National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/R/DG(LIC)/LAD-08/ 1058-88 May 09, 2023

Chief Executive Officer
Hyderabad Electric Supply Company (HESCO)
HESCO Headquarter
WAPDA Complex, Hussainabad, Hyderabad

Subject: **DETERMINATION OF THE AUTHORITY IN THE MATTER OF DISTRIBUTION LICENCE OF HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (DISTRIBUTION LICENCE NO. DL/05/2023)**

Reference: Your letter No. CEO/HESCO/DG(MIRAD)/637-45 dated 21.01.2022

The Determination of the Authority in the subject matter and the Distribution Licence (DL/05/2023) are attached herewith. Please note that the Determination of the Authority contains (16 pages) whereas the Distribution Licence consists of Face Sheet (single page), Articles of Distribution Licence (17 pages), Schedule I (4 pages) and Schedule II of Distribution Licence (3 pages).

2. Please quote above mentioned Distribution Licence No. for future correspondence.

Enclosure: As Above

09/5/23
(Engr. Mazhar Iqbal Ranjha)

Copy to:

1. Secretary, Power Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Ministry of Planning & Development, Government of Pakistan, 'P' Block, Pak Secretariat, Islamabad
3. Secretary, Ministry of Finance, Government of Pakistan, 'Q' Block, Pak Secretariat, Islamabad
4. Secretary, Energy Department, Government of Punjab, EFU House, 8th Floor, 6-D Jail Road, Lahore
5. Secretary, Energy Department, Government of Sindh, State Life Building -3, Dr. Zia-ud-din Ahmed Road, Karachi
6. Secretary, Energy & Power Department, Government of Khyber Pakhtunkhwa, Block-A, 1st Floor, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar.
7. Managing Director, National Transmission & Despatch Co. 414-WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore
8. CEO, Central Power Purchasing Agency (Guarantee) Ltd, 73 East, A.K. Fazl-ul-Haq Road, Blue Area, Islamabad
9. Managing Director, Private Power & Infrastructure Board (PPIB), Ground & 2nd Floors, Emigration Tower, Plot No. 10, Mauve Area, Sector G-8/1, Islamabad
10. Chief Executive Officer, Alternative Energy Development Board (AEDB), 2nd Floor, OPF Building, G-5/2, Islamabad

P-1/2

11. Chief Executive Officer
Peshawar Electric Supply Company
NTDC House, Shami Road, Peshawar

12. Chief Executive Officer
Gujranwala Electric Power Company (GEPCO)
565/A, Model Town, G.T Road, Gujranwala

13. Chief Executive Officer
Multan Electric Power Company (MEPCO)
NTDC Colony, Khanewal Road, Multan

14. Chief Executive Officer
Islamabad Electric Supply Company (IESCO)
Street 40, Sector G-7/4, Islamabad

15. Chief Executive Officer
K Electric Limited (KEL)
KE House, 39 B
Main Sunset Boulevard, DHA Phase-II, Karachi

16. Chief Executive Officer
Quetta Electric Supply Company (QESCO)
Zarghoon Road, Quetta

17. Chief Executive Officer
Tribal Areas Electricity Supply Company
213-NTDC House
Shami Road, Peshawar

18. Chief Executive Officer
Faisalabad Electric Supply Company (FESCO)
Abdullahpur, Canal Bank Road,
Faisalabad

19. Chief Executive Officer
Sukkur Electric Supply Company (SEPCO)
Old Thermal Power Station, Sukkhur

20. Chief Executive Officer
Lahore Electric Supply Company
22-A, Queens Road, Lahore

National Electric Power Regulatory Authority (NEPRA)

Determination of the Authority in the Matter of Distribution Licence of Hyderabad Electric Supply Company Limited

May 09, 2023
Case No. LAD-08

The Authority in terms of Section-20 and 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) (the "NEPRA Act") granted a Distribution Licence (No. 05/DL/2002, dated April 23, 2002) to Hyderabad Electric Supply Company Limited (HESCO). The Authority at the time of the grant of said licence fixed the term of the same to twenty (20) years which expired on April 22, 2022.

(2). In terms of Regulation-13 of the NEPRA Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 (the "Licensing Regulations"), HESCO submitted an application on January 24, 2022 for renewal/extension of the above Distribution Licence. The Authority decided to publish a notice in the press for informing the general public, interested/affected parties and other stakeholders about the application of HESCO and for seeking comments in the matter. The said notice was published on February 03, 2022 in one (01) English (i.e. Business Recorder) and one (01) Urdu (i.e. Express) newspaper inviting comments on the submitted application of HESCO.

(3). Apart from the above, letters were also sent to Govt. Ministries/their attached departments and other representative organizations for seeking their perspective in the matter for assistance of the Authority. In response to the said, the Authority received comments from nine (09) stakeholder(s) including (a). Engro Energy Limited (EEL), (b). Fatimah Energy Limited (FEL), (c). K-Electric Limited (KEL), (d). Ningbo Green Light Energy (Private) Limited (NINGBO), (e). Central Power Purchasing Agency Guarantee Limited-CPPA-G, (f). Private Power Infrastructure Board (PPIB), (g). Faisalabad Electric Supply Company Limited (FESCO), (h). National Transmission and Despatch Company

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Limited (NTDC) and (i). Gujranwala Electric Power Company Limited (GEPCO). The salient points of the comments offered by the said stakeholders are summarized in the following paragraphs:-

(a). EEL suggested that the term of the Distribution Licence should be extended for five (05) to ten (10) years only on non-exclusive basis. The terms and conditions of the licence must be changed to allow suppliers and traders for supplying electric power to Bulk Power Consumers-BPC(s) through wheeling. EEL also suggested holding a public hearing in the matter to deliberate the matter at length;

(b). FEL stated that instead of renewal, a new/fresh Distribution Licence may be issued to HESCO which should be non-exclusive. The term of the Licence should be five (05) years commensurate with the term of its MYT. There should be separate terms and conditions pertaining to the competitive market and allowing arrangements of wheeling;

(c). KEL supported the request of HESCO for renewal of its Distribution Licence for a period of twenty (20) years;

(d). NINGBO requested the Authority to amend the Licence of HESCO as per the NEPRA Act Amendment up to date and incorporation of Section-21, 23 and 24 of NEPRA Act along with other NEPRA policies to open the Electric Market of Pakistan. NINGBO submitted that the Open Access will create a competitive market in Pakistan which will help to reduce tariff for industries and commercial setups;

(e). CPPA-G remarked that the NEPRA Act was amended in 2018 and two (02) separate licensing regimes for supply and distribution businesses were introduced, whereas previously both the businesses were covered under a single licence. Further. exclusivity of DISCO(s) was also omitted in 2018 through amendments in the NEPRA Act. Further, the wire business is considered as a natural monopoly due to economic aspects as well as from the reliability aspect. Further, as two (02) separate and

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competing distribution/transmission systems in a single territory are not economically and financially viable, therefore, in other parts of the world, distribution and transmission networks are treated as natural monopolies. It is noteworthy here that as per international best practices, one unified distribution plan is developed for a particular territory in coordination with the transmission plan, so that it can be implemented, executed by one entity or multiple entities. After omission of exclusivity of DISCO(s), it is ambiguous which entity will be responsible for the planning, development and operation of distribution network. Therefore, it is recommended to develop a framework in consultation with the relevant stakeholders considering the nature of the distribution business and the guidelines provided in the NE Policy, 2021 for the smooth planning, implementation, development and operation of the distribution services;

(f). PPIB commented that the renewal/extension of distribution Licence of DISCO(s) should be non-exclusive and linked with their performance during the expiring term. Further, DISCO(s) should be obligated to allow BPC(s) to obtain the supply from any generation company as stipulated in Section-22 of the amended NEPRA Act. DISCO(s) may be obligated to allow use of their system to any third party for supplying/wheeling of electric power to any BPC. The eligibility criteria for grant of distribution licence shall he prescribed and shall include, without limitation, (a) minimum solvency requirements; and (b) minimum technical and human resource requirements. In order to assess economic, technical and commercial viability of respective applications for their proposed extension in Distribution License of DISCOs, the same needs to be in coherence with the criteria as laid down by the Authority from time to time and subject to the Technical, Administrative, Commercial and Financial strength of the respective DISCO(s). The NE Policy 2021 envisages development of strategic roadmap to enhance the efficiency of DISCO(s), which will entail interventions for improvement of corporate governance, technical capabilities, safety, and commercial performance. Therefore, the Authority may also consider the priorities set forth in forthcoming

