

**ASSAM ELECTRICITY REGULATORY COMMISSION
(FRAMEWORK FOR DISTRIBUTION FRANCHISEE) REGULATIONS,
2020**

DRAFT NOTIFICATION

The dated 27/08/2020

No.AERC682/2018

In exercise of the powers conferred under section 181(1) read with Section 14 of the Electricity Act, 2003 (36 of 2003) and all the powers enabling it in this behalf, the Assam Electricity Regulatory Commission hereby makes the following Regulations:-

CHAPTER 1-Preliminary

1. Short Title, extent and Commencement

- 1.1. These Regulations may be called the Assam Electricity Regulatory Commission (Framework for Distribution Franchisee) Regulations, 2020”.
- 1.2. These Regulations shall extend to the whole State of Assam
- 1.3. These Regulations shall come into force from the date of their publication in the official Gazette of the Government of Assam.

CHAPTER 2

2. Definitions:

2.1 In these Regulations, unless the context otherwise requires –

- (a) **“Act”** means the Electricity Act, 2003 (36 of 2003).
- (b) **“Commission”** means the Assam Electricity Regulatory Commission (AERC) under section 82 of the Electricity Act.
- (c) **“Collection Efficiency”** means the ratio of total revenue realised and the total revenue billed for a particular period and shall be calculated as under:

(i) Current Collection Efficiency (%) =

$$\frac{\text{Revenue collected from Consumers against current demand in a billing cycle in rupees}}{\text{Current demand in a billing cycle in rupees}} \times 100$$

(ii) Arrear Collection Efficiency (%) =

$$\frac{\text{Total arrear Revenue collected from Consumers in a billing cycle in rupees}}{\text{Total arrear Amount demand in a billing cycle in rupees}} \times 100$$

(iii) Total Collection Efficiency (%) =

$$\frac{\text{Total Revenue collected from Consumers (including arrear if any) in a billing cycle in rupees}}{\text{Total Revenue demand (including arrear if any) in a billing cycle in rupees}} \times 100$$

- (d) **“Consumer”**- means any person who is supplied with electricity for his own use by a licensee or the Government or by any other person engaged in the business of supplying electricity to the public under the Electricity Act 2003 or any other law for the time being in force and includes any person whose premises are for the time being connected for the purpose of receiving electricity with the works of a licensee, the Government or such other person , as the case may be.
- (e) **“Distribution”** – means the supply and conveyance of electricity by means of distribution system.
- (f) **“Distribution Assets”** - means all assets belonging to the Distribution Licensee including all movable immovable properties like Distribution Transformers, Lines, equipments, kiosk, meters and accessories etc in service in the Franchisee area.
- (g) **“Distribution Franchisee”** – means a person authorised by a Distribution Licensee to distribute electricity on its behalf within his area of supply.
- (h) **“Distribution Franchisee Agreement (DFA)”**- means the Agreement to be entered into by the Distribution Licensee and the Distribution Franchisee for undertaking distribution of electricity through the Franchisee in a specified area.

- (i) **“Distribution Licensee”** -means a Licensee authorised to operate and maintain a Distribution system for supplying electricity to the consumers in his area of supply.
- (j) **“Distribution system”**- means the system of wires and the associated facilities between delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers.
- (k) **“Effective Date”** - means the date of handing over of the business operations of Franchisee Area by Distribution Licensee to the Distribution Franchisee pursuant to the Distribution Franchisee Agreement.
- (l) **“Franchisee Area”** -means the area as specified in the DFA in respect of which Distribution Franchisee shall act as an agent of the Distribution Licensee..
- (m) **“Input Energy”**-means sum total of energy supplied to the Distribution Franchisee through all input points.
- (n) **“Input Point”** – means the point of interconnection(s) between a Distribution Licensee and Franchisee at which electrical energy would be supplied by the Distribution Licensee as per terms of the DFA.
- (o) **“Input Energy Rate”** - means Rupees per unit of electricity supplied by the Distribution Licensee at the Input Points“

2.2 Words and expressions used in these regulations and not defined herein but defined in the Act and Rules made thereof or any of the regulations made by the Commission, shall have the meanings assigned to them respectively in the Act and Rules made thereof and regulations made by the Commission from time to time.

