



## Licences

### Overview

- Introduction
- What the Act says
- Generation Licence
- BPC Licence

## What the Act says

- **Duty to obtain a licence**
  - m 18.1 Obliges everyone to have a licence
  - m BEA can issue exemptions (19)
- **Licence application process**
  - m Applicant submits required information
  - m BEA advertises notice of application
  - m Others may object
  - m BEA decides to award

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## Licences and licence conditions

- **Why do we have licences?**
  - m This is the legal mechanism to impose conditions on licensees
  - m Either in the form of licence conditions
  - m Or obligation to comply with regulations
  - m Also to collect information on industry
- **Compliance**
  - m BEA may order compliance & impose fines
  - m Take actions on behalf of Licensee at the cost of the Licensee

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## What licences are issued?

### ● Generation

- m One licence per company
- m Chukha, Tala, Basochu, Kurichu
- m In future, DHPC

### ● BPC

- m BPC undertakes several activities
  - Generation, Transmission
  - Distribution, Supply
  - Import, System Operation
- m BEA will issue 1 licence for all activities

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## Generation Licences

## Structure of the Licence

1. Definitions
2. General conditions
3. Licensed activities & area
4. Licence term
5. Tariffs & metering
6. Relationship with other licensees
7. Conduct of licensee
8. Compliance
9. Reliability & quality of supply
10. Accounting & reporting
11. Miscellaneous

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## 2: General conditions

### ● Objectives

- m Set general obligations/conditions

### ● Clauses relating to

- m Modification of the licence
- m Transfer of the licence
- m Obligation to pay fees
- m Obligation to obtain environmental clearances
- m Performance Agreement

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### 3: Licensed activities & area

- Objectives
  - m Sets the basic activities that the Licensee can do, and where they can do them
- Licensed activities are
  - m Generation at its facilities (Schedule 1)
  - m Supply to other licensees & Large Consumers
  - m Import & export
- Large Consumers
  - m Any consumer connected to Transmission System OR
  - m Whose demand is greater than 5 MW
- Note that
  - m Description of facilities updated annually
  - m Major investments require BEA approval

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### 4: Licence term

- Objectives
  - m Sets the term of the licence
- Term is set for
  - m 30 years
  - m Can apply for renewal
- Note that
  - m Must decommission at end of licence, if BEA requires

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## 5: Tariffs and metering

### ● Objectives

- m Define extent of tariff regulation
- m Obligation to meter energy

### ● Tariff clauses

- m Export/import prices are not regulated
- m Wheeling fees are set by negotiation
- m PPAs with large customers allowed, but require approval from BEA
- m All other tariffs are regulated

### ● Metering

- m Metering is obligatory
- m Data to be provided to System Operator

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## 6: Relationship with other licensees

### ● Objective

- m Govern its links with other industry players

### ● Clauses relating to

- m Agree with Transmission Licensee re interconnection
- m Not collude with other licensees
- m Follow dispute resolution procedures set by BEA

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## 7: Conduct of licensee

### ● Objective

- m Govern licensee's behaviour

### ● Clauses relating to

- m Co-operation with authorities
- m Business conduct
- m Use of information

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## 8: Compliance

### ● Objective

- m Ensure compliance with regulations

### ● Clauses relating to

- m What Licensee must comply with
  - Act, Regulations, Licence conditions
  - System Operator instructions
  - BEA decisions (& follow dispute process)
- m BEA's inspection & investigation powers
- m BEA's compliance options
  - Order compliance
  - Modify/revoke licence
  - Fines, sanctions & penalties
  - Take action at Licensee's expense

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## 9 Reliability and quality of supply

### ● Objective

- m Set requirements relating to reliability & quality

### ● Clauses relating to

- m General obligations

#### m Reliability

- Provide protection
- Planned & unplanned outages
- Record keeping

#### m Quality of supply

- As per Grid Code

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## 10 Accounting and reporting

### ● Objective

- m Set record keeping & reporting requirements

### ● Clauses relating to

#### m Record keeping

- Separate accounts for Licensed Activities
- Allocation of overheads with Other Businesses

#### m Reporting obligations

- Occasional reports
- Annual reports, as per regulation
- Accident reports

#### m Public nature of information

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## Annual reports: Generation