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strategic roadmap before any making any decision on renewal/extension. The draft National Electricity Plan 2022-26 inter alia provides that Distribution Code 2005 shall be revised to enable alignment of the planning, operations, design and allied roles of distribution business with other functions of value chain. The proposed extension/renewal should be made in line with future amendments in the Distribution Code of 2005. The proposed extension/renewal should also be aligned with PPIB's role of IAA as per relevant clause under the CTBCM mechanism. Furthermore, clause 4.4.6 of CTBCM Mechanism provides that Distribution Network Service Providers will inter-alia ensure open access to their network and will publish information related to network availability. The renewal/Extension in licences may elaborate mechanism for open access in these territories. PPIB has proposed that network investment plans and their ensuing budget allocation should be made a mandatory requirement for approval of application of DISCO(s) for Renewal/extension. The Authority may issue licence for distribution business for requested period of twenty (20) years, however in order to promote retail business in the country, the term of licence for "sale of electric power" may be reduced between five (5) to ten (10) years subject to evaluation of each DISCO's past performance, technical, administrative, commercial and financial strength;

(g). FESCO expressed that it has no reservation on the extension in the term of existing Distribution Licence of HESCO for engagement of power distribution services in its specified territory curved in its licence;

(h). NTDC commented that National Power Control Center (NPCC) being the system operator, operates and controls 132 and 66 KV grids of all DISCO(s) including HESCO. NPCC keeps close coordination with HESCO being the sole distribution company of Hyderabad and associated regions, regarding system operations on day to day basis, in accordance with NEPRA grid code. NPCC has no objection regarding the renewal/extension in distribution license of HESCO subject to compliance

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of grid code, performance standard transmission rules and all other applicable document/standards so as to ensure secure, stable and reliable operation of power system in order to provide quality power supply to valued consumers; and

(i). GEPCO supported the application of HESCO for Renewal/Extension of Distribution Licence being in line with CTBCM framework approved by the Authority and the relevant applicable eligibility criteria.

(4). The Authority considered the above comments of stakeholders and decided to hold a public hearing in the matter. Further, the Authority also decided to frame issues to be discussed during the proposed hearing. In consideration of the said, the notice about the public hearing was published in the press on April 06, 2022 informing the general public, interested/affected persons/parties and other stakeholders about the public hearing and inviting their comments in the matter. Apart from notices in the press, separate letters were also sent to Govt. Ministries, their attached departments, representative organizations about the public hearing and for participating in the same. In this regard, the Authority framed following issues to be discussed during the public hearing:-

(a). What has been the performance/efficiency of the Distribution Companies-DISCO(s) in terms of KPI(s) prescribed in the relevant Performance Standards to justify renewal in term of the Distribution Licence(s)?

(b). Is there a public interest involved in allowing renewal in the Distribution Licence(s) of DISCO(s)? How adequately the DISCO(s) have served their consumers to justify the said?

(c). Have the DISCO(s) prepared any Business Plan to support their case for renewal of Distribution Licence(s)? In the absence of the said, will it be prudent to consider the case for Renewal?

(d). Will it be appropriate to allow "Exclusive" Distribution Licence(s) to the DISCO(s) considering the fact that the same are now not admissible under Section-21 of the amended NEPRA Act?

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(e). Will it be appropriate to renew the Distribution Licence(s) of the DISCO(s) containing both the functions of Distribution (wire) and Supplier (Supply) or separate Licence(s) be granted now?

(f). The service area of all the DISCO(s) is relatively large and will it not be prudent to consider bifurcating these into small units to bring more efficiency?

(g). What is policy of DISCO(s) pertaining to electrification of housing colonies/schemes, industrial estates and plazas etc.? Should the said entities be allowed electrification at their own cost or DISCO(s) will be willing to electrify at their own?

(h). How much IT infrastructure have been deployed by the DISCO(s) during the term of their previous Distribution Licence(s) for service delivery to the consumers? What new steps are being taken to further improve their service delivery?

(i). Whether the DISCO(s) fulfil the criteria as stipulated in Regulation-13(2) of the NEPRA Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 or otherwise?

(j). Whether the application(s) of DISCO(s) for renewal of their Distribution Licence(s) can be entertained in the absence of eligibility criteria rules to be prescribed under Section-20(1A) of the NEPRA Act?

(k). Why the relevant DISCO(s) are not willing to take over the areas earlier served by different housing colonies despite the explicit directions of the Authority? What are the bottlenecks being experienced and when these be resolved?

(l). Any other issue with approval of the Authority.

(5). The public hearing in the matter was held on April 21, 2022 wherein a large number of stakeholders participated including the representatives from DISCO(s), Central Power Purchasing Agency (Guaranteed) Limited, representatives from

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Engineers Town Lahore and IRWA Foundation Izmir Housing Society Lahore. During the hearing the representatives of HESCO submitted that the company was established in 1998 and incorporated under the Companies Ordinance, 1984 to take over the assets, functions and responsibilities of the then Hyderabad Area Electricity Board of WAPDA. Subsequently, the Authority granted a Distribution Licence to HESCO on April 23, 2002 under the relevant provisions of the NEPRA Act for a term of twenty (20) years.

(6). HESCO submitted that the area of service of the utility is about 77,160 km^2 consisting of districts of Hyderabad, Tando Allah Yar, Tando Mohammad Khan, Badin, Sujawal, Thatta, Jamshoro, Matiari, Shaheed Benazirabad (NawabShah), Sanghar, Mirpur Khas, Umer Kot, Tharparker serving about 1.12 million consumers. In order to serve the said consumers, HESCO has set up a huge infrastructure consisting of four (04) operational circles, seventeen (17) divisions of distribution operation and around seventy one (71) operation sub divisions. In this regard, HESCO has set up around eighty seven (87) grid stations and laid 132 KV transmission lines of around 2851 Km. Further, it has also laid around 28,541.6 Km HT and 15,057.8 Km LT lines and five hundred and eighty seven (587) (public and dedicated) 11 KV feeders.

(7). On the list of issues framed for the hearing, HESCO submitted that during the last five (05) years, improvements have been made in terms of reduction of T&D losses, SAIFI, SAIDI and new connections etc. HESCO informed that, T&D losses have been reduced from 29.85% to 27.4%, recovery has been maintained at around 76 % SAIFI and SAIDI parameters have been improved from 181 to 134 and 12393 to 7561 respectively and timeframe for new connections has been reduced from 10.37 to 6.0 HESCO submitted that it has made substantial investment and have put into place vast infrastructure to ensure provision of safe, reliable and continuous supply of electric power to its consumers. In this regard, HESCO will expand and rehabilitate its Transmission and Distribution (T&D) system, and will improve the financial, commercial, human resource and communication functions including IT that supports the main T&D business. HESCO informed that up-gradation of the existing and construction of new grid stations is being carried out. Moreover, Advanced Metering Infrastructure (AMI) for commercial improvements, initiatives have been planned to improve the overall performance of the company. HESCO further submitted that it plans to build its infrastructure by investing heavily to provide safe, reliable and un-interrupted supply of

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electric power to the consumers. HESCO submitted that CAPEX and OPEX, are projected to increase / decrease to Rs. 20,304 million and Rs. 19,986 million respectively from current expenditure of Rs. 20,686 million and Rs. 17,509 million. The said investment will result in serving a total of 1.3 million consumers in the FY 2024-25 from the current level of 1.2 million in the FY 2022-23 resulting in sale of 5,269 GWh units of electricity from the current level of 4,589 GWh respectively. The above-mentioned investment will result in reduction of T&D losses from existing 25.97% for the FY 2022-23 to 23.56% in the FY 2024-25. HESCO expressed that as a public utility, it is a well performing utility company.

(8). On the issue "whether it is in the public interest to renew/extend the Distribution Licence", HESCO was of the view that access to the electric power distribution network is fundamental right of each citizens of Pakistan. HESCO, in its capacity as a Distribution Licensee is following the NEPRA Performance Standards for providing uninterrupted and load shedding free electricity supply to its esteemed consumers. Further, over the period of time, HESCO has served the consumers to the best of its abilities and use of available resources. The past performance of HESCO includes construction of new grid stations, conversion/up-gradation/augmentation of the existing. Construction of new transmission lines and up-gradation of the existing. Similarly, reinforcement of HT & LT networks, converting the high-capacity distribution transformers with low-capacity distribution transformers etc. This has greatly helped HESCO in reducing the overloading, removing hazardous points, removing the system constraints and maintaining the continuity of electric power supply etc. HESCO also expedited its process for providing new connections to the applicants. Village electrification has also been carried out rapidly. HESCO is also facilitating consumers in net metering. Accordingly, allowing renewal of the Distribution Licence of HESCO is in the interest of public and fundamental rights of the Citizens located within the Service Territory.