CHAPTER 3

BASIC PRINCIPLES AND DIFFERENT MODELS OF FRANCHISEE

3.1 Distribution Licensee may appoint franchisee to maintain 24*7 reliable and good quality power supply to the consumer with the following objectives:

- a) Improvement in consumer service quality.
- b) Improvement in metering, billing and collection efficiency.
- c) Reduction in the AT&C losses
- d) Reduction in Operation & Maintenance Cost
- e) Arrest of theft of Power by hooking etc.
- f) Ease of payment of Electricity bills at consumer doorsteps.

3.2 A Franchisee shall include an individual or users association or co-operative society or non-governmental organization or a company.

3.3 Considering the local conditions and problems faced by the Licensee regarding supply and Revenue collection, Licensee may engage franchisee covering any of the following areas:

- a) Area covered under all 11 KV feeders originating from a 33 KV substation.
- b) Area covered under one or more Individual 11KV feeders
- c) Area covered under Distribution Transformers

Provided that, the areas handed over to the Franchisee shall have at least 70% Rural consumers.

Provided also that, the Distribution Licensee shall notify the consumers under the area before handing over the area to the Franchisee.

3.4 Before engaging a Franchisee, Distribution Licensee shall submit all information including a cost benefit analysis to the Commission for the area in which the Licensee seeks to engage a franchisee.

3.5 A Franchisee shall be entrusted with one or more of the following functions:

- a) Meter Reading and billing
- b) Collection of Revenue
- c) Installation and replacement of consumer meters.
- d) Reconnection and disconnection of power supply
- e) Works related to new service connection, reduction and enhancement of load.
- f) Attending fuse calls and complaints
- g) Repair and maintenance of lines and sub-station.
- h) Detection and reporting of theft of Power by hooking/meter tempering, unauthorized extension of load and misuse of power etc.

The functions entrusted to the Franchisee shall be specified in the DFA.

3.6 MODELS OF DISTRIBUTION FRANCHISEE:

A Distribution Licensee may opt for any one of the following two models of Franchisee.

3.6.1 INPUT BASED DISTRIBUTION FRANCHISEE (IBDF)

- a) The input based franchisee's area shall be decided based on the input points at which energy shall be supplied by the utility and these input points shall be duly metered.

- b) Input Based Distribution Franchisee shall pay electricity charges to the licensee at a pre-determined Input Energy rate.
- c) The franchisee shall collect revenue from the consumers by raising bills at the tariff decided by the Commission and shall pay to the Distribution Licensee as per the contracted Input Energy rate for the electricity measured at the input point(s).

3.6.2 COLLECTION-BASED DISTRIBUTION FRANCHISEE (CBDF):

- a) The franchisee (CBDF) shall be limited to meter reading, billing, complaint redressal, facilitating release of new service connection and keeping vigil on the distribution network in the franchisee area for providing appropriate feedback to the Distribution Licensee.
- b) The Collection based Distribution franchisee's area shall be as per the terms mentioned in the DFA.
- c) The Distribution licensee shall pay the CBDF a Franchisee Margin for performing their duties as per the rate set forth in the DFA.

CHAPTER 4 PROCEDURE FOR SELECTION OF FRANCHISEE:

4.1 Franchisee shall be selected through a transparent process of Techno-Financial bidding.

4.2 A Franchisee shall have to meet the qualifying requirements of Technical Experience, financial capability and other conditions (relating to capital adequacy, credit worthiness, or code of conduct) specified in the bid documents.

4.3 For IBDF, the Input Energy Rate shall be considered for selection of the Franchisee along with adherence to other technical and financial qualifications.

