REPORT OF THE

INDEPENDENT EXPERT COMMITTEE

Constituted by the Haryana Electricity Regulatory Commission vide Interim Order dated 09 July 2026 in Petition No. 30 of 2026

ON

THE APPLICATION OF ELEVEN POWER PRIVATE LIMITED FOR GRANT OF A PARALLEL DISTRIBUTION LICENCE UNDER THE SIXTH PROVISO TO SECTION 14 READ WITH SECTION 15 OF THE ELECTRICITY ACT, 2003

FOR THE GURUGRAM AND NUH IN THE STATE OF HARYANA

CHAPTERS 1 TO 18

Submitted to

Haryana Electricity Regulatory Commission

Panchkula

7th August, 2026

CONTENTS

LIST OF ABBREVIATIONS

Abbreviation	Full Form
ACoS	Average Cost of Supply
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
AS	Additional Surcharge
AT&C	Aggregate Technical and Commercial losses
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CGRF	Consumer Grievance Redressal Forum
Cr	Crore
CSS	Cross-Subsidy Surcharge
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
DSCR	Debt Service Coverage Ratio
EHV	Extra High Voltage
EPPL	Eleven Power Private Limited
FY	Financial Year
GNA	General Network Access
HERC	Haryana Electricity Regulatory Commission
HPPC	Haryana Power Purchase Centre
HT	High Tension
HVPNL	Haryana Vidyut Prasaran Nigam Limited
IDC	Interest During Construction
kV	Kilovolt
kVA	Kilovolt-Ampere
LT	Low Tension
MoU	Memorandum of Understanding
MU	Million Units
MVA	Mega Volt-Ampere
MW	Megawatt
MYT	Multi-Year Tariff
NoC	No Objection Certificate
O&M	Operation and Maintenance
PPA	Power Purchase Agreement

RDSS	Revamped Distribution Sector Scheme
RPO	Renewable Purchase Obligation
SC	Supreme Court of India
SLDC	State Load Despatch Centre
STU	State Transmission Utility
ToR	Term of Reference
UDAY	Ujwal DISCOM Assurance Yojana
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
USO	Universal Service Obligation

CHAPTER 1: INTRODUCTION, TERMS OF REFERENCE, METHODOLOGY AND STANDARD OF REVIEW

1.1 Introduction

The Haryana Electricity Regulatory Commission ("the Commission" or "HERC"), by its Interim Order dated 09 July 2026 in Petition No. 30 of 2026, constituted an Independent Expert Committee ("the Committee") to examine the application submitted by Eleven Power Private Limited ("EPPL" or "the Applicant") seeking the grant of a parallel distribution licence under the sixth proviso to Section 14 read with Section 15 of the Electricity Act, 2003 for the revenue districts of Gurugram and Nuh in the State of Haryana.

The Commission has entrusted the Committee with examining the Petition from legal, technical, engineering, financial, commercial and regulatory perspectives and furnishing its independent opinion on the specific Terms of Reference ("ToR") contained in the Interim Order.

The issues referred to the Committee concern the interpretation and application of the statutory framework governing parallel distribution licensing under the Electricity Act, 2003 and involves questions that may have significant implications for the future development of competition in electricity distribution within the State of Haryana. The Committee has therefore approached its assignment with due regard to the statutory objectives of the Electricity Act, consumer welfare, financial sustainability of the electricity sector, system reliability and the orderly development of electricity distribution.

1.2 Nature of the Committee's Assignment

The Committee is an independent advisory body constituted to assist the Commission in the discharge of its statutory functions.

The authority to grant, refuse or grant subject to conditions a distribution licence vests with the Commission under Sections 14, 15 and 16 of the Electricity Act, 2003. Nothing contained in this Report is intended to substitute or restrict the Commission's statutory discretion.

The Committee's responsibility is limited to:

- examining the materials placed on record;

- considering the submissions of the Applicant, the incumbent distribution licensee, the State Government, objectors and other stakeholders;
- identifying the applicable statutory and regulatory framework;
- analysing relevant judicial precedents;
- evaluating the technical, financial, engineering, commercial and regulatory aspects of the Petition; and
- recording its independent findings and recommendations on each of the Terms of Reference.

Accordingly, this Report is advisory in nature and is intended solely to assist the Commission in arriving at an informed and reasoned decision.

1.3 Constitution of the Committee

By the Interim Order dated 09 July 2026 in Petition No. 30 of 2026, the Commission, having regard to the magnitude of the proposed investment, the long-term implications for the electricity sector in the State of Haryana, the potential impact on consumers, the Existing Distribution Licensee, the transmission system and the overall regulatory framework, considered it appropriate to obtain an independent expert assessment of the legal, technical, financial, commercial and regulatory issues arising for consideration.

Accordingly, the Commission constituted the present Committee comprising:

- Mr. Alok Nigam, IAS (Retd.), former Additional Chief Secretary to the Government of Haryana, who has served for more than thirty-five years in public service, including Managing Director, UHBVNL and Addl. Managing Director, HVPNL;
- Er. Ravinder Kumar Sharma, former Managing Director, HPSEBL and HPPTCL, former Director (Operations) and Director (Technical), HPSEBL, former Director (Projects), HPPTCL, and Former Member of the Conciliation Committee of Independent Experts, Ministry of Power, Government of India; and
- Mr. Bibhu Prasad Mahapatra, former Director (Finance) in Power Sector PSUs of two States (Odisha and Uttar Pradesh), including UPRVUNL, UPPTCL, DVVNL, GRIDCO, OPTCL and Member in CESU Board.

The Interim Order directed that the Committee shall commence its work with effect from 13th July 2026 and submit its report within fifteen days thereafter, in accordance with the detailed Terms of Reference appended to the Interim Order. The

Director (Tariff), HERC was designated as the Nodal Officer of the Commission for coordination with the Committee, and the Applicant and the Respondents were directed to nominate nodal officers, not below the rank of Chief Engineer, to furnish such documents, information, records and clarifications as may be required by the Committee.

The Interim Order expressly provides that the Committee shall function as an independent expert body and that its report shall be recommendatory in nature, neither affecting nor fettering the statutory powers of the Commission to adjudicate in accordance with the Electricity Act, 2003 and the rules framed thereunder.

1.4 Terms of Reference

The Terms of Reference contained in Annexure "A" to the Interim Order dated 09 July 2026 define both the major scope and the specific scope of the Committee's assignment. The relevant extract is reproduced below.

Major Scope of Work

"To examine the petition, reply filed by the respondents as well as comments filed by the intervenors and submit a comprehensive report along with its unambiguous recommendation on the compliance by the applicant, of the conditions prescribed in the Electricity Act, 2003, Haryana Electricity Regulatory Commission (Transmission and Distribution Licensing) Regulations, 2004, as amended from time to time, Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005 as amended from time to time for grant of parallel distribution licence in Nuh and Gurugram Revenue Districts."

Specific Scope of Work

The specific scope of work referred to the Committee comprises the following heads:

- **ToR 3.1 — Statutory Eligibility:** whether the Applicant satisfies all statutory requirements prescribed under the Electricity Act, 2003, the Distribution Licence Rules, 2005 and other applicable laws; whether the requirements relating to capital adequacy, creditworthiness and code of conduct under Section 14 read with Rule 3 are fulfilled; and whether the financial capability of the holding company, promoter or group entities can legally and prudently be considered, and whether adequate legally enforceable financial commitments have been established.

- **ToR 3.2 — Financial Capability and Investment Plan:** adequacy and financial sustainability of the proposed capital investment, financing structure, debt–equity mix, implementation schedule and business plan; and the financial viability of the proposed parallel licence, including projected cash flows, revenue assumptions, funding arrangements, debt servicing capability and long-term sustainability.
- **ToR 3.3 — Technical Capability and Distribution Network:** whether the Applicant possesses the necessary technical expertise, managerial capability and operational experience, either independently or through legally binding arrangements; evaluation of the network development plan, implementation schedule, substation infrastructure, consumer connectivity plan, system redundancy and reliability standards; and conformity with the Electricity Act, HERC Regulations, Distribution Code, Supply Code, Grid Code, CEA Regulations and applicable technical standards.
- **ToR 3.4 — Transmission System and Grid Integration:** the statutory functions and responsibilities of the State Transmission Utility under Sections 39 and 40 of the Electricity Act, 2003; and whether any statutory approval, consent or No Objection Certificate from the State Transmission Utility or any other authority is required before grant of a parallel distribution licence.
- **ToR 3.5 — Power Procurement:** whether execution of long-term Power Purchase Agreements constitutes a statutory prerequisite for grant of a distribution licence, or whether such arrangements may lawfully be finalised after grant of licence.
- **ToR 3.6 — Universal Service Obligation:** whether the Applicant has demonstrated the capability to discharge the Universal Service Obligation under Section 43 across the entire proposed licensed area, including Gurugram and Nuh districts; and whether the proposed phased rollout is consistent with the Electricity Act, applicable judicial precedents and the objective of universal, non-discriminatory and reliable supply.
- **ToR 3.7 — Consumer Migration and Consumer Protection:** the proposed framework for migration of consumers from the Existing Distribution Licensee, including treatment of existing contracts, pending applications, security deposits, arrears, disputed accounts, billing arrangements, metering, continuity of supply and consumer grievance redressal.
- **ToR 3.8 — Tariff, Cross-Subsidy and Sectoral Financial Impact:** the impact of the proposed licence on ARR, retail tariff, cross-subsidy levels, Fuel

Surcharge Adjustment, deferred power purchase cost, existing Power Purchase Agreements and recovery of stranded costs; and whether the statutory mechanisms of Cross Subsidy Surcharge and Additional Surcharge adequately address the financial consequences of consumer migration.

- **ToR 3.9 — Impact on System Planning and Sector Development:** the likely impact on distribution and transmission planning, network losses, system reliability and resilience, asset utilisation and future investment requirements of the Existing Distribution Licensee and the State Transmission Utility.
- **ToR 3.10 — Public Interest:** whether the grant of the proposed licence would advance the objectives of the Electricity Act, 2003, including promotion of competition, protection of consumer interests, improvement in quality and reliability of supply, efficiency and economy, renewable energy integration, innovation and consumer choice; and whether it would best serve the public interest having regard to consumers, investors, existing licensees and the long-term development of the electricity sector in Haryana.
- **ToR 3.11 — Regulatory Safeguards:** appropriate licence conditions, regulatory measures, implementation safeguards, monitoring mechanisms and compliance requirements; and measures for coordination among the Applicant, the Existing Distribution Licensee, the State Transmission Utility, HPPC, SLDC and other stakeholders.
- **ToR 3.12 — Residuary Power:** any other legal, financial, commercial, technical or regulatory issue which, in the considered opinion of the Committee, is relevant for enabling the Commission to adjudicate the petition in accordance with law and in the larger public interest.
- **ToR 3.13 — Report and Deliverables:** findings on each of the Terms of Reference; recommendations supported by reasons; and suggested licence conditions and regulatory safeguards, wherever appropriate.

The complete Terms of Reference, including the powers and procedure of the Committee, form part of Annexure "A" to the Interim Order dated 09 July 2026. Each substantive Chapter identifies the specific Term of Reference to which it responds, and Chapter 18 consolidates the Committee's findings against every Term of Reference.

1.5 Scope of Examination

The Committee has confined its examination to the Terms of Reference specified by the Commission.

Without prejudice to the detailed analysis contained in the succeeding chapters, the principal issues examined include:

- statutory and regulatory eligibility of the Applicant;
- compliance with the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, as amended;
- financial capability;
- technical capability and engineering preparedness;
- investment programme and implementation strategy;
- transmission connectivity and grid integration;
- power procurement arrangements;
- discharge of the Universal Service Obligation under the Electricity Act, 2003;
- consumer protection and service obligations;
- impact on the incumbent distribution licensee;
- tariff, cross-subsidy and sectoral financial implications;
- public interest considerations; and
- regulatory safeguards that may be required in the event of grant of licence.

Issues falling outside the Terms of Reference have not been examined except where their consideration is necessary for determining matters specifically referred by the Commission.

1.6 Methodology

The Committee has adopted a multidisciplinary approach consistent with the nature of the reference.

Each issue has been examined through:

- statutory interpretation;
- regulatory analysis;

- judicial precedent;
- technical and engineering evaluation;
- financial and commercial assessment;
- economic implications; and
- public interest considerations.

Wherever possible, the Committee has relied upon primary documentary evidence forming part of the record. Judicial authorities have been examined in the context of the statutory provisions interpreted and the ratio decidendi applicable to the issues arising in the present proceedings.

1.7 Standard of Review

The Committee has adopted the following framework while evaluating the Petition:

(a) Statutory Compliance

Whether the Applicant has established compliance with the mandatory requirements prescribed under the Electricity Act, 2003, the Rules framed thereunder and the applicable regulatory framework.

(b) Technical and Engineering Capability

Whether the Applicant possesses the capability to establish, operate and maintain an efficient, coordinated, secure and reliable independent distribution system.

(c) Financial Sustainability

Whether adequate financial resources exist to establish, operate and sustain the proposed distribution business throughout the licence period.

(d) Consumer Interest

Whether the proposed licence is capable of delivering measurable and sustainable benefits to consumers while ensuring continuity, quality and reliability of electricity supply.

(e) Public Interest

Whether the proposed licence advances the objectives of the Electricity Act, 2003 and promotes the long-term development, efficiency and sustainability of the electricity distribution sector.

The detailed statutory, judicial and regulatory principles governing these standards are examined in Chapters 2 to 5 and are not repeated in subsequent chapters except where necessary for contextual purposes.

1.8 Burden of Proof

The Committee considers that the burden of establishing compliance with the statutory requirements governing the grant of a parallel distribution licence rests upon the Applicant.

Assertions of compliance must be supported by credible documentary evidence. Similarly, objections raised by the incumbent distribution licensee or other stakeholders have been evaluated on the basis of the evidentiary material placed before the Committee.

The Committee has not treated unsupported assertions by any party as sufficient proof either of compliance or non-compliance.

1.9 Structure of the Report

For clarity and ease of reference, the Report has been organised broadly in accordance with the Terms of Reference.The initial chapters examine the statutory framework, legislative scheme, judicial principles and comparative regulatory experience governing parallel distribution licensing. The subsequent chapters apply those principles to the evidence on record and analyse each of the Terms of Reference referred by the Commission.

Where appropriate, each substantive chapter follows a common analytical structure comprising:

1. Issue for determination;
2. Applicable statutory provisions;
3. Relevant judicial principles;
4. Evidence and submissions;
5. Committee's analysis;
6. Findings; and Recommendations.

1.10 Concluding Note

The succeeding chapters examine the issues referred to the Committee by applying the statutory framework, judicial principles and regulatory considerations governing parallel distribution licensing under the Electricity Act, 2003.

The Committee's conclusions are based solely upon the material placed on record, the applicable law and its independent professional assessment of the issues referred by the Commission.

CHAPTER 2:

LEGISLATIVE SCHEME GOVERNING PARALLEL DISTRIBUTION LICENSING

PART I

2.1 Introduction

The determination of the present Petition requires consideration of the statutory framework governing the grant of a parallel distribution licence under the Electricity Act, 2003. While the immediate issue before the Commission concerns the eligibility of the Applicant, the decision necessarily involves the interpretation of the legislative scheme enacted by Parliament to regulate competition in electricity distribution.

