

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY LICENSING (MICROGRID) REGULATIONS, 2021

National Electricity Policy 2021 (NEP) has stressed on off-grid and micro-grid solutions in order to promote electricity access to areas where grid expansion is financially unviable. Further, NEP has stressed on integrated planning for rural electrification and provision of electricity to unserved areas of the country.

Moreover, the Alternative and Renewable Energy Policy 2020 (ARE Policy, 2020) has included MGs and localized energy systems (LES) in its scope. The ARE Policy, 2020 envisages that MGs based electricity services systems will be one of the key interventions to accomplish the targets set forth therein.

Keeping in view the regulatory challenges, NEPRA with the assistance of German aid agency GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), Legal Counsel Aqqaal Associates and input received from US Department of Energy has drafted the NEPRA Licensing (Microgrid) Regulations, 2021.

Pursuant to the directions of Authority, the draft of subject Regulations is being uploaded on NEPRA website for comments of stake holders and general public. All interested parties are invited to submit comments/input at following address on or before 20-12-2021.

Registrar NEPRA

NEPRA Tower, Ataturk Avenue (East), G-5/1, Islamabad.

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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

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.

Engineering Council Act , 1975, to undertake electrical works.

(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