Government of Pakistan
Ministry of Energy
(Power Division)
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THE ELIGIBILITY CRITERIA (DISTRIBUTION LICENCES) RULES, 2023

Islamabad, the 04th September, 2023.

NOTIFICATION

S.R.O.1110(I)/2023.— In exercise of the powers conferred by section 46 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), read with section 20 thereof, the Federal Government is pleased to make the following rules, the same having been previously published in the daily newspapers and uploaded on the website as required under proviso to sub-section (1) of section 46 of the said Act, namely:—

1. **Short title and commencement.**— (1) These rules shall be called the Eligibility Criteria (Distribution Licences) Rules, 2023.

(2) They shall come into force at once.

2. **Definitions.**— (1) In these rules, 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 (XL of 1997);

(b) "applicant" means a person who files an application before the Authority for grant of a distribution licence;

(c) "commercial code" means the commercial code prepared and maintained by the market operator pursuant to sections 23A and 23B of the Act and approved by the Authority;

(d) "distribution code" means the distribution code approved by the Authority;

(e) "distribution licence" means the licence for distribution of electric power granted by the Authority pursuant to section 20 of the Act; and

(f) "grid code" means the grid code prepared and maintained by the system operator pursuant to sections 23G and 23H of the Act and approved by the Authority.

(2) Words and expressions used but not defined in these rules shall have the same meaning as assigned thereto in the Act.

3. Eligibility criteria for grant of distribution licence.— (1) Any person desirous of submitting an application for grant of distribution licence shall fulfill the following eligibility criteria, that the applicant—

(a) company is registered with the Securities and Exchange Commission of Pakistan;

(b) shall specify the service territory in respect of which it intends to engage in the distribution of electric power;

(c) shall fulfill minimum solvency requirements as provided in Schedule-I to be verified by the Authority, in order to adequately perform its duties and responsibilities under the Act, relevant rules, regulations, commercial code, its distribution licence and any other legal instruments;

(d) shall fulfill minimum technical and human resource requirements as provided in Schedule-II to meet all of its service-level commitments and to perform the duties and responsibilities of distribution licensee in an effective and efficient manner and to provide continuous and reliable electric power in accordance with the Act, rules and regulations and other legal instruments;

(e) shall have the ability to ensure prompt and effective coordination with the system operator, market operator and other relevant entities to comply with the provisions of the grid code, commercial code, distribution code and other relevant legal instruments as applicable;

(f) shall have the ability to ensure its quality of distribution service by—

(i) establishing and maintaining the standardized and non-discriminatory procedures for the timely provision of connections, redressal of complaints, effective customer services and maintenance of distribution facilities;

(ii) ensuring compliance with grid code, distribution code and performance standards specified by the Authority for distribution of electric power;

(iii) fulfilling the requirements of minimum technical resources prescribed under these rules;

(iv) sharing the information and data through website or portal related to forecasts, transmission and distribution plans and information regarding network constraints; and

(v) maintaining the complete and accurate records and data in respect of distribution services. All such records and data shall, unless provided otherwise under the law, be maintained for a period of five years after the creation of such record or data; and

(g) shall have a robust IT strategy outlining the planning and execution roadmap for ensuring transparency, effectiveness, efficiency and security in all operations of the distribution of electric power comprising—

(i) a secure and reliable data storage and network infrastructure for hosting backend as well as key applications;

(ii) a reliable data backup and recovery system for operation continuity;

(iii) an effective information security mechanism, to ensure confidentiality, integrity and the secure availability of data as part of an IT governance framework; and

(iv) an effective and efficient mechanism of analysis and reporting of information through transparency portals, website and other secure information sharing techniques.

(2) In addition to the requirements in sub-rule (1), the applicant shall have the ability to prepare a distribution plan in coordination with system operator, national grid company, provincial grid company and other distribution licensees as per the provisions of the grid code and distribution code.

4. Compliance with the eligibility criteria.— (1) At the time of submission of an application under rule (3), the applicant shall submit a sworn and verified affidavit to the Authority that it fulfills all the requirements of these rules for grant of the licence.

(2) The Authority while examining an application for grant of a licence under these rules shall ensure compliance with the above eligibility criteria and may require an applicant to submit additional information and documents in support of its application.

(3) All requirements of these rules shall also be incorporated appropriately in the terms and conditions of the licence for ensuring compliance by the licensee during the term of the licence.

(4) While applying for modification, extension or renewal of a licence, an applicant shall be required to fulfill all the eligibility requirements set forth in these rules.

5. Term of the licence.— The distribution licence shall be granted by the Authority for a minimum term of twenty years.

SCHEDULE – I

[see rule 3(1) (c)]

Minimum solvency requirements:—

(1) The Ex-WAPDA DISCOs and K-Electric as applicants for distribution licence in their respective service territories shall be deemed eligible to apply for such licence:

Provided that the Federal Government may, from time to time by notification in the official gazette, prescribe any requirement in order to ensure solvency for the future applicants and for licensees who have already been granted a licence in accordance with these rules.

(2) All other applicants for distribution and supplier of last resort licence in a specific service territory shall have and maintain the following solvency requirements for both the businesses:

(i) shall have and maintain minimum long-term credit rating of "A" from a credit rating agency licensed by the SECP and submit a report to the Authority at the time of application;

(ii) shall have and maintain minimum current ratio of 1:1;

(iii) shall have minimum paid-up capital of one hundred and fifty million rupees; and

(iv) shall have and maintain minimum net worth of five hundred million rupees:

Provided that the above-mentioned requirements may be revised by the Federal Government from time to time by notification in the official gazette for the future applicants and for licensees who have already been granted a licence in accordance with these rules.

SCHEDULE – II

[see rule 3(1) (d)]

Minimum technical resources requirements:—

(1) The applicant shall have or develop the following minimum technical resources:

(i) infrastructure and equipment to construct, operate & maintain transmission and distribution network in its service territory;

(ii) expertise in installing, operating, maintaining and inspecting electric meters and associated equipment used for recording consumption of electric power for its consumer;

(iii) software tools to conduct the system studies, prepare the plan for the rehabilitation, expansion and augmentation of transmission and distribution facilities in the respective service territory, which shall be aligned with the transmission system expansion plan prepared by the national grid company;

(iv) software tools for demand forecasting;

(v) tools and plants required for the human and equipment safety;

(vi) expertise in design and execution of civil and electrical works; and

(vii) secured Information and Communications Technology (ICT) infrastructure for operation & control of its transmission and distribution facilities and for coordination with the system operator and the transmission licensees.

Minimum human resources requirements:—

(2) All applicants shall employ at least forty percent of their sanctioned strength at all times in order to perform their functions and duties.

Explanation:-The "sanctioned strength" shall mean the number of posts in various scales and cadres, which have been duly approved by the board of directors of an applicant.

(3) The above-mentioned requirements in clause (1) and (2) may be revised by the Federal Government from time to time by notification in the official gazette for the future applicants as well as for licensees who have already been granted a licence in accordance with these rules.

[F No.2(3)/2021-Policy]

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