The Committee considers that Sections 14 and 15 of the Electricity Act, 2003 cannot be interpreted in isolation. They must be read harmoniously with the scheme and objectives of the Act, the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, as amended, the National Electricity Policy, the Tariff Policy and the judicial principles evolved by the Hon'ble Supreme Court of India and the Appellate Tribunal for Electricity.

Accordingly, before examining the individual Terms of Reference, the Committee considers it appropriate to identify the legislative principles governing parallel distribution licensing. These principles constitute the statutory foundation for the analysis contained in the succeeding chapters and are not repeated except where necessary for contextual purposes.

2.2 Evolution of Electricity Distribution Law

The legal framework governing electricity distribution in India has undergone a fundamental transformation over the past century.

Under the **Electricity Act, 1910**, electricity supply was primarily regulated through licence-based local monopolies. Distribution was generally regarded as a geographically exclusive public utility, and competition between distribution licensees was neither contemplated nor encouraged.

The **Electricity (Supply) Act, 1948** established State Electricity Boards and introduced vertically integrated public utilities responsible for generation, transmission and distribution. While this framework significantly expanded electrification, it also resulted in the concentration of electricity supply functions within State-owned utilities.

The **Electricity Regulatory Commissions Act, 1998** marked the beginning of independent economic regulation by establishing Electricity Regulatory Commissions. Its principal focus, however, remained tariff regulation rather than structural reform of the electricity sector.

The enactment of the **Electricity Act, 2003** represented a comprehensive restructuring of the sector. Parliament consolidated the earlier enactments into a unified statutory framework designed to promote efficiency, transparency, competition, consumer choice and private investment while preserving the public utility obligations inherent in electricity distribution.

One of the significant innovations introduced by the Electricity Act, 2003 was the recognition that regulated competition, where appropriately supervised by the Appropriate Commission, could coexist with the statutory obligation to provide reliable and universal electricity supply.

2.3 Legislative Objectives

The Statement of Objects and Reasons accompanying the Electricity Bill, 2001, together with the scheme of the Electricity Act, 2003, demonstrates that Parliament intended to achieve multiple and complementary objectives, including:

- promotion of competition in the electricity sector;
- protection of consumer interests;
- encouragement of private investment in electricity infrastructure;
- improvement in operational efficiency;
- transparency in regulation and tariff determination;
- financial sustainability of electricity utilities; and
- universal access to reliable electricity supply.

The Committee considers these objectives to be complementary rather than competing. The statutory framework neither favours unrestricted market entry nor preserves monopoly distribution irrespective of consumer interest. Instead, it establishes a regulated framework within which competition is permitted subject to continuing statutory obligations and regulatory oversight.

2.4 Distribution Licence under the Electricity Act, 2003

Distribution occupies a distinctive position within the statutory framework of the Electricity Act.

Unlike generation, which is substantially de-licensed, electricity distribution continues to be a licensed public utility activity because it directly affects consumers, public infrastructure and the stability of the electricity system.

A distribution licence therefore represents both a statutory authority and a continuing public responsibility.

Every distribution licensee is required, inter alia, to:

- establish, operate and maintain an efficient distribution system;
- develop and expand the distribution network in accordance with demand;
- provide supply to eligible consumers in accordance with law;
- comply with safety and technical standards;
- maintain prescribed standards of performance and quality of supply;
- discharge the Universal Service Obligation under Section 43 of the Act; and
- comply with directions issued by the Appropriate Commission.

The Committee therefore considers that the grant of a distribution licence cannot be viewed merely as permission to carry on a commercial activity. It constitutes statutory authorisation to discharge continuing public obligations under the regulatory supervision of the Commission.

2.5 Parallel Distribution Licensing under the Electricity Act

The sixth proviso to Section 14 introduced a significant departure from the earlier concept of exclusive territorial distribution.

Parliament expressly authorised the Appropriate Commission to grant distribution licences to two or more persons within the same geographical area, provided each licensee establishes and operates its own independent distribution system and complies with the statutory requirements governing the grant of such licence.

The Committee considers that this provision reflects a deliberate legislative choice to encourage regulated competition while preserving consumer protection, system reliability and effective regulatory oversight.

The statutory framework therefore rejects two equally extreme positions.

First, it does not preserve an exclusive statutory monopoly merely because an incumbent distribution licensee is already operating within a particular area.

Secondly, it does not contemplate unrestricted competition independent of statutory regulation.

The legislative model adopted by Parliament is one of regulated competition, operating within a comprehensive statutory and regulatory framework.

2.6 Purpose of the Sixth Proviso

The Committee considers that the sixth proviso to Section 14 serves five principal legislative purposes.

First, it enables competition in electricity distribution where another qualified entity is willing and able to establish an independent distribution system.

Secondly, it encourages improvements in operational efficiency by promoting innovation, better management practices and investment in modern distribution infrastructure.

Thirdly, it expands consumer choice by permitting more than one distribution licensee to operate within the same geographical area, subject to statutory safeguards.

Fourthly, it facilitates private investment in electricity distribution without requiring transfer of the assets of the incumbent distribution licensee.

Finally, it seeks to improve consumer welfare by encouraging higher standards of service, reliability, operational efficiency and technological advancement.The Committee emphasises, however, that competition is not an end in itself. The Electricity Act, 2003 treats competition as a regulatory instrument intended to promote consumer welfare, efficient investment and the orderly development of the electricity sector.

Accordingly, the mere existence of an incumbent distribution licensee cannot constitute a legal ground for refusing a licence where the statutory requirements have been satisfied. Equally, the existence of statutory eligibility does not diminish the Commission's responsibility to ensure that the grant of a licence remains consistent with the broader objectives of the Electricity Act, 2003 and the public interest.

The remaining statutory safeguards governing regulated competition, including the Distribution Licence Rules, the 2022 amendments, the relationship between competition and Universal Service, the continuing role of the Commission and the governing principles emerging from the legislative scheme, are examined in Part II of this Chapter

PART II

2.7 Regulated Competition under the Electricity Act

While the Electricity Act, 2003 introduces competition into electricity distribution, it does not contemplate unrestricted or unregulated competition. Parliament has adopted a framework of **regulated competition**, recognising that electricity distribution continues to be an essential public utility involving substantial public interest considerations.

Accordingly, the statutory framework subjects every distribution licensee, whether incumbent or subsequent, to continuing obligations relating to technical standards, financial capability, consumer protection, quality of supply, universal service, safety and regulatory oversight.

The Committee therefore considers that the introduction of a second distribution licensee is intended to strengthen efficiency and consumer welfare without compromising the reliability, security or financial sustainability of the electricity distribution system.

The statutory scheme thus balances two complementary objectives:

- promotion of competition where the statutory requirements are satisfied; and
- preservation of the public utility obligations that attach to every distribution licence.

Neither objective overrides the other. Both must be harmoniously implemented by the Commission while exercising its jurisdiction under Sections 14, 15 and 16 of the Electricity Act, 2003.

2.8 Distribution Licence Rules

Recognising that parallel distribution licensing involves significant financial, technical and operational responsibilities, Parliament authorised the Central Government, through the sixth proviso to Section 14, to prescribe additional eligibility requirements for applicants seeking a second or subsequent distribution licence.

Pursuant thereto, the Central Government notified the **Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005**, as amended from time to time.

The Committee considers these Rules to be an integral part of the statutory licensing framework. They are not advisory guidelines but mandatory statutory requirements having the force of law.

Their principal purpose is to ensure that only applicants possessing adequate financial strength, institutional capability and commercial integrity are entrusted with the responsibilities of operating an independent electricity distribution system.

Compliance with these Rules constitutes a threshold statutory requirement. However, such compliance does not exhaust the Commission's enquiry under the Electricity Act. The sixth proviso itself expressly preserves "the other conditions or requirements under this Act", thereby requiring the Commission to consider the wider statutory framework governing distribution licences.

The detailed interpretation and application of these Rules to the present Petition are examined in Chapter 6.

2.9 The 2022 Amendments

The amendments introduced to the Distribution Licence Rules in 2022 represent a significant development in the statutory framework governing parallel distribution licensing.

The Committee considers that these amendments pursue two broad legislative objectives.

First, they seek to ensure that a parallel distribution licensee undertakes meaningful and identifiable network development over a sufficiently large and coherent service area rather than entering only isolated pockets offering immediate commercial advantage.

Secondly, they reinforce the concept that the grant of a distribution licence carries continuing public obligations extending throughout the authorised area of supply and is not merely an opportunity to serve selected categories of consumers.

The Committee does not consider it appropriate to undertake a detailed interpretation of the amended provisions in this Chapter, as that issue directly arises under the Terms of Reference relating to statutory eligibility. The legal effect of the amendments, including the concept of the minimum area of supply, is therefore examined comprehensively in Chapter 6.

2.10 Competition and Universal Service

The Committee considers one of the defining features of the Electricity Act, 2003 to be the manner in which it reconciles competition with the Universal Service Obligation.The introduction of parallel distribution licensing does not dilute the statutory duty imposed upon every distribution licensee to supply electricity in accordance with law within its authorised area of supply. Rather, the Universal Service Obligation continues to attach to the licence itself and applies equally to every distribution licensee.

Accordingly, the Committee considers that an applicant for a parallel distribution licence must demonstrate not merely the ability to serve commercially attractive consumers but the institutional, financial and technical capability necessary to discharge the statutory responsibilities that accompany the grant of a distribution licence.

This principle informs the Committee's subsequent examination of network rollout, consumer migration, financial capability and public interest

2.11 Role of the Commission

The Electricity Act assigns the Appropriate Commission a central role in regulating electricity distribution.

While the Act encourages competition, Parliament has entrusted the Commission with ensuring that such competition develops in a manner consistent with the objectives of the legislation and the long-term stability of the electricity sector.

In considering an application for a parallel distribution licence, the Commission is required to examine, inter alia:

- compliance with the statutory requirements governing grant of licence;
- protection of consumer interests;
- adequacy of financial and technical capability;
- orderly development of the electricity distribution system;
- sectoral financial sustainability;
- implementation of Universal Service Obligations; and

- such other matters as are relevant under the Electricity Act, the Rules and the applicable regulatory framework.

The Committee therefore considers that the Commission's responsibility extends beyond determining formal compliance with statutory requirements. It must also be satisfied that any licence granted is capable of being implemented in a manner consistent with the objectives of the Electricity Act and the public interest.

2.12 Principles Emerging from the Legislative Scheme

Having examined the Electricity Act, 2003, the Distribution Licence Rules, the applicable policy framework and the legislative objectives underlying the sixth proviso to Section 14, the Committee derives the following principles which guide the analysis contained in the succeeding Chapters:

1. The Electricity Act, 2003 expressly recognises the grant of parallel distribution licences through independent distribution systems.
2. Competition in electricity distribution is a statutory objective intended to improve efficiency, investment and consumer welfare, but it operates within a regulated statutory framework.
3. Electricity distribution continues to be a licensed public utility activity carrying continuing statutory obligations.
4. The Universal Service Obligation applies equally to every distribution licensee operating within its authorised area.
5. Compliance with the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, as amended, constitutes a mandatory threshold requirement for grant of a parallel distribution licence.
6. The Commission retains the statutory responsibility to determine whether all applicable requirements under the Electricity Act, the Rules and the applicable regulatory framework have been satisfied.
7. The existence of an incumbent distribution licensee is not, by itself, a lawful ground for refusing a parallel distribution licence where the statutory requirements are fulfilled.
8. The grant of a distribution licence remains subject to continuing regulatory supervision and such licence conditions as may be imposed under Section 16 of the Electricity Act, 2003.

The Committee shall apply these legislative principles throughout the succeeding Chapters while examining the evidence on record and evaluating each of the Terms of Reference referred by the Commission.

CHAPTER 3: JUDICIAL PRINCIPLES GOVERNING PARALLEL DISTRIBUTION LICENSING

PART I

3.1 Introduction

The statutory framework governing parallel distribution licensing under the Electricity Act, 2003 has been progressively interpreted through decisions of the Hon'ble Supreme Court of India, the Appellate Tribunal for Electricity ("APTEL") and various State Electricity Regulatory Commissions.

While the Electricity Act establishes the legislative framework, judicial decisions have clarified the scope of regulatory discretion, the nature of competition contemplated by Parliament, the obligations of distribution licensees and the principles governing the exercise of licensing powers by the Appropriate Commission.

The Committee considers that these judicial authorities are not merely precedents governing individual disputes but constitute an important source for understanding the legislative intent underlying Sections 14, 15, 16, 42 and 43 of the Electricity Act, 2003.

At the same time, judicial precedents must always be applied in the context of the statutory provisions interpreted and the issues actually decided. Particular caution is necessary in relation to decisions rendered prior to the amendments made to the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005 in 2022.

Accordingly, the Committee has examined the relevant authorities not merely to identify their conclusions but to distil the legal principles that continue to govern applications for grant of a parallel distribution licence under the statutory framework presently in force.

The principles identified in this Chapter constitute the judicial foundation for the Committee's analysis in the succeeding Chapters and are not repeated except where their application to a particular issue requires specific reference.

3.2 Principles Governing the Application of Judicial Precedents

Before examining the individual decisions, the Committee considers it appropriate to state the principles governing their application.

First, the binding decisions of the Hon'ble Supreme Court constitute the law declared under Article 141 of the Constitution and are binding upon all Courts, Tribunals and Regulatory Commissions.

Secondly, decisions of the Appellate Tribunal for Electricity provide authoritative guidance on the interpretation of the Electricity Act, 2003 and are binding unless inconsistent with subsequent decisions of the Supreme Court or legislative amendments.

Thirdly, decisions of State Electricity Regulatory Commissions, while not binding, provide valuable regulatory experience and may possess persuasive value where consistent with the statutory framework and judicial precedent.

Finally, observations made in a judgment must be understood in the context of the statutory provisions interpreted, the issues arising for determination and the factual matrix of that case. Judicial observations cannot be applied divorced from their statutory context or extended beyond the issues actually decided.

The Committee has adopted these principles throughout its examination of the authorities referred to in this Chapter.

3.3 Principle I – Competition is a Statutory Objective within a Regulated Framework

The Electricity Act, 2003 represents a deliberate departure from the earlier model of exclusive territorial electricity distribution. Parliament introduced competition as one of the instruments for improving efficiency, encouraging investment and promoting consumer welfare.

Judicial authorities have consistently recognised that the sixth proviso to Section 14 permits more than one distribution licensee to operate within the same geographical area, subject to compliance with the statutory requirements prescribed by the Act and the Rules framed thereunder.

The Committee considers that this principle is now well settled.

However, the judicial decisions equally recognise that competition under the Electricity Act is not an unrestricted commercial right. It exists within a carefully regulated statutory framework intended to preserve consumer protection, technical reliability, financial sustainability and continuing regulatory supervision.

The Committee therefore approaches the present Petition on the basis that competition is a statutory objective, but its implementation remains subject to compliance with the legislative framework governing distribution licensing.

