



***“Model Draft Guidelines for Off-Grid Distributed
Generation and Supply Framework”***

STATE ELECTRICITY REGULATORY COMMISSION

No.: XX/XX/SERC/2012

Dated: DD.MM.2012

DRAFT MODEL GUIDELINES

WHEREAS Section 3 (1) of the Electricity Act, 2003 provides that *“The Central Government shall, from time to time, prepare the National Electricity Policy and tariff policy, in consultation with the State Governments and the Authority for development of the power system based on optimal utilisation of resources such as coal, natural gas, nuclear substances or materials, hydro and renewable sources of energy”;*

AND WHEREAS Section 4 of the Electricity Act, 2003 provides that *“The Central Government shall, after consultation with the State Governments, prepare and notify a national policy, permitting stand alone systems (including those based on renewable sources of energy and other nonconventional sources of energy) for rural areas”;*

AND WHEREAS Section 5 of the Electricity Act 2003 provides that *“The Central Government shall also formulate a national policy, in consultation with the State Governments and the State Commissions, for rural electrification and for bulk purchase of power and management of local distribution in rural areas through Panchayat Institutions, users’ associations, cooperative societies, non-Governmental organisations or franchisees”;*

AND WHEREAS Section 6 of the Electricity Act, 2003 provides that *“the concerned State Government and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households”;*

AND WHEREAS seventh proviso of Section 14 of the Electricity Act, 2003 provides that *“in a case where a distribution licensee proposes to undertake distribution of electricity for a specified area within his area of supply through another person, that person shall not be required to obtain any separate licence from the concerned State Commission and such distribution licensee shall be responsible for distribution of electricity in his area of supply”;*

AND WHEREAS eight proviso of Section 14 of the Electricity Act, 2003 provides that *“where a person intends to generate and distribute electricity in a rural area to be notified by the State*



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

Government, such person shall not require any licence for such generation and distribution of electricity, but he shall comply with the measures which may be specified by the Authority under section 53”;

AND WHEREAS Section 61 of the Electricity Act, 2003 provides that *“The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely: -“Clause (h) “the promotion of co-generation and generation of electricity from renewable sources of energy”;*

AND WHEREAS Section 86 (1)(e) of the Electricity Act, 2003 provides that *“The State Commission shall discharge the following functions, namely: -“Clause (e) “promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee”;*

In exercise of the power conferred under Sections 14, 61(h), 66, 86(1)(e) &(k), and 181 of the Electricity Act, 2003 (36 of 2003), and all other powers enabling in its behalf, and after previous publication, the ____ (Name of State) Electricity Regulatory Commission hereby outlines the following Guidelines, namely:

1 Short title and commencement

- 1.1 These guidelines may be called the Guidelines by ____ (Name of State) Electricity Regulatory Commission for Development, Management and Operations of Off-Grid Distributed Renewable Energy Generation and Supply, hereinafter referred to as ‘Rural System Operator Guidelines’ or ‘RSO Guidelines’.
- 1.2 These RSO Guidelines shall come into force from the date of their publication in the Official Gazette.
- 1.3 These RSO Guidelines shall apply through the State.

2 Definitions and Interpretations

- 2.1 In these RSO Guidelines, unless the context otherwise requires,
 - a) ‘Act’ means the Electricity Act, 2003 (36 of 2003);



***“Model Draft Guidelines for Off-Grid Distributed
Generation and Supply Framework”***

- b) ‘Conduct of Business Regulations’ means the State Electricity Regulatory Commission (Conduct of Business) Regulations, as amended from time to time;
- c) ‘Distribution Infrastructure’ means the infrastructure consisting of electric lines, distribution transformers, and associated equipments, if any, used for distributing electricity generated from the Off-grid Renewable Energy System;
- d) ‘Franchisee’ means a person or an agency or a company authorised by the distribution licensee to distribute electricity on its behalf in a particular area within area of supply of the distribution company;
- e) ‘Feed in Tariff’ means the tariff determined by the State Electricity Regulatory Commission pursuant to Section 61(h) of the Electricity Act for a particular renewable energy technology;
- f) Franchisee Agreement means the Agreement between the Rural System Operator and the Distribution Licensee for the purpose of distribution of electricity pursuant to provisions under these RSO Guidelines;
- g) ‘MNRE’ means the Ministry of New and Renewable Energy of the Government of India or its successor entity;
- h) ‘Off-grid Renewable Energy System (ORES)’ means the stand alone systems comprising power plant generating electricity from renewable energy sources where grid is not connected and distribution network including associated appliances used for distributing electricity produced in the said plant to end users in the Project Area;
- i) ‘Operation and maintenance expenses’ or ‘O&M expenses’ means the expenditure incurred on operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;
- j) Power Purchase Agreement is the Agreement between Rural System Operator and the Distribution Licensee for purchase of electricity by the Distribution Licensee from the Off-grid Renewable Energy System;
- k) ‘Project Area’ means un-electrified habitation in which the electricity is proposed to be supplied from Off-grid Renewable Energy System defined at Clause 2 (h) of these RSO Guidelines;
Provided the Project Area will have minimum 25 households;
- l) ‘Renewable Energy Sources’ means renewable sources such as small hydro, wind, solar including its integration with combined cycle, biomass, bio fuel cogeneration, urban or municipal waste and other such sources as approved by the MNRE from time to time;



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

- m) ‘Rural Local Body’ (RLB) means the body as may be defined in sub section (1) of section 9 of these RSO Guidelines;
- n) ‘Rural System Operator’ (RSO) means the company or a person or a group of persons that develops and operates Off-grid Renewable Energy System;
- o) Standard of Performance Regulations are the relevant Regulations issued by the Appropriate Commission that define the Standards of Performance for the Distribution Licensees in the State;
- p) ‘Tariff Period’ means the period for which tariff is to be determined by the Commission on the basis of specified norms;
- q) ‘Year’ means a financial year.

2.2 Words and expressions used in these Regulation and not defined but defined in the Act or the regulations issued by the Central Commission or any other regulations issued by the Commission, shall have the same meaning assigned to them respectively in the Act or such regulations issued by the Central Commission or such other regulations issued by the Commission

3 Scope of RSO Guidelines and Extent of Application

3.1 These RSO Guidelines shall apply to all new and existing Off-grid Renewable Energy Systems commissioned or to be commissioned for distributed generation and supply of electricity from such renewable energy sources to the rural consumers in the Project Area.

Provided that provisions of this RSO Guidelines shall be applicable subsequent to the date of publication of these RSO Guidelines.

Provided further that Rural System Operator shall abide by the tariff determined by the Appropriate Commission for a generating station or a unit thereof under Section 61(h) read with Section 86 of the Act.

Provided further that Rural System Operator shall supply electricity to the consumers as per the tariff determined by the Appropriate Commission for supply of electricity;

Provided further that the existing system shall be eligible for Feed-in Tariff under these RSO Guidelines, subject to the fulfilment of eligibility criteria in Clause 16 of these RSO Guidelines.



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

4 Applicability of RSO Guidelines

- 4.1 In case the Rural System Operator wants to develop and operate Off-grid Renewable Energy Systems, and wants to operate under these RSO Guidelines, such choice will have to be made before the project becomes operational, post which, such projects will not be allowed to operate under these RSO Guidelines;
- 4.2 For projects existing on the date of notification of these RSO Guidelines, the Rural System Operator has to make a choice of operating under these RSO Guidelines within a period of two years of publication of these RSO Guidelines, post which, no existing projects will be allowed to operate under these RSO Guidelines;
- 4.3 Under these RSO Guidelines, the project shall cover un-electrified census village or cluster of villages, or padas / bastis / hamlets of electrified census villages or cluster of padas/bastis/hamlets;

5 Central Electricity Authority and its functions:

- 5.1 Authority means the Central Electricity Authority referred to in sub section (1) of section 70 of the Act;
- 5.2 Central Electricity Authority shall notify regulations governing generation aspects, grid connectivity aspects for small scale renewable energy plants and the metering regulations in respect of such systems;

~~Provided till such time, the Central Electricity Authority formulates the above mentioned regulations, the regulations notified by the Appropriate Commissions from time to time in respect of grid connectivity shall be considered.~~

6 Consent of Rural Local Body for Off-grid Renewable Energy System:

- 6.1 Rural Local Body means the Panchayati Raj Institutions in line with Eleventh Schedule (Article 243G) of Constitution of India pursuant to the Seventy Third Amendment to the Constitution of India;
- 6.2 A person desiring to set up Off-grid Renewable Energy System shall seek consent from the Rural Local Body for setting up ORES.
- 6.3 While seeking consent, following information shall be provided to the RLB:
 - a. Description of the proposed Off-grid Renewable Energy System
 - b. Definition of Project Area



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

- c. Plan for harnessing of local renewable resources
 - d. Local employment generation opportunity
 - e. Support for productive load development/enhancement
 - f. Long term sustainable and cost effective solution for energy need of Rural Local Body
- 6.4 In case of receipt of more than one request for consent, the concerned Rural Local Body shall select scheme offering maximum benefits in terms of above parameters; in consultation with Distribution Licensee.
- 6.5 The consent given by the Rural Local Body shall include following minimum information:
 - a) Un-electrified status of village/habitation/pada;
 - b) Number of households in such habitation;
 - c) Name and description of the Rural System Operator;
 - d) Brief Description of the System;
 - e) Minimum Standard of Supply;
- 6.6 The existing projects shall follow the process specified in these RSO Guidelines while seeking consent from the Rural Local Body.

7 Rural System Operator and its functions:

- 7.1 Rural System Operator shall be the operator who generates and distributes electricity to consumers after setting up the generation plant, distribution infrastructure, metering arrangement etc. and signs the Franchisee Agreement and Power Purchase Agreement with the Distribution Licensee;
- 7.2 Rural System Operator shall identify rural area, in consultation with concerned Rural Local Body and develop a Project Scheme for Off-grid Renewable Energy Supply;
- 7.3 Rural System Operator shall select and adopt technology based on the locally available renewable resources;
- 7.4 Rural System Operator shall select the project of appropriate size and technology in the un-electrified padas / bastis/ hamlets of electrified or un-electrified census villages which are considered under the rural areas;
- 7.5 Rural System Operator shall confirm the State Government’s notification of rural area from Rural Local Body;
- 7.6 Rural System Operator shall confirm the number of households and establishments, un-electrified status of village / hamlet / padas from Rural Local Body;



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

-
- 7.7 Rural System Operator shall prepare Detailed Project Report for the proposed Off-grid Renewable Energy System;
- 7.8 DPR shall clearly state technology, tariff, franchisee fees, etc
- 7.9 Rural System Operator shall obtain the consent from Rural Local Body as per clause (2), (3) and (4) of Regulation 7;
- 7.10 RSO shall submit the DPR alongwith the consent of RLB to the Distribution Licensee with a request to enter into PPA and Franchisee Agreement.

Provided that detailed prefeasibility study report, detailed project report, net worth of the Rural System Operator, documents for availability of land, proof of availability of fuel, etc. shall be provided to Distribution Licensee by the Rural System Operator;

- 7.11 Rural System Operator shall enter into Franchisee Agreement and Power Purchase Agreement at Feed in Tariff with the concerned Distribution Licensee;
- 7.12 Rural System Operator shall achieve financial closure within time period not exceeding period of four months from the date of Power Purchase Agreement or such other timeframe as may be mutually discussed and agreed to with concerned Rural Local Body and shall submit the supporting documents for accomplishing financial closure to the Distribution Licensee;
- 7.13 Rural System Operator shall develop, construct and commission the Project within period as specified in the Power Purchase Agreement with concerned Distribution Licensee or such other period as may be mutually discussed and agreed to with concerned Distribution Licensee;
- 7.14 Rural System Operator may develop, construct and commission the distribution infrastructure within period as specified in Franchisee Agreement with concerned Distribution Licensee or such other period as may be mutually discussed and agreed to with the concerned Distribution Licensee in line with the guidelines issued by the Authority;

Provided that Standard of Performance Regulations shall address specific requirements of off-grid rural network development;

- 7.15 Rural System Operator shall have exclusive right to supply electricity to consumers in the Rural Local Body through Franchisee Agreement;
- 7.16 Rural System Operator shall raise bills for electricity supplied to consumers in the Project Area at the end of every month based on meter readings at the Tariff Rates not exceeding the Tariff Rates applicable for other consumers of Distribution Licensees belonging to similar consumer category;



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

- 7.17 Rural System Operator shall submit monthly reports to the Distribution Licensee in the third week of the next month which shall cover mutually agreed components;
- 7.18 Rural System Operator shall raise invoice for electricity generated through Off-grid Renewable Energy System within seven days of the end of the month for generation during the month and shall be entitled to receive payment from Distribution Licensee within seven working days after submission of the invoice;

8 Distribution Licensee and its functions:

- 8.1 Distribution Licensee shall establish mechanism for timely processing of applications as well as management of contracts with Rural System Operators;
- 8.2 Within one month of receipt of application from the Rural System Operator, the Distribution Licensee shall process application and confirm acceptance/ rejection of the application.

Provided that the Distribution Licensee can reject application only on the grounds of violation of norms of design of the system, or plan to extend electricity grid within two years.

- 8.3 Within one month of acceptance of application from Rural System Operator, Distribution Licensee shall enter into Franchisee Agreement and Power Purchase Agreement with Rural System Operator based on Model Franchisee Agreement and Model PPA, as annexed here and approved by the State Commission;
- 8.4 Distribution Licensee shall make payments to the Rural System Operator within seven days of receipt of invoice from the Rural System Operator;

Provided that electricity generation (including deemed generation, if any) shall be governed as per the terms and conditions outlined under the Power Purchase Agreement in line with the principles approved by the Commission;

- 8.5 Distribution Licensee shall provide necessary support to the Rural System Operator to submit application to Government of India for availing Central Financial Assistance for identified project schemes; as may be applicable;

Provided that application for Central Financial Assistance is optional;

- 8.6 Distribution Licensee shall provide necessary support to the Rural System Operator to submit application to State Government seeking Financial Assistance/revenue subsidy/capital subsidy, as may be provided by State Government from time to time for promotion of rural electrification in the State;



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

Provided that application for financial subsidy or revenue subsidy is optional;

- 8.7 Distribution Licensee shall take into consideration the off-grid schemes under operation or under advance stage of execution/planning in rural areas under this RSO Guidelines, while planning for its network expansion in rural areas;
- 8.8 Distribution Licensee shall furnish information about the applications/ operational systems to the Commission in format as may be prescribed from time to time;

9 Consumers in the Project Area and their functions:

- 9.1 Consumers in the Project Area shall regularly pay the electricity charges within 15 working days of receipt of bills to the Rural System Operator;
- 9.2 In case of delay in payment beyond due date of payment, the delayed payment charges at the rate of 1.25% per month or part thereof shall be applicable.

