



BHUTAN ELECTRICITY AUTHORITY

Licence No: BEA/LICENCE/0013

**LICENCE FOR THE SYSTEM OPERATION OF POWER SYSTEM
IN THE KINGDOM OF BHUTAN**

**GRANTED TO
BHUTAN POWER CORPORATION LIMITED**

**PURSUANT TO THE
ELECTRICITY ACT OF BHUTAN, 2001**

In exercise of the power conferred by the Electricity Act of Bhutan, 2001, the **Bhutan Electricity Authority** hereby issues this Licence (hereinafter referred to as the “Licence”) to **Bhutan Power Corporation Limited** (hereinafter referred to as the “Licensee”) for the operation of Power System as the Power System Operator in the Kingdom of Bhutan on this 1st July 2014, on the terms and conditions prescribed as hereunder:

(Tashi Gyalpo)

(Samdrup K Thinley)

(Karma Tshering)

Scope of the Licence

1. The Licence is issued to the Licensee to function as the Power System Operator in accordance to section 39 of the Electricity Act of Kingdom of Bhutan and the rules, regulations and directives issued thereof by the Authority.

Licensed Activities

2. The Licensed Area for the performance of the Licensed Activities shall be the entire Kingdom of Bhutan. The Licensed Activities of the Licensee shall also include the coordination with the interconnected power system outside the Kingdom of Bhutan.
3. The Licensee as the Power System Operator of the country shall perform its functions in accordance to section 39 of the Electricity Act of Kingdom of Bhutan and the rules, regulations, Licence Conditions and directives issued thereof by the Authority.
4. The Licensee shall not engage in other activities that impede or may impede the proper performance of its Licensed Activities. The Licensee shall obtain the approval of the Authority before undertaking any activity other than the Licensed Activities.
5. The Authority may prohibit or otherwise restrict the Licensee from engaging in any other activity, other than the Licensed Activities, or impose conditions on the performance of such other activity, as necessary to protect the interests of electricity consumers and other licensees.
6. The Authority may impose limitations on the extent of Licensed Activities that may be undertaken by the Licensee.
7. The Licensee shall take all prudent and necessary measures to increase the operational and economic efficiency of the Licensed Activities in order to achieve a safe, reliable and secure operation of the Power System.
8. Unless otherwise approved by the Authority, the Licensee shall perform its Licensed Activities in a manner that avoids the creation of any direct or indirect Cross Subsidy between its Licensed Activities and Associated Business activities.
9. The Licensee shall not, in the performance of its functions, show undue preferences or discrimination against any person.
10. The Licensee shall provide its services in compliance with such terms and conditions applicable to all Licensees who request its services as may be approved by the Authority.
11. The Licensee shall assist in the planning and development of national grid and the overall power system in line with the Power System Master Plan.

Duration of Licence

12. This Licence shall be valid until a separate and independent Power System Operator is established in the country or for duration of seven (7) years, whichever is earlier, from the date of issue unless revoked earlier.

13. The Licensee may, in accordance with section 31 of the Act within three years before the expiry of the Licence, apply for a renewal of the Licence. The Licence may be renewed on such terms and conditions as determined by the Authority.

Dispensation

14. The Licensee shall comply with this Licence Conditions within two years from the date of issuance of this Licence.
15. Notwithstanding para 14 above, the Authority may give further dispensation in particular cases for compliance from certain conditions for maximum of another one year.

General Conditions of the Licence

16. The Authority may modify the terms and conditions of the Licence in accordance with section 29 of the Act.
17. The Licensee may apply to the Authority in writing for the modification of the Licence in accordance with section 30 of the Act.
18. This Licence shall not be transferred without the written consent of the Authority and payment of applicable fees. The Licensee may apply to the Authority for the transfer of this Licence in accordance with sub-section 32.2 of the Act.
19. The Licensee shall not assign, transfer, sublet or otherwise dispose of its rights, duties, liabilities, obligations and privileges under this Licence to any person or persons except with the written consent of the Authority.
20. The Licensee shall pay regulatory and other fees on a regular and continuous basis during the term of the Licence as determined by the Authority.
21. The Licensee shall execute one or more Performance Agreements, as and when required by the Authority.
22. The Licensee shall have appropriate organizational structure to ensure the independent functioning of the Power System Operator for effectively discharging the provisions of the Act, and rules, regulations, Licence Conditions and directives issued thereof by the Authority.