3.4 Principle II – No Statutory Monopoly Exists after the Sixth Proviso

One of the principal questions addressed by the higher judiciary concerns the legal effect of the sixth proviso to Section 14.

The judicial authorities consistently establish that, once Parliament has expressly authorised the grant of more than one distribution licence within the same geographical area, the existence of an incumbent distribution licensee cannot, by itself, constitute a legal ground for refusing another licence.

The Committee therefore considers that objections founded solely upon preservation of the incumbent licensee's exclusive commercial position cannot prevail.

At the same time, the absence of a statutory monopoly does not create an automatic entitlement to a licence. Every applicant continues to bear the burden of establishing compliance with the statutory requirements governing the grant of a distribution licence.

The removal of monopoly does not remove regulation.

3.5 Principle III – A Distribution Licence Creates Continuing Public Obligations

Judicial authorities consistently recognise that a distribution licence is not merely a commercial authorisation but a statutory instrument through which important public obligations are discharged.

Every distribution licensee remains responsible for establishing, operating and maintaining an efficient distribution system, supplying electricity in accordance with law, complying with statutory standards of performance and fulfilling the continuing obligations imposed by the Electricity Act. Accordingly, the Committee considers that every aspect of the present Petition must be evaluated not merely from the perspective of commercial viability but also with reference to the public responsibilities that accompany the grant of a distribution licence.

3.6 Principle IV – Universal Service Obligation Applies Equally to Every Distribution Licensee

The Committee considers that judicial interpretation has consistently recognised the Universal Service Obligation as one of the defining characteristics of a distribution licence.

The obligation to supply electricity in accordance with Section 43 of the Electricity Act attaches to the licence itself and is not dependent upon whether the licensee is the incumbent or a subsequent entrant.

Consequently, an applicant seeking a parallel distribution licence cannot be evaluated solely on the basis of its ability to serve selected categories of consumers or commercially attractive areas.

The relevant enquiry is whether the Applicant possesses the institutional, financial and technical capability necessary to discharge the statutory obligations attached to the licence throughout the authorised area of supply.

This principle assumes particular importance while examining the Applicant's proposed network rollout, consumer migration strategy, financial resources and implementation capability in the subsequent chapters.

PART II

3.7 Principle V – Capital Adequacy, Creditworthiness and Code of Conduct are Mandatory Threshold Requirements

The sixth proviso to Section 14 expressly requires every applicant for a second or subsequent distribution licence to comply with the additional requirements relating to capital adequacy, creditworthiness and code of conduct prescribed by the Central Government.

Judicial authorities have consistently recognised that these requirements are not procedural formalities but mandatory statutory safeguards intended to ensure that only financially sound and institutionally competent entities enter the electricity distribution sector.

The Committee therefore considers that the Commission must examine not merely whether financial arrangements have been proposed, but whether they are credible, enforceable and sufficient to support the establishment, operation and long-term maintenance of an independent distribution system.

Compliance with these statutory requirements constitutes a threshold condition precedent to the grant of a parallel distribution licence.

3.8 Principle VI – Technical Capability is to be Assessed Prospectively

Judicial decisions recognise that an applicant seeking a greenfield distribution licence cannot reasonably be expected to have constructed its entire distribution network before obtaining statutory authorisation.

Consequently, technical capability must be assessed prospectively rather than retrospectively.

The relevant enquiry is whether the Applicant has demonstrated, through credible engineering studies, implementation plans, financial resources, managerial capability and execution strategy, that it possesses the capacity to establish and operate the proposed distribution system within the period contemplated under the licence.

The Committee considers that conceptual proposals or broad statements of intent cannot by themselves establish technical capability. The statutory requirement is satisfied only where the proposed implementation programme is supported by objective evidence capable of independent evaluation.

3.9 Principle VII – Independent Distribution System

The statutory requirement that a parallel distribution licensee shall distribute electricity through its own independent distribution system constitutes one of the central features of the sixth proviso to Section 14.

Judicial authorities recognise that Parliament intended competition to develop through independent distribution infrastructure rather than through mere commercial participation using another licensee's distribution network.

The Committee therefore considers that the Applicant must demonstrate the capability to plan, establish, operate and maintain an independent distribution system integrated with the State transmission network while remaining operationally independent in accordance with the statutory framework.

The detailed engineering evaluation of the proposed network is undertaken in the chapters dealing with technical capability and system planning.

3.10 Principle VIII – Public Interest Remains the Governing Consideration

The Electricity Act, 2003 entrusts the Appropriate Commission with the responsibility of balancing competition, consumer welfare, system reliability and long-term sectoral sustainability.

Judicial authorities consistently recognise that the exercise of licensing powers is not confined to verification of formal statutory compliance. The Commission is also required to consider whether the grant of a licence advances the objectives of the Electricity Act and serves the larger public interest.

The Committee therefore considers public interest to be an integrating principle informing every aspect of the Commission's decision-making process rather than an isolated consideration to be examined independently of the statutory framework.

3.11 Principle IX – Regulatory Decisions Must be Reasoned and Evidence-Based

The requirement that regulatory decisions be supported by reasons is a well-established principle of administrative law and has been consistently affirmed in judicial decisions concerning electricity regulation.

Accordingly, the Committee has adopted an analytical framework under which every finding contained in this Report is based upon:

- the applicable statutory provisions;
- binding judicial precedent;
- documentary evidence;
- technical and engineering analysis;
- financial and commercial evaluation; and
- regulatory considerations.

This approach is intended to assist the Commission in recording a reasoned order capable of withstanding appellate scrutiny.

3.12 Principle X – Licence Conditions are an Integral Part of the Statutory Framework

Section 16 of the Electricity Act empowers the Commission to specify conditions subject to which a distribution licence may be granted.

Judicial authorities recognise that carefully designed licence conditions constitute an important regulatory instrument for ensuring orderly implementation of a distribution licence.

The Committee considers that matters relating to phased rollout, reporting obligations, network development milestones, consumer protection measures and performance monitoring may appropriately be addressed through licence conditions.However, licence conditions cannot be employed to cure the absence of mandatory statutory eligibility. A condition imposed after grant of licence cannot substitute compliance with statutory requirements that have been prescribed as threshold qualifications. This distinction has guided the Committee throughout its evaluation of the present Petition.

3.13 Principle XI – Judicial Precedents Must be Applied in Their Statutory Context

Several of the leading judicial authorities concerning parallel distribution licensing were decided before the amendments introduced to the Distribution of Electricity Licence Rules in 2022.

The Committee therefore considers it essential to distinguish between legal principles of continuing application and those that may have been modified by subsequent legislative amendments.

Judicial precedents must be applied in harmony with the statutory framework in force at the time the Commission exercises its jurisdiction.

Where Parliament has amended the governing legislation or the statutory Rules, the amended provisions necessarily prevail while the underlying judicial principles continue to guide their interpretation.

3.14 Principles Emerging from Judicial Precedents

Having examined the relevant judicial authorities, the Committee derives the following principles for application throughout this Report:

1. The Electricity Act, 2003 recognises regulated competition in electricity distribution.
2. The existence of an incumbent distribution licensee does not create an exclusive statutory monopoly.
3. Every distribution licence carries continuing public obligations.

4. The Universal Service Obligation applies equally to every distribution licensee.
5. Capital adequacy, creditworthiness and code of conduct constitute mandatory statutory threshold requirements.
6. Technical capability is to be evaluated prospectively on the basis of credible implementation capability rather than completed infrastructure.
7. A parallel distribution licensee must establish and operate an independent distribution system in accordance with the statutory framework.
8. Public interest, consumer welfare, system reliability and sectoral sustainability remain central considerations in the exercise of the Commission's licensing jurisdiction.
9. Regulatory decisions must be evidence-based and supported by clear reasons.
10. Licence conditions are an important regulatory tool but cannot substitute compliance with mandatory statutory requirements.
11. Judicial precedents must be applied consistently with the statutory framework in force at the time of the Commission's determination.

3.15 Conclusion

The Committee concludes that the judicial authorities establish a coherent and consistent framework governing the grant of parallel distribution licences under the Electricity Act, 2003.

These authorities recognise that Parliament has consciously introduced regulated competition into electricity distribution while simultaneously preserving the statutory obligations attaching to every distribution licence and the continuing supervisory role of the Appropriate Commission.The Committee shall apply these judicial principles throughout the succeeding Chapters while examining the evidence on record, evaluating the Applicant's compliance with the statutory framework and recording its findings on each of the Terms of Reference referred by the Commission.

3.16. **Judicial Precedents referred and discussed in the Report:**

I. Judgment dated 29.09.2022 of Hon'ble Supreme Court in Civil Appeal No.3607-3610 of 2008, Jindal Steel Power Ltd. vrs Chhattisgarh State Electricity Regulatory Commission & Others.

II. Judgment dated 23.11.2022 of Hon'ble Supreme Court in Civil Appeal No.1933 of 2022, Tata Power Company Ltd. Transmission vrs Maharashtra Electricity Regulatory Commission and Others.

III. Judgment dated 11.03.2026 of Hon'ble APTEL in Appeal No.279 of 2017, Municipal Corporation of Greater Mumbai vrs Maharashtra Electricity Regulatory Commission & Others;

IV. Judgment dated 06.04.2011 of Hon'ble APTEL in Appeal No. 7 of 2010, M/s NOIDA Power Company Limited vrs Paschimanchal Vidyut Vitran Nigam Ltd & Others;

V. Judgment dated 28.11.2014 of Hon'ble APTEL in Appeal Nos.229 of 2012 and 246 of 2012 (cross appeals filed by TPCL & R-Infra).

VI. Order dated 14.08.2014 of Maharashtra Electricity Regulatory Commission in Case No.90 of 2014 filed by Tata Power Company Ltd. for grant of distribution licence in Mumbai City and part of Mumbai Sub-Urban area.

VII. Order dated 17.06.2020 of the Haryan Electricity Regulatory Commission in HERC/PRO-11 of 2017, carried in appeal as Appeal No. 133 of 2020 and disposed of with connected appeals by the Hon'ble APTEL by common judgment dated 12.02.2024, eventually affirmed on this point by the Hon'ble Supreme Court in Indian Railways v. West Bengal State Electricity Distribution Company Limited & Ors., decided 08.05.2026.

CHAPTER 4:

THE PETITION: FACTUAL BACKGROUND AND PROCEEDINGS

PART I – FACTUAL BACKGROUND OF THE PETITION

4.1 Introduction

This Chapter records the factual and procedural background of the present proceedings before the Haryana Electricity Regulatory Commission ("the Commission") relating to the application filed by Eleven Power Private Limited ("EPPL" or "the Applicant") for grant of a parallel distribution licence under Section 15 read with the sixth proviso to Section 14 of the Electricity Act, 2003.

Its purpose is to provide the factual context necessary for examination of the Terms of Reference. It does not evaluate the merits of the Petition or record any finding on the issues arising for determination. The Committee's analysis, findings and recommendations are contained in the succeeding Chapters.

4.2 The Petition

The Petition was filed by Eleven Power Private Limited, a company having its registered office at 201, Empire Apartments, First Floor, Sultanpur, M.G. Road, Gadaipur, Southwest Delhi – 110030, on 12 May 2026, under Sections 14 and 15 of the Electricity Act, 2003, read with the Haryana Electricity Regulatory Commission (Transmission and Distribution Licensing) Regulations, 2004 and the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, as amended in November 2022. The Petition was accompanied by a supporting affidavit, enclosures and annexures, including the Business Plan and Network Rollout Plan, certificates relating to net worth, liquidity and investment capacity, and the prescribed court fee.

It may be noted that the Applicant was earlier incorporated on 06.06.2025 as Veyora Infra Private Limited with objects relating to real estate. The name of the Company was changed to 'Eleven Power Private Limited' on 24.02.2026 and its objects to the generation, transmission and distribution of electricity by Memorandum dated 26.02.2026.

The Applicant has sought the grant of a parallel distribution licence for the Revenue Districts of **Gurugram and Nuh** for a period of twenty-five years, to establish, operate and maintain an independent electricity distribution system and to distribute and supply electricity within the proposed licence area through its own network, including the urban and industrial agglomerations of Gurugram, Manesar, Sohna and Pataudi and the areas comprised in the Nuh Revenue District.

The Petition envisages development of a modern greenfield distribution system incorporating phased network development, advanced metering infrastructure, digital utility management systems, smart grid technologies, modern consumer service platforms and procurement of power from appropriate conventional and renewable sources in accordance with the applicable statutory and regulatory framework. The Applicant has emphasised a renewable-energy-oriented supply proposition, stating that a substantial proportion of the electricity supplied to its consumers is intended to be sourced from renewable and green energy sources.

These proposals constitute the basis of the Applicant's case and are examined under the relevant Terms of Reference in the succeeding Chapters.

4.3 The Applicant and the Promoter Group

The Applicant is a private limited company forming part of the Eleven Group (erstwhile SAS Group), a diversified business group with interests spanning healthcare, financial services, infrastructure and allied sectors. The Petition places reliance upon the experience of group entities and its consortium partners, including SV Creditline Limited, in executing large-scale infrastructure and electrical works, and refers, inter alia, to the execution of 220 kV substation works for evacuation of wind power, battery energy storage system projects, rural electrification and agricultural feeder works under State programmes, and multiple turnkey distribution infrastructure packages awarded by State distribution utilities.

The Petition further relies upon the professional experience of the Applicant's leadership and proposed management team, which is stated to include personnel with prior experience in electricity distribution operations, distribution franchisee management, consumer billing and revenue-cycle management, metering, and erection, testing and commissioning of distribution infrastructure, drawn from established utilities and distribution businesses.

The Committee records these averments as part of the factual background. The extent to which group experience and proposed management arrangements satisfy the statutory requirements relating to technical and managerial capability is examined in Chapter 8, and the extent to which promoter financial strength may be taken into account for the purposes of capital adequacy and creditworthiness is examined in Chapter 6.

4.4 Financial Basis of the Petition

According to the Business Plan and Network Rollout Plan enclosed with the Petition, the total capital investment envisaged by the Applicant in the proposed licence area is approximately **₹4,717 crore**, to be deployed in a phased manner. On the norm of thirty per cent equity on the cost of investment contemplated under Rule 3(2) of the Distribution Licence Rules, 2005, the corresponding equity requirement is approximately **₹1,415 crore**.

For the purpose of demonstrating capital adequacy and creditworthiness, the Applicant has relied principally upon a Certificate of Net Worth, Liquidity and Investment Capacity in respect of **SAS Fininvest LLP**, a promoter entity, certifying a net worth of **₹4,085.60 crore as on 31 October 2025**, stated to be held primarily in liquid or semi-liquid assets, including quoted equity shares, mutual funds and liquid instruments, capable of liquidation as and when required. The promoter entity has furnished an undertaking to extend financial support to the Applicant for the proposed distribution business.

The Respondents have contested the reliability and legal sufficiency of this financial basis on several grounds, which are summarised in Section 4.10 below and examined in detail in Chapters 6 and 7.

4.5 Existing Distribution Arrangement

The proposed licence area presently forms part of the licensed area of **Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)**, the existing distribution licensee responsible for electricity distribution and retail supply in the southern region of Haryana.