10 Framework for development of Feed-in-Tariff for ORES:

- 10.1 The Commission shall determine Feed-in tariff for the purchase of electricity from off-grid renewable energy sources by a distribution licensee from time to time, either through Generic Tariff Order on suo-motu basis or based on application filed by interested Rural System Operator.

Provided that Rural System Operator, under its tariff application shall clearly provide separate details of its capital cost, operating cost and performance details for off-grid generation scheme and capital cost, operating cost and performance details of its distribution/supply associated with network development activities separately.

- 10.2 The Commission shall determine Feed-in tariff corresponding to off-grid generation part of the Project Scheme separately for each kind of off-grid renewable source. While determining the tariff, the Commission may, to the extent possible, consider to permit an allowance based on technology, fuel, market risk, environmental benefits and social contribution etc., of each type of off-grid renewable source.
- 10.3 Further, while determining the Feed-in tariff, the Commission shall adopt the best practices and normative parameters for financing cost, O&M and other expenses.
- 10.4 The Commission shall as far as possible be guided by the principles and methodologies specified by the National Electricity Policy, Tariff policy, Rural Electrification Policy, while deciding on the terms and conditions of Tariff for off-grid renewable sources of energy.



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

- 10.5 Without prejudice to the generality of the powers of the Commission in regulating the Feed-in-Tariff for small scale renewable energy generators, the State Electricity Regulatory Commissions may keep in view, among others, the following factors, while determining the feed-in-tariff;
- i. Feed in tariff shall be based on cost plus assured returns for the generation scheme;
 - ii. The need to link tariff adjustments to increases in the productivity of capital employed and improvement in efficiency so as to safeguard the interests of the consumer;
 - iii. The need to rationalise feed-in-tariff on the basis of the actual cost of generation, upon taking into consideration the capital subsidy, revenue subsidy, finance assistance from Central Government or State Government, if any;
 - iv. The unbundling of costs between off-grid generation component of Project Scheme and Distribution/Supply component of the Project Scheme, so as to enable the rational allocation of costs;
 - v. The need to provide transparently the appropriate incentives, in a non-discriminatory manner, for a continuous enhancement in the efficiency of generation, distribution and supply and up-gradation in the levels of service;
 - vi. Specifying Control Period, Tariff Period, Tariff Structure (levellised, back-ended or front ended) and Tariff Design (Single part or Two part) to ensure long term regulatory clarity and regulatory certainty for principles of determination of Feed-in Tariff for Off-grid project scheme;
 - vii. Any other matter relevant in the opinion of the Appropriate Commission;
- 10.6 Rural System Operator, who are required to get their feed-in-tariff approved by the State Electricity Regulatory Commission, may develop tariff petitions based on the terms and conditions as may be notified by the State Electricity Regulatory Commission and submit the same for approval, in accordance with the procedure prescribed by the State Electricity Regulatory Commission;
- 10.7 The State Electricity Regulatory Commission may determine feed-in-tariff on such conditions as may be considered appropriate and shall issue tariff orders for each type of off-grid small scale renewable energy technologies approved by Ministry of New and Renewable Energy;
- 10.8 Provided that case specific tariff orders shall be issued by the State Electricity Regulatory Commissions for the new and up-coming off-grid small scale renewable energy



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

technologies for supply in off-grid areas, only in specific conditions based on merit and for all other projects Feed in Tariffs will be applicable;

- 10.9 While determining the Feed-in Tariff, the Commission shall also specify principles for power purchase agreement or approve Model PPA, as the case may be, to be executed between Rural System Operator and concerned Distribution Licensee;

11 Framework for Fees for Franchisee Operation by RSO:

- 11.1 Distribution Licensee and Rural System Operator shall enter into Franchisee Agreement to ensure distribution/supply of electricity by Rural System Operator to consumer in the Project Area in line with the terms and conditions outlined under Model Franchisee Agreement approved by State Commission;
- 11.2 While Distribution Licensee and Rural System operator shall be free to adopt or negotiate terms and conditions of Model Franchisee Agreement including commercial conditions for compensation thereof, the parties shall take into consideration following factors, while determining the Fees for Franchisee Operation;
- i. Fees for Franchisee operation should cover cost of franchisee operation plus adequate returns to Rural System Operator over the period of Franchisee Agreement;
 - ii. Fees for Franchisee operation should be based on due consideration to distribution network rollout requirement, investment for expansion/augmentation of network, upkeep and operation of distribution network facilities, adherence to standard of performance, consumer profile, consumption/demand/load pattern and growth thereof and such other factors associated with franchisee operation.
 - iii. Fees for Franchisee operation should be derived upon taking into consideration revenue recovery from consumers and capital subsidy, revenue subsidy, financial assistance from Central Government or State Government, if any, available towards franchisee operation by Rural System Operator.
 - iv. The need to provide transparently the appropriate incentives, in a non-discriminatory manner, for a continuous enhancement in the efficiency of distribution and supply and up-gradation in the levels of service;
 - v. Specifying Control Period for Franchisee Operation, Fee Structure (levellised, back-ended or front ended) and Fee Design (fixed monthly fee or Variable Monthly fee linked to quantum of distribution/supply) to ensure long term regulatory clarity and regulatory certainty for principles of determination of Fees for Franchisee Operation of Off-grid project scheme;



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

- vi. Need for specifying transfer value reflective of book value upon termination of Franchisee Agreement;
- vii. Any other matter relevant in the opinion of the Commission;

12 Grid Connectivity and Integrated Operation of ORES:

12.1 When the distribution network of Distribution Licensee reaches the Project Area, the Franchisee Agreement between Rural System Operator and Distribution Licensee may be terminated;

Provided that Distribution Licensee shall take over the assets of distribution infrastructure and compensate as a fixed fee structure to the Rural System Operator at book value;

12.2 The Power Purchase Agreement shall continue, and the Rural System Operator shall receive the feed-in-tariff from Distribution Licensee for the electricity being fed to the grid from generation scheme;

13 Contractual Framework:

13.1 As per Regulation 8 and Regulation 12, there shall be Franchisee Agreement and Power Purchase Agreement between the Rural System Operator and the Distribution Licensee;

13.2 Power Purchase Agreement shall be for life of the project, as determined by State Electricity Regulatory Commission in Feed in Tariff order issued for particular technologies;

13.3 Franchisee Agreement shall be co-terminus with Power Purchase Agreement with provision for prior termination as and when distribution network of concerned Distribution Licensee reaches the area of operation of Rural System Operator.

13.4 The Rural System Operator shall sell electricity to consumers within the Project Area at the Tariff Rates equal to the Tariff applicable for other consumers of Distribution Licensees belonging to similar consumer category;

14 Revocations of Contract & Arbitration:

14.1 If the Distribution Licensee after making an enquiry based on the monthly reports submitted by Rural System Operator, is satisfied that public interests so require, the termination of franchisee and power purchase agreement shall be done based on the following:-



“Model Draft Guidelines for Off-Grid Distributed Generation and Supply Framework”

- i. where the Rural System Operator, in the opinion of the Distribution Licensee, makes willful and prolonged default in doing anything required of him by or under these RSO Guidelines;
- ii. where the Rural System Operator breaks any terms and conditions for distribution of electricity at the tariff of the local distribution licensee to the rural consumers;

14.2 In case of termination of the contract, the Distribution Licensee and Rural System Operator shall follow the process specified in the respective Agreements.

15 Monitoring and Verification:

- 15.1 Monitoring and Verification shall be based on joint meter reading by Distribution Licensee and Rural System Operator on monthly basis;
- 15.2 The protocol for monitoring and verification shall be agreed in advance and shall form part of the Power Purchase Agreement for Generation part of the Project Scheme and shall form part of Franchisee Agreement for the distribution/supply part of the Project Scheme.

16 Eligibility Criteria:

- 16.1 Following conditions shall apply for the design and development of Off-grid Renewable Energy System (ORES) to be covered under these RSO Guidelines;
- a) Village/ hamlet – wherein no provision of supply of electricity exists. For existing projects, the Rural System Operator and its system shall be the sole source of electricity supply;
 - b) Rural System Operator – The Rural System Operator shall have the net worth of Rs 5 lakh ;
 - c) Selection of Technology and Sizing of the Plant – The Rural System Operator shall follow the guidelines, if any, issued by the Appropriate Commission for selection of the technology and sizing of the plant. In case, the Appropriate Commission has not issued such guidelines, selection of technology and sizing of the plant shall be done in consultation with the RLB.



***"Model Draft Guidelines for Off-Grid Distributed
Generation and Supply Framework"***

17 Metering:

- 17.1 The metering shall be provided both at the generation end and the consumer end;
- 17.2 The installation and operation of the Meters shall be in conformity with the relevant regulations notified by Central Electricity Authority from time to time.
- 17.3 At the generation end, main meter and standby metering arrangement to be provided as per terms of the Power Purchase Agreement.

18 Power to give directions:

- 18.1 The Commission may from time to time issue such directions and orders as considered appropriate for the implementation of these RSO Guidelines and for the development, management and operation of Off-Grid Renewable Energy System.

19 Power to Relax:

- 19.1 The Commission may by general or special order, for reasons to be recorded in writing, and after giving an opportunity of hearing to the parties likely to be affected may relax any of the provisions of these RSO Guidelines on its own motion or on an application made before it by an interested person.

(Secretary)



DRAFT POWER PURCHASE AGREEMENT FORMAT

This POWER PURCHASE AGREEMENT (hereinafter referred to as "Agreement" or "PPA") is made and entered into effective as of _____ day of _____ amongst:

1. _____ a Company registered under the Companies Act 1956 with its registered office at _____ (Hereinafter referred to as "Rural System Operator", which expression shall unless repugnant to the context or meaning thereof, include its successors and assignees).

AND

2. _____ a Company incorporated under the Companies Act, 1956 and carrying on the business of distribution and supply of electricity in the area of supply mentioned in its license and having its registered office at _____ hereinafter referred to as "Distribution Licensee" (which expression shall unless repugnant to the context or meaning thereof be deemed to mean and include its successors & assignees).

3. The State Electricity Regulatory Commission has published the Guidelines, namely, Guidelines by,____ (*Name of State*) Electricity Regulatory Commission for Development, Management and Operations of Off-Grid Distributed Renewable Energy Generation and Supply, , (hereinafter referred to as Rural System Operator Guidelines or RSO Guidelines) enabling establishment of Off-Grid Renewable Energy Generation Facility and procurement of power from such off-grid generation facility by the Distribution Licensee thereof.

THIS AGREEMENT, between Rural System Operator and Distribution Licensee, bears the following recitals:

A. In pursuance of the Clause 6 of Guidelines by____ (*Name of State*) Electricity Regulatory Commission for Development, Management and Operations of Off-Grid Distributed Renewable Energy Generation and Supply, the _____(*Name of Rural Local Body*) has granted consent to Rural System Operator to establish Off-Grid electric power generation facility in the Project Area situated at _____(*Name of Location*).



-
- B. Rural System Operator intends to own and/or operate an electric power generation facility using Off-grid Renewable Energy System (ORES). Rural System Operator desires to operate such generation in the area of Distribution Licensee and sell a portion or all of the power produced to the Distribution Licensee. The Distribution Licensee has no direct financial involvement in the investment, construction, operation, or maintenance of Rural System Operator's generation facility.
- C. Rural System Operator's generation facility is described as:
- Make: _____
- Model: _____, Serial Number: _____
- Fuel or Energy Source: _____
- Name Plate Output Rating: _____ kW, _____ Volts, _____ Phase, 50 Hertz.
- D. Distribution Licensee is willing to permit Rural System Operator to operate its generation facility in the area of Distribution Licensee and purchase power from the Rural System Operator under certain conditions as outlined under this Power Purchase Agreement and in line with the said RSO Guidelines.



NOW, THEREFORE, in consideration of the matters described above and the covenants in this Agreement, the Rural System Operator and Distribution Licensee intending to be legally bound, agree as follows:

1. DEFINITIONS

In this Agreement, unless the context requires otherwise, the following terms shall have the meaning hereinafter as assigned to them:

- 1.1 "Billing Month" means the month in which the Bill is issued.
- 1.2 "Clearances" means any consent, license, approval, permit, or other authorization of whatsoever nature which is required to be obtained by the Rural System Operator from any competent authority for the coming into force the PPA, for the construction, operation and maintenance of the power plant, for the use of the power plant to produce and delivery of electricity into State Grid/Distribution System and all such other matter as may be necessary in connection with the project.
- 1.3 "Commercial Operation Date (COD)" means the date on which the Rural System Operator commissions Off-grid Renewable Energy System after the generating unit has completed its performance acceptance test as per standards prescribed.
- 1.4 "Commission" means the State Electricity Regulatory Commission constituted under sub-section (1) of section 82 of the Electricity Act. 2003.
- 1.5 "Commissioned" means the state or act of successful completion of commissioning of the Off-grid Renewable Energy System.
- 1.6 "Isolated Distribution System" means the small distribution system developed at remote place at the Project Area where Distribution Licensee's Grid/Distribution Network is not available with the sole aim of rural electrification.
- 1.7
- 1.8 "Delivery point" means the interconnection point of Off-Grid Renewable Energy System with Isolated Distribution System or the receiving station of Distribution Licensee as the case may be.
- 1.9 "Delivered Energy" means the net electrical energy measured in terms of kWh generated by the power plant and delivered by Rural System Operator at the Delivery point in accordance with this PPA.

