

National Electric Power Regulatory Authority Licensing (Distribution) Regulations, 2022

NOTIFICATION

Islamabad, the 28th day of March, 2022

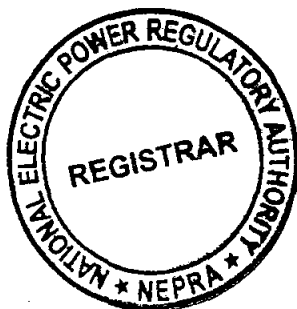
S.R.O. 445 (I)/2022. In exercise of the powers conferred by section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997) read with all other enabling provisions thereof, the National Electric Power Regulatory Authority is pleased to make the following regulations.—

1. Short title and commencement.— (1) These regulations may be called the National Electric Power Regulatory Authority Licensing (Distribution) Regulations, 2022.

(2) These regulations shall come into force at once.

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

- (a) "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997), as amended from time to time;
- (b) "applicable documents" means the rules, regulations, terms and conditions of any licence, registration, authorization, determination, any codes, manuals, directions, guidelines, orders or notifications issued or approved under the Act;
- (c) "associated company" or "associated undertakings" shall have the same meanings as assigned to them in the Companies Act, 2017 (Act No. XIX of 2017);
- (d) "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 other applicable documents;
- (e) "connection charges" means the charges made or levied or to be made or levied by the distribution licensee for carrying out works, provisions and installation of electrical facilities, meters, 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 facilities, electric lines and circuits, and ancillary meters following disconnection, or such other charges as may



be specified in or pursuant to the distribution licence;

- (f) "consumer eligibility criteria" means the relevant consumer eligibility criteria to obtain connection of electric power as specified by the Authority in the National Electric Power Regulatory Authority Consumer Eligibility Criteria (Distribution Licensees) Regulations, 2022;
 - (g) "distribution business" means the business of distribution of electric power services carried on or to be carried on by a distribution licensee pursuant to and in accordance with the terms and conditions of the distribution licence;
 - (h) "Distribution Code" means the code prepared by the licensee and approved by the Authority, which defines the technical and operational standards and procedures for distribution licensees and all those connected to the licensee's distribution system as specified in regulation 12 of these regulations;
 - (i) "distribution licensee" means a person to whom a licence for distribution of electric power has been granted by the Authority under the Act;
 - (j) "Distribution Service Manual" means the manual of instructions developed by a distribution licensee and approved by the Authority detailing instructions and guidance to the persons connected or to be connected to the distribution system of the licensee as more fully described in regulation 8 of these regulations;
 - (k) "distribution system" includes the distribution facilities and electric lines or circuits, meters, interconnection facilities or other facilities operating at the distribution voltage, and shall also include any other electric lines, circuits, transformers, sub-stations, interconnection facilities or other facilities determined by the Authority as forming part of the distribution system, whether or not operating at the distribution voltage;
 - (l) "Grid Code" means the code prepared by the national grid company and approved by the Authority or, when a separate entity is licensed as system operator, prepared by the system operator licensee under section 23H of the Act and approved by the Authority;
 - (m) "interconnection facilities" means the equipment, including, without limitation, electrical lines or circuits, transformers, switch-gear, safety and protective devices, meters or electrical plant, used for interconnection services;
- "investment programme" means the distribution licensee's investment programme referred to in regulation 15 of these regulations;
- "merger" means the merger, acquisition, amalgamation, combination or joining of two or more undertakings or part thereof into an existing undertaking or to form a new undertaking; and expression "merge"

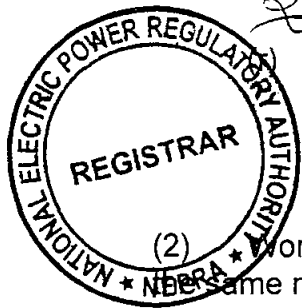


means to merge, acquire, amalgamate, combine or join, as the context may require;

(p) "service territory" means the territory specified by the Authority in the distribution licence within which the distribution licensee is authorized to conduct distribution business;

(q) "use of system" means use of distribution system of a distribution licensee for movement or delivery of electric power by or for any person; and

"use of system charges" means the charges made or levied or to be made or levied by a distribution licensee for the use of its distribution system for the purposes of the distribution services but shall not include connection charges.



(2) Words and expressions used but not defined in these regulations shall have the same meanings as assigned to them in the Act.

3. Grant of licence.— (1) Any person who fulfills the eligibility criteria prescribed under section 20 of the Act, may make an application to the Authority in accordance with the National Electric Power Regulatory Authority Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 for grant of a distribution licence.