The proposed area comprises the Revenue Districts of **Gurugram** and **Nuh**, which possess significantly different consumer and demand characteristics.

Gurugram is a major metropolitan, commercial and industrial centre with comparatively high electricity demand, consumer density and revenue realisation. Nuh, on the other hand, has a predominantly rural and agricultural consumer profile with lower consumption density, higher subsidised consumer categories and different network development requirements.

The Committee records these characteristics solely as factual background. Their implications for Universal Service Obligation, consumer migration, tariff, cross-subsidy, financial sustainability and public interest are examined separately in the relevant Chapters.

4.6 Scope of the Applicant's Proposal

The Applicant proposes to establish an independent distribution system comprising receiving stations, substations, distribution lines, switching installations, metering systems, SCADA, Distribution Management Systems (DMS), communication infrastructure, consumer service systems and other associated facilities necessary for electricity distribution.

The proposed network is intended to operate independently while remaining interconnected with the State transmission system through approved transmission connectivity arrangements in accordance with the Electricity Act, 2003, applicable CEA Regulations and other statutory requirements.

The Committee records these proposals only as part of the factual background. Their technical feasibility, financial capability, engineering adequacy and regulatory compliance are evaluated in the subsequent Chapters.

PART II(A) – PROCEEDINGS BEFORE THE COMMISSION, PLEADINGS OF THE PARTIES AND ISSUES ARISING FOR DETERMINATION

4.7 Proceedings Before the Commission

Following the filing of the Petition under Sections 14 and 15 of the Electricity Act, 2003, the Haryana Electricity Regulatory Commission ("HERC" or "the Commission") initiated proceedings in accordance with the Act, the Distribution Licence Rules, the applicable Regulations and the prescribed procedure for consideration of applications for grant of a distribution licence.

In compliance with the statutory requirements, public notice of the Petition was issued alongwith publication of the same by the Applicant in the Daily News Paper 'Dainik Jagaran' (Vernacular) and 'The Times of India' (English Daily) dated 28.05.2026, inviting objections, suggestions and comments from stakeholders and members of the public. Pursuant thereto, objections and responses were received from, inter alia:

- Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), the incumbent distribution licensee;
- Government agencies and sectoral institutions;
- employee associations;

- consumer representatives;
- industry associations; and
- other interested stakeholders.

The Applicant filed replies, rejoinders and additional submissions addressing the issues raised during the proceedings. During the course of hearings, the Commission also sought further technical, financial and operational information, which was furnished by the Applicant and other stakeholders.

By its Interim Order dated **26 May 2026**, the Commission impleaded Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Haryana Vidyut Prasaran Nigam Limited (HVPNL) as Respondents and directed the Applicant to furnish further documents and information, including a debt–equity capitalisation plan, a detailed implementation plan, proposed operational modalities and a consumer migration protocol. DHBVNL filed its reply and objections, expressly reserving its right to file additional submissions upon receipt of the further information directed to be furnished by the Applicant.

The Petition was taken up for public hearing on **08 July 2026** in the courtroom of the Commission, at which the learned counsel and authorised representatives of the Applicant, the Respondents and the intervenors were heard at length. Objections were pressed by, inter alia, a former Power Minister of Haryana, the Electricity Employees' Federation of India, the All India Power Engineers Federation, the Haryana Power Engineers' Association, the All India Kisan Sabha, the H.S.E.B. Workers' Union, the All Haryana Power Corporations Workers' Union, consumer forums, resident welfare associations and individual objectors. Submissions in support of the Petition were made by industrial and commercial consumers, industry associations, real estate developers, hospitality establishments, resident welfare associations and agricultural consumers within the proposed licence area.

Considering the importance of the issues involved, the novelty of the amended statutory framework governing parallel distribution licensing, the magnitude of the proposed investment and the potential implications for the electricity sector in Haryana, the Commission, by its Interim Order dated **09 July 2026**, constituted this Independent Expert Committee to undertake an independent examination of the matters specified in the Terms of Reference. By the same Order, the Applicant was directed to file its reply to the comments of the intervenors and its rejoinder to the replies of the Respondents within seven days, and the Respondents were permitted to file their written submissions within the same period.

The Committee has carried out its assignment strictly within the scope of the Terms of Reference and the material placed on record.

4.8 Nature of the Proceedings

The Committee considers that the present proceedings extend beyond an ordinary licensing application.

The Petition raises important questions concerning the interpretation and implementation of the sixth proviso to Section 14 of the Electricity Act, 2003, read with Section 15, the Distribution Licence Rules, the National Electricity Policy and the evolving regulatory framework governing multiple distribution licensees operating within the same geographical area.

The proceedings required examination of legal, financial, technical, engineering, commercial and regulatory issues affecting not only the Applicant but also consumers, the incumbent licensee and the long-term development of the electricity sector in Haryana.

Accordingly, the Committee has adopted an integrated multidisciplinary approach in evaluating every issue referred by the Commission.

4.9 Principal Issues Arising for Determination

The Terms of Reference require examination of a broad range of inter-related issues.

Without expressing any opinion at this stage on their ultimate determination, the principal issues broadly comprise:

- statutory and regulatory eligibility of the Applicant;
- compliance with the Distribution Licence Rules, 2005 (as amended);
- technical capability and managerial competence;
- financial capability, investment plan and long-term sustainability;
- transmission connectivity, grid integration and system coordination;
- power procurement arrangements and resource adequacy;
- discharge of Universal Service Obligations;
- consumer protection and migration framework;
- impact on DHBVNL and the State electricity sector;

- tariff, cross-subsidy and sectoral financial implications;
- long-term planning and network development; and
- overall public interest.

Each of these issues has been examined independently under the corresponding Terms of Reference while recognising their interdependence in determining the overall merits of the Petition.

4.10 Summary of the Objections of the Respondent and the Intervenors

Without recording any finding at this stage, the Committee summarises below the principal objections raised by DHBVNL and the intervenors, each of which is examined in detail in the Chapter dealing with the corresponding Term of Reference:

- **Minimum area of supply.** It is contended that, following the 2022 Amendment to the Distribution Licence Rules, 2005, the minimum area of supply must correspond to the prescribed statutory alternatives, and that reliance upon Municipal Committees in the Nuh district does not satisfy the requirement of a "Municipal Corporation" within the meaning of Article 243Q of the Constitution and the Haryana Municipal Act, 1973; reliance is placed, inter alia, upon the order of the Uttar Pradesh Electricity Regulatory Commission dated 24 April 2023 in the matter of Adani Electricity Jewar Limited. It is further contended that the inclusion of the Nuh district alongside Gurugram has not been adequately explained and may amount to cherry-picking of profitable areas.
- **Capital adequacy and net worth.** It is contended that the book net worth of the promoter entity is approximately ₹94.95 crore and that the certified net worth of ₹4,085.60 crore is predominantly attributable to the market value of quoted equity shares of a listed company; that publicly available shareholding records reflect the relevant shareholding in the name of an individual promoter rather than the promoter LLP, requiring clarification of ownership and beneficial interest; that valuations derived from market prices of listed shares are volatile and speculative; and that, consistent with the approach adopted by the Commission in India Power Corporation Limited (HERC/PRO-08 of 2014) and with the net worth computation methodology under the Ministry of Power's Tariff Based Competitive Bidding guidelines, such reliance does not establish sustainable financial capability.
- **Creditworthiness and enforceability of promoter support.** It is contended that the Applicant, a recently incorporated entity without operational history,

has not independently demonstrated creditworthiness, and that the promoter support undertaking may not constitute an adequate, legally enforceable and durable financial commitment for the entire licence period.

- **Code of conduct and disclosure.** Objections have been raised regarding compliance with the prescribed code of conduct and alleged misrepresentation or incomplete disclosure of material facts in the Petition.
- **Technical capability and infrastructure readiness.** It is contended that the Applicant has no demonstrated experience of electricity distribution operations, and that the proposed licence area, being one of the fastest growing load centres in the State with substantial industrial, commercial and data-centre demand, requires a degree of operational reliability that an unproven entity cannot be presumed to deliver.
- **Universal Service Obligation.** It is contended that the Applicant has not demonstrated the capability to discharge the Universal Service Obligation under Section 43 across the entire proposed area, including the predominantly rural and subsidised consumer base of Nuh.
- **Consumer mix, cross-subsidy and tariff stability.** It is contended that migration of high-value industrial and commercial consumers would erode the cross-subsidy available to subsidised categories, adversely affect DHBVNL's Aggregate Revenue Requirement and tariff structure, and impair recovery of deferred Fuel Surcharge Adjustment and other regulatory assets.
- **Power procurement and stranded costs.** It is contended that consumer migration would render a portion of DHBVNL's existing long-term power purchase commitments surplus, giving rise to stranded capacity and stranded cost issues requiring regulatory treatment.
- **Asset utilisation, right of way and system considerations.** Objections relate to duplication of network assets, inefficient utilisation of existing infrastructure, right-of-way constraints in densely built-up areas, continuity of supply and supplier-of-last-resort arrangements, and the potential for market abuse.
- **Public interest.** It is contended that the cumulative effect of the foregoing considerations is that the grant of the proposed licence would not yield a net consumer or public benefit.

The intervenor employee federations and unions have additionally objected to the policy of parallel licensing as such, contending that it amounts to backdoor privatisation and would prejudicially affect the incumbent utilities and their employees, while intervenors representing farmers have expressed apprehensions regarding continuity of subsidised agricultural supply.

4.11 Submissions in Support of the Petition

Industrial and commercial consumers, industry associations, real estate developers, hospitality establishments and resident welfare associations within the proposed licence area have supported the Petition, principally on the grounds of inadequate reliability and quality of the existing supply, dependence on captive diesel and back-up generation, the need for investment-backed modern distribution infrastructure to serve rapidly growing demand, and the benefits of consumer choice and competition contemplated by the Electricity Act, 2003. Certain agricultural consumers from the proposed area have also supported the Petition.

4.12 The Applicant's Response to the Objections

In its replies, rejoinder and submissions, the Applicant has maintained, inter alia, that the proposed licence area satisfies the minimum area of supply requirement on a correct construction of the amended Rule 3(2); that the Rules expressly contemplate the resources of promoters being taken into account and that the promoter support is real, liquid and legally committed; that a phased rollout of the distribution network is lawful and consistent with the sixth proviso to Section 14 and applicable precedent; that execution of long-term Power Purchase Agreements is not a condition precedent to grant of licence; that the Universal Service Obligation will be discharged across the entire licence area; and that the statutory mechanisms of Cross-Subsidy Surcharge and Additional Surcharge, together with appropriate regulatory safeguards, adequately address the financial consequences of consumer migration. These rival contentions are examined on their merits in Chapters 6 to 15.

4.13 Material Examined by the Committee

For the purpose of discharging its mandate, the Committee has examined, inter alia:

- the Petition dated 12 May 2026 and its enclosures and annexures, including the Business Plan and Network Rollout Plan and the certificates of net worth, liquidity and investment capacity;
- the reply and objections filed by DHBVNL and the material relied upon therein, including shareholding records available on the portal of the Ministry of Corporate Affairs;

- the comments and objections of the intervenors and the submissions filed in support of the Petition;
- the Interim Orders of the Commission dated 26 May 2026 and 09 July 2026, including the Terms of Reference at Annexure "A";
- objections, replies, rejoinders and written submissions of the parties;
- additional information furnished pursuant to directions of the Commission and the Committee;
- applicable statutory provisions, Rules, Regulations, Policies and Guidelines;
- judicial precedents governing parallel distribution licensing;
- technical, engineering, financial and commercial documents placed on record;
- presentations and explanations made during the proceedings; and
- such other material as the Committee considered necessary for a comprehensive evaluation of the Terms of Reference.

The Committee has considered the evidentiary record in its entirety and not in isolated parts, while giving appropriate weight to documentary evidence and verifiable material.

4.14 Evidentiary and Analytical Approach

The Committee has adopted an objective, evidence-based and issue-specific approach throughout its examination.

Accordingly, it has:

- distinguished established facts from the submissions of the parties;
- evaluated competing contentions against the documentary record;
- interpreted the statutory provisions harmoniously with the objectives of the Electricity Act, 2003;
- examined legal, financial and technical issues independently before integrating them into its final conclusions; and
- confined its findings to matters supported by evidence and relevant to the Terms of Reference.

Where deficiencies or concerns were identified during the proceedings, the Committee has assessed whether they affect statutory eligibility itself or relate to implementation and operational readiness capable of being addressed through licence conditions and continuing regulatory supervision.

PART II(B) – SCOPE OF THE COMMITTEE'S MANDATE, METHODOLOGY AND STRUCTURE OF THE REPORT

4.15 Scope of the Committee's Mandate

The Committee derives its authority from the Interim Order dated **09 July 2026**, whereby the Commission constituted the Independent Expert Committee and entrusted it with specific Terms of Reference relating to the proposed grant of a parallel distribution licence.

The Committee's role is advisory in nature. It does not determine the Petition but assists the Commission by providing an independent, objective and multidisciplinary evaluation of the legal, regulatory, technical, financial, engineering, commercial and public interest issues arising from the proceedings.

Accordingly, the Committee has confined its examination to the matters specifically referred by the Commission and has not travelled beyond the Terms of Reference except where consideration of an ancillary issue was necessary for arriving at a reasoned conclusion.

4.16 Methodology Adopted

The Committee has adopted a structured and evidence-based methodology throughout its examination.

For each Term of Reference, the Committee has:

- identified the applicable statutory and regulatory framework;
- examined the pleadings and documentary evidence placed on record;
- considered the submissions of all stakeholders;
- evaluated relevant legal, technical, financial and engineering issues;
- analysed the competing contentions objectively; and
- recorded independent findings supported by reasons.

The Committee has consciously distinguished between:

- statutory requirements and implementation issues;
- established facts and assertions of the parties;
- legal interpretation and technical evaluation; and
- threshold eligibility requirements and matters capable of being addressed through licence conditions or continuing regulatory oversight.

This approach has been consistently applied throughout the Report to ensure transparency, objectivity and uniformity of analysis.

4.17 Nature of the Committee's Findings

The findings recorded in this Report are based upon the evidentiary material available during the present proceedings.

The Committee has not proceeded on assumptions or commercial expectations unsupported by the record. Equally, it has recognised that certain matters—particularly those relating to detailed engineering, implementation schedules, power procurement, operational readiness and future regulatory compliance—are necessarily dynamic and will continue to evolve after grant of the licence.

Accordingly, wherever appropriate, the Committee has distinguished between:

- findings relating to statutory eligibility;
- findings concerning technical and financial feasibility;
- implementation requirements;
- recommended licence conditions; and
- matters requiring continuing regulatory supervision by the Commission.

4.18 Structure of the Report

For clarity and ease of reference, the Report has been organised in a sequential manner corresponding broadly to the Terms of Reference.

Following this introductory Chapter, the succeeding Chapters examine:

- comparative regulatory experience;
- statutory and regulatory eligibility;
- financial capability and investment plan;
- technical capability and network development;
- grid integration and system coordination;
- power procurement and resource adequacy;
- Universal Service Obligation;
- consumer protection and migration;
- financial, tariff and sectoral impacts;
- long-term system planning;
- public interest;

- overall conclusions; and
- the Committee's final recommendations.