-
- 1.10 "Designated Officer" means the officer of concerned Distribution Licensee deputed including any other authorized officer of the concerned Distribution Licensee.
- 1.11 "Distribution Licensee" means Distribution Company as specified in PPA.
- 1.12 "Dispute" means any difference, disagreement, failure to perform or deliver, failure to resolve any contentious issue of whatsoever nature and howsoever arising under, out of or in connection with or relating to this PPA.
- 1.13 "Electricity Act, 2003 or E Act 2003" means the Electricity Act, 2003 (Act no. 36 of 2003) enacted by the Parliament and includes any amendment thereto.
- 1.14 "Emergency" means a condition or situation that, in the opinion of the Rural System Operator or Distribution Licensee does materially and adversely affect/endanger, (i) ability of the Rural System Operator to maintain safe, adequate and continuous generation of the Energy at the Power Station, (ii) security of persons, plant or equipment at the Power Station, or (iii) the Interconnection Facilities at State Grid/Distribution System.
- 1.15 "Grid Code" means the Grid Code approved by the SERC and shall include any amendment/ modification thereof.
- 1.16 "Interconnection Facilities" means all the facilities, to be installed and maintained by Rural System Operator at the Delivery Point to enable evacuation of the delivered energy from the Power Station and injection into Isolated Distribution System in accordance with the PPA (Which may include, Without limitation, transformers, switching equipments and protection, control and metering devices etc.).
- 1.17 "kW" means one kilowatt or 1000 watts of electrical Power.
- 1.18 "kWh" means one kilowatt - hour or 1000 watt-hour of electrical Energy.
- 1.19 "Metering Code" means Metering Code for State Grid as approved by the SERC and shall include any amendment/modification thereof.
- 1.20 "Metering System" means the metering equipment as defined in the Metering Code.
- 1.21 "Net Electrical Power" means energy output in kWh net of Auxiliary Consumption delivered at Delivery Point.'Project Area' means un-electrified habitation in which the electricity is proposed to be supplied from Off-grid Renewable Energy System and situated at_____, (Name of Habitat/Basti/Village, Taluka, District, State),
- 1.22 "Off-grid Renewable Energy System (ORES)" means the stand alone systems comprising power plant generating electricity from renewable energy sources where grid is not

connected and distribution infrastructure including associated appliances used for distributing electricity produced in the said plant to end users in the Project Area.

- 1.23 "RE Policy" means the Policy for Promoting Generation of Electricity through Non-Conventional Energy Sources" issued by State Government and amended in it from time to time. Rural Local Body means the Panchayati Raj Institutions as referred in the Seventy Third Amendment Act to the Constitution of India
- 1.24 "Rural System Operator" means _____(Name of project developer) who shall develop and shall maintain the Off-grid Renewable Energy System in accordance with Off-Grid Rural Supply Regulations. .
- 1.25 "Prudent Utility Practices" means accepted international/Indian practice(s), standard(s), engineering and operation considerations, taking into account the conditions prevalent at Site including manufactures' recommendations generally followed in the operation and maintenance of facilities similar to the Project.
- 1.26 "SERC" means the _____(*Name of SERC*) State Electricity Regulatory Commission.

In this Agreement unless otherwise stated, the singular includes the plural and vice versa.

The terms, which have been used in the PPA and have not been defined above, shall have meaning assigned in the Electricity Act, 2003 and amended from time to time.

2. LICENSES & PERMITS

The parties acknowledge that the Rural System Operator has availed consent from the Rural Local Body for setting up Off-grid Renewable Energy System in the Project Area and intends to supply power from ORES to Distribution Licensee.

Further, the Rural System Operator at its sole cost and expense, shall acquire and maintain in effect all clearances, consent, permits, licenses and approvals as may be necessary from time to time from any regulatory/competent authority in order to enable it to perform its obligations under the PPA for the construction, operation and maintenance of the power plant and for the use of the power plant to produce and deliver electricity to the Distribution Licensee to meet the consumption in the Project



Area through franchise arrangement. In future all other expenses related to Grid Interconnection of project shall be borne by Rural System Operator as necessary in connection of the project.

Distribution Licensee hereby agrees to render all reasonable assistance to the Rural System Operator to enable the latter to obtain such clearances. Further, while planning grid expansion Distribution Licensee will take into consideration the said Off-Grid Renewable Energy System under operation in the Project Area.

Provided, however, non-rendering or partial rendering of assistance shall not in any way absolve the Rural System Operator of its obligations to obtain such clearances. Nor shall it mean to confer any right or indicate any intention to waive the need to obtain such clearances.

Provided also that Rural System Operator shall comply with the standards of performance as may be applicable under relevant regulations addressing specific requirements of off-grid rural system operation and network development.

3. TERM OF POWER PURCHASE AGREEMENT

Term of the Power Purchase Agreement shall be for the life of the Off-Grid Renewable Energy System as per the order issued by State Electricity Regulatory Commission for different off-grid RE applications, from the date of commercial operation of the power plant. The Power Plant will be commissioned by the month of _____ unless extended by SREDA/Distribution Licensee.

This Agreement shall come into effect when signed by the Rural System Operator and the Distribution Licensee and shall remain valid through Term of PPA unless terminated by either party with thirty (30) day's advance written notice to the other due to Event of Default as outlined under Clause 8 of PPA.

4. CAPACITY, CONFIGURATION, FEED IN POINT AND METERING

4.1. Capacity:

The Rural System Operator hereby confirms that the Off-grid Renewable Energy System shall be sized to cover minimum (____) hours **(say, six hours)** (to be specified as per Application by RSO) of supply for projected load growth for the next five years.

4.2. Configuration:

Rural System Operator hereby confirms that it shall select and adopt technology based on the locally available renewable resources for development of Off-Grid Renewable System. .

4.3. Other Conditions related to Connectivity and Operation of ORES:

- (a) Feed in point shall be generation bus bar of the Off-grid Renewable Energy System.
- (b) The Rural System Operator has to deliver power to the Distribution infrastructure within franchisee area.
- (c) The Rural System Operator shall comply with the Grid Code, Load Despatch & System Operation Code, Metering Code, Performance Standards, Protection Code and Safety Code etc. as applicable from time to time in the State.
- (d) The Rural System Operator shall abide by the Distribution Licensee Connection Conditions as applicable from time to time.
- (e) The Rural System Operator shall also provide suitable protection and control devices / islanding devices as a future provision for synchronization of Off-grid Renewable Energy System to the grid.

4.4. Measurement of Electricity and Metering:

- (a) The measurement of Electricity shall be done by two metering systems one as main metering system and other as backup (or Check) metering system.
- (b) The installation and operation of the Meters shall be in accordance with the relevant Metering Regulations notified by Central Electricity Authority from time to time.
- (c) Consumer metering for every consumer is mandatory.
- (d) Metering arrangement shall be done in such a manner that injected energy can be measured separately for different RE technologies in case of deployment of more than one RE technology (e.g. Solar and Non-Solar).
- (e) The Rural System Operator shall be responsible for security & protection of metering arrangement based on the location of metering as stipulated in the metering code.
 - (i) The Metering equipment at the Delivery Point shall be in accordance with relevant provisions of Metering Code as applicable for generating stations

and shall be provided by the Rural System Operator at his own cost. Concerned Distribution Licensee will seal the meters and metering boxes.

- (ii) Wherever power is produced using more than one technology/power plant and are injecting energy produced by them using the common evacuation/injection system and through the common Metering Equipment, then common evacuation / injection system shall be supported by controller readings of individual technology/power plant using such common evacuation / injection system. Based on this break up, limited to total energy injection, the power purchase from the individual technology/power plant shall be regulated for the purpose of payment.

The Rural System Operator having the different technology/power plant can use the common injecting / metering equipment provided separate site metering duly sealed by concerned Distribution Licensee is installed for the purpose of bifurcation of energy from different technology/power plant.

This implies that the metering arrangement shall be done in such a manner that injected energy can be measured separately for different RE technology as may be necessary in accordance with State Govt. Policy or SERC Orders, as the case may be.

5. POWER PURCHASE PRICE

- 5.1 The Tariff Rate to be paid by the Distribution Licensee, net of all State Govt. and local taxes and duties as may be levied on generation and/or sale of electricity for all electricity made available and sold by the Rural System Operator to Distribution Licensee shall be based on the **Feed in Tariff as specified by SERC** from time to time.
- 5.2 The Feed in tariff Rate for the purpose of electricity generated and supplied by Rural System Operator from the said Off-Grid Rural System under this Agreement shall be as determined by State Commission on the basis of cost plus regulated returns principles and as stipulated hereunder as _____(Rs/kWh) (subject to escalation as outlined below). The said Feed-in Tariff shall be applicable from the date of Commercial Operation through the Term of the PPA alongwith escalation factors (if applicable), as outlined in the following Table:

	Yr-1	Yr-2	Yr-3	Yr-4	Yr-n
Feed-in Tariff (Rs/kWh)							

5.3 All other terms and conditions as outlined by the State Commission under its Order for determination of Feed-in Tariff for Off-Grid Renewable Energy System shall apply mutatis mutandis for the purpose of this Power Purchase Agreement.

6. METER READING, SEALING AND BILLING PROCEDURE

6.1. Reading and Correction of Meters:

- (a) The Distribution Licensee and concerned Rural System Operator shall jointly read the Metering System on the first (1st) day of every month at the delivery point.
- (b) In the event that the main metering system is not in service as a result of maintenance, repairs or testing then the backup metering system shall be used during the period the main metering system is not in service and the provisions above shall apply to the reading of the backup metering system.
- (c) Meter readings taken jointly at the appointed date and time will be signed by the representatives of Distribution Licensee and of concerned Rural System Operator.
- (d) Rural System Operator shall ensure to furnish the following at the time of submission of first invoice: -
 - (i) Date of connection to common delivery point and permission letter of authority authorizing the interconnection.
 - (ii) Reading of new meter(s) recorded at the time of installation.
 - (iii) Details of free energy, if any injected in the system between date of connection and COD.

- (iv) A schematic diagram of Distribution infrastructure showing the location of energy meters for billing purposes shall be furnished along with first invoice.
- (v) Details of off-grid generator facilities and meter details.

6.2. Sealing and Maintenance of Meters:

- (a) The Distribution Licensee shall seal the main metering system and the backup metering system in the presence of representatives of Rural System Operator.
- (b) When the Main Metering System and/or Backup Metering System and/or any component thereof is found to be outside the acceptable limits of accuracy or otherwise not functioning properly, it shall be repaired, recalibrated or replaced as soon as possible by the Rural System Operator.

Distribution Licensee will ensure that metering system is tested for accuracy at least once in a year and report furnished along with joint meter reading.

- (c) Any meter seal(s) shall be broken only by the authorised officer of Distribution Licensee's in the presence of representative of Rural System Operator, whenever the Main Metering System or the backup metering system is to be inspected, tested, adjusted, repaired or replaced.

6.3. Records:

Each Party shall keep complete and accurate records and all other data required by each of them for the purposes of proper administration of the PPA and the operation of the Off-Grid Renewable Energy System. Among such other records and data, the Rural System Operator shall maintain an accurate and up-to-date operating log at the Power Plant with records of:

- (a) Various operating parameters like real and reactive power generation, frequency, bus voltage(s), Main Meter and Back up Meter readings etc. as mutually agreed; Rural System Operator shall furnish controller meter reading every month along with the invoices.
- (b) Any unusual conditions found during operation/inspections;
- (c) Chart and printout of event Joggers, if any, for system disturbances/outages
- (d) Distribution Licensee shall cross-check the readings of energy meters at receiving station with the energy exported by individual generators twice a year.

All the records will be preserved for a period of 36 months.

7. BILLING AND PAYMENT PROCEDURE

7.1. Billing Provision:

- (a) The energy delivered at Delivery Point or recorded at the metering point shall be the basis for billing of energy delivered by the Rural System Operator.
- (b) The Billing will be on monthly basis. The Distribution Licensee will be billed by the Rural System Operator based on joint meter reading promptly within three working days from the meter reading date. Rural System Operator will submit the monthly invoice and shall be entitled to receive payment from Distribution Licensee within ten working days after submission of invoice.
- (c) The Rural System Operator shall also submit Monthly Energy Reports to the Distribution Licensee in the third week of the next month which shall cover information about Energy Balance in the Project Area for the Monthly Period such as electricity injected by Rural System Operator, Energy supplied to Consumers in Project Area based on Consumer Meter Reading, Energy Loss in the Project Area for the relevant Monthly Period.

7.2. Payment Procedure:

- (a) Monthly invoice showing the quantity of electricity delivered at Delivery Point and Tariff Rates payable Distribution Licensee shall be submitted by the Rural System Operator to the designated officer of concerned Distribution Licensee.
- (b) The Distribution Licensee shall make payment of the amounts due, calculated at the Tariff Rate for that particular month within ten workings days after the receipt of the monthly invoice without any interest. Distribution Licensee will arrange payment of bill through a Bank. The Rural System Operator may designate by notice the details of the Bank Account to Distribution Licensee. Late payments beyond a period of ten working days shall carry, for the period of delay, interest at the prevailing Prime Lending Rate (PLR) of State Bank of India.
- (c) All payments for energy supplied under this Agreement as per the joint meter reading shall be free of any restriction or condition and without deduction or withholding on account of any other amount, whether by way of set-off or

otherwise, but the making of such payments shall be without prejudice to other rights after adjusting Distribution Licensee dues on the Rural System Operator, if any.

8. DEFAULT & TERMINATION

- 8.1 The PPA may be terminated either by the Rural System Operator or the Distribution Licensee only in the event of default by Distribution Licensee or the Rural System Operator respectively.
- 8.2 Default by Distribution Licensee will mean non-payment or partial payment of electricity charges for a period of consecutive three months.
- 8.3 Default by Rural System Operator shall mean non-supply of electricity generated and delivered at the Delivery Point for a period of consecutive three months for reasons exclusively attributable to the Rural System Operator.
- 8.4 In case of default, the non-defaulting party shall issue a default notice to the defaulting party. If the default is not fully set right within one month from the date of the default notice, then, in case of default by:
- (a) Rural System Operator: - Distribution Licensee may terminate the PPA and acquire the ORES at the price equivalent to 70% of the prevalent book value of assets of ORES.
 - (b) Distribution Licensee: - The Rural System Operator may terminate the PPA and shall be free to sale power to third party provided connectivity can be established or Rural System Operator can claim Distribution Licensee to compensate Rural System Operator at Buyout price equivalent to prevalent book value of the Off-Grid Rural Energy System. .