(9). About exclusivity, the representatives of HESCO submitted that by omitting the word "exclusive" from Sub-Section 2(a) of Section 21 of the Act, the need for Exclusivity for a Distribution Network Operator with additional duty of Supplier of Last Resort cannot be undermined or relinquished. HESCO submitted that it believes that the constructing,

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developing, operating, maintaining and owning the Distribution Network within Service Territory is natural responsibility of the Distribution Service Provider for all valid legal, natural, ethical, technical, operational, economic and financial reasons. However, in order to ensure that such natural responsibility is not compromised/misused, the Regulator has the authority to strike a reasonable balance between the rights and obligations of Distribution Service Providers and the Users/Consumers.

(10). Regarding renewing the Distribution Licence containing both wire and the supply functions or grant of separate Licence(s) for wire and supply, HESCO expressed that it had been granted Distribution Licence for distribution (wire) and supplier (supply) businesses and also enjoys the status of deemed supplier till April 30, 2023 and in terms of proviso to Section-23E (1) of the NEPRA Act, no separate supply licence is required till expiry of this period. We are seeking renewal / extension of our existing licence, which incorporates both the functions. While the responsibility as Supplier of Last Resort is inherently associated with DISCO, renewal / extension of the existing single licence is a possible option, at present.

(11). About bifurcating the service area of DISCO(s) into smaller units, HESCO was of the view that it is efficiently providing the services in all of its territory. Bifurcation of DISCO(s) will require approval from several national level forums which will also lead to additional cost overheads and may cause disorder. There should be defined a certain minimum area, to justify the future investment. Economy of scale is an important aspect. Such management related subject may be left for the Ministry. Instead of further bifurcation, the human resource & capacity issues should be resolved so that services to consumers can be further improve.

(12). Regarding policy of electrification of housing colonies/schemes, industrial estates, shopping malls, plazas and complexes (the "entities"), HESCO expressed that the electrification of these entities is allowed by the HESCO in accordance with the applicable provisions of law, including Consumer Service Manual (CSM). The electrification in said entities is allowed at their own cost on cost deposit basis and HESCO is not willing to electrify at Department's cost. As far as execution of electrical work is concerned, sponsor may have an option to get executed the electrification work

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by HESCO on cost deposit or electrify it privately at his own cost after fulfilling all departmental formalities.

(13). About deployment of IT infrastructure, HESCO expressed that over the period, it has endeavored to continually enhance its IT capabilities for better services in terms of billing, customer care, new connections and complaints. Model complaint centers are also established in various operation divisions.

(14). About fulfilling the criteria for further renewal/extension in term of its Distribution Licence, HESCO clarified that it fulfils the same is in the interest of the consumers as well as electric power industry as a whole. Further, the renewal is necessary to ensure continuous, safe and reliable supply of electricity to consumers and also to ensure financial viability of HESCO. Moreover, the renewal/extension of term of Distribution Licence of HESCO has no environmental constraints. For the reasons contained therein, HESCO submitted that the renewal/extension of its Distribution Licence is justified.

(15). On the issue of entertaining the application in the absence of eligibility criteria rules which is a statutory requirement under Section-20(1A) of the NEPRA Act., HESCO expressed that it is already serving within the Service Territory since decades and is the only supplier of electricity in that region. Therefore, it is necessary for HESCO to continue supplying electric power to its consumers. Moreover, the Eligibility Criteria Distribution Licence Rules are under process with Ministry of Energy (Power division).

(16). Regarding taking over the areas served by the entities, HESCO confirmed that as such there is no any housing colonies/ scheme identified in HESCO yet. However, HESCO will always follow and comply with the directions of NEPRA in future.

(17). The Authority offered an opportunity to other stakeholders present physically or through zoom for expressing their views/comments in the matter. The participants were found dissatisfied with overall performance of DISCO(s) including HESCO due to their service delivery, provision of connections, complaint handling, reliability and continuity of electric power supply. The stakeholders advocated the grant of new Distribution Licence to HESCO on new terms and conditions instead of renewal/extension keeping

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in view the recent developments that are taking place in the electric power sector of the country including but not limited to the opening of the whole sale market and wheeling of power under the proposed initiative of CTBCM.

(18). The Authority considered the point of view of HESCO on the framed issues of hearing and opinion expressed by various stakeholders and observed that major concerns raised by the stakeholders *inter-alia* included (a). performance of HESCO during the previous term; (b). allowing exclusivity or otherwise to HESCO; and (c). processing/entertaining the application in the absence of eligibility criteria rules. In addition to the foregoing main issues, another issue which surfaced was whether to process the application of HESCO for renewal/extension or grant afresh distribution licence on revised terms and conditions consistent with the amended provisions of the NEPRA Act.

(19). The Authority deliberated the matter at length and decided to conduct another public hearing in the context whether to renew the earlier Distribution Licence of DISCO(s) on the revised terms and conditions, consistent with the NEPRA Act or grant them afresh. The public notice about the said hearing was published in the press on November 12, 2022 whereas, letters for inviting the other stakeholders were issued on November 16, 2022 inviting them to participate in the public hearing and to submit their views/comments in the matter.

(20). In the public hearing, the representative of other DISCO(s) and HESCO remarked that the application(s) have been submitted for renewal/extension of term of their respective Distribution Licence(s) under Regulation-13 of the Licensing Regulations therefore, the Authority may continue to process the same accordingly. The representatives of DISCO(s) conceded the fact that the "exclusivity" as per the amended NEPRA Act is no more admissible however, there is no binding if the Authority allows the same especially for the distribution business which has natural monopoly.

(21). The Authority is of the considered opinion that the performance of the public sector DISCO(s) including HESCO is not up to the mark when compared to best industry practices worldwide as well as of the region. However, despite being below par, there is no other option but HESCO having a licence for distribution business. However,

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the Authority directs HESCO to adhere to the NEPRA Act, rules & regulations made thereunder and all the applicable documents. Moreover, HESCO shall improve its performance for the service delivery to its consumers including but not limited to achievement of targets given for reduction in line losses in the MYT, improvement in reduced time for new connection, expansion in IT intervention to make process more transparent and consumer friendly.

(22). The matter of exclusivity had been discussed at length during various hearings and in this regard, the Authority has observed that all the DISCO(s) have conceded that under the amended NEPRA Act, "exclusivity" as a matter of right cannot be claimed as the legislature has done away with it. However, on the other hand the DISCO(s) are of the view that the Authority is not barred by law to extend the exclusivity in their licence(s) and it may be considered while renewing their licence(s) for the reason that wire business is a natural monopoly in their respective service territories. In this regard, the Authority has duly deliberated the matter in detail and is of the considered view that as exclusivity has been done away through the amendments in the NEPRA Act, therefore, it will not be prudent to grant an exclusive Distribution Licence. In this regard, the Authority has observed during the previous term of licence when the exclusivity existed for wire and sale business, the DISCO(s) adopted a very regressive approach and did not allow any innovative solution due to their exclusivity. DISCO(s) had not only resisted against the grant of Distribution Licence(s) to other entities in their respective service territories but also detested grant of generation licenses despite all the assurances of the Authority to safeguard their interest. Further to the said, the Authority has duly considered the facts that proposed CTBCM is about to embark upon which is mainly an open access regime to allow potential generators for supplying to BPC(s) through wheeling. Allowing exclusivity will be a potential threat to this open access and wheeling regime which cannot be allowed therefore, there is only a case for a non-exclusive Distribution Licence for DISCO(s) including HESCO. Moreover, the licence(s) granted to the licensee(s) are under the provisions of the NEPRA Act and therefore can be termed as "statutory licence(s)". Since the statute (the NEPRA Act) was overhauled by the Amendment Act 2018, therefore, all new licence(s) shall be issued under the amended provisions of the NEPRA Act. Therefore, the applicants/prospective licensees cannot claim exclusivity in their new Distribution Licence(s). In consideration of the said,

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the intent of Parliament is pretty much clear to create a competitive market by removing the "exclusivity" factor, therefore, the Authority is obligated to give effect to the legislative intent behind the amendments brought about in the NEPRA Act. Any deviations or omissions of the Authority to modify the terms & conditions against the new regime would tantamount to voidable act which may not withstand the test of any potential litigation.