4.4 In case of, CBDF, selection shall be based on the rate of Franchisee Margin along with adherence to other technical and financial qualifications.

4.5 Distribution Licensee shall notify intent to select franchisee for particular areas. Notification in local and Vernacular newspapers (at least two issues) shall be published. The District Electricity coordination Committees; Zila Parishad, Panchayat Samiti and all concerned Panchayats shall also be notified.

4.6 After the selection process is over, the Distribution Licensee and successful bidder shall sign the Distribution Franchisee Agreement.

CHAPTER 5
ROLE AND RESPONSIBILITY OF FRANCHISEE AND LICENSEE

5.1 INPUT BASED DISTRIBUTION FRANCHISEE (IBDF):

5.1.1FRANCHISEE:

- a. Input Based Distribution Franchisee (IBDF) shall be responsible for undertaking meter reading, bill generation, bill distribution, and revenue collection
- b. IBDF shall perform day to day repair and maintenance (R&M) services as mentioned in the DFA.
- c. It shall operationalise new service connections and carry out disconnections/reconnections and regularisation of illegal consumers.
- d. The Franchisee shall also undertake a detailed survey of consumers, consumer indexing and alignment of consumers to specific feeders and DTR.
- e. The Franchisee shall assist the APDCL in updating the Asset Register and updating the consumer related MIS in the 'Franchisee Area'.
- f. The Franchisee shall be responsible to control pilferage of energy and improve billing and collection efficiency in the franchisee area.
- g. The franchisee shall maintain all the machineries and equipments, provided by Licensee, in good condition.
- h. In case of termination/Surrender of the franchisee area, the franchisee shall return all the machineries and equipments, provided by Licensee, in good condition.
- i. Major Repair and maintenance works shall be carried out by the Franchisee. However the materials such as pole, conductor, Transformers etc shall be supplied by the Distribution licensee.
- j. The Franchisee shall be responsible for the compliance of the norms as specified in the AERC regulations.

5.1.2 DISTRIBUTION LICENSEE

- a. Licensee shall provide materials such as pole , conductor, Transformers etc to the Franchisee which shall help the delivery of quality services to the consumers in the Franchisee area
- b. The Licensee shall supply energy meters of the consumers.
- c.The Licensee shall authorize the Franchisee for Disconnection (Temporary/Permanent) and reconnection of the consumers in the Franchisee area including new service connections, whenever necessary, as specified in the DFA.
- d. On request from the Franchisee with respect to unauthorized consumers the Licensee shall coordinate with local administration and mobilize the special police station, wherever available and vigilance teams to support the franchisee to check on the unauthorized consumption.
- e. Designated officers of the Licensee shall be responsible for monitoring the franchisees on operational/ commercial/ financial/ regulatory/ contractual issues as well as handling franchisees' grievances.
- f. The Distribution Licensee shall be responsible for compliance of all the directives/order of the Commission issued from time to time within the Franchisee area.

5.2 COLLECTION BASED DISTRIBUTION FRANCHISEE:

5.2.1 FRANCHISEE:

- a) The Franchisee shall record the meter reading and prepare energy bills of the consumers.
- b) The Franchisee shall distribute the energy bills to the consumers.
- c) The Franchisee shall facilitate the consumers for payment in digital mode directly in Licensees Portal.
- d) The Franchisee shall maintain the Distribution network in the Franchisee and attend to consumer complaints, execution of new service connection works, conduct load survey and disconnection and reconnection of unauthorised consumers as per terms and conditions mentioned in the DFA.
- e) The franchisee shall provide support to Licensee to lodge FIR against unauthorised use of electricity and to assist Licensee in court cases on revenue matters.

- f) The franchisee shall maintain all the machineries and equipments, provided by Licensee, in good condition.
- g) In case of termination/Surrender of the franchisee area, the franchisee shall return all the machineries and equipments, provided by Licensee, in good condition.