9. INDEMNIFICATION AND INSURANCE

9.1. Indemnification:

Each party shall indemnify, defend and hold harmless the other, its Directors and Chairman of the Companies partners, assigns, trustees, agents, officers and employees, against all claims, demands, judgments and associated costs and expense, related to property damage, bodily injuries or death suffered by third parties resulting from breach of its obligation by such party under the PPA except to the extent that any such claim has

arisen due to a negligent act or omission, breach of contract or breach of statutory duty on the part of the other party, its contractors, servants or agents. The obligations contained in this Article shall survive the termination of the PPA.

9.2. Insurance:

Throughout the term of the PPA, the Rural System Operator, at their own cost and expense, shall maintain and keep in full force the following:

- (a) Insurance of the power plant and interconnection facilities against all loss or damage of the kinds usually insured against by operators similarly situated, by means of insurance policies issued by reputable insurance companies with uniform standard coverage endorsement at that time, in amounts and with such deductible provisions as determined by the Rural System Operator. The Rural System Operator may insure or cause to be insured such property under a blanket insurance policy in such amounts as determined by it;
- (b) Public liability insurance with respect to the power plant and interconnection facilities with one or more reputable insurance companies for death or bodily injury and property damage resulting from the operations of the generation facility or plant;
- (c) Statutory workers compensation insurance and employer's liability insurance; and
- (d) Any other insurance that may be required pursuant to a financing agreement or statutory requirement.

10. FORCE MAJEURE

Force Majeure means any event or circumstance, which may include rebellion, mutiny, civil unrest, riot, strike, fire, explosion, flood, cyclone, lightening, earthquake, war or other forces, accidents or an act of God or other similar causes beyond the control, if such event or circumstance is beyond the reasonable direct or indirect control and without the fault or negligence of the Party claiming Force Majeure and which results in such Party's inability, notwithstanding its reasonable best efforts, to perform its obligations in whole or in part.

The Party rendered unable to perform by reason of Force Majeure shall notify the other Party of such circumstance and shall exercise due diligence to end the inability as promptly as practicable. The time frames for performance shall be extended by the



number of days that performance is excused due to Force Majeure. In the event of the Force Majeure conditions preventing the plant from resuming the commercial operations for a period in excess of one hundred days, the party shall consult in good faith as to the best course of action. If it is found that it is impossible to resume commercial operation of the plant then the party rendered unable to perform its obligations may serve a notice for termination of the PPA.

Neither Party shall be entitled for claiming compensation for damages or loss in the event of Force Majeure or in case of the following events:

- (a) Planned shutdown(s) for the maintenance of the Interconnection system as mutually agreed; and
- (b) Failure of grid supply due to reasons beyond the control of the Distribution Licensee.

11. DISPUTES

11.1. Settlement of Disputes:

Except where expressly provided to the contrary in this PPA, any matter or dispute or difference of whatsoever nature, whosoever arising under, out of or in connection with the PPA {collectively called 'Disputes'} between the Parties herein shall be resolved by mutual agreement and If the matter is not resolved within 30 days or such extended period as mutually agreed upon, will be resolved by such person or persons as the SERC may nominate in that behalf on the application by any of the party; but in all other respects the arbitration shall be subject to provisions of the Arbitration and Conciliation Act, 1996.

11.2. Jurisdiction:

No courts, except Courts within the State shall have jurisdiction.

Dated this _____ day of _____, 20_____.

Rural System Operator

Distribution Licensee



By: _____.

By: _____.

Title: _____.

Title: _____.



DRAFT FRANCHISE AGREEMENT FORMAT

This AGREEMENT entered into on this _____ day of _____ Two Thousand _____ **between** _____ having its registered office at _____ (herein after referred to as **Distribution Licensee** which expression shall unless repugnant to the context or meaning thereof include its successors and permitted assigns) as party of the **First part**,

And

_____ having its registered office at _____ (herein after referred to as **Franchisee (Rural System Operator)** which expression shall unless repugnant to the context or meaning thereof include its successors and permitted assigns) as party of the **Second part**.

Whereas the State Electricity Regulatory Commission has published the Guidelines, namely, Guidelines by____ (*Name of State*) Electricity Regulatory Commission for Development, Management and Operations of Off-Grid Distributed Renewable Energy Generation and Supply, (hereinafter referred to as Rural System Operator Guidelines or RSO Guidelines) enabling establishment of Off-Grid Renewable Energy Generation Facility and establishment of distribution network by Rural System Operator in the identified Project Area within Distribution Licensee and undertake to supply power to consumers in the Project Area for and on behalf of Distribution Licensee through Franchisee Arrangement.

Whereas in pursuance of the said RSO Guidelines, the first party agrees that the second party may generate and sell electricity to the consumers in Distribution Licensee's area and also develop, operate & maintain the electricity distribution system in a specified area within the jurisdiction of the first party, and when the grid will reach, this agreement shall be terminated and the distribution infrastructure will be taken over by the first party on prevalent book value; and, whereas the second party agrees to the above propositions of the first party.



NOW, THEREFORE, IN VIEW OF THE FOREGOING PREMISES AND IN CONSIDERATION OF THE MUTUAL COVENANTS AND CONDITIONS HEREIN SET- FORTH, BOTH PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITION OF TERMS

For the purpose of this Franchise Agreement, and all Exhibits attached hereto, the following terms, phrases, and their derivations shall have the meanings given below unless the context clearly mandates a different interpretation. Where the context so indicates, the present tense shall imply the future tense, words in plural include the singular, and words in the singular include the plural. The word "shall" is always mandatory and not merely directory. The definitions are applicable regardless of whether the term is capitalized.

- 1.1 "Annual Accounts" means the accounts of the franchised business prepared by the Franchisee in the manner as may be prescribed by the Distribution Licensee.
- 1.2 "Consumer" means any person who is supplied with electricity for his own use by the Franchisee or the State Government / Distribution Licensee or by any other person engaged in the business of supplying electricity to the public for the time being in force and includes any person whose premises are for the time being connected for the purpose of receiving electricity.
- 1.3 "Complaint" means any written or electronic correspondence expressing dissatisfaction with the products, services, or customer service of the Franchisee.
- 1.4 "Distribution" means the supply and conveyance of electricity by means of distribution system.
- 1.5 "Distribution system" means the system of wires and associated facilities, which facilitates connection to the point of connection of the installation of the consumer.
- 1.6 "Distribution system operating standards" means the standards related to the franchisee operation of its distribution system as provided by the Distribution Licensee to the Franchisee.
- 1.7 "Document" or "Records" means written or graphic materials, however produced or reproduced, or any other tangible permanent record, including records maintained by computer or other electronic or digital means, maintained by the Franchisee in the ordinary course of conducting its business.

-
- 1.8 "Electricity Access" means provision of adequate infrastructure that is created by the Franchisee for extending connections to consumers on demand, on payment of connection charges by the consumers at the rate prescribed by the Franchisee.
- 1.9 "Act/Statutory provisions" means application of its provisions and amendments if any thereto and /or Rules, Guidelines, Circulars, Instructions issued there under by the Government of India/ State Government.
- 1.10 "Franchise" means the right granted by the Distribution Licensee to operate and maintain the distribution system within the franchise area as embodied in this agreement for providing power supply to the consumers within the franchise area.
- 1.11 "Franchise Agreement" or "Agreement" means this contract and any amendments, exhibits or appendices hereto.
- 1.12 "Franchisee" means a person or an agency or a company authorised by the distribution licensee to distribute electricity on its behalf in a particular area within area of supply of the distribution company; hereinafter Franchisee also refers to "Rural System Operator" means the ____ (Name of Project Developer) who shall develop and operate Off-grid Renewable Energy System in accordance with Off-grid Rural Supply Regulations. .
- 1.13 "Franchised Business" means the Authorized business of the Rural System Operator for distribution of electricity in the franchise area or to any consumer or any class of consumers in an area other than the franchise area, if so authorized by the Distribution Licensee by special or general permission.
- 1.14 "Gross Revenues" means all revenue derived directly or indirectly by the Rural System Operator.
- 1.15 "Major Incident" means as incident associated with the Generation, Distribution and Retail Supply of electricity in the Franchise Area which results in a significant interruption of service, substantial damage to equipment, or loss of life or significant injury to human beings and shall include any other incident which the Distribution Licensee expressly declares to be a major incident.
- 1.16 "Normal operating conditions" means service conditions within the control of the Rural System Operator. Those conditions that are not within the control of the Rural System Operator include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions as detailed under Section 12.3.



-
- 1.17 "Off-grid Renewable Energy System (ORES)" means the stand alone systems comprising power plant generating electricity from renewable energy sources where grid is not connected and distribution infrastructure including associated appliances used for distributing electricity produced in the said plant to end users in the Project Area
- 1.18 "Project Area" means un-electrified habitation in which the electricity is proposed to be supplied from Off-grid Renewable Energy System and situated at_____, (Name of Habitat/Basti/Village, Taluka, District, State) ;
- 1.19 "Public Rights-of-Way" means the surface, the air space above the surface, and the area below the surface of any public street, highway, lane, path, alley, sidewalk, bridge, tunnel, parkway, waterway, easement, or similar property within the franchise area, which, consistent with the purposes for which it was dedicated, may be used for the purpose of installing and maintaining the System. No reference herein to a "Public Right-of-Way" shall be deemed to be a representation or guarantee by the Distribution Licensee that its interest or other right to control the use of such property is sufficient to permit its use for such purposes, and Rural System Operator shall be deemed to gain only those rights to use as are properly in the Distribution Licensee and as the Distribution Licensee may have the right and power to give.
- 1.20 "System Outage" means electricity supply Interruption.
- 1.21 "Source of power" means the electricity generated by the ORES only.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise:

Subject to the terms and conditions of this Agreement and the Electricity Act, 2003, the Distribution Licensee hereby agrees that the Rural System Operator may generate and sell electricity to the rural consumers and also operate and maintain the electricity distribution system within the franchise area, for the purpose of providing electricity to consumers. The Rural System Operator shall operate as an agency and in no case shall be treated as a "Licensee".

2.2 Development of Infrastructure and its ownership:

The Rural System Operator shall be permitted to develop electricity distribution infrastructure in the geographical area assigned to it for the desired generation and



distribution of power with Rural System Operator's own cost and shall be the owner of the electricity distribution infrastructure within the franchise area created by them through their own resources in the course of its operation.

2.3 Source of Power:

The source of power to the Rural System Operator shall be from Off-Grid Renewable Energy System operated by renewable fuel and shall be treated as only source of power to the Rural System Operator.

2.4 Location of Off-Grid Renewable Energy System:

The location of Off-Grid Renewable Energy System shall be within the revenue boundary of the village and as defined under Project Area.

2.5 Duration of Franchise:

The term of this Franchise, and all rights, privileges, obligations, and restrictions pertaining thereto, shall be up to the life of the off-grid renewable generation system as determined by the State Electricity Regulatory Commission or until the distribution network of Distribution Licensee reaches the Project Area, whichever is earlier, from the effective date of this Franchise.

2.6 Effective Date:

The Effective Date of this Franchise shall be (indicate date), subject to approval by the Distribution Licensee and its acceptance by the Rural System Operator, provided that if the Rural System Operator fails to accept the Franchise in writing within thirty (30) days following the communication of written approval by the Distribution Licensee in this regard, it shall be deemed to be accepted by Rural System Operator in line with its application filed for seeking grant of Franchise.

2.7 Effect of Acceptance:

By accepting the Franchise and executing this Franchise Agreement, the Rural System Operator:

- (A) Accepts and agrees to comply with each applicable provision of this Agreement and, subject to relevant provisions of the Electricity Act, 2003;
- (B) Agrees that it would not oppose intervention by the Distribution Licensee in the interest of effective power supply system in the franchise area.

2.8 Directions:

The Rural System Operator shall comply with the Regulations, Orders and Directions issued by the Distribution Licensee/SERC time to time and shall also act, at all times, in accordance with the terms and conditions of this Agreement.

- 2.9 It is the intent of both the parties that each party shall enjoy all rights and be subject to all obligations of this Franchise Agreement for the entire term of the Franchise and to the extent any provisions have continuing effect, after its expiration.

3. ACTIVITIES OF THE RURAL SYSTEM OPERATOR

- 3.1 The Rural System Operator shall be responsible for activity related to Generation and Distribution of electricity in the Franchise area.

- 3.2 The Rural System Operator shall have to install and operate Off-Grid Renewable Energy System, operated by renewable sources of energy to generate electricity for distribution in Franchise area.

- 3.3 The Rural System Operator shall have to develop electricity distribution infrastructure in the Franchise area at its own expenses.

Provided that Rural System Operator shall comply with performance standards for development of distribution infrastructure.

- 3.4 The Rural System Operator shall be responsible for all kinds of electricity billing related activity in franchise area like electricity metering, meter reading, electricity billing and bill collection.

- 3.5 The Rural System Operator shall not, without the general or special approval of the Distribution Licensee:

- (a) generate electricity from fossil fuel; or
- (b) purchase or otherwise acquire electricity for distribution except in accordance with this Agreement and on the tariffs and terms and conditions as may be approved by the Distribution Licensee; or
- (c) undertake any transaction to acquire, by purchase or takeover or otherwise, the Distribution Licensee of any other Supplier; or
- (d) merge with any other entity; or
- (e) transfer – by sale, lease, exchange or otherwise – the infrastructure assets of the Distribution Licensee, either in whole or any part thereof; or

- (f) enter into any agreement or arrangement with any other person to get any part of the franchised business undertaken (with the exception of Co-operative), provided that any such agreement or arrangement shall be subject to the terms and conditions of this Agreement including such other terms and conditions that may be imposed by the Distribution Licensee; Further provided that the Rural System Operator shall continue to have the overall responsibility for the due performance, by such other person and a breach of any of the terms and conditions of this Agreement by such other person shall be deemed to be a breach by the Rural System Operator.