(23). Another issue which has come across during the processing of the case is the absence of eligibility criteria rules which ought to be prescribed by the Federal Government under Section-20(1A) of the NEPRA Act. Further, as part of submissions of the application, HESCO has confirmed that it possesses the required human resource and technical expertise to carry out the functions of the distribution of electric power as stipulated in the NEPRA Act and submitted an undertaking in this context that it will align accordingly to the requirements of the above eligibility criteria rules if notified in future.

(24). The Authority observed that Section-20 of the NEPRA Act, *inter-alia*, stipulates that no person is allowed to engage in the distribution business unless a licence is granted by the Authority. In this regard, Section-20(1A) prescribes the eligibility criteria for grant of such licence which includes (a). minimum solvency requirements; and (b). minimum technical and human resource requirements. In terms of Section-2(xxii) of the NEPRA Act, the said criteria is to be prescribed by the Federal Government through rules which are not in place at the moment. However, as per pronouncements of the Superior Courts of Pakistan, absence of rules or inaction of the government functionaries to frame rules cannot be held to be prejudicial to the rights of the other party. Keeping in view of these settled principles, the applicant cannot be refused for Distribution Licence solely on this ground. In fact, the rules are made to facilitate and not hinder the enabling legislation. In view thereof, the Authority may seek guidance from the judgment of the honorable Supreme Court of Pakistan reported as *PLD 1974 SC 228* wherein the honorable Court held as follows:

> *"It is universally recognized that as regulatory statutes have to deal with a variety of situations and subject, it is not possible for the Legislature itself to make detailed regulations concerning them, and, therefore the*

Legislature delegates its power to specified or designated authorities to make such detailed regulations, consistent with the statute, for carrying out the purposes of the parent legislation. The power so conferred, is generally in the nature of an enabling provision, intended to further object of the statute, and not to obstruct and stultify the same. As a consequence, the failure or omission of the designated authority to frame the necessary rules and regulations, in exercise of the power conferred on it by the Legislature, cannot be construed as having the effect of rendering the statute nugatory and unworkable. Such an eventuality could arise only if the Legislature indicates intention to this effect in clear and unmistakable terms."

(25). In another judgment, the honorable Court in the case reported as 2017 SCMR 206 held that:

"Absence of Rules may affect the enforceability or operation of the statute, however, for considering the constitutionality or otherwise of a statute on the touchstone of the Constitution or Fundamental Rights, framing or non-framing of the Rules under that statute could hardly be relevant."

(26). Further, the honorable Lahore High Court while relying on above cited Judgment also held in its reported judgment (PLD 2018 LHR 858) that:

"14. It is also settled law that the operation of a statute or any statutory provision is not dependent upon framing of the Rules. However, in some cases, the absence of Rules may affect the enforceability or operatability of the statute. The framing of Rules would be generally relevant for determining as to whether the power under the statute has been exercised properly or not, but the existence of Rules could neither save nor destroy the constitutional validity of the Statute. Reliance in this regard is placed on Shahid Pervaiz v Ejaz Ahmad and others (2017 SCMR 206)..."

(27). Thus, from above judgments of the honorable Courts we can conclude that a person who has filed an application for grant of licence should not be penalized for any

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delays in framing of rules and therefore the HESCO cannot be deprived of its right to have distribution licence in the absence of rules.

(28). The Authority has encountered the most debated issue whether to renew the already expired Distribution Licence or grant a fresh licence. In this regard, all the DISCO(s) including HESCO are of the view that their expired licence may be renewed on the previous terms. The Authority considers the contention of the DISCO(s) including HESCO contrary to the provisions of the Section-21 and Section-23E of the amended NEPRA Act read with Regulation-13(2) of the Licensing Regulations. The said provisions of the NEPRA Act now envisages a Distribution Licence for wire business on non-exclusive basis and a supplier licence for sale of electric power to the consumers. Further, the Authority considers that while renewing a Distribution Licence, the Authority may extend or renew the term of a licence in accordance with an application duly filed under sub-regulation (1), subject to and in accordance with such further changes as the Authority may deem fit, if in the opinion of the Authority such extension/renewal (a). is in the interests of the consumers and the electric power industry as a whole; (b). is reasonably necessary to ensure the continuous, safe and reliable supply of electric power to consumers, keeping in view the financial and technical viability of the licensee; (c) is suitable on environmental grounds; and (d) is justified keeping in view the performance of the licensee during the expiring term. In consideration of the said, the Authority is of the considered view that the renewal of the expired licence cannot be granted as now the DISCO(s) will have two (02) separate licence(s) for wire part and the supply part making it dispensable to have the terms and conditions of the licence changed. Further, the provisions of the Regulations-13(2) of the Licensing Regulations also allow the Authority to make any changes it deems fit for the renewal of the licence. The Authority in the present case considers it granting a fresh Distribution Licence to DISCO(s) including HESCO on the revised terms and condition to reflect the provisions of Sections-21 and 23E of the amended NEPRA Act. The said position is strengthened from the fact that most of the DISCO(s) have already applied for the grant of fresh supplier licence under the relevant provisions of the NEPRA Act.

(29). Based on above analysis, the Authority in the present case considers it appropriate to treat the application of HESCO as grant of fresh Distribution Licence (for "wire" segment only) instead of case of extension or renewal.

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(30). In view of the above, it is considered that all the issues arising out of the application of HESCO have been addressed and accordingly the Authority hereby approves the grant of a fresh Distribution Licence to HESCO in terms of Section-20 and 21 of the amended NEPRA Act on the terms and conditions set out in the said licence annexed to this determination. The grant of Distribution Licence will be subject to the provisions contained in the NEPRA Act, relevant rules, regulations framed thereunder and other applicable documents.

Authority

Engr. Maqsood Anwar Khan
(Member)

Rafique Ahmed Shaikh
(Member)

Mathar Niaz Rana (nsc)
(Member)

Tauseef H. Farooqi
(Chairman)

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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09/05/23

National Electric Power Regulatory Authority
(NEPRA)
Islamabad – Pakistan

DISTRIBUTION LICENCE

No. DL/05/2023

In exercise of the powers conferred under Section-20 and 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, as amended from time to time, the Authority hereby grants the Distribution Licence to:

Hyderabad Electric Supply Company Limited

Incorporated Under the Companies Ordinance, 1984
having Certificate of Incorporation No. L09496 dated April 23, 1998

to engage in the distribution of electric power to the consumers in its Service Territory on a non-exclusive basis subject to and in accordance with the terms and conditions of this Licence.

Issued under my hand on this 09th day of May Two Thousand & Twenty-Three and expires on 08th day of May Two Thousand & Forty-Three.

Registrar

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Article-1
Definitions

1.1 In this Licence, 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, notifications, agreements and documents issued or approved under the Act;

(c). "Applicable Law" means the Act and the Applicable Documents;

(d). "Authority" means the National Electric Power Regulatory Authority constituted under Section 3 of the Act;

(e). "Commercial Code" or "Market Commercial Code" means the commercial code prepared and maintained by the Market Operator pursuant to Sections 23A and 23B of the Act as amended from time to time and approved by the Authority;

(f). "Competitive Trading Bilateral Contract Market" or "CTBCM" means electric power market established in accordance with the high-level and detailed designs approved by the Authority vide its determinations dated 5th day of December 2019 and 12th day of November 2020 as may be amended by the Authority from time to time, or any competitive electric power market that may replace in the future the CTBCM;

(g). "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

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and the removal of electrical facilities, electric lines and circuits, and ancillary meters following disconnection, or such other charges as may be determined by the Authority from time to time;

(h). "Consumer Eligibility Criteria" means the National Electric Power Regulatory Authority Consumer Eligibility Criteria (Distribution Licensees) Regulations, 2022 as amended or replaced from time to time;

(i). "Distribution Business" means the business of distribution of electric power services being carried on or to be carried on by the Licensee pursuant to and in accordance with the terms and conditions of this Licence and other Applicable Documents;

(j). "Distribution Code" means the code prepared by the Licensee and approved by the Authority, which defines the technical and operational standards and procedures for the distribution licensees and all those connected to the Distribution System of the Licensee as specified in the Distribution Regulations;

(k). "Distribution Eligibility Criteria Rules" means the rules, prescribed by the Federal Government under Section 20(1A) of the Act read with Sections 46 and 50 of the Act, as amended from time to time;

(l). "Distribution Facilities" means electrical facilities operating at the Distribution Voltage and used for the movement or delivery of electric power;

