

**JHARKHAND STATE ELECTRICITY REGULATORY COMMISSION
RANCHI**

DISTRIBUTION LICENSE



License is granted by the Jharkhand State Electricity Regulatory Commission under Section 14 of the Electricity Act, 2003 (36 of 2003) on consideration of the application No. 07 of 2004-05 to **M/s STEEL AUTHORITY OF INDIA LIMITED (BOKARO STEEL PLANT)** having its registered office at “**Ispat Bhawan**” **Lidhi Road, New Delhi -110003** and one of its works- **Bokaro Steel Plant** at Bokaro Steel City, District **Bokaro** (Jharkhand), pin Code No. 827001 to distribute and supply electricity within the area of supply (as defined in this License) in accordance with the provisions of the Act and upon the terms and conditions specified hereinunder.

Part I : General

1. Short title

This License may be called the **Electricity Distribution License** (License No. 01 of 2005-06)

2. Definitions

In this License unless the context otherwise requires:

- (a) “**Accounting statement**” means for each financial year, accounting statements separately in respect of the Licensed Business and the other Business, comprising:-
- (i) a balance sheet, prepared in accordance with the form contained in Part I of Schedule VI to the Companies Act, 1956. ;
 - (ii) a profit and loss account, complying with the requirements contained in Part II of Schedule VI to the Companies Act, 1956.
 - (iii) A cash flow statement, prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) of the Institute of Chartered Accountants of India;
 - (iv) A report of the statutory auditors’ of the Distribution Licensee;
 - (v) Cost records as prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 , Together with notes thereto, and such other supporting statements and information as the Commission may direct from time to time;
- (b) “**Allocation Statement**” means for each financial year a statement in respect of each of the separate businesses of the Distribution Licensee showing the amounts of any revenue, cost, asset, liability, reserve or provision , which has been either:

- (i) charged from or to any Other Business together with a description of the basis of that charge; or
 - (ii) determined by apportionment or allocation between the Distribution Business and any Other Business of the Distribution Licensee, together with description of the basis of the apportionment or allocation:
- (c) **“Act”** means the Electricity Act, 2003 (36 of 2003) ;
 - (d) **“Commission”** means the Jharkhand State Electricity Regulatory Commission;
 - (e) **“Distribution Licensee”** means **“STEEL AUTHORITY OF INDIA LIMITED” (BOKARO STEEL PLANT)** in its capacity as operator of the Licensed Business;
 - (f) **“Licensee”** means this license under which the Distribution Licensee is authorized to conduct the Licensed Business;
 - (g) **“Licensed Business”** means the business of operating and maintaining a distribution system for supplying electricity to the consumers in the area of the supply of the Distribution Licensee;
 - (h) **“ Network Rollout Plan”** means a plan describing the rollout of the distribution system of the Distribution Licensee or of the proposed distribution system of the applicant, as the case may be, including geographical coverage of such distribution system, phasing of the rollout and such other details as may be required by the Commission.
 - (i) **“Other Business”** means such other business as is referred to in Section 51 of the Act;
- Words of expression used herein above and not defined shall have the meanings assigned to them in the Act.

Part II: General Terms and Conditions

3. Area of supply

The area of supply shall be as shown in the map appended as Schedule. The area of supply shall be the whole of the area bounded as follows:

North:	River Damodar
South:	River garga
East :	River garga
West:	Bokaro Steel City Railway Station

4. Commencement and term of license

The License shall come into force from the 28th day of **July 2004** and, unless revoked earlier by the Commission in accordance with the provisions of Section 19 of the Act, shall remain in force for the period of **TWENTYFIVE** years as specified under sub-section (8) of Section 15 of the Act.

5. DUTIES

5.1 The Distribution Licensee shall develop and maintain an efficient, coordinated and economical distribution system in the area of supply electricity in accordance with provisions of the Act and the regulations and guidelines of the Commission.

5.2 Obligation to provide Electricity supply Service

Subject to the other provisions of this License, the Licensee shall have the following obligations:

(a) The Licensee shall on the application of the owner or occupier of any premises within the area of Supply, give electricity supply service connection from the Licensee's Distribution system for the purposes of providing supply of electricity including the laying and installation of any required distribution lines and/or plants as per the Electricity Supply Code Regulations.

(b) where the owner or occupier of any premises requires connection under this clause 5.2, the form of application to be made and the procedure for processing the application and providing electricity supply service shall be in accordance with the procedure and subject to the fees and payments as specified by the Licensee and approved by the Commission as per the Electricity Supply Code Regulations.

(c) The Licensee shall always endeavor to ensure stable and adequate power supply of appropriate quality to consumers.

(d) Nothing in this clause 5.2 shall require the Licensee to provide electricity supply service connection if he is prevented from so doing by the Force Majeure circumstances beyond the control of the Licensee.

5.3 The Distribution Licensee shall comply with all the applicable provisions of the Act, the rules prescribed there under and all regulations, orders and directions issued by the Commission from time to time.