4. TECHNICAL CONDITIONS

4.1 Power Generation and Distribution:

- (A) The Rural System Operator shall always ensure to distribute/supply the electrical energy generated from Off-Grid Renewable Energy System

4.2 Compliance with Standards:

- (A) The Rural System Operator shall take all reasonable steps to ensure that all Consumers within the franchise area receive a safe, economical and reliable supply of electricity as defined in the Standards specified by the concerned SERC.
- (B) The Rural System Operator shall plan and operate the Distribution System to ensure that, subject to the availability of adequate power of appropriate quality, the Distribution System is capable of providing Consumers with a safe, reliable and efficient Supply of electricity.
- (C) The Rural System Operator shall undertake that adequate arrangements for supply of electricity in the franchise area in consultation and co-ordination with the Distribution Licensee.

4.3 Security Standards, Distribution System Operating Standards, Overall Performance Standards:

- (A) The Rural System Operator shall comply with the same practices which had been followed by the Distribution Licensee with such modifications as may be permitted by the Distribution Licensee with regard to Security Standards and Distribution System Operating Standards until the Security Standards and Distribution System Operating Standards proposed by the Distribution Licensee.

- (B) If the Rural System Operator fails to meet the Standards specified by the Distribution Licensee, without prejudice to any penalty that may be imposed or prosecution initiated, the Rural System Operator shall be liable to pay such compensation to the person affected as may be determined by the Distribution Licensee, after allowing the Rural System Operator a reasonable opportunity of being heard.
- (C) The Rural System Operator shall conduct its franchised business in the manner which it considers to be best calculated to achieve the Overall Performance Standards in connection with provision of Supply services and the promotion of the efficient use of electricity by Consumers, as may be prescribed by the Distribution Licensee pursuant to the Electricity Act, 2003.

4.4 Consumer Service:

(A) Electricity Supply Code:

The Rural System Operator shall

- (i) Comply with the relevant provisions of the Electricity Supply Code for off-grid rural supply as approved by the relevant SERC.
- (ii) Bring to the notice of the Consumers the existence of the Supply Code (and conditions of supply), including its substantive revision and their right to inspect or obtain a copy in its latest form;
- (iii) Make available a copy of the Code (and conditions of supply) revised from time to time, for inspection by the public during normal working hours; and
- (iv) Provide free of charge a copy of the Code (and conditions of supply) as revised from time to time to each new Consumer and to any other person who requests it at a price not exceeding the cost of duplicating it.

(B) Consumer Complaint Handling Procedure:

The Rural System Operator shall comply with the Complaint Handling Procedure approved by the Distribution Licensee/SERC. The Rural System Operator shall:

- (i) Make available, on demand, a copy of the Complaint Handling Procedure, revised from time to time, for inspection by the public at each of the relevant premises during normal working hours; and

- (ii) provide free of charge a copy of the Procedure revised from time to time to each new Consumer, and to any other person who requests for it at a price not exceeding the cost of duplicating it.

(C) Consumer's Right to Information:

The Rural System Operator, on request of the consumer, to the extent that is reasonably available to the Rural System Operator, shall provide:

- (i) Information on all services provided by the Rural System Operator including information on the charges, which may be available to the consumers;
- (ii) Information on meter readings for the electricity services provided to the consumer premises by the Rural System Operator; and
- (iii) Information on the status of the consumer's account with the Rural System Operator

(D) Consumer Rights-Discrimination Prohibited:

All the Tariff rates and charges for the consumers in Project Area shall be as applicable to the other consumers of Distribution Licensee belonging to similar consumer categories and should be nondiscriminatory. Rural System Operator shall establish similar rates and charges for all Consumers receiving similar services, regardless of race, colour, religion, age, sex, marital or economic status, sexual orientation and creed.

4.5 Provision of Information to the Distribution Licensee:

- (A) The Rural System Operator shall furnish to the Distribution Licensee without any delay such information, documents and details related to the Generation and Distribution Business of the Rural System Operator, as the Distribution Licensee may require for its own purposes.
- (B) The Distribution Licensee may, at anytime during the subsistence of this Agreement, authorize any Person(s) to inspect, verify and audit the performance, records and accounts of the Rural System Operator and the Rural System Operator shall be obliged to extend all cooperation, assistance and facilities, as may be required, to such authorized Person(s).
- (C) The Rural System Operator shall notify the Distribution Licensee of any Major Incident affecting any part of the Distribution System that has occurred and shall

at the earliest possible and in any event, by no later than 15 days or such period as may be extended by the Distribution licensee from the date of such Major Incident. The Rural System Operator shall also submit a report to the Distribution Licensee giving full details of the facts within the knowledge of the Rural System Operator regarding the incident and its cause.

- (D) The decision of the Distribution Licensee as to what is a Major Incident shall be final.
- (E) The Distribution Licensee at its own discretion may require the submission of a report on any incident or incidents to be prepared by an independent Person at the expense of the Rural System Operator to be included as an expense in the determination of aggregate revenues made in accordance with Section 5 of this Agreement.

4.6 Obligation to Connect Consumers:

- (A) Subject to the other provisions of this Agreement, the Rural System Operator shall have the following obligations:
 - (i) Subject to the provisions of Electricity Act, 2003, the Rural System Operator shall, on the application of the owner or occupier of any premises within the franchise area, give supply of electricity to such premises within one month of the Application requiring such supply.
 - (ii) It shall be the duty of the Rural System Operator to provide, if required, requisite accessories or electric plant or electric line for giving electric supply to the premises specified in sub-clause (i) above, Provided that no person shall be entitled to demand, or to continue to receive, from the Rural System Operator a supply of electricity unless he has agreed to pay to the Rural System Operator such price as may be determined by the Distribution Licensee for the portion beyond the point of electricity access as defined under Section 1.9, except for the connections to the Below Poverty Line (BPL) households, which shall be effected free of cost as per prescribed norms.
 - (iv) Subject to the provisions of the Electricity Act, 2003 and such conditions as may be specified by the Distribution Licensee under section 4.5 of this Agreement, the Rural System Operator may refuse to supply, or may disconnect the supply of electricity to any premises.

4.7 Obligation to Supply and Power Supply Planning Standards:

- (A) The Rural System Operator shall take all necessary steps to ensure that all Consumers connected to the Rural System Operator's Distribution System receive a safe, economical and reliable Supply of electricity as provided in the performance standards referred to in this Agreement, the Consumer Rights Statement and the Complaint Handling Procedures, except where:
 - (i) the Rural System Operator discontinues Supply to certain Consumers under the relevant provisions of the Electricity Laws for the reason of neglect or refusal to pay the charges due from the Consumer to the Rural System Operator or in accordance with the Regulations contemplated under Section 4.5; or
 - (ii) the Rural System Operator regulates the Supply to Consumers as may be directed by the Distribution Licensee.
- (B) The Rural System Operator shall submit, within **60 days** of this Agreement becoming effective, a detailed survey plan of the franchise area clearly indicating:
 - (i) Adjoining Electrified Area, involving nearest electrified census villages with their habitations/hamlets,
 - (ii) Partially Electrified Adjoining Area, involving nearest electrified and un-electrified villages with their habitations/hamlets,
 - (iii) Un-Electrified Area, involving all un-electrified villages with their habitations/hamlets within Project Area and the proposed plan of electrification.

5. CONSUMER TARIFF AND FRANCHISEE FEE

5.1 Consumer Tariff Determination:

Consumer Tariff applicable for the consumers of the Rural System Operator shall be same as applicable to the various categories of consumers of Distribution Licensee.

The Rural System Operator shall be responsible to bill and collect the revenue from consumers and shall also be allowed to retain the revenue from the Consumers, subject to adjustment against the total franchisee fees payable by the Distribution Licensee to Rural System Operator. .

5.2 Franchisee Fees for Rural System Operator's Operation:

Considering all the factors mentioned in the Off-Grid Rural Supply Regulations, the Distribution Licensee shall arrange to pay to the Rural System Operator total franchisee fees of Rupees_____ per month (subject to escalation as outlined below) towards establishment, operation and maintenance of the distribution network under this Franchisee Agreement.

Above Gross Franchisee Fees shall be payable upon adjustment of revenue due from the Consumers in the Project Area.

Further, Net Franchisee Fees (upon adjustment of revenue from consumers in Project Area) shall be payable from the date of commissioning of Off-Grid Renewable Energy System through the Term of the Franchisee Agreement as per escalation factors (if applicable), as outlined in the following Table.

Description	Yr-1	Yr-2	Yr-3	Yr-4	Yr-n
Gross Monthly Franchisee Fees (Rs per Month)							
Less Monthly Revenue from Consumer Tariff (Rs per month)							
Net Monthly Franchisee Fees (Rs per month)							

The Distribution Licensee shall arrange to pay Net franchisee fees on monthly basis based on the Monthly Bills raised by Rural System Operator..

5.3 Powers of Rural System Operator:

For Revenue Realization, Meter Tampering etc. Subject to the provision of the Electricity Laws and the Rules framed there under and the applicable Regulations, the Rural System

Operator shall have the power and authority, on behalf of the Distribution Licensee, to take appropriate actions for:

- (i) Metering at the point of supply of electricity;
- (ii) Electricity billing and bill collection;
- (iii) Revenue realization;
- (iv) Prosecution for theft – of power; equipment or appliance;
- (v) Prevention of meter tampering;
- (vi) Prevention of diversion of electricity, and
- (vii) Prevention of the unauthorized use of electricity;
- (viii) Damage to public property; and
- (ix) All such similar matters affecting electricity distribution.

5.4 Determination of Distribution Losses and Collection Efficiency:

The Rural System Operator shall also submit Monthly Energy Reports to the Distribution Licensee in the third week of the next month which shall cover information about Energy Balance in the Project Area for the Monthly Period such as electricity injected by Rural System Operator, Energy supplied to Consumers in Project Area based on Consumer Meter Reading, Energy Loss in the Project Area for the relevant Monthly Period.

Any modification to the methodology to compute Distribution Losses and Collection Efficiency for each year during the term of this Agreement shall be jointly finalized by Rural System Operator and Distribution Licensee.

6. TERMINATION AND BUY OUT

6.1 Termination:

This Franchisee Agreement shall automatically stand terminated in case distribution network of the Distribution Licensee reaches the Project Area and the grid connectivity to the Off-Grid Renewable System of the Rural System Operator can be easily established.

6.2 Buy Out:

Upon termination of Franchisee Agreement, the Distribution Licensee will acquire the distribution infrastructure developed by the Rural System Operator and compensate Rural System Operator at the prevalent book value of the asset.

7. INSURANCE

7.1 Insurance:

- (A) The Rural System Operator shall maintain in full force and effect, at its own cost and expense, during the term of the Franchise, the insurance for the value as may be indicated by the Distribution Licensee based on the depreciated cost of the electrical infrastructure.
- (B) Such insurance shall be non-cancelable except upon thirty (30) days prior written notice to the Distribution Licensee. If the insurance is canceled or materially altered so as to be out of compliance with the requirements of this section within the term of this Franchise, Rural System Operator shall provide a replacement policy. Rural System Operator shall maintain continuous uninterrupted insurance coverage, in at least the amounts required, for the duration of this Franchise.

8. AUDIT AND ACCOUNTS

8.1 Audit:

Rural System Operator will allow for yearly audit of assets and inventories within the Franchise Area by Distribution Licensee.

Rural System Operator shall allow yearly audit of the billing data & bill collection data including the system and database and consumer service centre's operated within the scope of the Franchise Area.

Rural System Operator shall also comply with all reporting formats and data requirements prescribed by the Auditors.

8.2 Accounts:

-
- (A) The financial year of the Rural System Operator shall run from the first of April to the following thirty-first of March.
- (B) The Rural System Operator shall, in respect of the Franchised Business:
- (i) keep such accounting records as would be required to be kept in respect of each such business so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to the Franchised Business are separately identifiable in the books of the Rural System Operator, from those of Other Business in which the Rural System Operator may be engaged;
 - (ii) prepare on a consistent basis from such accounting records and deliver to the Distribution Licensee:
 - a) the Accounting Statements;
 - b) in respect of the first six months of each financial year, an interim un-audited profit and loss account, cash flow statement, funds flow statement and provisional balance sheet;
 - c) in respect of the Accounting Statements prepared in accordance with this Section with separate accounting information pertaining to generation facility of off-grid renewable energy system and distribution facility of off-grid renewable energy system, an Auditor's report for each financial year stating whether in their opinion, these statements have been properly prepared in accordance with this Section and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to such businesses to which the statements relate; and
 - d) a copy of each interim un-audited profit and loss account not later than three months after the end of the period to which it relates, and copies of the Accounting Statements and Auditor's report not later than nine months after the end of the financial year to which they relate.
- (C) Accounting Statements under Section 8.2(B) shall be prepared in accordance with generally accepted Indian accounting standards and/or as may be prescribed by the Distribution Licensee.



- (D) References in this Section to costs or liabilities of, or reasonably attributable to the franchised business shall be construed as excluding taxation, and capital liabilities which do not relate principally to such business and interest thereon.
- (E) The Distribution Licensee may, from such time it considers appropriate, require the Rural System Operator to comply with the provisions of this Section 8.2(A) to 8.2(D) above treating the distribution business of the Rural System Operator as separate and distinct businesses.
- (F) Notwithstanding anything contained in this Section, whenever deemed fit, the Distribution Licensee may require the submission of a report prepared by an independent Auditor at the expense of the Rural System Operator to be included as an expense in the determination of aggregate revenues made in accordance with Section 5 of this Agreement.

9. RECORDS:

Rural System Operator shall maintain Records of Generation, Distribution, Operations, Electricity Billing and Revenue Collection that are open and accessible to the Distribution Licensee. The Distribution Licensee shall have the right to inspect such Records of the Rural System Operator as are reasonably necessary.