(m). "Distribution Regulations" means the National Electric Power Regulatory Authority Licensing (Distribution) Regulations, 2022 as amended from time to time;

(n). "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 or to be connected to the Distribution System of the Licensee as described in the Distribution Regulations;

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(o). "Distribution Services" means planning, expansion, up-gradation, rehabilitation, reinforcement, operation and maintenance of the Distribution System by the Licensee to deliver and transfer electric power to or for the persons connected with its Distribution System within its Service Territory in an efficient, reliable and non-discriminatory manner and in accordance with Performance Standards, including providing cost-effective distribution connection services and non-discriminatory Open Access to its Distribution System to the eligible consumers, licensees, captive generating plants and generation companies subject to, the applicable charges including but not limited to payment of connection charges, Use of System Charges or any such other charges as may be determined by the Authority from time to time;

(p). "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;

(q). "Distribution Voltage" means any voltage below the minimum transmission voltage as defined in the Act;

(r). "Entities" means housing colonies, societies, industrial estates, shopping malls, plazas, complexes or high-rise buildings, which have already laid Distribution Facilities for providing Distribution Services within the area owned or administered by them;

(s). "Grid Code" means the code prepared by the system operator licensee under Section 23H of the Act and approved by the Authority;

(t). "Investment Programme" or "Distribution Investment Plan" means the Investment Programme of the Licensee prepared in accordance with the Distribution Regulations, Distribution Code or any other Applicable Documents;

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(u). "Licence" means this licence granted to the Licensee under Sections 20 and 21 of the Act;

(v). "Licensee" means **Hyderabad Electric Supply Company Limited** or its successors or permitted assigns;

(w). "Licensing Regulations" mean the National Electric Power Regulatory Authority Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 as amended or replaced from time to time;

(x). "National Grid Company" means the person engaged in the transmission of electric power and granted a licence under Section 17 of the Act;

(y). "Net Metering Regulations" means the National Electric Power Regulatory Authority (Alternative & Renewable Energy) Distributed Generation and Net Metering Regulations, 2015 as amended or replaced from time to time;

(z). "Open Access" means the access to a network licensee's system or its associated facilities for movement and delivery of electric power, subject to the terms and conditions as provided in the Act, the NEPRA Open Access (Interconnection and Wheeling of Electric Power) Regulations, 2022 and use of system agreement, on non-discriminatory basis to (i). an electric power supplier for supply of electric power to its consumers or (ii). a captive generating plant for delivery of the electric power from generation facility to the destination of its use or (iii). any other person, including a licensee for delivery of electric power from a designated place to another designated place;

(aa). "Performance Standards" means relevant applicable standards for Distribution Services as specified by the Authority and as amended or replaced from time to time;

(bb). "Power Safety Code" means the NEPRA Power Safety Code for Licensees, 2021 approved by the Authority as amended or replaced from time to time;

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(cc). "Service Territory" means the territory or area specified in Schedule-I of this Licence within which the Licensee is authorized to carry out Distribution Business on a non-exclusive and non-discriminatory basis;

(dd). "Use of System Charges" shall include all charges related to use of distribution system, use of transmission system, system operator services, market operator services, metering service provider services and any other charges as determined by the Authority that may arise due to advent of the open access and market liberalization.

1.2 Words and expressions used but not defined herein shall have the same meanings as assigned to them in the Act, the Distribution Regulations or any other Applicable Documents.

Article-2
Compliance with the Applicable Law

2.1 The Licensee shall comply with the Applicable Law, as amended or replaced from time to time, while performing its functions as Licensee.

2.2 The Licensee shall be obligated to follow and comply with the Distribution Regulations in letter and spirit, as if all provisions of the said regulations are incorporated in the terms and conditions of this Licence.

Article-3
Grant of Licence

This Licence is granted to the Licensee to provide Distribution Services within its Service Territory, as provided in Schedule-I of this Licence on a non-discriminatory and non-exclusive basis, in accordance with the Act and relevant provisions of the Applicable Documents in a prudent, safe, reliable and efficient manner.

Provided that the Service Territory of the Licensee shall not include the area where the Entities other than the Licensee have laid down their distribution network at the time of issuance of this Licence and opt to apply for the grant of Distribution Licence from the Authority.

Provided further that if the Entities do not approach the Authority for grant of Distribution Licence within twelve (12) months of issuance of this Licence, the Authority

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may extend the Service Territory of the Licensee to include the area of Entities for providing Distribution Services.

Article-4
Licence Fee

The Licensee shall pay to the Authority the licence fee in the amount, time and manner as specified in the National Electric Power Regulatory Authority (Fees) Regulations, 2021 as amended or replaced from time to time.

Article-5
Term and Renewal

5.1 This Licence is granted for a term of twenty (20) years from the date of its issuance and shall remain valid for such period, subject to compliance with the Act, rules, regulations and other Applicable Documents.

5.2 The Licensee shall submit, at least ninety (90) days before expiry of this Licence, an application to the Authority for renewal of the term of this Licence in accordance with the Act, rules and regulations as may be applicable at that time.

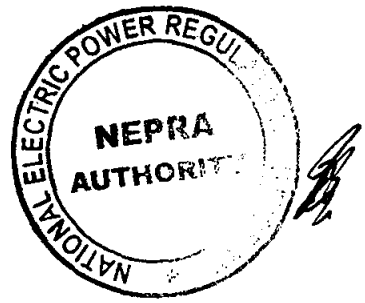
5.3 In the event the Authority decides to renew the Licence, the Authority may renew the same on such revised terms and conditions as it deems appropriate in accordance with the Act and Applicable Documents at the time of renewal of the Licence.

5.4 The Authority may renew or refuse an application for renewal of Licence after recording reasons in writing thereof.

Article-6
Modification of Licence

6.1 The Licensee may, at any time during the term of the Licence, submit to the Authority a Licensee Proposed Modification in accordance with Section 26 of the Act read with relevant provisions of the Licensing Regulations;

6.2 The Authority may, at any time during the term of the Licence, communicate to the Licensee an Authority Proposed Modification in accordance with Section 26 of the Act read with relevant provisions of the Licensing Regulations.



Article-7
Transfer and Assignment of Licence

7.1 The Licensee shall not, without the prior written approval of the Authority, surrender, assign or transfer the Licence to any person under the provisions of the Act;

7.2 The Licensee shall seek approval of the Authority for any surrender, assign or transfer of the Licence to any person at least ninety (90) days prior to the envisaged date of such transfer, assignment or surrender.

Article-8
Tariff

8.1 The Licensee shall charge a person availing Distribution Services, only such tariff including Use of System Charges or Connection Charges as determined and approved by the Authority from time to time.

8.2 If the tariff is not already determined by the Authority at the time of issuance of this Licence, the Licensee shall, not later than thirty (30) days following the date of grant of the Licence file a petition before the Authority for determination of its tariff in accordance with the Applicable Documents.

Article-9
Obligation to Provide Open Access and Maintaining Quality of Services

9.1 The Licensee shall be obligated to provide Open Access to its Distribution System during the term of its Licence as mentioned in Article-5, within its Service Territory on a non-discriminatory basis and shall frame schemes in respect of the same.

9.2 The Licensee shall comply with the applicable Performance Standards to ensure quality of Distribution Services by establishing and maintaining the standardized and non-discriminatory procedures for the timely provision of connections, Open Access, redressal of complaints, effective customer services and maintenance of Distribution System in accordance with provisions of the applicable rules, Distribution Regulations, Distribution Code, Grid Code and other Applicable Documents.

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Article-10
Distribution Planning

The Licensee shall ensure that its Distribution System is planned, designed, implemented, reinforced, expanded, maintained and operated in a manner that fully complies with the Distribution Regulations, quality of service and achieving distribution Performance Standards, in compliance with the Act, the Grid Code, the Distribution Code and other Applicable Documents.

Article-11
Investment Programme, Acquisition and Disposal of Assets

11.1 The Licensee shall develop and submit its five (05) years Investment Programme or Distribution Investment Plan to the Authority for its approval as stipulated in Section 32 of the Act, and in accordance with the Distribution Regulations and other Applicable Documents. The Licensee shall maintain and publicly make available the approved Investment Programme for satisfying its service obligations. The implementation status and any changes in the approved five (05) years Investment Programme shall be submitted to the Authority on an annual basis for its consideration and approval.

11.2 The 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 Investment Programme of the Licensee and approved by the Authority in accordance with the Applicable Documents.