(2) The Authority may, after such enquiry as it may deem appropriate and subject to the conditions specified in these regulations and other applicable documents, approve the grant of distribution licence to the applicant.

(3) A distribution licence shall not be deemed to confer any exclusive right on the licensee to engage in distribution business within the service territory.

(4) The service territory of a distribution licensee shall be specified by the Authority in the licence.

(5) A distribution licensee shall be responsible to provide distribution service within its service territory to all the persons who meet the relevant consumer eligibility criteria.

4. Fees.— A distribution licence applicant and distribution licensee shall timely pay to the Authority relevant fees including application fees and annual fee as may become due under the applicable documents.

5. Term of the licence.— (1) A distribution licence shall be issued for a minimum term of twenty years and shall be valid during this period subject to compliance with the Act, these regulations and other applicable documents and payment of annual fee as specified in the applicable documents from time to time, unless revoked earlier by the Authority.

(2) The distribution licence may be renewed, after expiry of its term, upon the licensee's application, subject to satisfactory performance of the licensee, compliance

with the Act, the applicable documents, payment of such fees as may be determined and, on such terms and conditions as the Authority may deem appropriate.

6. Tariff and charges.— (1) A distribution licensee shall charge only such tariff, including use of system or connection charges, as determined or approved by the Authority.

(2) If the tariff is not already determined by the Authority at the time of grant of the distribution licence, the licensee shall, no later than thirty days following the date of grant of the distribution licence, and in any event before start of commercial operations, file a petition before the Authority for determination of its tariff in accordance with the applicable documents.

(3) A distribution licensee shall, within ninety days of issuance of its licence and in any event before start of its operations, make publicly available tariff and other information specifying the Authority's approved rates, charges and other terms and conditions for connection, movement and delivery of electric power:

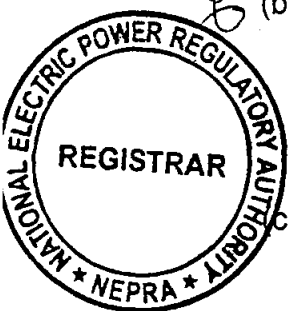
Provided that an existing distribution licensee shall publish on its website and also make publicly available through other modes, tariff and other information specifying the rates, charges and other terms and conditions for connection, movement and delivery of electric power as approved by the Authority, within thirty days of notification of these regulations.

7. General duties and responsibilities of a distribution licensee.— (1) A distribution licensee shall, within its service territory, be responsible for providing safe, secure and reliable distribution of electric power on a non-discriminatory basis to all the licensees, generation companies and persons who meet the consumer eligibility criteria, in accordance with the applicable documents.

(2) A distribution licensee shall, within thirty days of the issuance of its licence or before start of commercial operations, whichever is earlier, make publicly available the manner and procedure for obtaining its service in simple understandable language.

(3) A distribution licensee, in addition to any specific conditions provided in its licence, shall

- (a) make its transmission facilities, if any, available for operation by the system operator in accordance with the Grid Code;
- (b) follow the performance standards laid down by the Authority for distribution and transmission of electric power, including safety, health and environmental protection, and any instructions issued by the Federal Government or a Provincial Government with regard to safety, protection of health and environment;
- (c) ensure open access to its distribution system and develop mechanisms for adherence to the requests of other licensees with regard to sharing of metering information, connection and disconnection of consumers in accordance with the applicable documents;



- (d) maintain accounts in accordance with the manner and procedure laid down by the Authority;
- (e) develop, maintain and publicly make available, with the prior approval of the Authority, an investment programme for satisfying its service obligations and acquiring and selling its assets; and
- (f) ensure that its distribution services are available to every person situated within its service territory to enable such persons to get electricity connection from the distribution licensee and supply of electric power from the relevant electric power supplier.

(4) In addition to the duties and responsibilities specified in these regulations, a distribution licensee shall also comply with such other terms and conditions as may be provided in its licence or other applicable documents.

(5) A distribution licensee shall be obligated to comply with any amendments made, from time to time, in the Act or the applicable documents including these regulations.

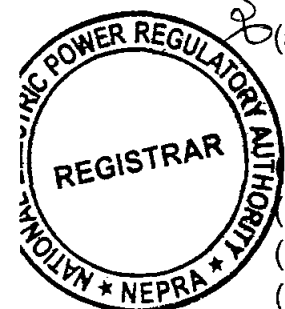
8. Distribution Service Manual.— (1) A distribution licensee shall, within ninety days of the issuance of licence, submit its Distribution Service Manual for approval by the Authority:

Provided that the Authority may approve a standard Distribution Service Manual and other licensees may adopt the same for compliance thereof:

Provided further that till such time the Authority approves a Distribution Service Manual, the existing Consumer Service Manual shall *mutatis mutandis* apply to the extent not inconsistent with the Act, these regulations and other applicable documents.