10. REMEDIES FOR NON-COMPLIANCE

10.1 Termination:

- (A) In the event of a material breach of this Franchise by the Rural System Operator, the Distribution Licensee may, without limitation, exercise all rights and remedies provided for herein or otherwise available under the law, including termination of the Franchise. Without limitation, the following shall constitute material breaches of this Franchise:
 - (i) The Rural System Operator's failure or refusal to pay any required amount payable to the Distribution Licensee.
 - (ii) Gross failure by Rural System Operator to provide required services desired under this agreement.
- (B) In the event the Distribution Licensee intends to terminate this Franchise pursuant to the previous subsection, the Distribution Licensee shall provide a



written notice to cure, identifying the nature of the breach with reasonable specificity, and advising Rural System Operator of the Distribution Licensee's intent to terminate the Franchise.

- (C) Any termination of this Franchise shall be by a written order issued by the Distribution Licensee; provided, however, before any such recourse is adopted, the Rural System Operator must be provided an opportunity to be heard by the Distribution Licensee regarding such proposed action before any such action is taken.

11. RIGHTS-OF-WAY

11.1 Restoration of Property:

Whenever Rural System Operator disturbs the surface of any Public Right-of Way for any purpose, the Rural System Operator shall be responsible for restoration of such Public Right-of-Way and its surface within the area affected or otherwise damaged to at least a comparable or better condition as it was in prior to its disturbance by Rural System Operator. Such restoration shall be undertaken as quickly as possible at the Rural System Operator's own cost.

11.2 Maintenance and Workmanship:

- (A) The Rural System Operator shall carry out its operations as also maintenance of the infrastructure in such manner so as not to interfere with other public property or relevant public agencies.
- (B) Rural System Operator shall also carry out its operations in the manner so as to prevent injury to any person within the Distribution Licensee. All safety practices required by law shall be used during the operations of the Rural System Operator.

12. OTHER PROVISIONS

12.1 Compliance With Laws:

Rural System Operator shall comply with all applicable central / state laws and abide by the rules and regulations adopted or established pursuant to the Distribution Licensee's lawful authority.

12.2 Dispute Resolution:

- (A) Any dispute between the Rural System Operator and the Distribution Licensee arising out of / or in connection with this Agreement shall be first tried to be settled through mutual negotiation.
- (B) In the event of such differences or disputes between the Rural System Operator and the Distribution Licensee not settled through mutual negotiations within thirty days of such dispute, the matter shall be referred individually (or jointly) to the State Government for a decision.
- (C) The Rural System Operator and the Distribution Licensee shall undertake to carry out any decision relating to such dispute without delay.

12.3 Force Majeure:

Neither party shall be responsible or liable for or deemed in breach hereof because of any delay or failure in the performance of its obligations hereunder (except for obligations to pay money due prior to occurrence of force majeure events under this Agreement) or failure to meet milestone dates due to any event or circumstance (a force majeure event) beyond the reasonable control of the party experiencing such delay or failure, including the occurrence of the following:

- (a) Acts of God;
- (b) Typhoons, floods, lightening, cyclones, Hurricanes, draught, famine, epidemic, or other natural calamities;
- (c) Acts of war or Civil unrest;
- (d) Any requirement, action or omission to act pursuant to any judgment or order of any court or judicial authority;
- (e) Earthquakes, explosions.

12.4 Terms as to Suspension and Revocation:

It is a condition of this Agreement that the Rural System Operator shall comply with all the Regulations, codes and standards and also orders and directions of the Distribution Licensee. When Distribution Licensee expressly states that an order subjects the Rural System Operator to such compliance, failure to comply with that order will render this Agreement liable to revocation without prejudice to the Distribution Licensee's right to revoke this Agreement on any other applicable grounds.



12.5 Severability:

If any Section, provision or clause of this Rural System Operator is held by a court of competent jurisdiction to be invalid or unenforceable, or is pre-empted by central or state laws or regulations, the remainder of this Franchise shall not be affected, except as is otherwise provided in this Franchise.

12.6 Training to be provided by the Distribution Licensee:

- (A) The Distribution Licensee shall create a cell in the organization for the development of the Rural System Operator concept, which shall be a step towards providing a sustainable system for supplying power to rural areas of the country.
- (B) The Distribution Licensee shall make all necessary arrangements so as to ensure creation of proper awareness and appropriate training facilities for the personnel to be deployed by the Rural System Operator for its operations, especially on the following aspects, amongst others;
 - (i) Technical Standards with O & M manuals,
 - (ii) Safety standards and Electricity Literacy,
 - (i) Accounting Procedures.

13. DOCUMENTS TO BE PROVIDED BY THE DISTRIBUTION LICENSEE TO RURAL SYSTEM OPERATOR

13.1 Security Standards

13.2 Distribution System Operating Standards

13.3 Guidelines for Accounting Procedure

Dated this _____ day of _____, 20_____.

Rural System Operator

Distribution Licensee



"Draft Franchise Agreement Format"

By: _____.

By: _____.

Title: _____.

Title: _____.



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

No.: XX/XX/CERC/2012

Dated: DD.MM.2012

DRAFT NOTIFICATION

WHEREAS Section 3 (1) of the Electricity Act 2003 provides that *“The Central Government shall, from time to time, prepare the National Electricity Policy and tariff policy, in consultation with the State Governments and the Authority for development of the power system based on optimal utilisation of resources such as coal, natural gas, nuclear substances or materials, hydro and renewable sources of energy”*;

AND WHEREAS Section 4 of the Electricity Act 2003 provides that *“The Central Government shall, after consultation with the State Governments, prepare and notify a national policy, permitting stand alone systems (including those based on renewable sources of energy and other nonconventional sources of energy) for rural areas”*;

AND WHEREAS Section 5 of the Electricity Act 2003 provides that *“The Central Government shall also formulate a national policy, in consultation with the State Governments and the State Commissions, for rural electrification and for bulk purchase of power and management of local distribution in rural areas through Panchayat Institutions, users’ associations, cooperative societies, non-Governmental organisations or franchisees”*;

AND WHEREAS Section 6 of the Electricity Act 2003 provides that *“the concerned State Government and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households”*;

AND WHEREAS seventh proviso of Section 14 of the Electricity Act 2003 provides that *“in a case where a distribution licensee proposes to undertake distribution of electricity for a specified area within his area of supply through another person, that person shall not be required to obtain any separate licence from the concerned State Commission and such distribution licensee shall be responsible for distribution of electricity in his area of supply”*;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

AND WHEREAS eight proviso of Section 14 of the Electricity Act 2003 provides that *“where a person intends to generate and distribute electricity in a rural area to be notified by the State Government, such person shall not require any licence for such generation and distribution of electricity, but he shall comply with the measures which may be specified by the Authority under section 53”*;

AND WHEREAS Section 61 of the Electricity Act 2003 provides that *“The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:-“Clause (h) “the promotion of co-generation and generation of electricity from renewable sources of energy”*;

AND WHEREAS Section 66 of the Electricity Act 2003 provides that *“The Appropriate Commission shall endeavour to promote the development of a market (including trading) in power in such manner as may be specified and shall be guided by the National Electricity Policy referred to in section 3 in this regard”*;

AND WHEREAS Section 86 (1) (e) of the Electricity Act 2003 provides that *“The State Commission shall discharge the following functions, namely: -“Clause (e) “promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee”*;

In exercise of the power conferred under Section 66, and Section 178 of the Electricity Act, 2003 (36 of 2003), and all other powers enabling in its behalf, and after previous publication, the Central Electricity Regulatory Commission hereby makes the following regulations, namely:

1 Short title, and commencement

- 1.1 These regulations may be called the Central Electricity Regulatory Commission (Accreditation, Registration and Issuance of Renewable Energy Certificates for Community Level off-Grid Distributed RE Generation Projects) Regulations, 2012.
- 1.2 These regulations shall come into force from the date of their notification in the Official Gazette.



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

2 Definitions and Interpretations

2.1 In these regulations, unless the context otherwise requires,

- a) ‘Act’ means the Electricity Act, 2003 (36 of 2003);
- b) ‘Authority’ means the Central Electricity Authority as defined in sub section (1) of section 5 of these regulations;
- c) ‘Central Agency’ means the agency as may be designated by the Commission under clause (1) of regulation 5;
- d) ‘Certificate’ means the off-grid renewable energy certificate issued by the Central Agency in accordance with the procedures laid down by it and under the provisions specified in these regulations;
- e) ‘Commission’ means the Central Electricity Regulatory Commission referred to in sub-section (1) of section 76 of the Act;
- f) ‘Consumer’ as may be defined in sub section (15) of section 2 of the Act;
- g) ‘Distribution Licensee’ as may be defined in sub section (17) of section 2 of the Act;
- h) ‘Eligible Entity’ means the Rural System Operator who is eligible to receive the certificates under these regulations;
- i) ‘Floor price’ means the minimum price as determined by the Commission in accordance with these regulations at and above which the certificate can be dealt in the Power Exchange;
- j) ‘Forbearance price’ means the ceiling price as determined by the Commission in accordance with these regulations within which only the certificates can be dealt in the Power Exchange;
- k) ‘MNRE’ means the Ministry of New and Renewable Energy;
- l) ‘Obligated Entity’ means the entity mandated under clause (e) of sub section (1) of section 86 of the Act to fulfill the renewable purchase obligation;
- m) ‘Off-grid Renewable Energy System (ORES)’ means the stand alone systems comprising power plant generating electricity from renewable energy sources where grid is not connected and distribution network including associated appliances used for distributing electricity produced in the said plant to end users in the Project Area;
- n) ‘Power Exchange’ means that power exchange which operates with the approval of the Commission
- o) ‘Project Area’ means un-electrified habitation in which the electricity is proposed to be supplied from Off-grid Renewable Energy System defined at Regulation 2 (m) of these Regulations;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

Provided the Project Area will have minimum 25 households;

- p) ‘Renewable Energy Sources’ means renewable sources such as small hydro, wind, solar including its integration with combined cycle, biomass, bio fuel cogeneration, urban or municipal waste and other such sources as approved by the MNRE from time to time;
- q) ‘Rural Local Body’ (RLB) means the body as may be defined in sub section (1) of section 9 of this regulation;
- r) ‘Rural System Operator’ (RSO) means the company or a person or a group of persons that develops and operates Off-grid Renewable Energy System;
- s) ‘Renewable purchase obligation’ means the requirement specified by the State Commissions under clause (e) of sub-section (1) of section 86 of the Act, for the obligated entity to purchase electricity from renewable energy sources;
- t) ‘State Agency’ means the agency in the concerned state as may be designated by the State Commission to act as the agency for accreditation and recommending the renewable energy projects for registration and to undertake such functions as may be specified under clause (e) of subsection of section 86 of the Act;
- u) ‘State Load Despatch Centre’ means the centre established under sub section (1) of section 31 of the Act;
- v) ‘State Commission’ means the State Commission referred to in subsection (64) of section 2 of the Act and includes a Joint Commission referred to in sub-section (1) of Section 83 of the Act;
- w) ‘Year’ means a financial year.

- 2.2 Words and expressions used in these Regulations and not defined herein but defined in the Act or any other regulations issued by the Commission, shall have the same meaning assigned to them respectively in the Act, or such other regulations issued by the Commission.

3 Scope and Extent of Application

- 3.1 These Regulations shall apply to all new and existing off-grid renewable energy systems commissioned for distributed generation and supply of electricity from Renewable Energy Sources in the Project Areas subsequent to date of notification of these regulations and where tariff for supply of power shall be determined mutually between Rural System Operator and the consumers in the Project Area, subject to Regulation 13;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

Provided that the scope and coverage of different off-grid renewable energy technologies, the sizing of the plants, village / hamlets, other conditions for Rural System Operator participating under the Off-grid REC framework shall be subject to the fulfilment of eligibility criteria specified under the Regulation 25 of these Regulations.

4 Applicability of Regulations

- 4.1 In case the Rural System Operator wishes to adopt the Off-Grid REC framework, these regulations shall be mandatory;
- 4.2 These regulations shall have only prospective effect. Existing projects may register the project as Off-grid Renewable Energy System under these Regulations. However, benefit of REC shall be available only for generation recorded after accreditation of the project with the Central Agency;
- 4.3 Under these regulations, the project shall cover un-electrified census village or cluster of villages, or padas / bastis / hamlets of electrified census villages or cluster of padas/bastis/hamlets;

5 Central Agency and its functions:

- 5.1 The Commission shall designate an agency as the Central Agency after satisfying itself that the said agency has the required capability of performing its functions as provided under these regulations.
- 5.2 The functions of the Central Agency will be to undertake:
 - i. Registration of eligible entities or Rural System Operators,
 - ii. Issuance of certificates,
 - iii. Maintaining and settling accounts in respect of certificates,
 - iv. Repository of transactions in certificates, and
 - v. Such other functions incidental to the implementation of off-grid renewable energy certificate model as may be assigned by the Commission from time to time.
- 5.3 Subject to provisions of these regulations, the Central Agency, with approval of the Commission and after inviting comments from the State Agency shall issue a detailed procedure for registration of eligible entities, verification of generation of electricity, its distribution to consumers and its injection into the grid by the Rural System Operator as



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

and when grid reaches its area of operation, issuance of certificates and other relevant and residual matters:

Provided that the detailed procedure shall be prepared by the Central Agency and submitted to the Commission for approval within ninety days from the date of notification of these regulations;

Provided further that while preparing the detailed procedure the Central Agency shall give four weeks time to the State Agency and other stakeholders for comments;

Provided also that the Commission may at any time either on its own motion or on an application or representation made by any interested party direct the Central Agency to modify, add or delete any of the provisions of the detailed procedure as deemed appropriate and upon such directions by the Commission the detailed procedure shall be implemented with such modifications;

- 5.4 The Commission may issue directions to the Central Agency with regard to the discharge of its functions and the Central Agency shall always act in accordance with the directions issued by the Commission.

