

# Franchise Agreement Format



FORUM OF REGULATORS

**June, 2012**

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## 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.

<b>Description</b>	<b>Yr-1</b>	<b>Yr-2</b>	<b>Yr-3</b>	<b>Yr-4</b>	<b>....</b>	<b>....</b>	<b>Yr-n</b>
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

*“Franchise Agreement Format”*

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By: \_\_\_\_\_.

By: \_\_\_\_\_.

Title: \_\_\_\_\_.

Title: \_\_\_\_\_.