

GOVERNMENT OF PAKISTAN
CABINET SECRETARIAT
(CABINET DIVISION)

Islamabad, Thursday 28th May, 2015

NOTIFICATION

541

S.R.O (1)/2015.— In exercise of the powers conferred by section 46 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the National Electric Power Regulatory Authority, with the approval of the Federal Government, is pleased to make the following rules, namely: -

1. Short title and commencement. — (1) These rules may be called the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015.

(2) They shall come into force at once.

2. Definitions. - (1) In these rules, 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);

(b) "applicable documents" means the rules and regulations issued in pursuance of the Act by the Authority, from time to time, the generation, distribution and transmission licences, the grid and distribution codes as well as the commercial code and any documents, instruments, approvals, directions or authorizations issued or granted by the Authority in exercise of its powers under the Act and any document in each case of a binding nature applicable to the licensees or, where applicable, to the Market operator and to which the licensees or the market operator may be subject;

(c) "commercial code" means a specific procedure or set of procedures established by the market operator for carrying out the market operations, including commercial operations, processes and functions, required under these rules with the approval of the Authority;

(d) "Central Power Purchasing Agency (Guarantee) Limited or "CPPA-G" means; an entity established to conduct the market operations, pursuant to re-organization of business of NTDC in furtherance of reform of CPPA, which presently is a division of NTDC.

(e) "grid code" means the guidelines, standards and procedures of technical and commercial aspects for the access, use and operation of transmission system and transmission facilities of NTDC as modified and approved by Authority from time to time;

(f) "market design" means the arrangements and stages for the transition of power market to a competitive regime as per Schedule—I, or as specified by the Authority from time to time;

(g) "market operator" means the entity authorized or registered by the Authority under these rules to carry out and discharge the market operations;

(h) "market operations" means the functions, operations and responsibilities to be performed and discharged by the market operator, as specified in Schedule—II;

(i) "market participant" means any entity, approved by the Authority as generation company, NTDC, "the Ex-WAPDA distribution companies", Transmission Company or any other entity enlisted by the market operator under the commercial code;

(j) "National Transmission and Despatch Company Limited (NTDC)" means the national grid company licensed by the Authority;

(k) "Registrar" means a person designated by the Authority to register and record the receipt of communications, applications and petitions filed with the Authority and to perform such other duties under these rules as may from time to time be assigned by the Authority;

(l) "system operator" means a division of NTDC responsible for system operation and despatch as established in transmission license of NTDC and the grid code; and

(m) "transmission company" means an entity licensed by the Authority to provide transmission services and shall include special purpose transmission licensee.

(2) The words and expressions used but not defined in these rules shall have the same meaning as are assigned to them in the Act.

3. Registration of market operator.— There shall be a market operator registered by the Authority and authorized to conduct the market operations, subject to the eligibility criteria set forth in sub-rule (2).

(2) Any entity desirous of being registered as a market operator and to be authorized to conduct the market operations shall make an application to the Registrar, which shall be accompanied by-

(a) copies of memorandum of association and articles of association;

(b) particulars of its chief executive officer and directors,

(c) documents showing that satisfactory system and controls are available to conduct the market operations;

(d) documents showing that adequate financial, technical, organizational and human resources are available to act as the market operator in a proper and efficient manner on an ongoing basis;

(e) documents showing that sufficient contractual arrangements are in place to conduct the market operations;

(f) draft commercial code; and

(g) the fee as may be specified by the Authority; and

(h) such other document as may be required by the Authority.

(3) The Registrar shall examine the contents of the application in order to satisfy himself of the conformity thereof with the provisions of sub-rule (2) and —

(a) shall, if the application is found by the Registrar not to be in conformity with sub-rule (2), return the application to the applicant with directions to amend and re-file the application in accordance with the provisions of sub-rule (2):

Provided that no application shall be returned after the expiry of fifteen days of filing thereof with the Registrar; or

(b) where the application is found to be in conformity with the requirements of sub-rule (2), shall accept the application and endorse thereon a stamp acknowledging the filing along with the number given thereto in the Register:

Provided that where the application is re-filed by the applicant, and the Registrar is not satisfied of the conformity thereof with sub-rule (2), the Registrar shall place the application before the Authority for directions which shall be made by the Authority not later than seven days of the date of re-filing thereof by the applicant. The Authority shall not reject an application on the grounds of any defect therein without giving the applicant an opportunity of rectifying the defect within the time specified for the purpose by the Authority.