11.3 The Licensee shall not sell, dispose of, encumber or otherwise transfer any asset unless such sale, disposal, encumbrance or transfer of assets is properly documented and done in a manner that ensures transparency, value for money and in accordance with the approved policy of the Board of Directors for this purpose. Any sale, disposal of assets, encumbrance etc. shall be properly reflected in its books of accounts and accounted for its tariff determination;

Provided that any proposed sale, disposal, encumbrance or transfer of assets amounting to more than ten percent (10%) of its total assets in a financial year shall require prior approval of the Authority.

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Article-12
Obligation to Provide Digitized Plotting and Maintaining GIS Mapping

12.1 The Licensee shall maintain and provide to the Authority, a digitized Geographic Information System (GIS) mapping on annual basis of its Distribution System identifying each transformer, grid station, low tension and high-tension systems, etc. of the Distribution System as geospatial information within six (06) months of the issuance of this Licence and an updated digitized map every twelve (12) months afterwards. The Licensee shall also on the first day of July of every year, provide to the Authority an updated map of its Distribution System, clearly demarcating the extensions, if any, made in the immediate preceding year.

12.2 The map to be submitted under Article 12.1, shall be on a 1:50000 scale accurate map preferably prepared by Survey of Pakistan, clearly demarcating the extensions made, if any, in the immediate preceding year.

Article-13
Distribution Service Manual

In accordance with Section 21 of the Act, read with the Distribution Regulations, within ninety (90) days of the issuance of this Licence, the Licensee shall submit it's Distribution Service Manual for review and approval of the Authority.

Article-14
Obligations with Respect to CTBCM

14.1 The Licensee shall participate in the development of CTBCM in such manner as may be directed by the Authority from time to time. The Licensee shall, in good faith, work towards implementation and operation of the aforesaid competitive trading arrangement in advancing a goal of market liberalization in a manner and time period specified by the Authority.

14.2 The Licensee shall ensure that it enters into necessary agreements as may be required under the Grid Code, Market Commercial Code, Distribution Code or any other Applicable Documents. The Licensee shall carry out its obligations under these agreements in good faith and shall ensure non-discriminatory treatment to all electric power suppliers, consumers including bulk power consumers, generation companies and other licensees.

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14.3 The Licensee shall establish and maintain market implementation and regulatory affairs department which shall be appropriately staffed for dealing with market related agreements, planning, regulatory affairs, matters related to CTBCM implementation and operations or such other matters as may be directed by the Authority from time to time.

14.4 The Licensee shall not indulge itself in discriminatory and anti-competitive practices and shall follow the directions of the Authority or Competition Commission of Pakistan in this regard.

Article-15
Net Metering

15.1 The Licensee shall ensure that it complies with the requirements and timelines specified in the Net Metering Regulations. Further, the Licensee shall submit periodic reports in such form and manner as may be required by the Authority with regard to compliance with the Net Metering Regulations. Subject to any further details required by the Authority, the Licensee shall submit a monthly report to the Authority specifying number of applications received along with the installed capacity, number of applications allowed along with the date of approval and status of installation of net metering facility, number of applications pending along with capacity thereof and reasons for delays, if any.

15.2 The Licensee shall establish adequate processes, checks and balances that may be necessary to ensure unnecessary delays in processing of net metering facility applications filed under the Net Metering Regulations are avoided and any persons responsible for any delays in this regard are held accountable.

Article-16
Compliance with the Performance Standards

The Licensee shall comply with the relevant Performance Standards as may be specified by the Authority, as amended or replaced from time to time.

Provided that till such time the Authority separately specifies Performance Standards for Distribution Licensees, the National Electric Power Regulatory Authority Performance Standards (Distribution) Rules, 2005 shall continue to be followed by the Licensee to the extent as may be applicable to the Distribution Business.

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Article-17
Compliance with the Grid Code and Distribution Code

The Licensee shall comply with the relevant provisions of the Grid Code and Distribution Code as may be approved by the Authority, as amended or replaced from time to time.

Article-18
Complaints and Dispute Resolution

18.1 The Licensee shall make available complaint-handling mechanism that provide consumers, electric power suppliers, other licensees and generation companies with expeditious, fair, transparent, in-expensive, accessible, speedy and effective dispute resolution related to Distribution Services in accordance with the Distribution Regulations and other Applicable Documents.

18.2 The Licensee shall maintain daily, weekly, monthly, quarterly and yearly data of all the complaints received, resolved and pending with the Licensee for resolution. The Licensee shall submit an annual report to the Authority regarding the complaints received, resolved and pending thereof.

18.3 The Licensee shall develop and maintain an online complaint handling and tracking system that shall be updated in real time to inform the complainant regarding current status of its complaint.

Article-19
Compliance with Health Safety and Environmental Standards

The Licensee shall follow the standards laid down by the Authority for distribution and transmission of electric power, including health, safety, and environmental protection in accordance with the Power Safety Code and such other instructions as may be issued by any Federal or Provincial Agency.

Article-20
Investigation and Proceedings by the Authority

20.1 In case of any non-compliance with the terms and conditions of this Licence or Applicable Documents by the Licensee, the Authority may conduct investigation and proceedings in a manner as stipulated under Section 27A of the Act.

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20.2 Any fines or penalties imposed by the Authority under the Act and Applicable Documents, shall be promptly paid by the Licensee.

Article-21
Corporate Social Responsibility

The Licensee shall comply with the NEPRA Social Investment Guidelines 2021, as may be amended from time to time and submit a report on its activities pertaining to Corporate Social Responsibility on an annual basis.

Article-22
Accounting Practices

The Licensee shall maintain accounts in the manner laid down by the Authority in the National Electric Power Regulatory Authority (Uniform System of Accounts) Regulations, 2022, as well as in accordance with relevant provisions of the Distribution Regulations and other Applicable Documents.

Article-23
Maintenance of Record

23.1 The Licensee shall keep complete and accurate record and other data relating to the licensed activities including any contractual arrangements, agreements and any other information as may be specifically required by the Authority.

23.2 All records and data referred to above 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 (05) years after the expiry of such record, arrangement or agreement or for such further extended period as the Authority may specifically require under the Distribution Regulations.

23.3 The Authority shall have the right, upon forty eight (48) hours prior written notice to the Licensee, to examine the records and data of the Licensee at any time during normal office hours.

Article-24
Provision of Information

24.1 Any information required by the Authority from the Licensee, shall be provided in good faith ensuring that it is accurate, up-to-date and presented in a manner that is

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easily understandable and in accordance with Section 44 of the Act. The Licensee shall ensure that the correspondence with the Authority is made by a duly authorized person not below the rank of Chief Engineer.

24.2 The Licensee shall be subject to such penalties as may be specified in the relevant Regulations made by the Authority, for failure to furnish such information as may be required from time to time by the Authority and which is or has been in the control or possession of the Licensee.

Article-25
Communication

25.1 The Licensee shall designate a person not below the rank of Chief Engineer, who will act as a primary contact with the Authority on the matters related to this Licence. The Licensee shall communicate the Authority promptly about any change in contact details.

25.2 All communication with the Authority must be made in writing or through authorized electronic mailing address.

Article-26
Compliance with Eligibility Criteria

26.1 The Licensee shall ensure that as and when the Distribution Eligibility Criteria Rules are notified by the Federal Government, the Licensee shall comply with the eligibility criteria and all other requirements of the Distribution Eligibility Criteria Rules.

26.2 The Licensee shall immediately inform the Authority in writing if circumstances exist that justify a reasonable expectation that the Licensee may not have sufficient resources available to conduct its licensed business for a period of twelve (12) months, or cannot comply with one or more requirements of the Distribution Eligibility Criteria Rules.

Article-27
Economic Purchasing of Services and Assets

The Licensee shall ensure that the procurement of assets and services is undertaken in a most economical manner that ensures value for money in accordance with the applicable laws.

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Article-28
Information and Operational Technology Security

28.1 The Licensee shall develop a robust information and operational technology strategy outlining the planning and execution roadmap for ensuring transparency, effectiveness, efficiency and security in all operations of the distribution of electric power in accordance with the relevant provisions of the National Electric Power Regulatory Authority (Security of Information Technology and Operational Technology) Regulations, 2022 and other Applicable Documents.

28.2 In order to improve its efficiency and to enhance customer services, the Licensee shall deploy and upgrade its IT infrastructure which includes establishing the distribution load dispatch centers, SCADA and other modern and state of the art software relating to operation in consultation with the independent technical experts after going through detailed cost to benefit analysis.

28.3 All computer programs or systems used by the Licensees shall be adequately secured as per the requirements of the Applicable Documents and the relevant information and operational technology standards.