- Technical
  - m Installed & available capacity
  - m Availability measures
  - m Aux consumption & losses
- Sales & purchases
  - m PRODUCTION: Generation, purchases, aux consumption, losses
  - m SALES: volumes & sales to customers
  - m EXPORT: volumes
- Financial
  - m Financial statements
  - m Capital expenditure
  - m Investment plans
- Other
  - m Complaints & disputes
  - m Injuries/accidents

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## 11 Miscellaneous

- Procedures
  - m for communication
  - m if a licence condition no longer becomes applicable

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## BPC Licence

### Structure of the Licence

1. Definitions
2. General conditions
3. Licensed activities & area
4. Licence term
5. Service obligations
6. Relationship with customers
7. Relationship with other licensees
8. Conduct of licensee
9. Compliance
10. Reliability & quality of supply
11. Accounting & reporting
12. Miscellaneous

## 2: General conditions

- As per generation licence

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## 3: Licensed activities & area

- Objectives
  - m Sets the basic activities that the Licensee can do, and where they can do them
- Licensed activities are
  - m Embedded Generation <5MW at its facilities (Schedule 1)
  - m Transmission, isolated networks & Distribution
  - m Supply to consumers
  - m Import
- Licensed area
  - m All of Bhutan
  - m But rights are not exclusive, except for System Operation
- Note that
  - m Description of facilities updated annually
  - m Major investments require BEA approval

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## 4: Licence term

- As per generation licence
- Term is set for 20 years

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## 5: Service obligations

- Objectives
  - m Define distribution obligations
- Clauses relating to:
  - m Investment plans
    - Need to expand system to meet demand
    - Prepare RE plans with Ministry
  - m Connection & supply obligations
    - Obligation to supply subject to customer compliance
    - Supply must be on approved tariffs & supply conditions

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## 6: Relationship with customers

### ● Objectives

- m Define terms of customer service

### ● Clauses relating to:

- m Information
- m Tariffs
- m Customer deposits & Connection charges
- m Metering & Billing
- m Disconnection & Reconnection
- m Dispute resolution

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## 6: Relationship with customers: contd

### ● Tariffs

- m Tariffs must be approved
- m PPAs with large consumers allowed
- m Wheeling fees as negotiated: provided at least equal to costs of wheeling

### ● Deposits & connection fees

- m Deposits of up to 4 months
- m Charge actual costs after 3 poles
- m Connection fees part of revenue for tariff purposes
- m Ownership rests with BPC
- m Special exceptions for RE/industrial development

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## 6: Relationship with customers: contd

### ● Metering & billing

- m Meters required
- m Bills to be based on metered energy
- m Exceptions for "Non-Metered Supplies"

### ● Disconnection & reconnection

- m Procedure for disconnection
- m Reasons for disconnection
  - Failure to pay or meet deposit requirement
  - Non-standard equipment or unauthorised connection
  - Tampering with meter/equipment
- m Procedures for reconnection

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## 6: Relationship with other licensees

### ● Objective

- m Govern its links with other industry players

### ● Clauses relating to

- m Obligation to connect generators (including embedded generators)
- m Third party access for Large Consumers
  - May apply for exemption from this obligation
- m No collusion
- m Follow dispute resolution procedures set by BEA

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## 7: Conduct of licensee

- As per generation licence

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## 8: Compliance

- As per generation licence
- Grace period
  - m For complying with Distribution Code

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## 9 Reliability and quality of supply

### ● Objective

- m Set requirements relating to reliability & quality

### ● Clauses relating to

#### m Reliability

- Obligation
- Planned & unplanned outages
- Record keeping
- BEA may set targets for reliability

#### m Quality of supply

- As per Distribution Code

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## 10 Accounting and reporting

### ● As per generation licence

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## Annual reports: BPC

- **Technical**
  - m Distribution Performance Report
    - As per Distribution Code
  - m Quantities of equipment
  - m Losses
- **Commercial information**
  - m Customer numbers, new connections etc
  - m Energy production
  - m Energy purchases & costs of purchases
  - m Energy sales & revenues, by customer category
- **Financial**
  - m Financial statements
  - m Capital expenditure
  - m Investment plans
- **Other**
  - m Complaints & disputes
  - m Injuries/accidents

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## 11 Miscellaneous

- As per generation licence

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## Next steps

- Licences are in draft form
- Written comments invited
- To be submitted to Authority for issuance