(4) An application shall be deemed to have been filed on the date of filing thereof with the Registrar, and where re-filed in accordance with the provisions of sub-rule (3), on the date the Registrar or the Authority, as the case may be, accepts the filing thereof.

(5) An application shall be signed by the applicant or on his behalf by one or more of his authorized representatives in their individual names.

(6) Where in an application any statement of fact or opinion, is made by the applicant, it shall be supported by an affidavit, drawn up in the first person stating the full name, age, occupation and address of the deponent and the capacity in which he is signing and indicating that the statement made therein is true to the best of his knowledge

(7) Where any statement in an affidavit given under sub-rule (6) is stated to be true according to the information received by the deponent, the affidavit shall also disclose the source of such information.

(8) An application with requisite documents and Information shall be filed with such number of copies as the Authority may from time to time determine.

(9) An application shall be lodged for registration during office hours at the principal office of or such other office as may be directed by the Authority. An application may be forwarded to the Authority through registered post or courier service. If an authorized agent files an application on behalf of any party, the document authorizing the agent to do so shall be filed along with the application or communication, if not already filed in the record of the case.

(10) As soon as may be, but not later than fourteen days of the date of filing of the application, it shall be placed before the Authority for admission and in case the Authority admits the application, it may if required, give such orders and directions for the service of notices to —

(a) the parties which in the opinion of the Authority are likely to be affected or interested; and

(b) to persons who, by reason of their calling or expertise, may be of assistance to the Authority in arriving at a just and informed determination of the proceedings, for filing replies or communications in opposition or in support of the application in such form as the Authority may direct, or for purposes of expeditious and efficient conduct of the proceedings.

(11) The Authority shall also publish for information of general public the title and brief description of the application in one or more newspapers having wide circulation.

(12) The Authority upon satisfaction that-

(a) the applicant is eligible for acting as the market operator and has the capacity to undertake and conduct the market operations; and

(b) it is in the interest of the entities engaged in the electric power services, may register the applicant as the market operator and grant a certificate of registration as specified in Form I as set out in the Schedule — III and approve with or without modifications the Commercial Code for undertaking and conducting the market operations.

(13) The Authority may, while registering an applicant as a market operator, specify conditions for such registration to be complied by the market operator in such manner and time, as it may think fit.

4. Refusal to grant registration.— (1) No application for registration made under rule 3 shall be refused except after giving the applicant an opportunity of being heard.

(2) In case the Authority refuses to grant registration to an applicant, the decision shall be communicated to the applicant stating therein the reasons for such refusal

5. Market operator authorization. —(1) Notwithstanding anything contained in these rules, for a period of two years from the commencement of these rules, CPPA-G shall be deemed to be authorized and registered as the market operator under these rules to commence and conduct the market operations and during this period shall apply for registration in accordance with the provisions of these rules:

Provided that CPPA-G shall prior to commencing the market operations and within a period of fifteen days of coming into operation of these rules submit the commercial code to the Authority for its approval and thereafter notification by the Authority in the official Gazette.

6. Renewal of registration.— (1) The certificate of registration granted under rule 3 shall be valid for twenty years subject to payment of an annual fee as may be specified by the Authority and shall be renewable on such terms and conditions, upon payment of such fee as may be specified by the Authority.

(2) The Authority shall, on receipt of payment of renewal fee and after making such inquiries and after obtaining further information, as it may consider necessary, within thirty days of the receipt of the application, renew the registration of the market operator.

7. Power to suspend or cancel registration, etc.— Without prejudice to the powers of the Authority under the Act, upon being satisfied that the market operator is not discharging its functions in accordance with these rules or terms and conditions of registration certificate, or otherwise fails to carry on its business in the interests of the market participants, the Authority may, after providing an opportunity to show cause, take such measures as it deems expedient including but not limited to suspension or cancellation of registration under these rules and take such other action as may be necessary to safeguard the interests of all stakeholders concerned.

8. Submission of annual report, etc.—(1) The market operator shall file its annual report with the Authority within four months of the close of the accounting period along with the following information and documents, namely: -

- (a) names of the persons admitted or re-admitted as the market participant and any change therein;
- (b) list of shareholders of the market operator indicating change in the shareholdings, if any;
- (c) names of the senior management staff of the market operator with their respective qualifications and experience;
- (d) names of the market participants defaulting during the year along with nature and amounts of default;
- (e) action taken against the market participants for non compliance of the commercial code, if any;
- (f) name-wise details (nature and amount) of penalties imposed on the market participants; and
- (g) action taken to combat any emergency in settlement and fulfillment of financial obligations.