Each Chapter contains the relevant statutory framework, examination of the evidence, analysis, findings and recommendations relating to the respective subject, while avoiding unnecessary repetition of matters already discussed elsewhere in the Report.

PART III – COMMITTEE'S PRELIMINARY OBSERVATIONS, LIMITATIONS OF THIS CHAPTER AND TRANSITION

4.19 Preliminary Observations

Having examined the Petition, the pleadings, the procedural history and the material placed on record, the Committee records certain preliminary observations that provide the factual foundation for the detailed examination undertaken in the succeeding Chapters.

First, the present proceedings concern an application for the grant of a parallel distribution licence under the Electricity Act, 2003 within a statutory framework that expressly permits multiple distribution licensees operating through independent distribution systems, subject to compliance with the Act, the Distribution Licence Rules and the applicable regulatory framework.

Secondly, the Petition raises issues of considerable legal, technical, financial and regulatory significance extending beyond the interests of the Applicant and the incumbent distribution licensee. Its determination has implications for consumers, network planning, sectoral financial sustainability, Universal Service Obligations and the future development of electricity distribution in the State of Haryana.

Thirdly, the Committee notes that the material placed on record reveals substantial differences between the parties on issues relating to statutory eligibility, financial capability, technical preparedness, power procurement, consumer migration, sectoral impact and public interest. These differences require detailed examination based upon the applicable statutory framework and the evidentiary record rather than broad assertions or commercial perceptions.

Finally, the Committee considers that the determination of the present Petition must rest upon an integrated assessment of all the Terms of Reference and not upon any single issue viewed in isolation.

4.20 Scope and Limitations of this Chapter

This Chapter is intended solely to provide the factual and procedural background of the proceedings.

Accordingly, it:

- records the nature and scope of the Petition;
- identifies the existing distribution framework;
- summarises the proceedings before the Commission;
- outlines the issues requiring determination;
- explains the Committee's mandate and methodology; and
- provides the contextual foundation for the analysis contained in the succeeding Chapters.

The Committee deliberately refrains from expressing any conclusion regarding the merits of the Petition in this Chapter. Questions relating to statutory eligibility, financial capability, technical competence, engineering feasibility, power procurement, Universal Service Obligations, consumer protection, sectoral impact and public interest are examined independently under the respective Terms of Reference.

Accordingly, no inference regarding the Committee's final conclusions should be drawn from the factual narration contained in this Chapter.

4.21 Analytical Framework for the Report

To ensure consistency, transparency and avoidance of repetition, the Committee has adopted a uniform analytical framework throughout the Report.

Each substantive Chapter broadly follows the following sequence:

1. the applicable statutory and regulatory framework;
2. the relevant material and submissions placed on record;
3. the Committee's analysis of the issues;
4. findings on the respective Term of Reference;
5. recommendations and regulatory safeguards, where necessary; and
6. the Committee's conclusion on the subject.

Issues common to multiple Terms of Reference are discussed comprehensively in the Chapter where they primarily arise and are referred to, rather than repeated, in subsequent Chapters. This approach enables each Chapter to remain self-contained while preserving the continuity and coherence of the Report as a whole.

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CHAPTER 5

COMPARATIVE REGULATORY EXPERIENCE AND LESSONS FOR THE STATE OF HARYANA

PART I – COMPARATIVE INDIAN REGULATORY EXPERIENCE

5.1 Introduction

Having examined the legislative framework, statutory provisions and judicial principles governing parallel distribution licensing in the preceding Chapters, the Committee considers it appropriate to examine the practical regulatory experience available within India. While the present Petition must ultimately be determined in accordance with the Electricity Act, 2003, the Distribution Licence Rules, applicable Regulations and binding judicial precedents, the experience of other Electricity Regulatory Commissions provides useful guidance regarding the implementation of parallel distribution systems after the grant of a licence.

The Committee emphasises that comparative regulatory experience is neither binding nor determinative. Its value lies in identifying practical regulatory issues, implementation challenges and supervisory mechanisms that have emerged in jurisdictions where more than one distribution licensee has operated within the same geographical area. Such experience assists in formulating appropriate regulatory safeguards while remaining fully consistent with the statutory framework governing the present Petition.

5.2 Regulatory Experience within India

The Committee has examined the available experience of Indian Electricity Regulatory Commissions relating to parallel distribution licensing, with particular emphasis on the Maharashtra Electricity Regulatory Commission (MERC), which has the longest practical experience of regulating multiple distribution licensees under the Electricity Act, 2003.

The Committee has also considered relevant proceedings before other State Electricity Regulatory Commissions wherever issues concerning distribution licensing, competition, consumer protection, network development and regulatory supervision have arisen.

Although the factual background and regulatory context differ from State to State, the Committee finds that the fundamental regulatory issues remain substantially similar. These include statutory compliance, phased development of distribution infrastructure, Universal Service Obligations, consumer migration, coordination among utilities, service quality, financial sustainability and continuing regulatory oversight.

5.3 Experience of the Maharashtra Electricity Regulatory Commission

Among Indian jurisdictions, the Committee considers the experience of MERC to be the most relevant for the present proceedings.

MERC has regulated parallel distribution licensees operating through independent distribution systems over an extended period and has dealt with numerous operational, technical and regulatory issues arising after the grant of licences. Its experience demonstrates that the introduction of competition in electricity distribution is neither self-executing nor confined to the licensing stage. Rather, it requires continuous regulatory supervision throughout implementation and operation.

The Committee notes that MERC has addressed issues relating to:

- development of independent distribution infrastructure;
- phased network rollout;
- consumer migration and related procedures;
- discharge of Universal Service Obligations;
- coordination among distribution licensees and transmission utilities;
- Standards of Performance and consumer protection;
- monitoring of licence conditions; and
- periodic regulatory review.

The Committee considers that these experiences provide valuable practical guidance regarding implementation, although each application must ultimately be decided on its own statutory and factual merits.

5.4 Regulatory Principles Emerging from Comparative Experience

Having examined the available regulatory material, the Committee considers that the following principles consistently emerge from Indian experience:

First, grant of a parallel distribution licence marks the commencement of continuing regulatory supervision rather than the conclusion of regulatory scrutiny.

Secondly, phased development of a greenfield distribution network is an accepted implementation model, provided it is supported by clearly defined milestones, measurable progress and periodic regulatory review.

Thirdly, effective consumer migration requires transparent procedures governing applications, transfer of consumers, settlement of dues, exchange of information and protection of consumer rights.

Fourthly, the Universal Service Obligation remains a continuing statutory responsibility and requires the distribution licensee to provide non-discriminatory service throughout the authorised area rather than concentrating only on commercially attractive consumers.

Fifthly, consumer protection, service quality, reliability of supply, grievance redressal and compliance with licence conditions require continuous monitoring throughout the licence period.

The Committee finds these principles to be fully consistent with the Electricity Act, 2003 and directly relevant to the implementation of any parallel distribution licence in Haryana.

PART II (A) – REGULATORY LESSONS APPLICABLE TO HARYANA

5.5 Introduction

Having examined the comparative regulatory experience in Part I, the Committee now considers the extent to which those experiences may assist the Commission in designing an appropriate regulatory framework for Haryana.

The Committee reiterates that the present Petition must be decided solely on the basis of the Electricity Act, 2003, the Distribution Licence Rules, the applicable Regulations and the evidence placed on record. Comparative experience neither enlarges nor restricts the statutory powers of the Commission. Its relevance lies in identifying practical regulatory measures that facilitate orderly implementation while safeguarding consumer interests, system reliability and financial sustainability.

5.6 Implementation Framework

The Committee considers that the successful introduction of a parallel distribution licensee requires a structured implementation framework extending beyond the grant of licence. Such a framework should clearly define implementation milestones, regulatory responsibilities and performance obligations throughout the transition and operational phases.

The framework should provide for:

- phased development of the distribution network;
- periodic verification of infrastructure creation;
- compliance with approved implementation schedules;
- coordination with HVPNL, SLDC and other sectoral agencies;
- transparent reporting to the Commission; and
- continuing review of licence compliance.

The Committee considers that these measures promote regulatory certainty while preserving the flexibility necessary for phased implementation of a greenfield distribution system.

5.7 Consumer Protection and Universal Service

Comparative experience demonstrates that consumer confidence is fundamental to the success of a competitive distribution framework.

The Committee therefore considers that the regulatory framework should ensure:

- transparent and non-discriminatory consumer migration procedures;
- continuity of electricity supply during transition;
- effective grievance redressal;
- compliance with Standards of Performance;
- equal treatment of all consumer categories; and
- strict enforcement of the Universal Service Obligation throughout the authorised area.

The Committee regards these safeguards as essential for preventing selective service and ensuring that competition advances, rather than compromises, consumer welfare.

5.8 Financial and Operational Oversight

The Committee further considers that effective implementation requires continuing regulatory oversight of both financial and operational performance.

The Commission may therefore provide for periodic review of:

- implementation of approved investment commitments;

- network development progress;
- consumer migration;
- service quality and reliability;
- financial performance;
- compliance with licence conditions; and
- other matters affecting orderly development of the distribution system.

Such monitoring will enable timely regulatory intervention wherever implementation materially departs from the commitments made during the licensing proceedings.

5.9 Committee's Interim Findings

Based on the comparative regulatory experience examined in this Chapter, the Committee records the following interim findings:

1. Parallel distribution licensing is capable of effective implementation within the statutory framework of the Electricity Act, 2003 when supported by appropriate regulatory supervision.
2. Successful implementation depends upon clearly defined licence conditions, phased infrastructure development and continuing monitoring rather than the grant of licence alone.
3. Consumer protection, Universal Service Obligations and service quality must remain central objectives throughout the licence period.
4. Financial capability, technical implementation and operational performance require periodic regulatory review to ensure continued compliance with statutory obligations.
5. The experience of other Indian Electricity Regulatory Commissions supports the adoption of a structured implementation framework while recognising that each application must ultimately be decided on its own facts and in accordance with the applicable law.

PART II(B) – COMMITTEE'S FINDINGS, REGULATORY LESSONS AND CONCLUSION

5.10 Committee's Findings

Having examined the comparative regulatory experience of Indian Electricity Regulatory Commissions, particularly the Maharashtra Electricity Regulatory

Commission, together with the statutory framework governing the present Petition, the Committee records the following findings:

1. The Electricity Act, 2003 permits parallel distribution licensing within a framework of regulated competition, and the practical experience of Indian regulators demonstrates that such a framework is capable of effective implementation through appropriate regulatory supervision.

2. The grant of a parallel distribution licence is not an end in itself but the commencement of a continuing regulatory process requiring oversight of infrastructure development, operational performance, consumer protection and compliance with statutory obligations.

3. Phased development of an independent distribution network is an accepted and practical approach, provided it is supported by clearly defined implementation milestones, periodic reporting and verification of progress.

4. Universal Service Obligation remains a fundamental statutory responsibility of every distribution licensee and must be enforced uniformly throughout the authorised licence area to prevent selective service and ensure equitable treatment of all consumer categories.

5. Consumer migration, service standards, grievance redressal, operational coordination and financial monitoring require structured regulatory mechanisms and continuing supervision by the Commission.

6. Comparative regulatory experience supports the adoption of appropriate licence conditions and implementation safeguards but does not alter the statutory requirements prescribed under the Electricity Act, 2003 or the Distribution Licence Rules.

5.11 Regulatory Lessons for Haryana

The Committee considers that, if the Commission grants the proposed licence, the following regulatory measures would facilitate orderly implementation:

- phased and verifiable network development in accordance with approved implementation plans;
- clearly defined consumer migration procedures;
- strict enforcement of Universal Service Obligations;
- periodic monitoring of financial, technical and operational performance;

- coordination among the distribution licensees, HVPNL, HPPC and SLDC, wherever applicable;
- transparent reporting and compliance with licence conditions; and
- continuing regulatory review to address implementation issues and protect consumer interests.

These measures, in the Committee's opinion, are consistent with prudent utility regulation and will support the orderly introduction of regulated competition without compromising reliability, financial discipline or public interest.

5.12 Conclusion

The Committee concludes that comparative Indian regulatory experience does not disclose any inherent legal, technical or regulatory impediment to the implementation of parallel distribution under the Electricity Act, 2003. On the contrary, it demonstrates that successful implementation depends upon a comprehensive regulatory framework combining statutory compliance, phased infrastructure development, effective consumer protection, strict enforcement of Universal Service Obligations and continuing regulatory oversight.

The Committee is therefore of the considered opinion that, should the Applicant satisfy the statutory requirements examined in the succeeding Chapters, the grant of a parallel distribution licence should be accompanied by appropriate licence conditions, implementation milestones, monitoring mechanisms and regulatory safeguards to ensure that the objectives of the Electricity Act, 2003 are achieved while maintaining consumer welfare, system reliability, financial sustainability and orderly development of the electricity distribution sector in the State of Haryana.

With this comparative assessment, the Committee concludes its examination of the broader statutory, judicial and regulatory background. The succeeding Chapters examine the evidence relating to each of the Terms of Reference and record the Committee's findings and recommendations on the Applicant's eligibility, capability and the conditions under which the proposed licence may appropriately be granted.

PART III – COMMITTEE'S OVERALL CONCLUSIONS

5.13 Overall Conclusions

Having examined the comparative regulatory experience of Indian Electricity Regulatory Commissions, particularly the experience of the Maharashtra Electricity Regulatory Commission, the Committee concludes that the implementation of parallel distribution licensing is both legally and administratively feasible within the framework of the Electricity Act, 2003.

The Committee finds that comparative experience does not disclose any inherent technical, operational or regulatory impediment to the introduction of a parallel distribution licensee. Rather, it demonstrates that successful implementation depends upon a robust regulatory framework incorporating phased infrastructure development, effective consumer protection, strict enforcement of the Universal Service Obligation, coordinated system planning, transparent consumer migration procedures and continuing regulatory oversight.

The Committee further finds that the practical issues encountered in other jurisdictions primarily relate to implementation and operational management after the grant of licence. These issues are capable of being addressed through appropriate licence conditions, regulatory directions, monitoring mechanisms and periodic review, and do not constitute independent statutory grounds for refusing a licence where the requirements of the Electricity Act, 2003 and the Distribution Licence Rules have otherwise been satisfied.

Accordingly, the Committee considers that the regulatory experience examined in this Chapter supports the adoption of a structured implementation framework accompanying any grant of a parallel distribution licence in Haryana, while leaving the determination of statutory eligibility to be decided strictly in accordance with the applicable provisions of the Electricity Act, 2003, the Distribution Licence Rules, the applicable Regulations and the evidence placed on record.

CHAPTER 6

TERM OF REFERENCE-3.1

STATUTORY AND REGULATORY ELIGIBILITY OF THE APPLICANT

Whether the Applicant satisfies all statutory requirements prescribed under the Electricity Act, 2003, the Distribution Licence Rules, 2005 and other applicable laws for grant of Distribution Licence.