Reliability and Quality of Supply

23. The Licensee shall, as far as possible, ensure the reliable and quality supply of electrical energy, making all reasonable efforts to prevent interruptions of supply through vigilant supervision of Power System operation and appropriate instructions to all other licensees based on the provisions of the Act and the rules, regulations and directives issued thereof by the Authority. However, the Licensee may suspend or interrupt the supply temporarily or partially to facilitate undertaking necessary maintenance, repairs and extensions of the installations or equipment of other licensees or to restore supply. Such interruptions shall be limited to the extent possible in terms of duration and frequency and scheduled to periods where they are likely to

cause least possible inconvenience to the consumers. The Licensee may also facilitate interruption of the supply in case of:

- a. Load shedding when the demand exceeds the available capacity in the area;
and
 - b. Emergency.
24. The Licensee shall facilitate to make reasonable provisions to meet emergencies resulting from a failure of supply.
 25. The Licensee shall keep a complete record of all interruptions, both emergency and scheduled. These recordings shall include the cause of interruptions, date, time duration and location. In cases of emergency interruptions, record keeping shall also include the remedy and steps taken to prevent recurrence.
 26. The Authority may, in consultation with the Licensee, define specific indicators and performance requirements for the reliability and quality of supply.
 27. The Licensee shall undertake Power System studies including the load flow analysis concerning all possible Power System scenarios as necessary.
 28. The Licensee shall issue such directions and exercise such supervisions and controls as may be required for ensuring stability of Power System and for achieving the maximum economy, efficiency and reliability in the operation of Power System in the country.

Relationship with other Licensees

29. The Licensee shall communicate and interact with other Licensees required in accordance to the provisions of the Act, and the rules, regulations and directives issued thereof by the Authority.
30. All instructions and other communication of the Licensee shall, to the extent possible, be in writing, except in case of emergency in which case the written instruction can be sent as immediately as possible afterwards. A record of all instructions and communications shall be maintained by the Licensee.
31. The Licensee shall not collude in any way with other Licensees.
32. The Licensee shall ensure that other licensees under the Act follow its instructions as stipulated in section 39 of the Act.
33. In the event of a dispute between licensees under the Act, the parties to the dispute shall follow the procedures as set out in dispute resolution procedure issued by the Authority.

Conduct of the Licensee

34. The Licensee shall extend all possible cooperation to relevant national authorities to assure the necessary monitoring of the system operation and development of Power System.
35. The Licensee shall ensure that any confidential or privileged information obtained as a result of its activities shall not be revealed to anyone, except to persons who are authorised to receive such information. The Licensee shall also ensure that such

confidential or privileged information is not used for conducting any other activities, other than the Licensed Activities.

36. The Licensee shall ensure that no person, including any Associated Business, uses any information in the Licensee's possession to gain an unjustified competitive advantage.
37. The Authority may require the Licensee to develop and submit procedures for ensuring compliance with the conditions set out in para 35 and 36 of this Licence.