5.2.2 DISTRIBUTION LICENSEE

- i. The Licensee shall be responsible for all major repair and maintenance and security of the distribution assets as specified in the DFA.
- ii. Licensee shall provide materials to the Franchisee which shall help the delivery of quality services to the consumers in the Franchisee area.
- iii. The Licensee shall authorize the Franchisee for Disconnection (Temporary/Permanent) and reconnection of the consumers in the Franchisee area including new service connections, whenever necessary, as specified in the DFA.
- iv. On request from the Franchisee with respect to unauthorized consumers the Licensee shall coordinate with local administration and mobilize the special police station, wherever available and vigilance teams to support the franchisee to check on the unauthorized consumption.
- v. The Revenue collected by the Franchisee shall be received in the office of the Licensee or in the collection centers operated by the Franchisee directly through digital payment methods. No cash collection by Franchisee shall not be allowed.
- vi. The Licensee shall extend co-operation and support to the franchisee to open and operate collection centres in the franchised area.
- vii. The Licensee shall procure and install energy meters in the consumer premises.
- viii. Designated officers of the Licensee shall be responsible for monitoring the franchisees on operational/ commercial/ financial/ regulatory/ contractual issues as well as handling franchisees' grievances.
- ix. The Distribution Licensee shall be responsible for compliance of all the directives/order of the Commission issued from time to time within the Franchisee area.

CHAPTER 6 COMMERCIAL PRINCIPLE

- 6.1 Franchisee shall undertake all activities including Meter Reading, Bill preparation through Licensees software, Bill Distribution and Revenue Collection in the Franchisee area.
- 6.2 The Licensee shall allow restricted access to the Franchisee to its billing software.
- 6.3 The Franchisee shall strictly abide by the retail tariff for the Licensee determined by the Commission for different categories of consumers.
- 6.4 IBDF shall retain the energy and fixed charges collected from the consumers and remit the other charges like meter rent, electricity duty etc to the Licensee.
- 6.5 Franchisee shall identify un-authorized consumers and bring the same to the notice of the Licensee. It shall be the Franchisee's responsibility to ensure that there is no unauthorised consumption of electricity and to prevent any theft of electricity.
- 6.6 The franchisee and the authorised representative of the Licensee, shall record meter reading jointly of the meters at input points as specified in the DFA.
- 6.7 The liability of the Franchisee to make payments to the Licensee shall be irrespective of Franchisees ability to make collections from the consumers in case of IBDF.
- 6.8 Franchisee shall have to deposit 2 times of the monthly assessed revenue as per average potential demand for last one year as security. The deposit shall be provided in the form of Demand draft/ Banker's cheque/Cash/Digital mode pledged in favour of Licensee.
- 6.9 Licensee shall ensure return of the security deposit to the franchisee within 60 days of termination of the contract after the settlement of Licensee accounts.
- 6.10 The Franchisee shall collect the Security Deposit and other applicable Charges from the consumers while enhancing the sanctioned load or upgrading the consumer category, which shall be transferred to the Licensee.
- 6.11 Franchisee shall make the consumers aware of appropriate use of electricity, conservation of energy and impact of electricity theft in their Project Area.
- 6.12 Licensee will replace all the damaged and incorrect meters of the existing consumers under the proposed franchisee area before the franchisee starts

operation. Franchisee shall be responsible to take suitable measures for repairing/replacement of incorrect consumer meters during the tenure of the franchisee.

- 6.13 The Franchisee shall comply with the complaint handling procedure approved by Commission.
- 6.14 The Franchisee shall update and submit detailed asset /inventory status reports on an annual basis for all assets/inventories within the Franchisee area.
- 6.15 The bills raised by the Franchisee to the consumers shall separately mention the outstanding dues of the Licensees. Franchisee shall maintain separate record of the collections made against the total arrear of the Licensee.
- 6.16 For collecting the outstanding dues by The Franchisee, the Licensee shall pay an incentive which shall be specified in the DFA.
- 6.17 Monitoring of performance of the Franchisee shall be the sole responsibility of the Distribution Licensee and under performance shall not be allowed as a “pass through” in determination of Retail Tariff of the consumers.