(2) Without prejudice to the provisions of sub-rule (1), the market operator shall furnish to the Authority such other documents, information or explanation relating to its affairs as the Authority may, from time to time, require in writing.

9. Obligation of the market participant(s) towards the market operator.—

(1) In addition to the obligations in the applicable documents, each market participant shall have the obligation to-

- (a) comply with these rules;
- (b) comply with the commercial code including billing, collection, payment and settlement mechanisms;
- (c) submit to the system operator and the market operator the information requests pursuant to provisions of these rules, the grid code and the commercial code; and
- (d) pay the market operation fee as per commercial code and such other charges as specified by the Authority.

(2) In addition to rights in the contracts signed with, assigned to or administered by the market operator, each market participant shall have-

- (a) access to market operator settlement and payment information on request; and
- (b) access to the reports and non-confidential information on the market operators website.

(3) The market operator or market participant may file a written complaint with the Authority in case of non-compliance with these rules or the commercial code.

(4) The rights and obligations of the market participants provided in these rules shall be in addition to and not in derogation of the rights and obligations provided in their respective licence already granted by the Authority.

Amended

10. Duty to maintain confidentiality.— (1) The market operator or any officer or member of the market operator, whether during the tenure of his office or thereafter, or any other person who has by any means knowledge of any information or document relating to the affairs of any of the market participant and in particular relating to their accounts, shall not give, divulge, reveal or otherwise disclose such information or document to any other person.

(2) Notwithstanding anything contained in this rule, the provision of confidentiality shall not entitle any person to refuse disclosure of any information or document,—

- (a) which a market participant has itself authorized in writing to disclose;
- (b) in pursuance of any summons or notice issued by any Court, Tribunal or Authority having competent jurisdiction requiring production of such information or document;
- (c) to any person duly authorized by a competent Court and the Authority to investigate into any offence under any law;
- (d) for the purpose of enabling or assisting the Authority or any Government agency to exercise any power conferred on it by any law; or

(e) any such disclosure which may be required under the law.

11. Power of the Authority to give directions, instructions and guidelines.— (1) For carrying out the purposes of these rules, the Authority may issue guidelines and standard operating procedure to the market operator and the market participants in the form and manner determined by the Authority, which shall be complied with by the market operator and the market participants.

12. Power to call for information.—The Authority may, at any time, by notice in writing require any director, officer and member of the market operator and the market participant, generally or in particular to furnish it within the time specified therein or such further time as the Authority may allow, with any statement or information or document relating to the business or affairs of such market operator and the market participant.

13. Financial and organizational affairs.— (1) The market operator shall not, except to the extent specified in the terms and condition of registration or in an authorization, —

(a) stand surety, give guarantees or in any other manner offer or provide security for the indebtedness or obligations of any other person; and

(b) acquire or offer to acquire shares or other securities or participating interests in any person after the date of the issue of the registration.

Amended
14. Accounting practices and audit.— (1) Subject to the terms of the registration, the market operator shall prepare and submit the audited accounts in respect of its market operations, in accordance with the rules and regulations of the Authority, provided that the Authority may, pending the making of the rules and regulations of the Authority, require the market operator to prepare its accounts in respect of each of the foregoing businesses in accordance with the provisions of the Fifth Schedule to the Companies Ordinance, 1984 (XLVII of 1984), and to submit such accounts, duly audited in accordance with the provisions of that Ordinance in respect of each financial year not later than six months following the close of the financial year.

(2) In specifying the accounting requirements in the rules and regulations of the Authority or as term and condition of registration, the Authority may, without prejudice to its powers to omit, modify or supplement such provisions or add further provisions, require the market operator and any of its affiliates to -

(a) maintain and preserve the books of account and accounting records in respect of each financial year for the time specified in the rules and regulations of the Authority or as per term and conditions of registration; and

(b) prepare on a consistent basis from such accounting records in respect of each month, accounting statements comprising of a profit and loss account, a balance sheet and a statement of source and application of funds, together with notes thereto.

(3) Without prejudice to the provisions of the applicable documents regarding the audit of the accounts of the market operator, the Authority may, after giving the market operator an

opportunity to be heard in this regard, appoint independent auditors from amongst a panel of auditors specified in this behalf by the Authority through a notification in the official Gazette, for the audit of the accounts of the market operator, where the Authority has reason to believe that the accounts provided to the Authority by the market operator do not provide a complete, true and fair view of the market operations:

Provided that such audit shall be restricted to accounting matters under question and shall not be carried out more than once in any given financial year.