5.4 The Distribution Licensee shall as soon as practicable report to the Commission:

(a) Any significant change in his circumstances which may affect the Distribution Licensee's ability to meet his obligations under the Act, the rules and the Regulation there under, directions and orders issued by the Commission , agreements or the License;

(b) Any material breach, or likelihood thereof, of the provisions of the Act, the rules and the regulations there under , direction and orders issued by the Commission, agreement or the License, which was reasonably within his knowledge, along with the reasons therefore, as soon as practicable; and

(c) Any change in management control or major change in the shareholding pattern of the Distribution Licensee.

(d) Commission would conduct /get conducted any enquiry into the technical, commercial and financial management of licensed business as and when the commission decides necessary and appropriate.

Explanation I – for the purpose of this clause, “management control” shall include the right to appoint majority of the directors or to control the management or policy decisions of the Distribution Licensee, including by virtue of shareholding or management rights or shareholders' agreement or partnership agreement or trust deed or voting agreement or in any other manner;

Explanation II – for the purpose of this clause, “major change in share in shareholding pattern” shall mean the acquisition, by such person as specified in Regulation 7 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as in force from time to time, of such percent of shares or voting rights in the Distribution Licensee as would entail as disclosure under sub-regulation (i) of that Regulation.

5.5 The Distribution Licensee shall ensure that his licensed business (electricity distribution business) neither subsidizes in any way any other business undertaking of the licensee nor encumbers its distribution assets in any way to support such other business.

5.6 The Distribution Licensee may engage any of its subsidiaries or holding company or a subsidiary of such holding company to provide any goods or services to the Distribution Licensee in connection with the License Business, Subject to the following conditions:

(a) That the transaction shall be undertaken on an “arms-length basis” and at a value that fair and reasonable in the circumstances, which for the purpose of this clause, shall mean with respect to any specific transaction, substantially on terms that would be obtained between the Distribution Licensee and a third party unrelated to and unconnected with Distribution Licensee;

(b) That the Distribution Licensee shall report to the Commission, for each financial year, the details of all transactions of the nature referred to in clause 5.6 (a) of this Regulations entered into during the financial year;

(c) That the Distribution Licensee shall submit to the Commission, for each financial year, a certificate from a Chartered Accountant as regards compliance with the requirement of clause (a) above.

Explanation - for the purpose of this clause, the terms “subsidiary” and “holding company” shall have the same meaning as under Section 4 of the Companies Act, 1956.

5.7 The Distribution Licensee may under take the distribution of electricity for a specified area within the area of supply through another person and such person shall not be required to obtain any separate license from the Commission.

Provided that the Distribution Licensee shall responsible for all his obligations under the Act, rules and regulations made there under notwithstanding the Distribution Licensee authorizing such other person to so undertake the distribution of electricity.

Provided further that Distribution Licensee shall report, for each financial year, the detail of any such arrangements entered into with any person under these Regulations, in such format as may provide by the Commission.

5.8 The Distribution shall:

(a) Prepare and submit to the Commission a detailed forecast of the demand for electricity in the area of supply in such manner and for such period(s) as may be specified by the Commission.

(b) Purchase electrical generation capacity and energy in an efficient and economical manner under a transparent procurement process as approved by the Commission and in accordance with the guidelines issued by the Commission from time to time.

(c) The licensee shall submit its Capital Expenditure Plan to the Commission on grant of the License.

6. Street works

The Distribution Licensee is authorized to carry out works or upon the following railways, tramways, sewer, drain or tunnel/cannals, and waterways or parts thereof within his area of

supply and with prior permission of the Commission outside his area of supply if it is necessary to do so for the sake of maintenance of efficient, coordinated and economized distribution of electricity within his area of supply subject to the provisions of section 67 of the Act.

7. Network Rollout

The Distribution Licensee shall adhere to the network rollout plan as proved by the Commission. The Distribution licensee shall submit to the Commission, Annual capital expenditure plan every year three months before the commencement of financial year.

8. Accounts

8.1 The Distribution Licensee shall adhere to capital and investment plan approved by the Commission.

8.2 The financial of the Distribution Licensee shall run from the first of April to the following thirty –first of March.

8.3 The Distribution Licensee shall in respect of the Licensed Business and the Other Business:

(a) Keep such allocation Statement as would be required, so that the revenues, costs assets liabilities, reserves and provisions for reasonably attributable to the Licensed Business are separately identifiable in the books of the Distribution Licensee.

(b) Adopt a fair and transparent cost allocation mechanism for the reasonable allocation of joint and common costs between the Licensed Business and the other Business.

(c) Prepare on a consistent basis, the financial statements and accounting statements in accordance with the provisions of the Companies Act, 1956 and/or the standards or guidelines of the Institute of Chartered Accountants of India or the Commission and submit this same to the Commission with Auditor's report not later than six months after the end of the financial year.

Provided that that licensee shall submit to the Commission an interim financial Statement/ Accounting Statements within 90 days of the expiry of each financial year.