6 Central Electricity Authority and its functions:

- 6.1 Authority means the Central Electricity Authority referred to in sub section (1) of section 70 of the Electricity Act 2003;
- 6.2 Central Electricity Authority shall notify grid connection guidelines for distributed small scale renewable energy plants and the metering regulations in respect of such systems;

7 State Load Despatch Centre and its functions:

- 7.1 State Load Despatch Centre shall receive energy accounting report from the Distribution Licensee on quarterly basis;

Such energy accounting report shall be received by State Load Despatch Centre in the first week of the next quarter month;

- 7.2 The accounting report shall consists of the electricity generated, electricity distributed to consumers, losses in the area of operation, in respect of each accredited off-grid RE project separately;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

- 7.3 Within the next three weeks, State Load Despatch Centre shall verify the energy accounting report and shall provide the accounting report to the Central Agency;

Provided that State Load Despatch Centre may also seek clarification on Quarterly Report from Distribution Licensee within 5 working days for submission of any further information, if necessary, to further consider the accounting report or reject the report subject to rules for verification of the same;

8 State Agency and its functions:

- 8.1 The State Agency shall undertake the accreditation of any off-grid renewable energy generation project of the Rural System Operator not earlier than six months prior to the proposed date of commissioning of such off-grid renewable energy generation project; and not later than two months from date of application for any existing off grid renewable energy generation project;
- 8.2 The State Agency shall verify the application of accreditation of the off-grid renewable energy generation project submitted by the Rural System Operator;
- 8.3 After receipt of application for accreditation, the State Agency shall conduct a preliminary scrutiny to ensure Application Form is complete in all respect along with necessary documents and applicable processing fees and accreditation charges. The State Agency shall undertake preliminary scrutiny of the Application within 7 working days from date of receipt of such Application;
- 8.4 The State Agency shall intimate in writing to the Applicant for submission of any further information, if necessary, to further consider the application for accreditation or reject application.

Provided that the reasons for rejecting the application for accreditation shall be recorded and intimated to Applicant in writing within 5 working days from date of receipt of the application by State Agency;

- 8.5 The State Agency shall verify and ascertain the following information:
- i. Confirmation of ‘Availability of Land’ in possession for setting up off-grid RE generating station;
 - ii. Consent from concerned ‘Rural Local Body’ for development, installation and operation of the Community level Off-grid Rural RE Project Scheme.
 - iii. Confirmation of compliance of Off Grid Renewable energy System with the grid connection guidelines of Authority issued per Clause 6;
 - iv. Confirmation of Metering Arrangement and Metering Location;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

- v. Date of Commissioning of off-grid renewable energy project;
 - vi. Details of application processing fees/accreditation charges;
- 8.6 The permission granted by the State Agency in the form of accreditation certificate to the Rural System Operator for the accredited off-grid renewable energy generation project shall be valid for a period of five years from the date of accreditation certificate unless otherwise revoked prior to such validity period in pursuance of conditions for revocation as outlined under Regulations 19;
- 8.7 The State Agency shall grant “Certificate of Accreditation” after detailed verification of the application;
- Provided that the process for accreditation of the off grid renewable energy project shall be completed within one month after the date of receipt of complete information of the State Agency;
- 8.8 The State Agency shall intimate accreditation of particular off grid renewable energy project to the host State Load Despatch Centre and the Distribution Licensee in whose area the proposed project would be located;

9 Consent of Rural Local Body and its functions:

- 9.1 Rural Local Body means the Panchayati Raj Institutions in line with Eleventh Schedule (Article 243G) of Constitution of India pursuant to the Seventy Third Amendment to the Constitution of India;
- 9.2 Rural Local Body so constituted shall provide consent of rural area to the Rural System Operator;
- 9.3 Rural Local Body shall confirm un-electrified status of village, number of households, etc. to the Rural System Operator;
- Provided that the Rural Local Body shall provide the required details and provide written confirmation for generation and distribution of electricity in a particular area within one month after the submission of application by the Rural System Operator;
- 9.4 In case of receipt of more than one application, Rural Local Body shall select the Rural System Operator to be based on the scheme provided by the Rural System Operator offering maximum benefits in terms of the following parameters;
- i. Harnessing of local resources,
 - ii. Local employment generation opportunity,
 - iii. Support for productive load development,



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

- iv. Long term sustainable and cost effective solution for energy needs.

Provided that the Rural Local Body shall finalize the Rural System Operator within one month after submission of the necessary documents by the Rural System Operator subject to verification of documents;

Provided further that an applicant shall be given a reasonable opportunity of being heard before his application is rejected with reasons to be recorded in writing;

- 9.5 After selection of the Rural System Operator, the Rural Local Body shall provide approval to the Rural System Operator in writing and shall facilitate selected Rural System Operator to co-ordinate with concerned Distribution Licensee for smooth implementation of the Project Scheme;
- 9.6 For existing projects, the Rural Local Body shall confirm electrification status of village, metering status of village, number of households covered, etc. to the Rural System Operator so as to enable accreditation of the project for the purpose of this Regulation;

10 Rural System Operator and its functions:

- 10.1 The Rural System Operator shall be the entity who develops the off-grid RE plant, sets up rural distribution grid, generates and distributes electricity to consumers in the Project Area and also sell the off-grid renewable energy certificates at Power Exchange;
- 10.2 Rural System Operator shall identify rural area, in consultation with concerned Rural Local Body and develop a project scheme for electrification of rural off- grid community;
- 10.3 Rural System Operator shall finalize the technology based on the locally available renewable resources;
- 10.4 Rural System Operator shall submit application to Rural Local Body seeking the confirmation of rural area, number of households and establishments, un-electrified status of village subject to the purposes of the eighth proviso to Section 14 of the Act;
- 10.5 Rural areas would mean all rural areas as defined pursuant to the Seventy-Third Amendment to the Constitution of India as mentioned in the first proviso of the section 8 of the Rural Electrification Policy;
- 10.6 Rural System Operator shall select the project of appropriate size and technology in the un-electrified padas / bastis/ hamlets of electrified or un-electrified census villages which are considered under the rural areas;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

- 10.7 Rural System Operator shall confirm the State Government’s notification of rural area from Rural Local Body;
- 10.8 Rural System Operator shall confirm the number of households and establishments, un-electrified status of village from Rural Local Body;
- 10.9 Rural System Operator shall undertake the detailed prefeasibility study of the project and shall prepare Detailed Project Report for the proposed Project Scheme
- 10.10 Rural System Operator shall avail the consents from Rural Local Body as per Regulation 9 of this regulation;
- 10.11 Rural System Operator shall submit application to State Agency for the accreditation of the off-grid renewable energy generation project for the off-grid renewable energy certificate mechanism;
- 10.12 The Rural System Operator shall coordinate with the State Agency and shall be responsible for submitting the information in a timely manner so as to enable State Agency to comply with requirements outlined in the provisions of this regulations;
- 10.13 Rural System Operator shall pay one time non-refundable application processing fees and annual charges towards Accreditation as determined by the Appropriate State Electricity Regulatory Commission from time to time;
- 10.14 The Rural System Operator shall submit the declaration to State Agency that it shall sign Power Supply Agreement with each consumer either at the tariff rates determined by State Commission for each category of consumers or on the terms of mutually agreed tariff, subject to Regulations 13;
- 10.15 Rural System Operator shall comply with the directions, duties and obligations specified by the Central Electricity Regulatory Commission and Appropriate State Electricity Regulatory Commission in this regard, from time to time;
- 10.16 Rural System Operator shall avail “Accreditation Certificate” from the State Agency;
- 10.17 Rural System Operator shall apply for revalidation or extension of validity of existing accreditation at least three months in advance prior to expiry of existing Accreditation;
- 10.18 Rural System Operator shall develop, construct and commission the project within period not exceeding twelve months from date of grant of Registration Certificate by Central Agency;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

- 10.19 The billing to consumers shall be at the end of every month and Rural System Operator shall receive tariff as mutually agreed between the consumers and the Rural System Operator, subject to Regulations 13;
- 10.20 Rural System Operator shall submit monthly reports to the Distribution Licensee outlining electricity generated, distributed and losses in its area of operation based on meter readings
- 10.21 Rural System Operator shall allow distribution licensee to inspect its records and/or witness the meter readings/recording, provided that distribution licensee has provided sufficient notice to Rural System Operator;
- 10.22 Rural System Operator shall apply for registration as eligible entity for receiving off-grid renewable energy certificates;
- 10.23 The Rural System Operator shall coordinate with the Central Agency and shall be responsible to submit the information in a timely manner so as to enable Central Agency to comply with requirements for Registration within the time frame envisaged under CERC off grid Renewable Energy Certificate Regulations.
- 10.24 Rural System Operator shall pay one time non-refundable registration fee and annual charges as determined by the Central Electricity Regulatory Commission from time to time;
- 10.25 Rural System Operator shall comply with the duties and obligations specified by the Central Agency;
- 10.26 Rural System Operator shall follow directions given by any other competent authority from time to time;
- 10.27 Rural System Operator shall avail the “Registration Certificate” from the Central Agency;
- 10.28 Rural System Operator shall apply for revalidation or extension of validity of existing Registration at least three months in advance prior to expiry of existing Registration;
- 10.29 Rural System Operator shall submit an application for issuance of off-grid renewable certificates along with the copies of the accreditation certificate, registration certificate and the copies of the energy accounting reports collected from the Distribution Licensee and the State Load Despatch Centre;
- 10.30 Rural System Operators shall sale the off-grid Renewable Energy Certificates on the Power Exchange or in manner permitted under these Regulations and shall be entitled to earn revenue from such sale thereof;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

10.31 Rural System Operator shall comply with the grid connection guidelines for Off Grid Renewable energy System issued by the Authority as per Regulations 6

11 Distribution Licensee and its functions:

11.1 The duties of the Distribution Licensee shall be as provided in sub section (1) of section 42 of the Electricity Act 2003;

11.2 The Distribution Licensee shall analyze the monthly reports of the electricity generated, electricity distributed to the consumers and losses in the area of operation of concerned Rural Local Body as submitted by the Rural System Operator;

11.3 Distribution Licensee shall prepare the detailed energy accounting reports on quarterly basis and submit it to State Load Despatch Centre in the first week of the next quarter;

11.4 Distribution licensee shall be entitled to inspect the records or witness in the meter readings/recording, with sufficient notice to Rural System Operator;

12 Consumers in the Project Area and its functions:

12.1 The consumers shall regularly pay the electricity charges within 15 working days to the Rural System Operator after receipt of bills.

12.2 In case of delay in payment beyond due date of payment, the delayed payment charges at the rate of 1.25% per month or part thereof shall be applicable.

13 Contractual Framework:

13.1 As per Regulation 10, there shall be Power Supply Agreement between the Rural System Operator and the consumers;

13.2 As per the agreement, the Rural System Operator shall sell electricity to the consumers and shall charge the tariff rates as determined by the Appropriate Commission for such categories of consumers in its Tariff Order or shall charge mutually agreed tariff;

~~Provided that if Appropriate Commission prefers for selling of electricity at regulated tariff, the Rural System Operator shall sell electricity to consumers at the tariff determined by Appropriate Commission in its Tariff Order;~~



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

Provided that the benefit of capital subsidy, revenue subsidy, financial assistance from Central Government or State Government, if any, shall be passed onto the consumers in terms of tariff to be mutually agreed;

- 13.3 The Rural System Operator shall also sell off-grid Renewable Energy Certificates on the Power Exchange;

Provided that the revenue earned by the Rural System Operator shall be retained by the Rural System Operator;

14 Revocations of contract:

- 14.1 If the consumer is not satisfied with the service provided by the Rural System Operator, the contract can be cancelled by the consumer providing notice for period of three months;

15 Cost sharing and Use of Existing Network

- 15.1 The Rural System Operator shall develop the rural distribution network at its own cost;
- 15.2 In case the distribution network of Distribution Licensee is extended to the area of operation of Rural System Operator at later stage, Distribution Licensee shall use the network of the Rural System Operator;
- 15.3 For using the network under provisions of Regulation 15.2, the Distribution Licensee shall compensate Rural System Operator, a cost as mutually determined between the Rural System Operator and Distribution Licensee;

Provided further that in case no agreement is reached within period of three months; the same would be referred for adjudication to the Appropriate Commission.

16 Framework for Sale of Electricity to Consumers in Project Area

- 16.1 The Rural System Operator has a composite scheme of generation and distribution of electricity and shall charge either at tariff rates as determined by State Commission for such consumer categories or shall charge the mutually agreed tariff between the consumers and the Rural System Operator, subject to Regulation 13;
- 16.2 The Rural System Operator shall follow certain factors while determining the tariff for consumers:



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

- i. The need to link tariff adjustments to increases in the productivity of capital employed and improvement in efficiency so as to safeguard the interests of the consumer;
- ii. The need to rationalise tariff on the basis of the actual cost of generation and distribution;
- iii. The unbundling of costs so as to enable the rational allocation of costs;
- iv. The need to provide transparently the appropriate incentives, in a non-discriminatory manner, for a continuous enhancement in the efficiency of generation, distribution and supply and up-gradation in the levels of service;
- v. The benefit of capital subsidy, revenue subsidy, financial assistance from Central Government or State Government, if any, shall be passed onto the consumers in terms of tariff to be mutually agreed.