(2) The Distribution Service Manual shall include instructions and guidance in respect of the following matters

- (a) form and manner of application for obtaining distribution service by electric power suppliers, different categories of consumers, along with details of any documents to be submitted in support of the application;
- (b) time-frame for providing connection and distribution service;
- (c) use of system agreements template;
- (d) safety and security requirements for use of its services;
- (e) procedure and the time-frame for handling and redressal of complaints;
- (f) procedure for notice to consumers upon request by an electric power supplier before disconnection for non-payment of bill or theft of electric power by the consumer;
- (g) fees, charges, procedure and manner for installation and replacement of meters and other facilities for connection;
- (h) fees, charges, procedure and manner for resumption of connection after



- disconnection; and
- (i) 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 in accordance with the Distribution Code.

(3) The Authority may direct the licensee to include instructions and guidance in respect of matters other than those specified in sub-regulation (2) and, upon being so directed, the licensee shall comply with the directions of the Authority, and submit to the Authority a revised version of the Distribution Service Manual within fourteen days of being so directed.

(4) Upon submission of the Distribution Service Manual by the licensee, the Authority shall review the same 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 shall be completed no later than ninety days following the initial submission of the Distribution Service Manual by the licensee.

(6) 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 or the Authority may, at its own motion, amend the Distribution Service Manual after seeking public comments thereon.

(7) Upon approval of the Distribution Service Manual by the Authority, a distribution licensee shall

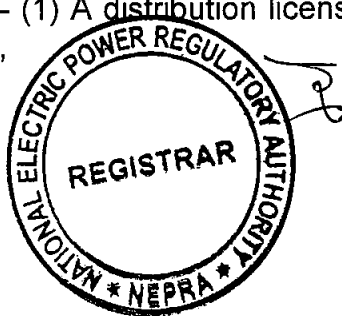
- (a) publish the Distribution Service Manual on its website; and
- (b) provide a copy of the Distribution Service Manual to any person seeking connection and service from the licensee upon such payment as may be reasonable.

(8) A distribution licensee shall provide distribution service in a manner consistent with the Distribution Service Manual or other applicable documents.

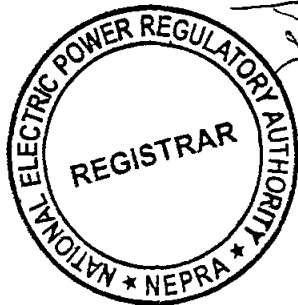
9. Open access.— (1) A distribution licensee shall provide open access to its distribution system and inter-connection facilities on non-discriminatory basis to all consumers, licensees and generation companies who are using or intend to use its distribution system.

(2) A distribution licensee shall ensure that its distribution system is planned, designed, implemented, maintained and operated in a manner that fully supports open access, the electric power market development and operations in compliance with the applicable documents.

10. Financial and organizational affairs.— (1) A distribution licensee shall not, except to the extent authorized by the Authority,



- (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 in a cumulative amount greater than ten percent of the equity of the licensees' shareholders as of the date of the most recent audited balance sheet of the licensee;
- (b) merge with, 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 associated company or associated undertaking of the licensee on the date of issue of the distribution licence;
- (ii) as may be required to satisfy its obligations under the applicable documents; or
- (iii) 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 percent 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 licence, 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 market as a whole; and

- (b) the change, if any, in the control or management of the licensee is likely to result from the authorization if granted.

(4) The requirements to seek permission from the Authority under this regulation shall be without prejudice to the licensee's obligations to seek necessary approval for any merger under the Competition Act, 2010 (Act No. XIX of 2010) or any other law for the time being in force.

11. Accounting practices.— (1) A distribution licensee shall prepare the accounts in respect of the electric power supply and other businesses, if any, in accordance with the applicable documents as may be revised from time to time:

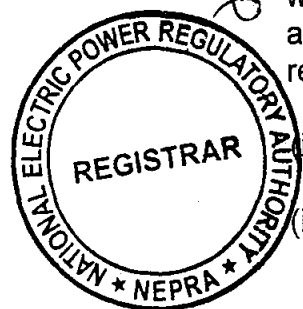
Provided that the requirements with regard to maintenance of accounts specified in these regulations shall apply in addition to any other requirements as may be applicable in any other law for the time being in force.