28.4 The Licensee shall develop a cyber-security protection system for its Distribution System with well-defined communication and reporting channels. The Licensee shall enforce security standards to measure and manage risks, as well as to define and maintain processes. While developing IT infrastructure, all the cyber-security risks must be addressed in a timely manner and managed to prevent cascading incidents as per Applicable Documents.

Article-29
Insurance

29.1 The Licensee shall ensure that all of its assets are adequately insured against possible risks in accordance with an assets insurance policy approved by its Board of Directors.

29.2 Any insurance claims shall be promptly made to the respective insurance company and realized appropriately.

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29.3 All field workforce of the Licensee who may be vulnerable to life risks owing to their nature of work, shall be adequately insured.

Article-30
Effective Coordination

30.1 The Licensee shall ensure prompt and effective coordination with the system operator, market operator and other relevant entities to comply with the relevant provisions of the Grid Code, Distribution Code, Market Commercial Code and other Applicable Documents.

30.2 The Licensee shall share the information and data, through its website or portal, related to planned maintenance outages, demand forecasts, transmission and distribution plan and information regarding network constraints.

Article-31
Preparation for Emergencies and Security Arrangements

31.1 The Licensee shall, as soon as possible, inform its consumers of any emergency or security issue of which it may be aware which may arise in association with, or which may be relevant to its Licensed obligations.

31.2 The Licensee shall take such actions as the Authority may reasonably require to plan and prepare for emergencies including taking part in necessary tests and exercises.

Article-32
Credit Rating & Financial Health

32.1 The Licensee shall, every two (02) years, get itself credit rated through a credit rating agency licensed by the Securities and Exchange Commission of Pakistan and which is on the panel of State Bank of Pakistan.

32.2 The credit rating report of the Licensee shall be submitted to the Authority for its information along with corrective measures being taken and/or to be taken to improve the financial health and credit worthiness of the Licensee. The Authority may, if deemed necessary, issue directives to the Licensee for taking measures in order to improve the financial health and credit rating.

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Article-33
Functional and Legal Separation

33.1 The functional and legal separation of distribution and supply business of the Licensee shall be undertaken in accordance with the provisions of this Licence, determinations and directions of the Authority, as issued from time to time.

33.2 The Licensee shall, at the earliest but not later than two (02) years from the date of grant of this Licence, separate its functions, as Distribution Company and Supplier of Last Resort Company, into two (02) distinct legal entities and apply to the Authority for transfer of the Licence to the relevant entity, if required. In the event, these two (02) functions are not separated in two (02) distinct legal entities, the same shall be treated as a persistent contravention of the terms and conditions of the Licence and the Authority may initiate legal proceedings against the Licensee accordingly, and also issue such directions as may be deemed appropriate that may include appointment of an administrator in respect of functions of the Licensee.

33.3 Until such time the functions of the Licensee as Distribution Business and Electric Power Supply are not separated in two (02) distinct legal entities, the Licensee shall ensure that its business is operated in such a manner that the functions, accounts, operations and management of the Distribution Business are segregated from the Electric Power Supply Business so that the said functions are carried out independently, transparently and impartially without any interference.

Article-34
Interpretation of the Licence Provisions

34.1 In accordance with the provisions of the Act, the Authority shall make the interpretation of any or all of the provisions of this Licence. The decision of the Authority in this regard shall be final.

34.2 Where any obligation under this Licence is expressed to require performance within a specified time limit, that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of failure of the Licensee to perform within the specified time limit).

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Article-35
Suspension or Revocation

35.1 Without prejudice to the powers of the Authority under the Act, upon being satisfied that the Licensee is not discharging its functions in accordance with the Act and Applicable Documents including terms and conditions of the Licence, or otherwise fails to carry on its Distribution Business in the interests of the competitive electric power market, the Authority may, after providing an opportunity to show cause, take such measures as it deems expedient including, but not limited to, suspension or cancellation of the Licence and take such other action as may be necessary to safeguard the interests of all stakeholders.

35.2 Where the Authority revokes or suspends the Licence of the Licensee, it may appoint an administrator to take over its functions and management.

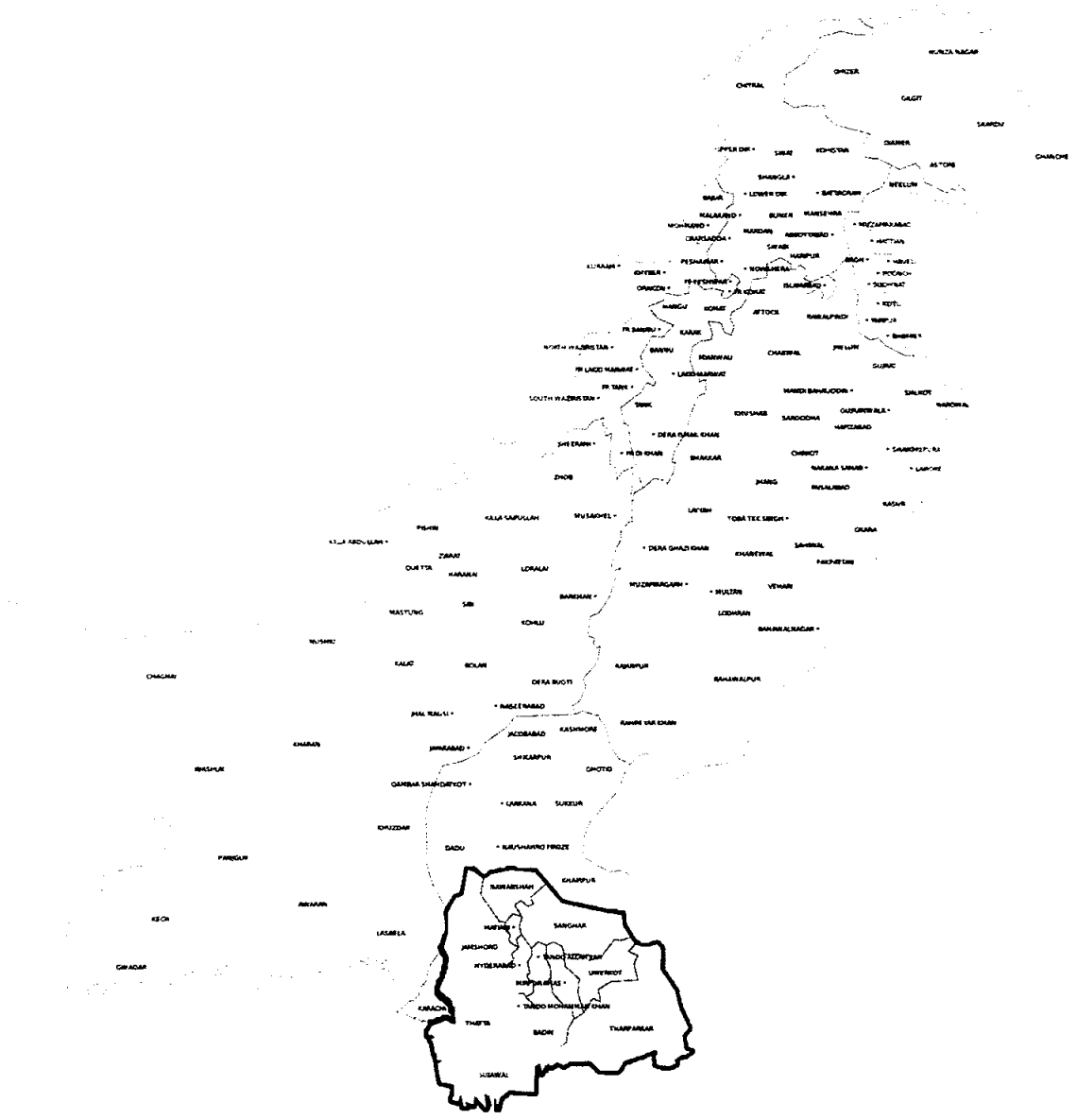
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SCHEDULE-I

The Details of Territory (i.e. Geographical Boundaries) within which the Licensee/Hyderabad Electric Supply Company Limited is Authorized to Conduct its Distribution Activities/Services.