CHAPTER 7 PAYMENT METHODOLOGY

7.1 INPUT BASED DISTRIBUTION FRANCHISEE:

7.1.1 The Remuneration Methodology Involves:

- (i) The franchisee shall pay the Licensee at the agreed input rate for all the input energy as per the DFA.
- (ii) Based on estimated category-wise annual energy consumption, and projected load growth for the duration of franchisee, input energy shall be derived by the Distribution Licensee.

FORMULA:

The Net energy supplied to Franchisee shall be billed at the Input energy rate as determined by the Distribution Licensee.

Any formula derived by Distribution Licensee to calculate the Input Energy in the Franchisee Area shall have to take prior approval of the Commission.

The input Energy rate will be subject to revision due to change in existing retail Tariff, FPA after the prior approval of the Commission.

7.1.2 The Licensee shall determined loss reduction trajectory in the franchisee area during the Franchisee Period.

7.2 COLLECTION BASED DISTRIBUTION FRANCHISEE:

7.2.1 The remuneration methodology involves:

- i) The Distribution Licensee shall pay the franchisee margins (which will be a percentage of its collections) on achievement of the target by the Franchisee in accordance with the terms laid down in the DFA.
- ii) The Distribution licensee shall levy penalty for not achieving the target and provide Incentives for exceeding the target.

FORMULA:

The payment to the Franchisee Margin shall be linked with the AT &C loss in the franchised area. To measure AT&C loss, the feeder meter will have to be kept healthy all the time. The AT&C loss shall be considered for the purpose of commission shall be different for different area (case to case basis) which shall be determined by The Distribution Licensee.

Any formula derived by Distribution Licensee to calculate the Commission of the Franchisee shall have to take prior approval of the Commission.

7.3 INCENTIVE

The Distribution Licensee shall formulate a Mechanism to provide incentive for encourage efficiency in performance and also a penalty Mechanism for inefficiency.

CHAPTER 8 METERING AND BILLING

8.1 METERING:

8.1.1 All consumers in the Franchisee area shall be metered.

8.1.2 All input points shall be metered.

8.1.3 In addition to the main meters at each of the input points the Franchisee shall also provide a check meter. The Distribution Franchisee shall install and operate the check metering system in accordance with these regulations and confirming to Central Electricity Authority (Installation and Operation of meters Regulations 2006 and subsequent amendments).

8.1.4 Installation and timely replacement of main meters as required to measure the energy input in the Franchisee area shall be the responsibility of the Licensee.

8.1.5 All the meters including check meters shall have the Automatic Meter Reading (AMR) facility. In case main meters are not functioning or defective the reading of check meters shall be used for billing purpose.

8.1.6 The Licensee shall inspect and if necessary recalibrate the metering system on a regular basis, at least once in every six months.

8.1.7 Each meter comprising the metering system shall be sealed by the distribution licensee and franchisee, and shall not be opened, tested or calibrated except in presence of both the parties.

8.1.8 The Franchisee shall be responsible for safe custody of the meters at interface points between Franchisee and Licensee.

8.2 BILLING:

8.2.1 a) The franchisee can prepare the energy bills of the consumers in their computer in software, provided by Licensee, but the printing of bills should be done through Licensee server. The soft copy of the billing data shall be provided to the Licensee by the Franchisee.

b) The franchisee shall utilise the Spot Billing Machine (SBM), if provided by Licensee, for consumer billing purpose.

8.2.2 The bills for different categories of consumers shall be prepared in accordance with the retail tariff as determined by the Commission for that financial period.

8.2.3 Fuel surcharge adjustment, and other charges, duties and taxes applicable, if any, as approved by the Commission shall be recovered from the consumers.