(2) A distribution licensee shall ensure that the licensee and each of its associates maintain accounting and financial reporting arrangements which enable separate accounts to be prepared for each separate business and showing the financial affairs of each 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 associate are separately identifiable in the books of the licensee and its associates 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 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 associated companies or undertakings to

(a) maintain and preserve the books of accounts and accounting records in respect of each financial year for the time specified in the distribution licence;

(b) 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, showing separately in respect of each separate business and in appropriate detail the amounts of any revenue, costs, assets, liabilities, reserves or provisions which have been either:-



- (i) charged from or to any other business, whether or not a separate business, together with a description of the basis of that charge; or
- (ii) determined by apportionment or allocation between any separate businesses together with a description of the basis of the apportionment or allocation.

12. Distribution Code.— (1) No later than ninety days following the date of issue of the distribution licence, the licensee shall 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 necessary details and particulars for the purposes of carrying out its distribution business.

(2) The Distribution Code shall contain relevant provisions

- (a) to achieve the performance standards specified in the applicable documents;
- (b) towards the development, maintenance and operation of a safe, efficient, coordinated and economical system for the distribution of electric power;
- (c) to facilitate development of a competitive electric power market and competition in the electric power market;
- (d) for compliance with the instructions of the system operator with regard to dispatch of generation connected with its distribution system;
- (e) for compliance with the requests of any licensee or generation company with regard to connection, disconnection, metering and allied services:

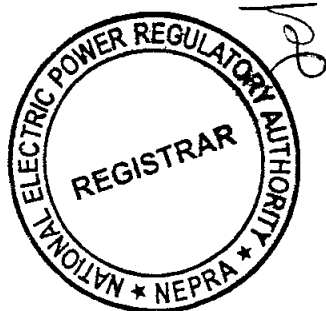
Provided that the existing Distribution Code shall be revised in order to incorporate the above-mentioned provisions with regard to competitive electric power market implementation:

Provided further that till such time the Distribution Code is revised, the respective distribution licensees shall ensure that they develop administrative and technological mechanisms to process and respond to the requests of any licensee or generation company;

- (f) 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 part of the distribution system; and
- (g) to ensure the availability of any transmission facilities declared by the Authority to be part of the distribution system and to be operated by the System Operator, for operation by the System Operator in a manner consistent with the Grid Code.

(3) With regard to the Distribution Code, the Authority may require a distribution licensee to

- (a) conduct periodic review of and revisions to the Distribution Code and its implementation;
- (b) supply copies of Distribution Code to any person requesting for a copy;
- (c) require approval of revisions to the Distribution Code proposed by the licensee; and



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- (d) provide a mechanism for avoidance of discrimination or undue preference by the licensee or any of its affiliates.

(4) The Authority may, following consultation with the licensee, issue directions relieving the distribution 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.

(5) The Authority may approve a standard Distribution Code for a set of distribution licensees who may adopt the standard Distribution Code for compliance.

13. Uniform industrial standards and codes of conduct.— A distribution 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.

14. Investment programme, acquisition, and disposal of assets.— (1) A distribution licensee shall, no later than thirty days following the grant of licence, submit its five year investment programme to the Authority for approval:

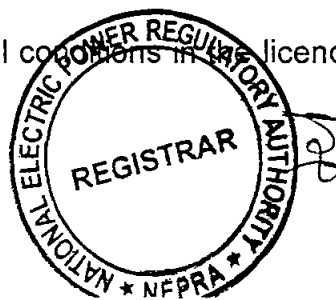
Provided that the status on implementation and any changes in the approved five year investment programme shall be submitted to the Authority on annual basis for its consideration and approval.

(2) A distribution licensee's investment programme shall be drawn up consistently with the provisions of the applicable documents and to achieve the distribution performance standards.

(3) A distribution licensee shall not, except under a prior authorization, acquire, whether on ownership basis, lease, hire-purchase, or any 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) A distribution licensee shall not, except under a prior authorization by the Authority, sell or dispose of in any manner any tangible assets comprised in the distribution system or any intangible assets accruing or likely to accrue to the licensee from the distribution 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 licence.

(5) The Authority may impose additional conditions in the licence 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.

15. Insurance.— A distribution licensee shall obtain and maintain such policies of insurance as may be specified in the distribution licence and other applicable documents.

16. Maintenance of record.— (1) A distribution licensee shall keep complete and accurate record and other data relating to the licensed activity including any contractual arrangements, agreements, and any other information as may be specifically required by the Authority.

(2) All records and data referred to in sub-regulation (1) shall be maintained in good order and condition and by taking reasonable measures to ensure security of the data, for a minimum period of five years after the expiry of such record, arrangement or agreement or for such further extended period as the Authority may specifically require.

