



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/DG(Consultant(RE/Tech)/NRG-25/42635-62 December 10, 2021

Subject:- **DRAFT NEPRA LICENSING (MICROGRID) REGULATIONS 2021
FOR COMMENTS OF STAKEHOLDERS**

In exercise of power conferred by Section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, the Authority is pleased to publish draft of NEPRA Licensing (Microgrid) Regulations 2021 for soliciting comments of stake holders/general public by 20-12-2021.

2. The draft Regulations can be assessed through NEPRA website under the 'News' section. In case you wish to become a party to the proceedings and participate in the process in a more wholesome manner you may do so by filing comments. Please submit your comments, if any, on the subject matter.

(Shakil Ahmed)
Additional Director
Registrar Office

Attachment:
Copy of draft NEPRA (Microgrid) Regulations 2021

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

(NEPRA)

NOTIFICATION

Islamabad, the [●], 2021

S.R.O. [●]/2021. — In exercise of the powers conferred by section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the National Electric Power Regulatory Authority hereby notifies the following regulations, namely:—

1. Title and Commencement. — (1) These regulations may be called the National Electric Power Regulatory Authority (Microgrid) Regulations, 2021.

(2) They shall come into force at once.

2. Definitions. — (1) In these regulations, unless there is anything repugnant in the subject or context,—

- (a) "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) as amended from time to time;
- (b) "Electricity Act" means the Electricity Act, 1910 (IX of 1910) as amended from time to time;
- (c) "Electricity Rules" means the Electricity Rules, 1937 made under the Electricity Act and as amended from time to time;
- (d) "host distribution licensee", for the purposes of these regulations, means the distribution company successor to WAPDA within whose concession territory the Microgrid is established;
- (e) "licensee", for the purposes of these regulations, means a person granted a license to own and operate a microgrid;
- (f) "microgrid" means a localized energy system that fulfills the following criteria, namely:
 - i) it is a self-contained distribution system operating at a voltage not exceeding 33 kV for distribution of electricity with peak distribution load not exceeding 5 MW;



- ii) it is intended to serve an unserved market; and
- iv) it is not connected directly or indirectly to the national grid.

(g) “unserved market” means a concession territory:

- i) not served by the host distribution licensee at the time of the application for a license under these regulations; and
- ii) where the host distribution licensee’s network is not projected to extend within the next six months.

(2) Words and expressions used but not defined in these regulations shall bear the meaning ascribed in the Act and in the rules and regulations framed thereunder.

3. Licensing of Microgrids.-- (1) A license under these regulations may be issued to:

- (a) an individual, or
- (b) a company, a cooperative society, a partnership or a social welfare organization, in each case duly formed and registered under the applicable law.

(2) A licensee is authorised to distribute and supply electricity to the consumers connected to the microgrid and to perform all activities incidental or ancillary thereto, including, without limitation, connection, metering, billing, collection and disconnection for payment default by a consumer.

(3) A licensee is authorised to generate electricity up to five megawatt.

(4) A licensee shall connect and supply electricity to any consumer within its service territory on a non-discriminatory basis, except where:

- (a) the requested supply will result in the licensee exceeding the limit of total distribution load of five megawatt; or
- (b) the new supply request is technically or commercially unfeasible,

provided that, the Authority may on receipt of a complaint by a person denied service conduct an inquiry on the basis of the principles set out in Schedule 1 and pass an order accordingly.

(5) A microgrid shall not be connected to the national grid or a provincial grid without permission of the Authority, which may be granted after inviting submissions by the host

distribution licensee or any other interested person. A permission may be issued subject to conditions.

4. Application Process - (1) An application for a license may be filed:

- (a) electronically, using the e-form submission facility on the Authority's website¹, or
- (b) by email or by courier addressed to the Registrar.

(2) The application shall be processed by the Authority within thirty days of receipt of the application, provided that, the said period shall be extended by such number of days taken by the applicant to respond to the Authority with information missing in its application.

(3) Subject to an opportunity of hearing to the applicant, the Authority may decline an application for inconsistency with the Act or any of the rules or regulations thereunder.

(4) A license under these regulations shall be in the form set out in Schedule 2².

(5) The licensee shall pay a fee of Rs. [•] within thirty days of the issue of the license, failing which, the license shall be deemed suspended.