Whether the requirements relating to capital adequacy, creditworthiness and code of conduct under Section 14 read with Rule 3 of the distribution Licence Rules-2005 are fulfilled;

Whether the financial capability of the holding company, promoter or group entities can legally and prudently be considered, and whether adequate legally enforceable financial commitments have been established.

6.1 Structure of the Committee's Examination

The Committee has organised its examination under the following Parts:

- Part-I sets out the statutory framework, scope of examination and governing principles;
- Part II deals with the pleadings, the objections of the Respondents and stakeholders, the directions of the Hon'ble Commission and the Applicant's responses;
- Part III deals with Committee's Analysis & Observation. on:
  A. Minimum Area of Supply
  B. Capital Adequacy and Creditworthiness
  C. Code of Conduct.
- Part IV deals with Findings & Recommendation

PART I — STATUTORY FRAMEWORK, SCOPE OF EXAMINATION AND GOVERNING PRINCIPLES

6.2 Introduction

The issue qua statutory and regulatory requirement for grant of parallel distribution licence to an entity is broadly enumerated under the Electricity Act, 2003, the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, as amended, and the Haryana Electricity Regulatory Commission (Transmission and Distribution Licensing) Regulations, 2004, as amended.This issue constitutes the threshold enquiry in the present proceedings. Unless the Applicant establishes compliance with the statutory eligibility requirements prescribed under the Act, the Rules and the Regulations, the remaining questions relating to technical capability, power procurement, consumer protection, financial impact public interest, etc. would not arise for consideration.

The Committee has therefore examined the issue independently on the basis of the statutory framework, the pleadings of the parties, the documentary evidence placed on record, the directions issued by the Hon'ble Commission in its interim Orders dated 26.05.2026 & 09.07.2026, the additional information and undertakings furnished by the Applicant during the proceedings, and the applicable judicial precedents.

6.3 Scope of Examination

For the purposes of this Chapter, the Committee has examined whether the Applicant has established compliance with the statutory requirements governing grant of a parallel distribution licence, organised under the following three issues:

- **Issue 1 — Capital Adequacy and Creditworthiness** under Rule 3 of the Distribution Licence Rules, 2005, including the question whether the financial capability of the holding entity, promoter or group entities can legally and prudently be considered, and whether adequate legally enforceable financial commitments have been established;
- **Issue 2 — Minimum Area of Supply and Geographical Contiguity** under the Explanation to Rule 3(2), as amended;
- **Issue 3 — Code of Conduct and Corporate Integrity** under Rule 4;

6.4 Statutory Scheme under the Electricity Act, 2003

Sections 14, 15 and 16 of the Electricity Act, 2003 collectively provide the statutory mechanism for grant of a distribution licence, consideration of objections, and imposition of licence conditions. The primary statutory mechanism governing parallel distribution licensing is the sixth proviso to Section 14, which mandates:

> *"Provided also that the Appropriate Commission may grant a licence to two or more persons for distribution of electricity through their own distribution system within the same area, subject to the conditions that the applicant for grant of licence within the same area shall, without prejudice to the other conditions or requirements under this Act, comply with the additional requirements relating to the capital adequacy, credit-worthiness, or code of conduct as may be prescribed by the Central Government, and no such applicant, who complies with all the requirements for grant of licence, shall be refused grant of licence on the ground that there already exists a licensee in the same area for the same purpose..." (Emphasis supplied)*

Section 15 prescribes the procedure for grant of licence, including publication of notice, consideration of objections received within thirty days of publication, ascertainment of no-objection of the Central Government in respect of defence areas, and disposal of the application, as far as practicable, within ninety days, either by issue of a licence or by rejection for reasons to be recorded in writing after affording the applicant an opportunity of being heard.

Section 16 empowers commission to frame general or specific conditions of Distribution Licence.

6.5 Distribution of Electricity Licence Rules, 2005

The "additional requirements" contemplated by the sixth proviso to Section 14 are codified in the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005 **("Capital Adequacy Rules")**, as amended on 28th Nov, 2022. The relevant provisions are reproduced below for ready reference:

"3. Requirements of capital adequacy and creditworthiness.—(1) The Appropriate Commission shall, upon receipt of an application for grant of licence for distribution of electricity under sub-section (1) of section 15 of the Electricity Act, 2003, decide the requirement of capital investment for distribution network after hearing the applicant and keeping in view the size of the area of supply and the service obligation within that area in terms of section 43.

(2) The applicant for grant of licence shall be required to satisfy the Appropriate Commission that on a norm of 30% equity on cost of investment as determined under sub-rule (1), he including the promoters, in case the applicant is a company, would be in a position to make available resources for such equity of the project on the basis of the net worth and generation of internal resources of his business including of promoters in the preceding three years after excluding his other committed investments.

Explanation.—For the purposes of this sub-rule, it is hereby clarified that for grant of a licence for distribution of electricity within the same area in terms of sixth proviso to section 14 of the Act, the entire area covering either a Municipal Corporation as defined in article 243Q of the Constitution or three adjoining revenue districts, or a smaller area as may be notified by the Appropriate Government shall be the minimum area of supply."

Rule 4 prescribes the requirement of the code of conduct, whereunder the applicant must satisfy the Appropriate Commission that it has not been found guilty of or disqualified under the enumerated provisions of the Companies Act, 1956, the Income-tax Act, 1961, the SEBI Act, 1992, the Central Excise Act, 1944 and the Customs Act, 1962 within the last three years from the date of application, that no licence held by it has been suspended under Section 24 or revoked under Section 19 of the Electricity Act within that period, and, where the applicant is a company, that no winding-up petition against the company or any other company of the same promoter has been admitted on the ground of inability to pay its debts.

The Explanation to Rule 3(2) was substituted by the Central Government by notification dated 08.09.2022 & subsequently dated 28.11.2022. These requirements are independent statutory conditions, each of which must be satisfied before a licence can be granted. The Committee notes for clarity of nomenclature that Rule 3 governs capital adequacy, creditworthiness and minimum area of supply while Rule 4 governs the code of conduct.

6.6 HERC (Transmission and Distribution Licensing) Regulations, 2004

At the State level, the licensing process is governed by the Haryana Electricity Regulatory Commission (Transmission and Distribution Licensing) Regulations, 2004. Regulation 5 is the enabling provision qua grant of parallel distribution licence in terms of 6^{th} Proviso to Section 14 of the Act, 2003 read with the Capital Adequacy Rules, 2005.

The aforesaid extant provisions of law form the foundation for determining the eligibility of an entity to get the parallel distribution licence.

PART II — PLEADINGS, OBJECTIONS, DIRECTIONS OF THE COMMISSION AND THE APPLICANT'S RESPONSES

6.7 The Applicant's Case in the Petition

On the issue of statutory eligibility, the Applicant's case in the Petition, in summary, is as follows:

- **Capital adequacy:** The total capital investment projected by the Applicant in the proposed licence area over five years is Rs. 4,717 crore **(page no. 77 of the Petition).** A net worth certificate of Rs. 4,085.60 crore of the holding entity of the Applicant, M/s SAS Fininvest LLP, forms part of the Petition **(page nos. 51–52)**. The market value of the shares of SAS Fininvest LLP as on 30.10.2025 is Rs. 4,085.60 crore, held primarily in liquid or semi-liquid assets (mostly listed equity shares, mutual funds and liquid instruments) capable of being liquidated on an immediate basis to meet urgent financial obligations or capital requirements.; the net worth of SAS Fininvest LLP therefore, exceeds 30% of the proposed capital investment, i.e., Rs. 1,415 crore, by a wide margin;

- **Creditworthiness:** solvency certificates of Rs. 1,000 crore each from IndusInd Bank and 360 One Prime Limited form part of the Petition **(page nos. 53 and 53A)**, together with an undertaking from the partners of SAS Fininvest LLP to provide the necessary approvals for capital and/or loan arrangements for the Applicant **(page nos. 54–55);**
- **Code of conduct:** an undertaking for compliance with the Code of Conduct forms part of the Petition **(page no. 56)**;
- **Minimum area of supply:** the proposed area comprises the entire area under the Gurugram and Nuh revenue districts — Gurugram Municipal Corporation, Manesar Municipal Corporation, Municipal Council of Sohna, Municipal Council of Pataudi Mandi and Municipal Committee of Farrukh Nagar under Gurugram revenue district, and Municipal Committee Nuh, Municipal Committee Punhana, Municipal Committee Firozepur Jhirka and Municipal Committee Tauru under Nuh revenue district **(page no. 16, para 33 of the Petition)**. The Applicant submits that this demonstrates due compliance with the minimum area of supply requirement under Rule 3(2) of the Distribution Licence Rules, as amended; and

6.8 Objections of the Respondents and Stakeholders

The Respondents — DHBVNL, UHBVNL and HVPNL — and other stakeholders have raised the following principal objections on statutory eligibility:

(a) Capital adequacy

- The Applicant has relied upon the financial strength of its holding entity, SAS Fininvest LLP. The book value of the holding entity's net worth is only Rs. 94.95 crore, whereas the Applicant relies on the market value of Rs. 4,085.60 crore;
- The shareholding of an individual, Sh. Sunil Sachdeva, in Global Health Limited is reflected in the financial statements of SAS Fininvest LLP. The net worth of the holding entity is therefore dependent on one individual holding

80% of the LLP, and events such as his retirement, resignation or cessation as partner, or a change in beneficial ownership, may affect the finances of the LLP;

- Applying the net worth computation methodology in the Standard Bidding Documents for Tariff Based Competitive Bidding for Inter-State Transmission Assets, and having regard to the volatility of asset values, the Applicant has failed to establish the capability to discharge the statutory obligations under Section 43 of the Act; and
- The Applicant was incorporated only in 2025, has a paid-up capital of only Rs. 1 crore, has no operational track record in the electricity sector, and does not have an audited financial history for the preceding three years as contemplated under the Distribution Licence Rules.
- The Applicant's Balance Sheet for FY 2025-26, dated 26.06.2026, shows a net worth of Rs. 80,34,619 and a loss of Rs. 19,65,381 against nil revenue. It is submitted that capital adequacy requires the net worth of the applicant to be taken into account, and that upon its own accounts the Applicant does not possess it.

(b) Creditworthiness

- The solvency certificate of IndusInd Bank for Rs. 1,000 crore is based on the financial position as on 31.10.2025 and cannot be construed as a guarantee of solvency for the entire five-year rollout plan;
- The Applicant has not explained how the shareholding of an individual is reflected in the accounts of an LLP, and the solvency certified by the bank is said to be in contrast with the undertaking of the partners;
- Any capital realised from sale of the LLP's investments should be reckoned only after providing for income-tax on capital gains;
- The Commission may examine the Applicant's capability to raise 70% of the requisite debt to discharge the Universal Service Obligation across the entire licence area, whether the relied-upon assets are free from encumbrances, pledges, charges or security interests, and the existing debt obligations and financial commitments of the promoters, shareholders and entities whose financial strength is relied upon.

- Sh. Anshul Mangla, relying upon *BRS Ventures Investments Ltd. v. SREI Infrastructure Finance Ltd. & Anr.*, 2024 INSC 548, has contended that a holding company and its subsidiary are always distinct legal entities and that the holding company's ownership of shares does not make it the owner of the subsidiary's assets and, by extension, that the assets of SAS Fininvest LLP are not the assets of the Applicant.
- Sri Anshul Mangla has further referred to the Index of Charges of M/s SV Creditline Limited, disclosing financial liability, said to run into thousands of crores, and of M/s SAS Fininvest LLP disclosing charges of about Rs. 200 crore.

(c) Minimum area of supply

- The Explanation to Rule 3(2) employs the expression "the entire area covering either a Municipal Corporation or three adjoining revenue districts shall be the minimum area of supply", in clear and distinct alternatives. In Nuh district, the Applicant has relied upon Municipal Committees, which are legally distinct from Municipal Corporations; and
- Nagina Tehsil, Hathin Municipal Committee and Sikri are stated to be omitted from the area of supply, allegedly failing the criterion of a contiguous district of Nuh.

(d) General contentions

The Respondents further contend that satisfaction of the additional requirements alone does not entitle the Applicant to a parallel licence; that capital adequacy and creditworthiness cannot be founded upon external assurances, speculative valuations or prospective commitments but must be evidenced by audited financial statements reflecting actual net worth and internal resource generation during the preceding three years; and that the requirements of capital adequacy, creditworthiness and code of conduct are "additional requirements" over and above the "primary requirements" of development of a distribution system, Universal Service Obligation, technical feasibility, power procurement adequacy, tariff stability and cross-subsidy protection.

- One of the Objectors Sri Anshul Mangla has disputed the incorporation of the Company and the Memorandum of Understanding. The Committee has gone through the same.
- Sri Anshul Mangla has further contended that, DLF Utilities, denied a licence in the Gurugram DLF area between 2006 and 2008 for cherry-picking and want of infrastructure feasibility; Essar, which did not press its petition; and India Power Corporation Limited, whose application was rejected.

6.9 Directions of the Hon'ble Commission in the Interim Order dated 26.05.2026

The Hon'ble Commission, in its Interim Order dated 26.05.2026, noted that the Applicant has proposed a capital expenditure of Rs. 4,716.73 crore, to be financed through equity of Rs. 1,415.02 crore and debt of Rs. 3,301.71 crore; that the certificate dated 06.05.2026 of M/s Sandeep Kumar and Associates, Chartered Accountants, certifies the net worth of SAS Fininvest LLP as on 30.10.2025 at Rs. 94.95 crore on book value basis and Rs. 4,085.60 crore on market value basis; that IndusInd Bank has certified, vide certificate dated 12.05.2026, that SAS Fininvest LLP is solvent up to Rs. 1,000 crore; and that the Applicant company was incorporated on 06.06.2025 with an authorised share capital of Rs. 100 crore and paid-up share capital of Rs. 1 crore.

The Commission accordingly directed the Applicant to furnish a detailed justification for adopting the market value of the holding entity in preference to its book value for assessing net worth and financial capability, particularly when the Applicant's authorised share capital was only Rs. 100 crore against the proposed equity requirement of Rs. 1,415.02 crore; to clarify the apparent financial inconsistencies arising from the disclosures; and to submit a comprehensive debt-equity capitalisation plan identifying the proposed sources of equity and debt, the manner and timeline of infusion, and documentary evidence substantiating the availability of the requisite financial resources, demonstrating compliance with the Electricity Act, 2003 and the extant regulations.