Compliance with the Laws

38. The Licensee shall comply with the Act, and all rules, regulations, codes, standards, Licence Conditions and directives issued thereof by the Authority.
39. The Authority may initiate an investigation of the Licensee's compliance with any Licence Condition, including examination of the Licensee's business practices with respect to these conditions.
40. The Licensee shall ensure that all its installations and equipments are as per the prevailing laws and standards or as per the good industry practices.
41. An authorised representative of the Authority shall be given access to inspect the Licensee's premises, its equipment and documents for the purpose of investigating the Licensee's compliance with the Licence Conditions, including examination of the Licensee's activities with respect to these conditions. The Licensee shall provide any required assistance necessary for the Authority to conduct its work efficiently. Except in cases of emergencies, reasonable notice shall be given by the Authority to the Licensee for such inspections.
42. If the Licensee breaches any of the Licence Conditions, the Authority may take any of the following actions:
 - a) Impose fines, sanctions and penalties in accordance with sub-section 11.1 (vi) of the Act
 - b) Order compliance in accordance with section 28 of the Act;
 - c) Modify the Licence in accordance with section 29 of the Act; or
 - d) Revoke the Licence in accordance with section 34 of the Act.
43. The Licensee shall inform the Authority of any violation of the Licence Conditions within one week from such violation becoming known to the Licensee.
44. Where the Authority determines that the Licensee has breached or is likely to breach provisions of the Act, or Licence Conditions, rules, regulations, codes, standards or directives issued thereof by the Authority and, where the Authority is confident that immediate action is necessary, it may direct the Licensee to take immediate action to discontinue or refrain from that practice to:
 - a) Protect public health, safety and interest and the environment; or
 - b) Prevent the destruction of public property.

Accounting and Reporting

45. The Licensee shall maintain its accounting records separately for the Licensed Activities, in accordance with rules, regulations and directives of the Authority, in addition to other reporting requirements under the Laws of Bhutan.
46. The Licensee shall, where it is found more economical, allocate common expenses concerning its Licensed Activities and any Associated Businesses on a reasonable basis in accordance with generally accepted accounting practices.
47. The Licensee shall submit to the Authority, upon its request in a prescribed form within the time set by the Authority, any information, including information provided to other agencies of the Royal Government of Bhutan, that the Authority considers reasonably necessary to conduct its regulatory responsibilities.
48. The Licensee shall also report all revised information.
49. The Licensee shall prepare and submit to the Authority, in the form prescribed by the Authority, a quarterly and an annual report on the operations of Licensed Activities, and the extent to which the Licence Conditions are being followed, in accordance to the relevant regulations or directives issued by the Authority.
50. Any information provided to the Authority by the Licensee shall be considered public, unless, upon specific request of the Licensee, the Authority ascertains that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to the Licensee.

Miscellaneous conditions

51. A communication between the Licensee and the Authority pursuant to or in connection with the Licence shall be given in writing and executed by duly authorised officer of the Licensee and the Authority.
52. If any of the Licence Conditions becomes null and void or otherwise ceases to be effective, such condition shall be deemed to be severed and remaining Licence Conditions shall continue in force and effect for the term of the Licence.

Revocation of Licence

53. The Authority may revoke the Licence without compensation to the Licensee for any breach of the Licence Conditions.

Definitions

Unless the context otherwise requires, in this Licence:

- a. "Act" means the Electricity Act of Bhutan 2001 and shall include any other future legislation which may be passed amending or repealing the 2001 Act.
- b. "Associated Business" means any business or company which directly or indirectly, in whole or in part, is owned by the Licensee, including any subsidiaries or joint ventures; owns the Licensee; or is owned by a company which owns or is owned by the Licensee;

- c. “Authority” means the Bhutan Electricity Authority;
- d. “Cross Subsidy” means the transfer of assets either in cash or kind or allocation of costs within the accounts of the Licensee or among Associated Businesses for the financial support of one activity or business or customer group at the expense of another;
- e. “Licence Condition” means any provision contained in this Licence or any amendment thereto;
- f. “Licensed Area” means the geographical area as defined in para 2 of the Licence Conditions;
- g. “Licensed Activities” means those activities as defined in para 3 of the Licence Conditions;
- h. “Licensee” means any person issued with a Licence pursuant to Part 3 of the Act;
- i. “Performance Agreement” means any agreement between the Licensee and the Authority that provides incentives and penalties related to the measurable performance by the Licensee of specific actions which are designed to improve the efficiency and effectiveness of the Licensed Activities;
- j. “Person” includes any individual, firm, company, associated, partnership or body of person, whether incorporated or not;
- k. “Power System” means the total system relating to power supply including interconnected generation, transmission and distribution networks.
- l. “Power System Master Plan” means a long-term plan prepared for the development of the Power System.