16.3 The Rural System Operator shall maintain record of all accounting information, duly audited and certified alongwith necessary documents as may be required to ascertain its claim for the tariff that benefits of subsidies/financial assistance is duly passed onto consumers in terms of tariff;

17 Categories of Certificates:

- 17.1 There shall be two categories of certificates, viz., solar certificates issued to Rural System Operators for generation of electricity based on solar as renewable energy source, and non-solar certificates issued to eligible entities for generation of electricity based on renewable energy sources other than solar;
- 17.2 The solar certificate shall be sold to the obligated entities to enable them to meet their renewable purchase obligation for solar, and non-solar certificate shall be sold to the obligated entities to enable them to meet their obligation for purchase from renewable energy sources other than solar;

18 Eligibility and Registration for Certificates:

- 18.1 A Rural System Operator engaged in generation of electricity from renewable energy sources shall be eligible to apply for registration for issuance of and dealing in Certificates if it fulfils the following conditions:
- i. it has obtained accreditation from the State Agency;
 - ii. it has signed Power Sale Agreement with the consumers to supply electricity at mutually agreed tariff, subject to Regulation13;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

18.2 The Rural System Operator after fulfilling the eligibility criteria as provided in clause (1) above of this regulation may apply for registration with the Central Agency;

18.3 The Central Agency shall accord registration to such applicant within fifteen days from the date of application for such registration;

Provided that an applicant shall be given a reasonable opportunity of being heard before his application is rejected with reasons to be recorded in writing;

18.4 A person aggrieved by the order of the Central Agency under proviso to clause (3) of this regulation may appeal before the Commission within fifteen days from the date of such order, and the Commission may pass order, as deemed appropriate on such appeal;

19 Revocation of Registration

19.1 If the Central Agency, after making an enquiry or based on the report of the Compliance Auditors, is satisfied that public interests so require, it may revoke registration of the Rural System Operator in any of the following cases, namely:-

- i. where the Rural System Operator, in the opinion of the Central Agency, makes wilful and prolonged default in doing anything required of him by or under these regulations;
- ii. where the Rural System Operator breaks any of the terms and conditions of its accreditation or registration, the breach of which is expressly declared by such accreditation or registration to render it liable to revocation;
- iii. where the Rural System Operator fails within the period required in this behalf by the Central Agency – (i) to show, to the satisfaction of the Central Agency, that it is in a position fully and efficiently discharge the duties and obligations imposed on it by its accreditation or registration; or (ii) to make the deposit or furnish the security, or pay the fees or other charges required by its accreditation or registration.

19.2 The Central Agency before revoking the registration under Clause (1) of this regulation shall give to the Rural System Operator reasonable opportunity for being heard;

19.3 Notwithstanding the above provisions, the Commission may from time to time direct the Central Agency to initiate enquiry and/or revocation process if the Commission deems it fit where any or all of the conditions as at clauses (i) to (iii) of sub-regulation (1) exist.



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

- 19.4 A person aggrieved by the order of the Central Agency under proviso to clause (1) of this regulation may appeal before the Commission within fifteen days of such order being communicated, and the Commission may pass order, as deemed appropriate on such appeal.

20 Denomination and Issuance of Certificates:

- 20.1 The Rural System Operator shall apply to the Central Agency for Certificates within three months after corresponding generation from eligible off-grid renewable energy projects;
- 20.2 The Certificates shall be issued to the Rural System Operator after the Central Agency duly satisfies itself that all the conditions for issuance of Certificate are complied by the Rural System Operator;
- 20.3 The Certificates shall be issued by the Central Agency within fifteen days from the date of application by the Rural System Operators;
- 20.4 The Certificates shall be issued to the Rural System Operator on the basis of the units of electricity generated from renewable energy sources as certified by the concerned Distribution Licensee;
- 20.5 The process of certifying the energy injection shall be as stipulated in the detailed procedures to be issued by the Central agency;
- 20.6 Each Certificate issued shall represent one Megawatt hour of electricity generated from renewable energy source;

Provided that the partial unit of RECs (partial Megawatt hours) shall be accumulated until it crosses one Megawatt hour of electricity. The condition of time period of three months for date of application as stipulated under Regulation 20 (1) shall not be applicable in case of such partial accumulation of Megawatt hours.

21 Dealing in the Certificates:

- 21.1 Unless otherwise specifically permitted by the Commission by order, the Certificates shall be dealt through the Power Exchange;
- 21.2 The Certificate issued to Rural System Operator by the Central Agency may be placed for dealing in any of the Power Exchanges as the Certificate holder may consider appropriate, and such Certificate shall be available for dealing in accordance with the rules and byelaws of such Power Exchange;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

Provided that the Power Exchanges shall obtain prior approval of the Commission on the rules and byelaws including the mechanism for discovery of price of the Certificates in the Power Exchange.

22 Pricing of Certificate

22.1 The price of Certificate shall be as discovered in the Power Exchange:

Provided that the Commission may, in consultation with the Central Agency and Forum of Regulators from time to time provide for the floor price and forbearance price separately for solar and non-solar Certificates.

23 Validity and Extinction of Certificates

23.1 The Certificate once issued shall remain valid for three hundred and sixty five days from the date of issuance of such Certificate:

Provided that the Certificate issued to Rural System Operator for the electricity generated at a time when such entity fulfilled the eligibility criteria for accreditation, shall remain valid for the said period of three hundred and sixty five days, even if accreditation of such entity is revoked at a later date;

23.2 Subject to the time limit as provided in clause (1) of this regulation, a Certificate shall be deemed to have been extinguished after it has been exchanged by way of sale and purchase in the Power Exchange or sale to Distribution Licensee;

24 Fees and Charges

24.1 The Commission may from time to time, determine, by order, the fees and charges payable by the Rural System Operator for participation in the scheme for registration, eligibility of certificates, issuance of certificates and other matters connected therewith;

24.2 The fees and charges payable under these regulations may include onetime registration fee and charges, annual fee and charges, the transaction fee and charges for issue of certificate and charges for dealing in the certificate in accordance with these regulations, as the Commission may consider appropriate;

24.3 The fees and charges paid by the Rural System Operator shall be collected by the Central Agency and utilised for the purpose of meeting the cost and expense towards the remuneration payable to the compliance auditors, the officers, employees, consultants and representatives engaged to perform the functions under these regulations;



“Model Draft Regulations for Off-Grid RECs for Community Level Off-Grid Projects”

25 Eligibility Criteria:

25.1 Following conditions shall apply for the design and development of Off-grid Renewable Energy System (ORES) to be covered under these Regulations;

- a) Village/ hamlet – wherein no provision of supply of electricity exists. For existing projects, the Rural System Operator and its system shall be the sole source of electricity supply;
- b) Rural System Operator – The Rural System Operator shall have the net worth of Rs 5 lakh;
- c) Selection of Technology and Sizing of the Plant – The Rural System Operator shall follow the guidelines, if any, issued by the Appropriate Commission for selection of the technology and sizing of the plant. In case, the Appropriate Commission has not issued such guidelines, selection of technology and sizing of the plant shall be done in consultation with the RLB.

26 Metering:

26.1 The metering shall be provided both at the generation end and at the consumer level;

26.2 The installation and operation of the Meters shall be in conformity with the relevant regulations notified by Central Electricity Authority from time to time.

27 Power to give directions:

27.1 The Commission may from time to time issue such directions and orders as considered appropriate for the implementation of these regulations and for the development of market in power for Off-grid Renewable Energy System;

28 Power to Relax:

28.1 The Commission may by general or special order, for reasons to be recorded in writing, and after giving an opportunity of hearing to the parties likely to be affected may relax any of the provisions of these regulations on its own motion or on an application made before it by an interested person;

(Secretary)



DRAFT APPLICATION FORMAT FOR ELECTRICITY CONNECTION

Application No: _____.

Date: XX/XX/XXXX

To

The (Name of the Rural System Operator)

Subject: Supply of Electricity for _____ (Domestic/Commercial/
Industrial) Purpose.

Sir,

I/We hereby apply for electrical connection to my/our premises described hereunder and I/we agree as follows:-

1. I/We hereby agree to take from the _____ (Name of the Rural System Operator) at the premises stated below a supply of electrical energy not exceeding the contracted load of my/our installation as stated in the enclosed schedule for a period of not less than One year from the date of commencement of supply.
2. I/We further agree to pay for the said supply in accordance with the Schedule of Tariff mentioned in the Appendix and also to pay for all such other charges as may become due by me/us to the supplier if any, at rates laid down in the *Rural System Operator's Installation Rules*.
3. I/We declare that the *Rural System Operator's Installation Rules* of Supply of Electrical Energy by the _____ (Name of the Rural System Operator) have been carefully perused by/read to me/us and I/we agree to be bounded by these Rules.



*"Draft Application Format for Electricity Connection for Off-Grid
Rural Supply"*

-
4. I/We further agree to give you such security as may be required for meters and metering equipments supplied by _____ (Name of the Rural System Operator).
 5. I/We hereby agree that the power supply of Rural System Operator under this arrangement shall be governed as per Central Electricity Regulatory Commission (Accreditation, Registration and Issuance of Renewable Energy Certificates for Community Level off-Grid Distributed RE Generation Projects) Regulations, 2012

The necessary particulars for the supply of energy to my/our premises are given in the Schedule hereunder (*Appendix*).

Signature of Witness /Representative of RSO Signature of Applicant

NAME: _____

NAME: _____

Address: _____

Present Address: _____



APPENDIX: PARTICULARS FOR SUPPLY OF ENERGY

1. Applicant's Name : _____

2. Description of the premises : _____

(Where supply is required) _____

Town/Village: _____

3. Name and permanent address of the owner of the premises where supply is required:

Name of the Owner : _____

Permanent Address : _____

(If the applicant is the owner of the premises, this may be filled up with 'Applicant')

(If the applicant is not the owner of the premises, a consent letter from the owner of the premises and indemnity bond, indemnifying the department against any loss for the service connection and consumption of energy, should be enclosed alongwith the application.)

4. The following are my/our requirements:-

Sr. No.	Description of apparatus	Quantity	Wattage per Apparatus	Total Demand in Watts	Approx. Hours of use/day
1					
2					
3					
4					
5					
6					



*"Draft Application Format for Electricity Connection for Off-Grid
Rural Supply"*

A = Gross Total Demand (in Kilowatt)		
--------------------------------------	--	--

5. Required Contracted Load of the Installation, therefore, is _____ Kilowatt.
6. Category under which the connection shall be classified _____.
7. Schedule of Tariff:
The applicable rate for the applicant will be Rs. _____ per kWh or on flat rate of Rs. _____ w. r. t. the nos. of power point/electrical appliances or as per Tariff Rate and Tariff Schedule as approved by State Commission and applicable for such category of consumer outlined under Para 6 above.
8. That the above given price and terms for supply of power are valid for a period of one year from the date of commencement of supply.
9. The Applicable Tariff Rate shall be revised by Rural System Operator with advance intimation of one month notice or it shall be revised as per applicable Tariff rate for consumers belonging to same consumer category of the Distribution Licensee, as may be approved by State Electricity Regulatory Commission from time to time.

Signature of Authority

Signature of the applicant

Name of the Rural System Operator

Name of the applicant

Date: _____

Date: _____

(Seal)



RURAL SYSTEM OPERATOR'S INSTALLATION RULES

1. Definitions:
 - 1.1 "Applicant" means the person who is applying for the electricity connection.
 - 1.2 "Application" means the sub-license agreement between Rural System Operator and the Applicant.
 - 1.3 "Electricity Services" means the services provided by Rural System Operator to the Applicant for the connection to, and supply of electricity for the Site from, RSO's electricity infrastructure.
 - 1.4 "Installation" means an electrical installation located at the Site.
 - 1.5 "Electricity Charges" means the charges for electrical energy payable by the Applicant in accordance with the Schedule of Tariff.
 - 1.6 "Off-grid Renewable Energy System (ORES)" means the stand alone systems comprising power plant generating electricity from renewable energy sources where grid is not connected and distribution infrastructure including associated appliances used for distributing electricity produced in the said plant to end users in the Project Area.
 - 1.7 "Rural System Operator (RSO)" means any project developer who develops and maintains the Off-grid Renewable Energy System.
 - 1.8 "Site" means the land where electricity connection is required as mentioned in the application.
2. Pre-conditions to Connection:

The Applicant is only entitled to receive the Electricity Services if:

 - (a) The Applicant submits to applicant an Application for an Electricity Connection and particulars for supply of energy;
 - (b) Rural System Operator approves the provision of Electricity Services to the Site; and



- (c) The Applicant complies with any other pre-conditions reasonably notified to the Applicant by RSO at that time.

3. Access:

The Applicant must give RSO safe and unhindered access to the Site for the purposes of the Electricity Services, including to complete and maintain the electrical connection to the Site, read any meters and install any necessary equipment at the Site.

4. Charges and Billing:

- 4.1 The rates of the Electricity Charges payable to RSO by the Applicant for the Electricity Services will be determined by State Electricity Regulatory Commission from time to time¹,

OR

The rates of the Electricity Charges payable to RSO by the Applicant for the Electricity Services will be based on the reasonable costs of the connection and supply of electricity at the Site and shall be mutually agreed between RSO and Applicant and may be revised from time to time..

- 4.2 RSO will bill the Applicant for Electricity Charges in respect of the Electrical Energy Consumed in a month as recorded by the consumer meters installed at consumer premises, or over a different period reasonably notified to the Applicant by RSO, at the billing address stated on the Applicant's Application for an Electricity Connection.

- 4.3 The Applicant must pay the amount specified on each bill, by the due date specified on that bill. RSO may charge the Applicant fees for late payment of a bill.

- 4.4 RSO may estimate the amount of electricity consumed at the Site if:

- (a) RSO is not able to reasonably or reliably base the bill on an actual meter reading; or
- (b) RSO has the Applicant's consent.

- 4.5 If a bill is estimated and the Applicant's meter is subsequently available to be read by RSO, RSO will adjust the Electricity Charges payable by the Occupier accordingly.

¹ Strikeout as applicable



5. Compliance:

The Applicant must comply with any applicable energy laws relating to the Electricity Services and RSO's reasonable requirements under those laws.

6. Quality and Reliability of Supply:

To the extent permitted by law, RSO gives no condition, warranty or undertaking, and makes no representation to the Applicant, about the condition or suitability of the electricity supplied to the Site, its quality, reliability of supply, fitness for purpose or safety, other than as set out in the Agreement.

7. Interruptions and disconnections:

Without limitation, RSO may interrupt or disconnect the supply of electricity to the Site where:

- (a) The Applicant fails to comply with these installation rules or breaches a term of the Agreement;
- (b) There is an emergency, health or safety reason;
- (c) RSO undertakes maintenance of, or alterations to, its electricity infrastructure in the Industrial Area;
- (d) RSO is required to do so by law or a relevant authority; or
- (e) RSO is of the opinion that the Site is unsuitable for the Electricity Services.

8. Changes to these Installation Rules:

8.1 These installation rules may be updated by RSO from time to time. RSO must give the Applicant at least 30 days notice before those changes take effect.

8.2 The Applicant must comply with any updated installation rules that have been notified to the Applicant by RSO in accordance with rule 8.1.