(4) The costs of audit as referred to in sub-rule (3) shall be borne by the market operator.

15. Maintenance of record.— (1) The market operator shall keep complete and accurate record and other data in respect of all aspects of the market operations and of their nature in the manner as may be specified by the Authority.

(2) All records and data referred to in sub-rule (1) shall, unless provided otherwise under any law or the applicable documents, be maintained in good order and condition for a period of five years after the creation of such record or data, provided that the market operator shall not destroy or dispose of any such record or data after the period aforesaid without thirty days prior notice, in writing, to the Authority and the market operator shall not dispose of or destroy any record or data which the Authority directs the market operator to preserve.

(3) The Authority may, upon forty-eight hours prior notice, in writing, to the market operator, enter any premises of the market operator where the record and data referred to in sub-rule (1) are kept for the examination or the taking of copies thereof during office hours

16. Resolution of disputes.—Any dispute or disagreement between market operator and market Participant relating to any matter arising out of, or in connection with, the activities covered under the rules shall be submitted for decision to the Authority.

17. Monitoring of standards.—The Authority shall periodically monitor the compliance by the market operator and the market participant with these rules and the commercial code and may require the market operator to undertake a performance audit at the market operator's expense, for the purpose of monitoring the same.

18. Saving of rights.— Nothing contained in these rules shall in any way affect or diminish the rights of the market participants under their respective licenses already granted by the Authority.

19. Penalty for failure, refusal to comply with, or contravention with any provision of the rules.— If any person fails or refuses to comply with, or contravenes any of the provisions of these rules or any direction or order passed by the Authority under these rules or knowingly or willfully authorizes or permit such failure, refusal or contravention, he shall, be punishable with a fine which may extend to 100 million rupees.

Schedule — I

[See rule 2(1) (f)]

The Single Buyer arrangement defines the current structure of Pakistan wholesale electric power market and the transition towards a competitive regime within the timelines is specified below:

Transition	Market design	Timelines
Phase I	Single Buyer Model	Current Market Structure
Phase II	Single Buyer Plus	2016 — 2020
Phase III	Competitive Market Operation	To commence from 1 July 2020, with no postponement thereon

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Schedule — II

[See rule 2(1) (h)]

(Market Operations)

1. The operations and responsibilities to be performed and discharged by the market operator, shall include the following in accordance with the grid code and the commercial code:

- As per*
- (a) To acquire, take over or assume the functions and business of settlement and development of competitive power market from CPPA of NTDC and to carry on these functions and business;
 - (b) Procurement of electric power on behalf of the DISCOs, including import of power from other countries;
 - (c) Generation invoice verification on the basis of meter reading or dispatch scheduling report and terms of the respective Power Purchase Agreements;
 - (d) Billing to the DISCOs based on the meter readings at Common Delivery Points as per the procedure defined in the commercial code;
 - (e) Collection from the DISCOs and settlement to the market participants as per the commercial code; and
 - (f) Management of cash flow, treasury management and other relevant banking functions for the purposes of collection and disbursement as per the commercial code.

2. The market operator shall be responsible for the administration, maintenance and implementation of the commercial code, these rules and supervision of compliance by market participants, including the billing, collection, settlement and payment procedures as per the commercial code.

3. In addition to the above functions, the market operator shall be responsible for-

- (a) Updating, implementing, administering and enforcing the commercial code in relation to these rules;
- (b) Collecting information and statistics and publishing reports and information relating to the performance of the market operator administered market;
- (c) Administering the development of and amendments to the commercial code for submission to the Authority for approval;
- (d) Developing and implementing competitive power markets based on policy guidelines of the Federal Government and requirements of the Authority;
- (e) Publishing such information on its website as may be required by the Authority from time to time;

- Appendix
- (f) Liaising with other bodies having market functions similar to the market operator or administering competitive power markets; and
 - (g) Any additional functions pursuant to requirements and provisions under the commercial code.
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FORM I

[See rule 3(3)]

National Electric Power Regulatory Authority

CERTIFICATE OF REGISTRATION

Market Operator

In exercise of the powers conferred by rule 3 of National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015, the National Electric Power Regulatory Authority hereby grants a certificate of registration to _____, as a market operator subject to the provisions of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) and the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 or as may be specified or imposed hereafter by the Authority.

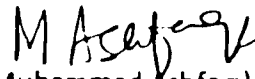
The registration number of the Market operator is _____

Dated:

Place: ISLAMABAD

By order Sd/-

For and on behalf of THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY


(Muhammad Ashfaq)
Deputy Secretary