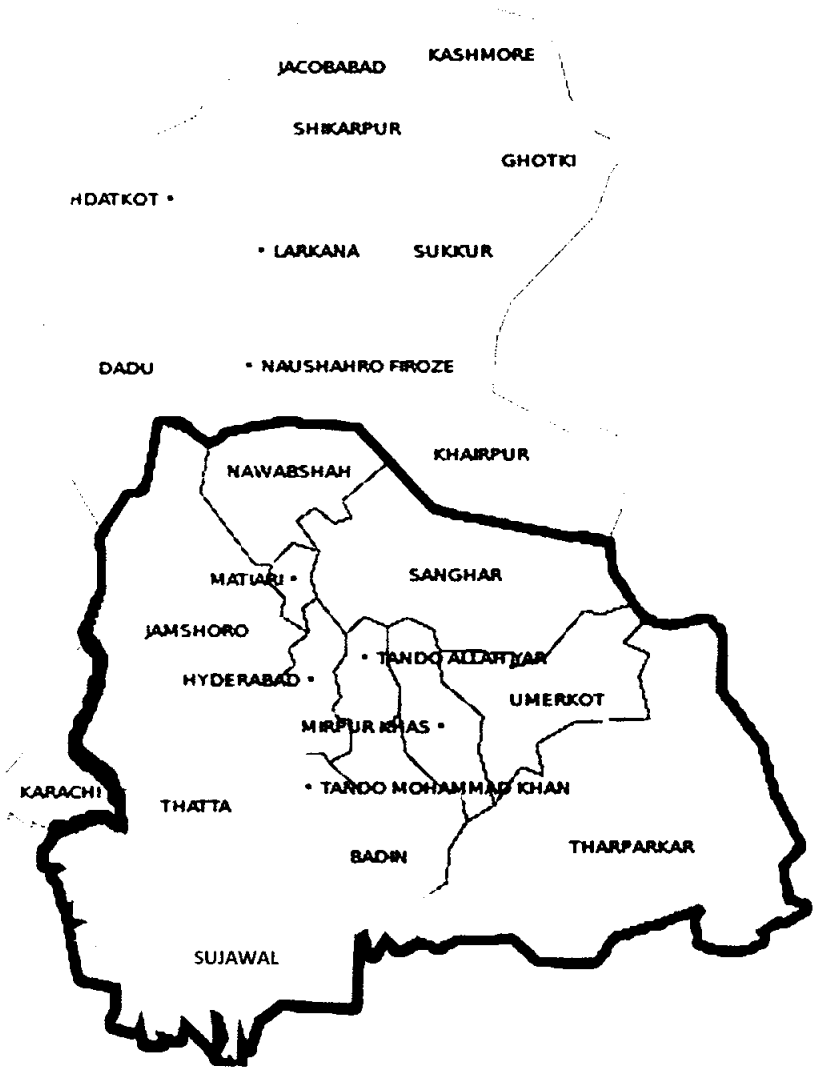
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Territorial Limit/Boundaries of the Licensee/HESCO on the Map of Pakistan



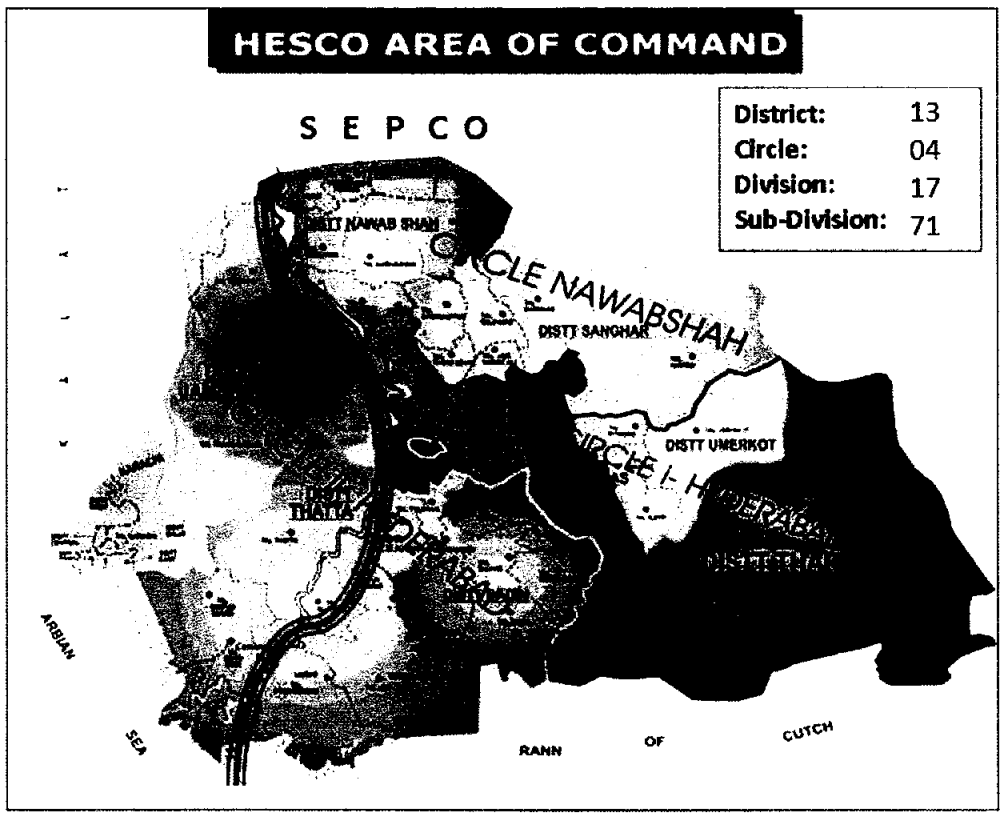
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NEPRA AUTHORITY

Territorial Limit/Boundaries of the Licensee/HESCO on the Map of Province of Sindh



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Detail of Territory (Geographical Boundaries, Districts) Within which the Licensee/HESCO is Authorized to Conduct Distribution Activities/Services



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SCHEDULE-II

The details of distribution facilities including the type of distribution system (underground/overhead), type of HT/LT conductor/cable, length of HT/LT line, number of grid stations (category wise), number of power transformers, number of feeder(s), number of distribution transformers, voltage level, frequency, voltage and frequency regulation, and other specific details pertaining to Distribution System linked with the Licensee/Hyderabad Electric Supply Company Limited.

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DETAIL OF DISTRIBUTION SYSTEM OF HESCO

A. General Information

(i).	Name of the Company/ Licensee	Hyderabad Electric Supply Company Limited
(ii).	Registered/Business Office of the Company	WAPDA Offices Complex, Hussainabad, Hyderabad
(iii).	Location of the Distribution Facilities	Hyderabad, Tando Allah Yar, Tando Mohammad Khan, Badin, Sujawal, Thatta, Jamshoro, Matiari, Shaheed Benazirabad (NawabShah), Sanghar, Mirpur Khas, Umer Kot, Tharparker.

B. Distribution System

(i).	Type of Distribution System	Overhead lines	
(ii)	Type of HT Conductors	Osprey, Panther, DOG, Rabbit and Gopher	
(iii).	Type of HT Cables	1,000 MCM, 500 MCM, 250MCM, 4.0 AWG, 2.0 AWG 3-Core, 2.0 AWG 1-Core, 4.0 AWG 3-Core 120mm2, 240mm2	
(iv).	Type of LT Conductor	ANT, GNAT and WASP	
(v).	Type of LT Cables	PVC 37/0.083 4-Core, PVC 37/0.083 1-Core, PVC 19/0.083 4-Core, PVC 19/0.083 1-Core, PVC 19/0.052 4-Core, PVC 7/0.052 4-Core, PVC 7/0.052 2-Core, LT ABC	
(vi).	Length of HT Line	28,541.6 km	
(vii).	Length of LT Line	15,057.8 km	
(viii).	No. of Feeders	582 (Public + Dedicated)	
(ix).	Number of Grid Stations	132 KV grids of HESCO	62
		66 KV grids of HESCO	15
		33 KV grids of HESCO	-

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		Consumers Grid Stations maintained & Operated by HESCO (132 KV)	1
		Consumer G/S maintained by HESCO & Operated by Consumer (132 KV)	1
		Consumer Grid Stations maintained & Operated by Consumers (8 X 132 KV)	8
		Total	87
(x).	Number of Power Transformers	129	
(xi).	Power Transformers Installed Capacity (MVA)	2,857	
(xii).	Number of Distribution Transformers	44,595	
(xiii).	Distribution Transformers Capacity (MVA)	2,749.05	
(xiv).	Voltage level (KV)	Transmission Network	132 & 66
		Distribution Network	11, 0.4 & 0.23
(xv).	Frequency	50 Hz	
(xvi).	Regulation	Voltage	± 5%
		Frequency	± 1%

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