5. Minimum Standards. -- (1) The minimum requirements for the design, construction, operation and safety of microgrids shall be as set out in chapters IV, V, VI, VII and VIII of the Electricity Rules³, which, for the purposes of these regulations, are incorporated herein by reference, *mutatis mutandis*, provided that:

- (a) all references to the expression "licensee" in the said chapters, for the purposes of these regulations, shall mean the licensee under these regulations,
- (b) all references to the expression "consumer" in the said chapters, for the purposes of these regulations, shall mean a consumer of the microgrid, and
- (d) all references to the expression "electrical contractor" in the said chapters, for the purposes of these regulations, shall include a contractor licensed by the Pakistan Engineering Council established under the Pakistan Engineering Council Act, 1975, to undertake electrical works.

¹ A form of application is provided separately with this draft, but has not yet been added as a schedule as the contents of the application are yet to be evolved in public sector consultation.

² This will be a unified license for generation, distribution and electric power supply. The drafting of this license template is not within our current scope of work.

³ The question whether IEEE Standards 2030.7 and 1547 should be applied is left open for stakeholder consultation.



(2) A licensee shall not commence commercial operations until the day after the licensee has filed with the Authority a certificate by an engineer licensed by the Pakistan Engineering Council certifying that the microgrid, as built, complies with:

- (a) these regulations,
- (b) the applicable environmental protection laws,
- (c) local laws, and
- (d) such other laws applicable to electrical systems of the size and specifications as the microgrid in question.

6. Tariff. — (1) Tariff charged by the licensee to the consumers shall be negotiated between the parties bilaterally.

(2) The licensee shall submit the bilateral agreement signed with consumers to the Authority for approval. Further, any revisions in tariff on later stage shall also be submitted to the Authority for seeking approval.

(3) The Authority may carry out a tariff reassessment where it has reason to believe that the licensee's tariff is unjustified.

7. Miscellaneous. (1) Grid Arrival – Where a host distribution licensee intends to extend its distribution network to the area served by the Microgrid, it shall make an application to the Authority whereupon the Authority shall conduct a public hearing and shall make an order accordingly, provided that, an order by the Authority allowing the application shall be subject to, but not limited to, the following conditions, namely:

- (a) acquisition of the Microgrid (or the licensee, where a juridical person) shall be subject to payment of appropriate compensation by the host distribution licensee to the licensee, and
- (b) the Authority may order that the acquisition of the Microgrid shall be deferred for a period to be specified by the Authority.

(2) Standard Operating Procedures – The Authority may in the consumer interest from time to time specify standard operating procedures which shall be followed by the licensee. Such standard operating procedures may include, but shall not be limited to, the following topics:

- (a) billing and collection from consumers;



- (b) connection and disconnection of consumers;
- (c) suspension of service;
- (d) consumer deposits;
- (e) consumer complaints management system;
- (f) service contract with consumers; and
- (g) customer complaints resolution procedure;

provided that, pending the development of the standard operating procedures by the Authority, the licensee shall ensure that it enters into a service contract with each consumer and that the service contract addresses the topics listed in Schedule 3 in a manner which is fair and equitable between the consumers and the licensee.

(3) Accounting – [A licensee shall keep proper books of account in accordance with the charts of accounts specified by the Authority in this behalf for microgrids.] / [A licensee shall prepare, at a minimum, its accounts in accordance with Annexes IV and V to the Electricity Rules.] A licensee shall cause its accounts to be audited annually by a chartered accountant and shall file the audited accounts with the Authority within one hundred twenty days of the close of its financial year if it is a juridical person and within one hundred twenty days of the end of a calendar year if it is a natural person.

(4) The National Electric Power Regulatory Authority Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 shall not apply to the grant of licence issued under these regulations.



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Registrar

Principles of inquiry into refusal to serve

- A. The licensee shall not unduly discriminate against customers in the immediate vicinity of a microgrid if such person wishes to receive service from the microgrid.
- B. There shall be a presumption of undue discrimination if the customer refused service is within the microgrid boundaries or in the vicinity thereof.
- C. The presumption of undue discrimination may be rebutted if the licensee demonstrates that:
 - 1. it is not feasible to connect the applicant based on cost, where the cost of connection and service to the applicant would exceed the average cost plus a reasonable return of providing service to other customers of the same customer-class, with the reasonable return derived from the tariff pursuant to regulation 6(1) of these regulations, or
 - 2. it is technically not feasible to connect the applicant, for which the licensee shall submit an affidavit signed by an engineer licensed by the Pakistan Engineering Council describing the technical barriers that prevent delivery of service to the applicant.