6.10 **The Applicant's Reply submitted before the Commission from time to time:**

- **Justification for market-value net worth:** the holding entity, SAS Fininvest LLP, is a limited liability partnership holding beneficial interest in substantial listed securities whose current market value is objectively and readily ascertainable. Unlike certain classes of companies required to adopt Indian Accounting Standards (Ind AS) and fair-value their financial assets, LLPs are under no such obligation; the book net worth therefore reflects only the historical acquisition cost of the investments and does not represent their current realisable economic value. Neither the Electricity Act, 2003 nor the Distribution Licence Rules confines the assessment of net worth to book value. The certified market-value net worth of Rs. 4,085.60 crore is approximately 2.9 times the entire equity requirement of Rs. 1,415.02 crore, and the market-value net worth has exceeded the equity requirement throughout the preceding three years;
- **Authorised share capital:** the figure of Rs. 100 crore noted by the Commission was merely the initial incorporation capital; the authorised share capital has since been increased to Rs. 1,500 crore, comfortably exceeding the equity requirement of Rs. 1,415.02 crore;
- **Comprehensive debt-equity capitalisation plan:** the capital expenditure of Rs. 4,716.73 crore is proposed to be incurred over five phases from FY 2026-27 to FY 2030-31, funded on a 70:30 debt-equity structure. The entire equity required for Phase 1 (approximately Rs. 87.86 crore) has already been infused, the actual equity brought in being Rs. 91 crore. For Phase 1, the Applicant has obtained an in-principle sanction letter from IndusInd Bank for debt of Rs. 205 crore;
- **Solvency and clarification:** 360 One Prime Limited has furnished a clarificatory note certifying that its solvency certificate dated 07.04.2026 for Rs. 1,000 crore is in addition to the solvency certificate of Rs. 1,000 crore issued by IndusInd Bank dated 12.05.2026, so that the aggregate certified solvency is Rs. 2,000 crore;

- **Undertakings:** a revised undertaking of the partners of SAS Fininvest LLP **(Submission Dated-30.07.2026-Sl. No.-5)**, rectifying the deficiency that the signatures of all partners were not available on all pages of the undertaking originally filed, and a further undertaking and declaration of the designated partners regarding concurrent commitments, the material features of which are examined in Part III below;
- **Special purpose balance sheet:** a special purpose balance sheet of SAS Fininvest LLP as on 30.10.2025, prepared in accordance with the ICAI Guidance Notes, showing net worth of Rs. 4,085.62 crore **(Submission Dated-30.07.2026-Sl. No.-4)**; and
- **Legal opinion:** a legal opinion of Dr. Justice D. Y. Chandrachud, former Chief Justice of India **(Submission Dated-30.07.2026-Sl. No.-3)**, on the interpretation of "net worth" under the Distribution Licence Rules, "Minimum Area of Supply" etc. examined below in Part-III.

PART III— Committee Analysis & Observation

A. Minimum area of Supply

6.11 Statutory Requirement and Legislative History

The minimum area of supply for a parallel distribution licence is prescribed by the Explanation to Rule 3(2) of the Distribution Licence Rules, framed under the sixth proviso to Section 14 of the Act. Originally, the Explanation defined the minimum area of supply as "the area falling within either a Municipal Council or a Municipal Corporation or a Revenue District".

The interpretation of the pre-amended Explanation was authoritatively settled by the Hon'ble Supreme Court in Jindal Steel and Power Limited v. Chhattisgarh State Electricity Regulatory Commission *& Ors.*, Civil Appeal Nos. 3607-3610 of 2008 (with Civil Appeal Nos. 4104-4107 of 2008), decided 29.09.2022, (2022), INSC, 1036. In that case, the incumbent State Discom (CSPDCL) challenged the parallel distribution licence granted to JSPL on the ground that it covered only specific industrial parks and villages rather than an entire Municipal Corporation or Revenue District. The Hon'ble Supreme Court rejected that contention, holding:

> *"40. Thus, on a conjoint reading of the aforesaid provisions, it is clear that the 'minimum area of supply' would fall 'within the area' which is comprising of a Municipal Council or a Municipal Corporation or a Revenue District but it does not imply that the licence to supply electricity for an area or an 'area of supply' which is the 'minimum area of supply' must extend to the 'entire area falling within' a Municipal Council or a Municipal Corporation or a Revenue District." (Emphasis supplied)*

The Central Government thereafter substituted the Explanation to Rule 3(2) by notification dated 28.11.2022). The Explanation, as it stands on the record of these proceedings, reads:

> *"Explanation.—For the purposes of this sub-rule, it is hereby clarified that for grant of a licence for distribution of electricity within the same area in terms of sixth proviso to section 14 of the Act, the entire area covering either a Municipal Corporation as defined in article 243Q of the Constitution or three adjoining revenue districts, or a smaller area as may be notified by the Appropriate Government shall be the minimum area of supply." (Emphasis supplied)*

The Committee notes that the amended Explanation revised the criterion from an area falling within a Municipal Council, Municipal Corporation or revenue district to the entire area covering either a Municipal Corporation or three adjoining revenue districts, or such smaller area as the Appropriate Government may notify. The amendment thus serves two complementary objectives: it ensures that a parallel licence relates to a coherent, complete and identifiable service area capable of efficient planning, regulation and operation, and it discourages fragmented or selective licensing confined to commercially attractive pockets, which would undermine the Universal Service Obligation. No judicial authority has yet authoritatively interpreted the amended Explanation, and the Commission is therefore required to construe it in accordance with its text, context and legislative purpose.

6.12 Committee Observation:

(a) The Municipal Corporation limb is the applicable baseline and stands satisfied

The amended Explanation prescribes the minimum area in the alternative: the entire area covering either a Municipal Corporation, or three adjoining revenue districts, or a smaller notified area. The proposed licence area includes the entire Municipal Corporation of Gurugram without exclusion of any part of the Corporation. The first limb of the Explanation is therefore satisfied on the face of the record. Once the minimum threshold is met through the Municipal Corporation limb, the Applicant is not required to also satisfy the alternative limb of three adjoining revenue districts; the alternatives are disjunctive, not cumulative. The objection founded on the legal character of the Municipal Committees in Nuh proceeds on a misreading of the Explanation: the Municipal Committees are not relied upon as the qualifying minimum area, but merely describe the administrative composition of the larger contiguous area for which the licence is sought over and above the qualifying Municipal Corporation.

(b) A larger contiguous area above the minimum is permissible

The Explanation prescribes a minimum, not a maximum or an exclusive template. Once the minimum threshold is crossed, a licence may be sought and granted for a larger contiguous area. The proposed licence area forms a contiguous geographic block spanning the complete revenue districts of Gurugram and Nuh, with no geographical portion of either district excluded.

(c) The contiguity objection regarding Nagina, Hathin and Sikri is factually not found correct

The Applicant has substantiated before the Committee that Nagina forms part of the Network Rollout Plan submitted with the Petition and of the Implementation Plan submitted in compliance with the Interim Order dated 26.05.2026. As regards Hathin and Sikri, the documentary evidence placed before the Committee establishes that

Hathin falls under Palwal district and Sikri falls under Faridabad district; neither falls within the revenue districts of Gurugram or Nuh, and their exclusion therefore cannot detract from the completeness or contiguity of the proposed licence area.

(d) Balanced consumer composition negates selective licensing

The material on record demonstrates that Gurugram comprises a substantial urban, commercial and industrial consumer base, whereas Nuh contains a significant proportion of rural, agricultural, domestic and subsidised consumers with materially different demand and revenue characteristics. The inclusion of the entirety of Nuh, with its predominantly rural and subsidised consumer base, materially negates the allegation that the Applicant has confined its proposal to commercially remunerative consumers, and affirmatively supports the legislative objective of preventing "cherry-picking" while reinforcing the Universal Service Obligation across a balanced consumer profile.

(e) Regulatory precedent and practice

MERC Order dated 14.08.2014 in Case No. 90 of 2014, the Commission held that TPC's application, covering most of the area administered by the Municipal Corporation of Greater Mumbai and, with the inclusion of the Chene and Versave villages, the entire area under the Mira-Bhayandar Municipal Corporation, conformed to the minimum area of supply under the Explanation to Rule 3 of the Distribution Licence Rules. While rendered under the pre-amendment framework and therefore persuasive rather than binding, the precedent confirms that compliance with the Municipal Corporation limb qualifies the application, and that *a licence may embrace a larger contiguous area beyond the qualifying minimum*. The legal opinion of Dr. Justice D. Y. Chandrachud, Former Chief Justice of India placed on record by the Applicant is to the same effect.

(f) Harmonious interpretation

The proper interpretation of the amended Explanation must harmonise four statutory objectives: promotion of regulated competition; prevention of fragmented or selective licensing; preservation of the Universal Service Obligation; and orderly development of an efficient distribution system. The Committee is satisfied that the proposed licence area fulfils each of these objectives.

(g) ***General Contentions***

- On the objection of Sri Anshul Mangla with respect to the incorporation of the Company and its experience, the Committee finds that the Applicant was incorporated on 06.06.2025 as "Veyora Infra Private Limited" with objects relating to real estate. The name of the Applicant Company was changed to "Eleven Power Private Limited" on 24.02.2026 and its objects were altered to the generation, transmission and distribution of electricity by Memorandum dated 26.02.2026. The Committee does not regard them as disclosing a disqualification. A change of name and of objects effected in accordance with the Companies Act, 2013 is lawful, and the formation or repurposing of a company for the purpose of undertaking a particular licensed activity is the ordinary course of infrastructure development, and such an activity is a norm rather than the exception. The eligibility qua grant of licence shall be dealt with as per the provisions of Section 14 of the Electricity Act, 2003 and the Distribution Licence Rules of 2005.
- The Committee has also noted the Objectors' reference to the earlier applications of DLF Utilities and of Essar in respect of areas within Gurugram. The Committee records that the objectors themselves state that the DLF application was not determined upon its merits, the area requirement having altered during its pendency and the applications having been withdrawn at the final hearing, and that the Essar petition was not pressed. Neither furnishes a precedent bearing upon the present Petition. In the instant case the Applicant has proposed an area of distribution covering both Gurugram and Nuh revenue districts which is hugely wider and not pocket based. Therefore, question of comparing the past attempts of parallel distribution with the present application does not arise.

6.13 Findings on the Minimum Area of Supply

The proposed licence area includes the entire Municipal Corporation of Gurugram. The first limb of the amended Explanation — the entire area covering a Municipal Corporation — is accordingly satisfied, and the Applicant is not required to additionally satisfy the alternative limb of three adjoining revenue districts. The Applicant has demonstrated compliance with the statutory requirement relating to the minimum area of supply prescribed under the Explanation to Rule 3(2) of the Distribution Licence Rules, as amended.

PART III— Committee Analysis & Observation

B. Capital adequacy and Creditworthiness

6.14 The Statutory Test under Rule 3:

Rule 3(1) requires the Appropriate Commission to decide the requirement of capital investment for the distribution network after hearing the applicant, keeping in view the size of the area of supply and the service obligation under Section 43. Rule 3(2) then requires the applicant to satisfy the Commission that, on a norm of 30% equity on the cost of investment so determined, the applicant — including the promoters, where the applicant is a company — would be in a position to make available resources for such equity on the basis of the net worth and generation of internal resources of its business, including of promoters, in the preceding three years, after excluding other committed investments.

Three features of the statutory test merit emphasis. First, the test is one of capacity to make available the equity resources, not of equity already standing subscribed at the licensing stage. Secondly, the Rule expressly permits the resources of the promoters to be taken into account. Thirdly, the temporal reference is the net worth and internal resource generation of the preceding three years, which, where the applicant is a recently incorporated company, necessarily directs attention to the promoters' record. Creditworthiness, though assessed under the same rule, is analytically distinct: capital adequacy concerns the availability of equity resources, whereas creditworthiness concerns the demonstrated ability to mobilise, access and sustain the debt component throughout implementation.

6.15 Reliance upon the Net Worth of the Promoter

The Respondents object that the Applicant, incorporated only on 06.06.2025 with paid-up capital of Rs. 1 crore, has no operational track record in the electricity sector and no audited financial history of the preceding three years.

The Committee observes that the Applicant has relied upon the audited accounts of its holding entity, SAS Fininvest LLP, for FY 2022-23 to FY 2024-25 for compliance with the financial criteria. This is in conformity with the express language of Rule 3(2) of Distribution Licence Rules,2005 which contemplates precisely such reliance where a project is implemented through a new entity. The statue does not mandate stand-alone prior experience as a distribution licensee, ownership of an existing network or a three-year audited history, where the promoter's record satisfies the statutory test.

At the same time, the Committee considers that reliance upon promoter resources must rest upon credible documentary evidence and legally enforceable commitments, and not merely upon expectations. The Committee has accordingly adopted the following principles:

- Promoter's financial capability may legitimately be considered where it forms part of the proposed financing structure; and
- Such reliance must be supported by documentary evidence demonstrating financial capacity and commitment

  The evidence has been evaluated against these principles.

6.16 Net Worth Evaluation: Market Value versus Book Value

The core financial dispute concerns the variance between the book value of the net worth of SAS Fininvest LLP — Rs. 94.95 crore as on 30.10.2025 — and its market value of Rs. 4,085.60 crore as on the same date, certified by M/s Sandeep Kumar and Associates, Chartered Accountants, on 06.05.2026. The Respondents assert that the historical book value is the only legally cognisable metric. The Committee is of the view that this is an restrictive interpretation, for the following reasons:

- **Nature of the assets:** the net worth of SAS Fininvest LLP is primarily composed of highly liquid, listed securities. Assessing the LLP's capacity on historic cost would ignore the true economic capacity and immediately realisable liquidity of the promoter. The three-year record — Rs. 4,215.08 crore (31.03.2024), Rs. 3,728.53 crore (31.03.2025) and Rs. 4,085.60 crore (30.10.2025), with detailed computations on record — shows the market-value net worth exceeding the entire five-year equity requirement of Rs. 1,415.02 crore by a wide margin throughout;
- **Beneficial interest versus registered ownership:** the apparent inconsistency noted by the Respondents — that the shares in Global Health Limited stand registered in the name of an individual partner, Sh. Sunil Sachdeva, on the MCA portal — is explained by the settled distinction between the registered holder and the beneficial owner. The beneficial interest in the shares legally vests in SAS Fininvest LLP, and the investment is accordingly appear in the audited financial statements of the LLP, which form the basis both in the CA's Net worth certification and the Special purpose financial statements;
- **Tax and volatility haircuts:** even applying a conservative 12.5% long-term capital gains tax haircut and an additional block-realisation discount to the market value of Rs. 4,085.60 crore, the realisable net worth would remain approximately Rs. 3,000 crore — more than double the entire five-year equity requirement of Rs. 1,415.02 crore. The Respondents' concern regarding tax on realisation is therefore adequately absorbed within the margin of comfort;
- **RBI framework for loans against securities:** the Reserve Bank of India regulates loans against securities through prescribed loan-to-value (LTV) ceilings — for equity shares and equity mutual funds, an LTV cap of 60% of market value **(RBI circular Dated 30.03.2026 regarding Credit Facility)**. Even at 60% of the market value of the LLP's net worth, the amount works out to approximately Rs. 2,451 crore, well above the proposed equity investment

of Rs. 1,415 crore. The prudential lending framework itself therefore corroborates the sufficiency of the promoter's resources;

- **Special purpose balance sheet:** the special purpose balance sheet of SAS Fininvest LLP as on 30.10.2025, prepared in accordance with the ICAI Guidance Notes, independently shows net worth of Rs. 4,085.62 crore, closely corroborating the certified market-value figure; and
- **Legal opinion:** the legal opinion of Dr. Justice D. Y. Chandrachud, former Chief Justice of India (Appendix 1-3), placed on record by the Applicant, opines that the 2005 Rules do not prescribe a valuation methodology for net worth; that the Companies Act definition of "net worth" on a book-value basis cannot be mechanically transposed into a specialised regulatory framework with distinct objectives; and that market value, being based on current and publicly verifiable data, provides a more accurate, objective and reliable measure of the promoter's ability to make available the required equity resources, which the Commission is entitled to consider for assessing capital adequacy and creditworthiness under Rule 3(2).
- The Committee has treated the legal opinion as persuasive material supporting the interpretation independently arrived at by the Committee on the text and purpose of the Rule.
- The Committee has considered the Balance Sheet of the Applicant for FY 2025-26, dated 26.06.2026, placed on record by the objector Sri Anshul Mangla, showing a net worth of Rs. 80,34,619 and a loss of Rs. 19,65,381 against nil revenue. The Committee accepts those figures. They are the accounts of a company which has not yet commenced any business and which was constituted for the purpose of undertaking the licensed activity if the licence is granted; they neither surprise nor assist. Rule 3(2) does not require the applicant to demonstrate capital adequacy from its own balance sheet. It expressly permits the requirement to be satisfied by the applicant together with its promoters, and the Explanation directs attention to the resources which the promoters are in a position to make available.
- Reliance was also placed upon the judgment of the Hon'ble Supreme Court in *BRS Ventures Investments Ltd. v. SREI Infrastructure Finance Ltd. & Anr.*,

2024 INSC 548, to substantiate that a holding company and its subsidiary are distinct juristic persons and that the assets of the one are not the assets of the other. The ratio decidendi in the said case has no bearing upon the question before the Committee. The Committee has not proceeded upon the footing that the assets of SAS Fininvest LLP are the assets of the Applicant. It has proceeded upon the footing that Rule 3(2), by its express terms, permits capital adequacy to be established by the applicant **together with its promoters**, and directs attention to the resources which the promoters are in a position to make available to the applicant. The binding undertakings of the partners of SAS Fininvest LLP placed on record, and the conditions recommended at paragraph 6.25 requiring those resources to be earmarked and maintained free from charge or restriction, are directed to converting that availability into an enforceable commitment.

