) 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 consumer supply manual within fourteen days of being so directed.

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

(5). 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 consumer supply manual by the licensee.

(6). The Authority may from time to time direct the licensee to revise the consumer supply manual in such manner and with respect to such details as the Authority may direct, provided that the licensee shall not be required to revise the consumer supply manual in a manner which may cause the licensee to be in breach of the laws or the applicable documents.

(7). Upon approval of the consumer supply manual by the Authority, the licensee shall publish it on its website.

(8) The licensee shall supply electric power to any consumer in a specified territory, satisfying the consumer eligibility criteria approved by NEPRA in a manner not inconsistent with the consumer supply manual or the terms of the electric power supply license or which does not result in the licensee being in breach of the laws or the applicable documents.

**10. Prohibition of discrimination and cross-subsidy:** - (1). The licensee shall procure that-

(a). in respect of consumers, neither the licensee nor any of its affiliates shall: -

(i). supply or offer to supply electric power, including under any power acquisition contract, within the service territory or the service territory of another electric power supply licensee on terms as to price, load or other terms which are materially more or less favorable than those on which it supplies or offers to supply electric power to consumers;  
or

(ii). discriminate in any manner whatsoever between consumers, except, in each case, to the extent that such discrimination or difference in the financial value of supply reasonably reflects the difference in the costs associated with such supply or where such difference is authorized, whether as part of the tariff or otherwise.

(2). For the purposes of sub-regulation-(1), due regard shall be given to the circumstances of supply including, without limitation, the volume of supply, load factors, conditions of interruptions, location of premises being supplied and, where applicable, the terms and duration of the relevant power acquisition contracts.

(3). The licensee shall ensure that no separate business gives any cross-subsidy to, or receives any cross-subsidy from, any other separate business of the licensee or its affiliates. For the purpose of this sub-regulation, those parts of the supply business in supply of electric power to (a) consumers, (b) bulk-power consumers within the service territory; and (c) bulk- power consumers located in the service territory of another electric power supply licensee, shall each be treated as a separate business.

(4). The provisions of sub-regulations (1), (2) and (3) of this regulation shall not apply to the extent that the Authority requires the licensee, pursuant to or under the terms of the electric power supply license or otherwise, to act in a manner that would otherwise be a breach thereof, by virtue of the tariff and other conditions of its license.

**11. Power acquisition contracts and obligation to purchase economically:** - . Any power acquisition contract by Supplier shall be subject to the NEPRA Power Procurement Regulations, as applicable.

**12. Financial and organizational affairs:** - (1). The licensee shall not, except to the extent authorized in the electric power supply license 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 electric power license except---

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

date of issue of the electric power supply license;

- (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 electric power supply license 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 electric power supply 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.

**13. Accounting Practices:** - (1). The licensee shall prepare the accounts in respect of each of the supply business and other businesses, if any, in accordance with the relevant NEPRA regulations, provided that the Authority may, pending the notification of relevant NEPRA regulations in the official Gazette, require the licensee to prepare its accounts in respect of each of the supply business and the separate businesses, if any, in accordance with the provisions of the Companies Act, 2017.

(2). 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.

(3). In specifying the accounting requirements in the electric power supply license, the Authority may require the licensee and any of its affiliates to -

- (i). maintain and preserve the books of account and accounting records in respect of each financial year for the time specified in the electric power supply license;
- (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.

**14. Electricity Supply Code: -** (1). No later than one hundred twenty days following the date of issue of the electric power supply license, the licensee shall prepare and submit to the Authority for approval; and shall at all times have in force and implement, an electricity supply code covering all material aspects relating to the supply business with such details and particulars as may be specified by the Authority in the electric power supply license.

(2). The electricity supply code shall be consistent in material particulars with the applicable documents-

- (a). to achieve the performance standards specified in the relevant NEPRA regulations within the time limit and in the manner specified therein;
- (b). to facilitate competition in the supply of electric power;

(3). The Authority may impose conditions in the electricity power supply license for---

- (a). the periodic review of and revisions to the electricity supply code and its implementation;
- (b). approval of revisions to the electricity supply code proposed by the

licensee, consumer (s), bulk power consumers, distribution company or a, generation company; and

- (c). avoidance of discrimination or undue preference by the licensee or any of its affiliates.

**15. 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 applicable documents in the manner specified in the electric power supply license.

(2). The electric power supply license may provide incentives to participate and consequences for failure to participate in the measures and activities referred to in sub-regulation (1).

**16. Investment programmes, acquisition and disposal of assets:** - (1) The licensee shall, no later than one hundred and eighty days following the notification of the NEPRA relevant regulations, 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 relevant rules and regulations.

**17. Maintenance of records:** - (1). The licensee shall keep complete and accurate records and other data in respect of all aspects of the supply business, of the nature and in the manner as may be specified in the electric power supply license.

(2). All such records and data shall, unless provided otherwise under the laws or the applicable documents, be maintained for a period of ten (10) 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 preserve.

(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 electric power supply license the extent and scope of the licensee's 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 relevant 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.

**Registrar**

Draft