Schedule 2

Form of License for Microgrids

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Terms for contract of electrical service supply by microgrids

The licensee shall develop a standard form contract to be used for all customers with the exception that rates may vary for each customer-class. The contract shall be written in plain language and shall be drawn to represent a fair and equitable agreement comprising but not limited to the following terms:

- i) the effective date of the contract
- ii) the contract to continue until terminated by the customer with notice, by the licensee on customer's payment default or on grid arrival
- iii) all rates and charges for which the customer shall be charged, including late payment fees and reconnection fees, as applicable, but subject always to the tariff and conditions approved by the Authority generally or specifically
- iv) the billing cycle
- v) the terms and conditions for the suspension of service and reconnection
- vi) the assignment of the contract to a successor/lessee/licensee to the customer's premises
- vii) force majeure provisions
- viii) terms and conditions for the licensee's right to enter the customer's premises
- ix) provisions against theft of electricity
- x) customer inquiries and complaints office with address and contact details
- xi) customer complaints resolution procedure
- xii) transfer of contract on grid arrival
- xiii) a dispute between a customer and the licensee shall not be subject to arbitration but shall be processed under section 39 of the Act, provided that, the contract may provide for a conciliation or mediation process not exceeding 15 days before filing of a complaint with the Authority, and in such case the mediation shall be conducted either by a mediator duly accredited under the relevant legislation or by a conciliation committee comprising equal representation of the licensee and the association of consumers of the licensee
- xiv) the standard operating procedures specified by the Authority from time to time pursuant to the regulations to prevail in case of inconsistency with the contract terms, and
- xv) such other provisions as the Authority may specify from time to time.

12. Chief Executive Officer
Telenor Pakistan (Pvt.) Limited
345, Plot No. 55, River View, Block B
Gulberg Green, Islamabad
13. Chief Executive Officer,
Zong, CM Pak Complex,
Plot 47, Kuri Road, National Park Road,
Chak Sháhzaad, Islamabad
14. Chairman
Pakistan Telecommunication Authority (PTA)
PTA Headquarters building
F-5/1, Islamabad
15. Haripur Chamber of Commerce and Industry..
Chamber House.
General Post Office Road, Haripur
16. CEO
Dewan Cement Ltd Hattar,
Village Kamilpur, near Hattar Village
Tehsil & District Haripur, KPK.
17. Pakistan Steel Melters Associations
30-S Gulberg Center,
84-D-1, Main Boulevard,
Gulbeg-III, Lahore 54600.
18. FRONTIER FOUNDRY
Industrial Estate
Jamrood Road Hayatabad,
Peshawar
19. Lahore Steel (Pvt) Ltd.
Plot No. 60-61 Ind. Estate
Jamrood Road Hayatabad
Peshawar
20. M/s Anwar Kamal Law Associates
1-Turner Road
Lahore-54000
21. Chief Executive Officer
Transparency International Pakistan
5-C, 2nd Floor, Khayaban-e-Ittehad
Phase-VII, DHA, Karachi.
Tel: (092)(021) 35390408
Fax: (092)(021) 35390410
22. Chairman.
Whistleblower Pakistan.
5C, 2nd Floor Khayaban-e-Ittehad



DHA PhaseVII, Karachi .
Ph; 021-35391778

23. M/s Mohammad & Ahmed
Constitutional. Corporate & Tax Counsel
Ground Floor, Almas Tower, Begun Tassadug Road
26-The Mall, Lahore
24. Women Chamber of Commerce & Industry.
Ground Floor Sarhad Chamber of Commerce & Industry
Main G.T.Road, Peshawar
Tele091-922 5418
Fax: 091-9225417
25. Vice Chancellor LUMS - Lahore University of Management Sciences,
Khyaban-e-Jinnah, opposite Sector U, Phase 5 D.H.A,
Lahore, Punjab 54792
26. National University of Sciences & Technology (NUST) Campus,
Sector H-12, Islamabad, Pakistan
27. Agha Khan Rural Support Program (AKRSP),
Level Nine, Serena Business Complex, Khayaban-e-Suhrawardy,
opposite Convention Centre, Islamabad, Pakistan
Phone: +92 (51) 111 253 254
28. Sarhad Rural Support Program (SRSP),
Plot 14, sector E-8, phase 7, Hayatabad,
Peshawar, KPK