Explanation – References in this clause 8.2 of schedule II of these regulations to costs or liabilities or reasonably attributable to Licensed Business or Other Business shall be construed as excluding taxation, and capital liabilities which do not relate principally to such Business and interest thereon

8.4 The Distribution Licensee shall maintain appropriate accounting records and undertake such studies as the Commission may direct to enable the Commission to determine or estimate, as the case may be, the Distribution Licensee's cost of supply to various tariff categories and cross-subsidy surcharge under sub-section (2) of Section 42 of the Act.

8.5 The Licensee shall maintain asset Register for the asset in use, update them from time to time as may be necessary and provide the information on the same as may be required by the Commission.

8.6 The Distribution Licensee shall upon request by any person make available a copy of its Accounting Statements at reasonable price not to exceed the photocopying charges.

9. Provision of Information to the Commission

- 9.1 The Distribution Licensee shall furnish to the Commission such information, documents and details related to the Licensed Business and/ or the other Business of the Distribution Licensee as the Commission may require.
- 9.2 The Licensee shall submit a **five** year Business Plan within three months from the date of grant of license or the effective date of the Transfer Scheme in case of restructuring of State Electricity Board under section 131 of the Act and update the same annually. This should contain year wise load growth, year wise distribution loss reduction target along with specific action plan, metering plan, investment plan (including investment in Generating stations or a Trading Company), treatment of previous losses, debt restructuring plan, program for rural electrification, cost reduction Plan, projected profit and loss account, projected balance sheet, projected cash flow statement and projected important financial parameters.
- 9.3 The Commission may require the Licensee to intimate by the end of first quarter of each financial year the progress made in implementing the Business Plan of the previous financial year with the comparison of actual implementation vis-à-vis the plan as approved by the Commission for a block of five years.
- 9.4 The Licensee shall also undertake such studies as the Commission may direct it to undertake from time to time for improvement of the Distribution Business and any other matter concerning the Distribution Business that the Commission considers necessary in the public interest. Such expenses shall be included in determination of aggregate revenue requirement.

10. Technical Conditions

- 10.1 The distribution Licensee shall develop and maintain an efficient, coordinated and economical distribution system in his area of supply and supply electricity in accordance with the provisions of The Act,
- 10.2 The Licensee shall comply with the provisions of the grid code in so far as is applicable to it.
- 10.3 At the request of the Commission, the Licensee is required to participate and assist the Commission to the extent required by the Commission in the development, issue and review of any standards, codes, procedures proposed or notified by the Commission. The Licensee shall implement all the Standards and procedures approved by the Commission.
- 10.4 Licensee shall install plants, equipments and meters and construct, maintain and operate electrical plants and electrical lines as per the technical safety and energy efficiency standards specified by the Authority under the Act and/or specified under any Act for the time being in force.
- 10.5 The licensee shall comply with the provision of JSERC (Distribution Licensees' Standard of Performance) Regulations, 2005 and electric Supply Code.

11. Annual License Fees

During the period the Licensee is in force, the Distribution Licensee shall, by the **10th of April** of every year pay to the Commission the annual license fees of **Rupees on lakh** only.

12. Tariffs and Calculation of Revenue Requirements

- 12.1 The Licensee shall charge consumer for the supply of electricity by him in accordance with the Tariff Order issued by the Commission from time to time.
- 12.2 The Licensee shall file application for determination of Tariff by the Commission as per the Regulations issued by the Commission.
- 12.3 The Licensee shall follow the methodology and calculate the Revenue Requirements including the charges/expenses which it is allowed to recover in accordance with part VII of the Act, and Regulations and guidelines issued by the Commission and terms conditions of his license.

13. Consumer Rights Statement

- 13.1 The Distribution Licensee shall, within **three** months from the date of commencement of the license, prepare and submit to the Commission for approval, a consumer Rights statement, explaining to consumers their rights as consumers served by Distribution Licensee.
- 13.2 The Commission may, upon holding such consultation with such persons or bodies of persons who the Commission considers as representing the interests of consumers likely to be affected by it, make such modification to such consumer rights statement, as it considers necessary in public interest.
- 13.3 The Distribution Licensee shall provide a copy of the consumer rights statements, as approved by the Commission, free of charge, to all consumers to be served by it.
- 13.4 The Distribution Licensee shall put up a copy of the consumer rights statement on its internet website.

14. Decision on interpretation of License

The interpretation of the license and the terms and conditions thereof shall be as determined by the Commission.

(A. K. Mehta)
Secretary

Place: Ranchi

Date : 30th September 2005

SCHEDULE (DISTRIBUTION LICENSE)

15. Specification of Area of supply:-

**BOKARO STEEL PLANT, TOWNSHIP OF
BOKARO STEEL CITY AND ACQUIRED
LAND AREA**

16. Annexure:

**MAP OF THE AREA OF SUPPLY DULY
SIGNED WITH SEAL BY THE APPLICANT
AND APPROVED BY THE COMMISSION**

(A. K. Mehta)
Secretary

Place : Ranchi

Date: 30th September 2005