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PRESS RELEASE

**CERC issues draft regulations regarding licence for Inter-State
Transmission of electricity**

Transmission of electricity is an important activity in the context of growth of power sector in India. Strengthening of the transmission network is a priority area specially in view of the boost that the generation of the electricity is likely to get due to delicensing of the generation in the Electricity Act, 2003. It has since long been recognised that the massive investment which is required in the transmission sector is not possible without participation of the private sector. For this purpose, the provision for licencing of transmission was first introduced in 1998 and reinforced in the Electricity Act 2003. According to provisions of the Electricity Act, 2003, transmission licencing and the responsibility of issuing licence for inter-State transmission continues to be with CERC. This Act requires CERC to specify the application form and the manner in which the application for the licence for inter-state transmission shall be made. This Act also empowers CERC to specify any general or specific conditions applicable to transmission licensees. Keeping in view the requirements of the Act, CERC has today issued draft regulations inviting comments of the stakeholders by 30th September, 2004. The draft regulations are available on CERC's website: www.cercind.org.

Salient provisions of the draft regulations:

- Any person interested in obtaining inter-state trading licence shall apply to the CERC in the format enclosed with the draft regulations.
- The applicant has to publish his application, within 7 days of making such application, in at least one English daily newspaper and one vernacular newspaper. The publication shall include details such as share holding pattern, and management profile of the applicant, location of the transmission lines and sub-stations, long-term customers of the transmission project etc.
- The applicant company need not posses relevant technical experience but it has to deploy personnel with relevant experience.
- The applicant must have net-worth at least equal to the estimated annual transmission charges.

- Transmission charges shall be payable as per applicable tariff notification of the Commission. However, if tariff is determined through transparent process of bidding in accordance with the guidelines issued by the Central Government, CERC shall adopt the same.
- The licence shall be valid for a period of 25 years from the date of issue unless revoked earlier.
- The licence fee for the construction period shall be Rs one lakh. However, after commissioning of the project, the annual licence fee shall be 0.1% of the annual transmission charges subject to minimum and maximum of Rs one lakh and Rs one Crore respectively
- The terms and conditions of the licence may be amended by the Commission in the public interest or on an application made by the licensee, following the procedure outlined in the Act.
- The licence may be revoked in the event of defaults or violation of any of the terms and conditions of the licence.

The Commission expects a good response from all stakeholders and experts so as to finalise these regulations, which will provide much needed spurt to the private sector investment in the transmission sector.

Sd/-
(A.K.Sachan)
Secretary