8.2.4 Electricity Bills in the Franchisee area shall be served by the Franchisee.

CHAPTER 9

DISTRIBUTION FRANCHISEE AGREEMENT

9.1 The model DFA shall be prepared by Distribution Licensee for CBDF and IBDF shall be notified and upload in the official website of the Licensee with prior approval of the Commission.

9.2 The franchisee Agreement shall clearly contain the detailed provisions in regard to the following:

- a) The rights and obligations of both parties shall be clearly mentioned.
- b) The legal framework within which both the franchisee and Distribution Licensee have to function shall clearly mentioned.
- c) The agreement shall specify about the type and size of operation that the franchisee is expected to manage.
- d) The agreement shall clearly specify the arrangements for compensation to the franchisee if interrupted supply is provided by the Distribution Licensee.
- e) Various reports of Management Information System (MIS) shall be furnished to the Distribution Licensee by the franchisee.
- f) The Agreement shall clearly mention the duration of the franchisee contract and terms for renewal of the contract along with the area allocated to the franchisee for the intended franchisee operations.
- g) The reasons for termination of the contract and its terms and conditions shall clearly mention in the Agreement in a detailed manner.
- h) In case of any default in the contract, the measures to be taken by both the parties shall be clearly mentioned in the agreement.
- i) Arbitration clause.
- j) The agreement shall clearly define that franchisee is prevented from engaging itself in any other business activity in the franchised area during the contract period.
- k) Time period for various payments to be made by the franchisee to the Distribution Licensee and penalties that can be levied shall be clearly mention the agreement.

l) The Agreement shall include the force majeure conditions applicable for both franchisee and Distribution Licensee.

m) Jurisdiction of courts where legal remedies can be sought.

n) Conditions governing discharge of performance security bank guarantee, at the end of the contract Period.

o) The Distribution Franchisee Agreement shall be initially for a period of 3 years from the effective date unless terminated earlier or as per the terms of the agreement.

p) The agreement may be renewed from mutual consent from both the parties.

CHAPTER 10 DISPUTE RESOLUTION

10. Dispute resolution

a) In case of dispute or breach of the contract, termination or change in validity of the contract between the Distribution Licensee and the Franchisee, it shall be first referred to the adjudicating officer (Nominated by the Licensee) of the franchisee Area for amicable settlement within 30 days.

b) If the dispute still remains unresolved after negotiation between the Franchisee and adjudicating officer of the area, it shall be exclusively adjudicated before the Managing Director of the Licensee within 60 days.

c) In case the Franchisee is not satisfied with the adjudicated decision of the Distribution Licensee, he may approach the office of the Electricity Ombudsman for redressal within 30 days.

d) Grievances pertaining to all consumers belonging to the Franchisee area shall be redressed as per the mechanism specified in AERC (Redressal of consumer Grievances) Regulations, 2016 and amendments thereof.

CHAPTER 11 TERMINATION

11. The DFA can be terminated by either party by giving a proper notice of three months. Provided that, a reasonable opportunity of Hearing shall be provided to the Franchisee before termination.

CHAPTER 12 REPORTING

12. The Licensee shall furnish to the Commission detailed reports regarding the performance of the Franchisees in every six months in appropriate formats.

CHAPTER 13 GENERAL PRICIPLES

13.1 Power to remove difficulties

If any difficulty arises in giving effect to any of the provisions of these regulations, the Commission may, by general or special order, take suitable action, not being inconsistent with the Act, which appears to the Commission to be necessary or expedient for the purpose of removing the difficulties.

13.2. Power to Relax

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

13.3Power to amend

The Commission may from time to time add, vary, alter, suspend, modify, amend or repeal any provisions of these regulations.

13.4. Orders and practice directions

Subject to the provisions of the Act, the Commission may from time to time issue orders, and practice directions in regard to the implementation of these Regulations.

13.5 Interpretation

All issues arising in relation to interpretation of these regulations shall be determined by the Commission and the decision of the Commission on such issues shall be final.

(By order of the Commission)

Sd/-
Secretary,
Assam Electricity Regulatory
Commission,