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

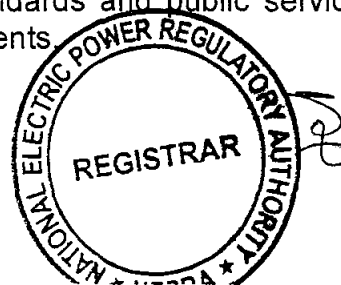
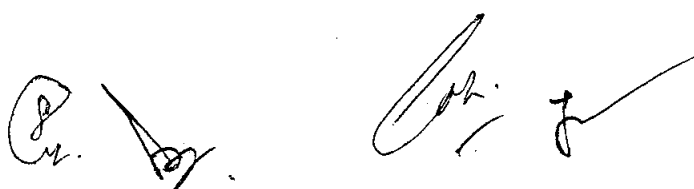
17. Information technology and operational technology requirements.— All computer programs or systems used by distribution licensees shall be adequately secured as per the requirements of the applicable documents and the relevant information technology and operational technology standards.

18. Fair and equitable treatment.— A distribution licensee shall deal fairly and transparently with the consumers, electric power suppliers, other licensees and generation companies at all stages of their relationship as an integral part of its obligations and avoid practices that harm consumers, electric power suppliers, other licensees or generation companies.

19. Disclosure and transparency.— A distribution licensee shall provide complete and accurate information regarding the distribution service terms, conditions, applicable rates, charges and final costs to enable consumers, electric power suppliers and other licensees or generation companies to take informed decisions and also ensure easy access to this information, especially to the key terms and conditions.

20. Protection of privacy.— A distribution licensee shall protect consumers' privacy and confidential information of other licensees or generation companies through a combination of appropriate control, security, transparency and consent mechanisms relating to the collection and use of their personal data or confidential information.

21. Performance standards and monitoring.— (1) A distribution licensee shall comply with the relevant performance standards and public service obligations as provided in the Act or the applicable documents.



(2) A distribution licensee shall submit to the Authority annual reports on its performance and compliance with these regulations and other applicable documents including the relevant eligibility criteria rules, and the terms and conditions of its licence.

(3) The Authority may require a distribution licensee to provide any special reports on such format as may be deemed appropriate by the Authority.

(4) The Authority may, if deemed necessary for reasons to be recorded in writing, order a performance audit of a distribution licensee.

22. Risk and administrative requirements.— (1) A distribution licensee shall, subject to the provisions of its licence, promptly and diligently adhere to all reasonable risk-management and risk containment measures, and shall implement risk-mitigation measures.

(2) A distribution licensee shall submit to the Authority for its prior approval any changes to its management control, ownership, and/or nature of business.

(3) A distribution licensee shall intimate the Authority, in writing, any change in its address and other contact details.

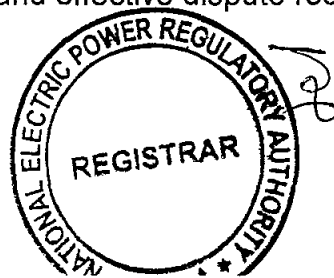
23. Prohibition against anti-competitive practices.- (1) A distribution licensee shall not impede, prevent or attempt to prevent any other licensee, registered person, market participant or competitor, if any, from engaging in their respective licensed or registered activities.

(2) A distribution licensee shall not engage in any form of anti-competitive activities or activities contrary to free and fair competition.

24. Revocation and suspension.- (1) Without prejudice to the powers of the Authority under the Act, upon being satisfied that the licensee is consistently failing in discharging its functions in accordance with these regulations or terms and conditions of licence, or becomes insolvent, or otherwise fails to carry on its business in accordance with the applicable documents, or the licensed activity is no longer required, the Authority may, after providing an opportunity to show cause followed by a personal hearing, take such measures as it deems appropriate including but not limited to suspension or revocation of licence.

(2) Where the Authority revokes or suspends licence of a distribution licensee, it may, in addition to such other actions as may be deemed necessary to safeguard the interest of the consumers, other licensees or stakeholders, appoint an administrator to take over its distribution facilities and look after other related matters.

25. Consumer complaints and dispute resolution.- (1) A distribution licensee shall make available complaint-handling mechanisms that provide consumers, electric power suppliers, other licensees and generation companies with expeditious, fair, transparent, inexpensive, accessible, speedy and effective dispute resolution.



(2) Any complaints regarding connection, non-compliance of instructions with respect to metering, collection of approved charges, and disconnection in case of non-payment of charges, electric power theft and use of energy for purposes other than for which it was supplied, that cannot be resolved under the mechanism provided in pursuance of sub-regulation (1), shall be referred to the Authority in accordance with the Act.


(Syed Safeer Hussain)
Registrar

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