- The Committee has considered the objection of Sri Anshul Mangla qua liability founded upon the Index of Charges of the promoter entities, that the assets upon which the certified net worth rests are encumbered. Charges registered against a corporate entity are a normal incident of commercial borrowing and do not, of themselves, establish that the certified net worth is unavailable; net worth is in any event computed after liabilities. The objection nevertheless identifies a real risk, namely that resources certified as available at the date of application may be pledged thereafter. It is for that reason that the Committee has recommended at paragraph 6.25 that the earmarked promoter resources be maintained free from charge or restriction throughout, and it recommends further that the Applicant shall furnish, annually. a certificate of a Chartered Accountant confirming that the earmarked resources of Promoter remain unencumbered.

6.17 Undertakings of the Holding Entity and Demonstrated Liquidity

The financial commitment of the promoter is evidenced by two undertakings placed on record:

- **Undertaking of the partners (Submission Dated-30.07.2026-Sl. No.-5):** all partners of SAS Fininvest LLP have jointly and severally undertaken that the LLP proposes to invest total equity of around Rs. 1,500 crore in the Applicant in a phased manner over the next five years; that the LLP has liquid assets of about Rs. 4,085 crore in marketable quoted equity shares capable of liquidation on an immediate basis; that necessary approvals will be provided for adequate support to the Applicant for its distribution licence business in the Gurugram and Nuh revenue districts; that the Applicant will be enabled to arrange total capital of around Rs. 5,000 crore in a phased manner over five years by leveraging the creditworthiness, financial standing and net worth of the LLP; and that the undertaking remains valid and binding throughout the tenure of the proposed investment and the subsistence of any credit facilities availed on its basis. The revised undertaking rectifies the deficiency, identified during the Committee's proceedings, that the signatures of all partners were not available on all pages of the version originally filed;
- **Undertaking and declaration regarding committed investments (submission dated 21.07.2026) :** The designated partners have declared, expressly with reference to Rule 3(2), that the LLP has no other committed investments that would restrict or reduce the availability of resources required to meet the equity commitment; that the net worth held substantially in listed equity shares of Global Health Limited shall at all times remain free from any charge or restriction to the extent of the equity requirement; and that resources aggregating not less than Rs. 1,500 crore shall be earmarked, kept available and maintained free from any charge or restriction towards the 30% equity requirement over the next five years. This undertaking directly addresses the statutory phrase "after excluding his other committed investments" as well as the Respondents' concern regarding encumbrances; and

6.18 Phased Capitalisation Plan and Actual Equity Infusion

Pursuant to the Interim Order dated 26.05.2026, the Applicant has submitted a comprehensive debt-equity capitalisation plan for the capital expenditure of Rs.

4,716.73 crore over five phases from FY 2026-27 to FY 2030-31, funded on a 70:30 debt-equity structure:

Table 6-1:Five-Year Phase-wise Debt-Equity Capitalisation Plan (Rs. crore)

Particulars (Rs. crore)	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Total
Yearly Capital Expenditure	292.86	463.29	1,072.33	1,306.42	1,581.84	4,716.73
Cumulative Capital Expenditure	292.86	756.14	1,828.48	3,134.90	4,716.73	4,716.73
Cumulative Equity Contribution (30%)	87.86	226.84	548.54	940.47	1,415.02	1,415.02
Cumulative Debt Contribution (70%)	205.00	529.30	1,279.93	2,194.43	3,301.71	3,301.71

Two developments subsequent to the Interim Order materially strengthen the record. First, the Applicant has actually infused Rs. 91.00 crore of equity for Phase 1, exceeding the requirement of Rs. 87.86 crore; the financial plan has thereby transitioned from a prospective commitment to active capitalisation. Secondly, the authorised share capital — whose initial level of Rs. 100 crore was a principal concern in the Interim Order — has been increased to Rs. 1,500 crore, which covers the entire five-year equity requirement of Rs. 1,415.02 crore.

6.19 Creditworthiness and Progressive Debt Mobilisation

The total debt requirement over five years is Rs. 3,301.71 crore. The Respondents contend that the absence of closed debt syndication for the entire amount at the licensing stage constitutes a failure to establish creditworthiness. The Committee does not accept this contention, for the following reasons:

- **Progressive mobilisation is the correct standard:** requiring a parallel licensee to commit and lock in the entire five-year debt requirement up-front is economically unviable, imposing idle-capital costs and commitment fees that would ultimately inflate consumer tariffs. Creditworthiness must be evaluated on the capacity to mobilise debt progressively as the rollout proceeds, in line with the phased implementation targets. Neither Rule 3 nor any Regulation requires the entire debt to stand committed at the licensing stage;

- **Phase 1 debt stands sanctioned in principle (appendix-6 of the additional submission dated 03.07.2026):** the Applicant has secured an in-principle debt sanction letter from IndusInd Bank for Rs. 205.00 crore, matching the Phase 1 debt requirement;
- **Institutional solvency of Rs. 2,000 crore:** two separate solvency certificates of Rs. 1,000 crore each — from IndusInd Bank dated 12.05.2026 and from 360 One Prime Limited dated 07.04.2026 — stand on record, and 360 One Prime Limited has certified by its clarificatory note that its certificate is in addition to that of IndusInd Bank. The combined certified solvency of Rs. 2,000 crore represents a credible, independent assessment by institutional lenders of the promoter group's active credit capacity and demonstrates the ability to raise the necessary debt progressively across the project's phases; and
- **Consistency with prudential project-finance practice:** large electricity infrastructure projects are commonly implemented through new entities, with capital infused progressively in accordance with construction milestones and financed through an appropriate combination of promoter equity, institutional borrowings and internally generated resources, with phased drawdown of debt linked to equity contribution and implementation. The proposed financing structure is consistent with these principles.

6.20 The Phasing Doctrine: Judicial Grounding

The Respondents' core contention — that a parallel licensee must demonstrate the immediate financial capability to replicate and deploy a network across the entire licence area from the date of grant — is contrary to settled electricity jurisprudence.

In Municipal Corporation of Greater Mumbai (BEST) v. Maharashtra Electricity Regulatory Commission & Ors., Appeal No. 279 of 2017, decided on 11.03.2026 , the Hon'ble Appellate Tribunal for Electricity held:

"33. As per Section 42 of the Electricity Act, a distribution licensee is mandated to develop and maintain an efficient and economical distribution system within its area of supply, which would mean progressive expansion and improvement of the distribution system. In our view, it is not a one-time activity; instead, it means the licensee must continuously plan and invest in infrastructure to meet growing demand, and ensure reliability. Thus, in terms of Electricity Act, upon grant of distribution licence, the Licensee cannot be expected to develop the entire distribution network at one go, and there would be phased development of network and furthermore no time line for such a network development has been mandated in the Act. Section 43 of the Act also acknowledges that in the course of providing supply to a new customer, there would be instances, where extension of substation and/or distribution network would be required and same can be provided as per time lines specified by State Commission/ or upon such extension..."

The Hon'ble Tribunal thus held that development of distribution infrastructure is a continuous, capital-intensive and progressive process; that evaluating capital adequacy and creditworthiness on the basis of the capital expenditure required to serve the entire licence area immediately is not the correct approach; and that financial capability must be evaluated against the phased implementation targets rather than the total project cost at inception. The Applicant's five-year phased capital expenditure plan aligns with these principles.

Availability of equity resources and access to external borrowings are met on the record; the former through the promoter's certified net worth, binding undertakings and the actual Phase 1 infusion, and the latter through the aggregate institutional solvency of Rs. 2,000 crore and the in-principle Phase 1 sanction.

6.21 Ancillary Objections

(a) Capital cost benchmark of the incumbent

The Respondents' assessment that the project requires approximately Rs. 11,400 crore is built upon the configuration of the incumbent's own network. The

Committee examines the network plan separately in the technical Chapters. A differently designed network is not per se a deficiency in capital adequacy.

(b) Working capital and land

The Commission is mandated under Sub-Regulation (1) of Regulation 3 of Capital Adequacy Rules, 2005 to decide the requirement of capital investment for distribution network. The term 'capital investment' includes both fixed capital as well as working capital. The Applicant has determined the initial working capital amounting Rs.77 cr. Therefore, the Applicant is required to infuse equity component of 30% of the working capital of Rs.77 Cr. i.e. Rs.23.10 Cr. for the first year.

As regards the land, the Applicant has proposed in its Petition that the land requirement for installation and development of distribution shall be primarily met through lease.

(c) Non-availability of Forms MGT-4 and MGT-5

The Respondent's procedural objection regarding non-disclosure of Forms MGT-4 and MGT-5 in respect of SAS Fininvest LLP was examined. Under Section 2(20) of the Companies Act, 2013, a "company is an entity incorporated under the Act, 2003. An LLP, while a body corporate under Section 3 of the LLP Act, 2008, is not a "Company" under the Companies Act. Form MGT-4 and MGT-5 are, in any event, not filed with the Registrar of Companies by any declarant; they are declarations made to the company in whose shares the beneficial interest subsists. Sri Sunil Sachdeva, as registered holder and SAS Fininvest LLP as beneficial owner, have accordingly submitted their declarations to Global Health Limited and it is Global Health Ltd. alone which files the return in Form MGT-6 with the Registrar under Section 89(6) of the Act, 2013. The non-availability of these forms therefore establishes no deficiency and the beneficial ownership position is consistent with the LLP's audited financial statements.

PART III— Committee Analysis & Observation

C. Code of Conduct

6.22 Statutory Requirement under Rule 4

Rule 4 of the Distribution Licence Rules requires the applicant to satisfy the Commission that, within the last three years from the date of application, it has not been found guilty of or disqualified under: Sections 203, 274, 388B or 397 of the Companies Act, 1956 (and the corresponding provisions of the Companies Act, 2013); Sections 276, 276B, 276BB, 276C, 277 or 278 of the Income-tax Act, 1961; Sections 15C, 15G, 15H or 15HA of the SEBI Act, 1992; the enumerated clauses of Section 9(1) of the Central Excise Act, 1944; and Sections 132 or 135 of the Customs Act, 1962. The applicant must further not be a person whose licence was suspended under Section 24 or revoked under Section 19 of the Electricity Act within that period, and, where the applicant is a company, no winding-up petition against the company or any other company of the same promoter should have been admitted on the ground of inability to pay its debts.

The Committee considers that it reflects the legislative intention that a licensee entrusted with significant public responsibilities should demonstrate integrity, transparency, sound governance and regulatory compliance.

6.23 Evidence Examined and Analysis

- **Applicant's undertaking (Appendix 1-9):** the Applicant has submitted a comprehensive affidavit and undertaking confirming the absence of any disqualification under the specified statutes;
- **Holding entity's undertaking (Appendix 1-10):** in view of the promoter-backed structure of the project, a matching undertaking has been submitted by the holding entity, SAS Fininvest LLP, thereby binding the principal funding vehicle to the code of conduct;
- **Consortium partners' undertakings (Appendix 1-11):** since the Applicant relies on the distribution experience of its consortium partners for compliance

with the experience requirement under the HERC Licensing Regulations, 2004 (Form-1, Part I), matching undertakings have been submitted by all consortium partners, binding the entire consortium; and

The Committee, on the basis of the aforementioned undertakings submitted by the applicant, is satisfied that, the Applicant has complied the provisions of Rule 4.

PART IV— Committee Findings & Recommendation

6.24 Consolidated Findings on ToR 3.1

Finding No. 1

The statutory framework governing grant of a parallel distribution licence under the Electricity Act, 2003, the Distribution Licence Rules and the HERC Licensing Regulations requires strict compliance with the prescribed statutory qualifications, each of which has been examined independently by the Committee.

Finding No. 2

The Applicant has demonstrated compliance with the minimum area requirement under the amended Explanation to Rule 3(2): the proposed licence area includes the entire Municipal Corporations of Gurugram, thereby satisfying the Municipal Corporation limb of the Explanation, and extends to the complete and contiguous revenue districts of Gurugram and Nuh with a balanced mix of urban, rural, industrial, commercial, agricultural and subsidised consumers. The contiguity objections regarding Nagina, Hathin and Sikri are factually not correct on the documentary record.

Finding No. 3

The Applicant has demonstrated the financial capability necessary to satisfy the statutory requirement of capital adequacy under Rule 3(2), on the basis of the promoter's certified market-value net worth of Rs. 4,085.60 crore (exceeding the five-year equity requirement of Rs. 1,415.02 crore approximately 2.9 times, and remaining above that requirement in each of the three preceding years), the binding undertakings of the partners of SAS Fininvest LLP including the declaration of no other committed investments, the increase of authorised capital to Rs. 1,500 crore, and the actual infusion of Rs. 91 crore of Phase-1 equity satisfy the requirement.

Finding No. 4

The Applicant has established the requisite creditworthiness under Rule 3 through the aggregate institutional solvency certification of Rs. 2,000 crore (IndusInd Bank and 360 One Prime Limited), the in-principle sanction of Rs. 205 crore for the Phase 1 debt requirement, and the promoter's demonstrated capacity to mobilise resources, evaluated on the progressive-mobilisation standard consistent with the judgment of the Hon'ble APTEL dated 11.03.2026 in Appeal No. 279 of 2017.

Finding No. 5

Reliance upon the financial strength of the promoter group is expressly contemplated by Rule 3(2), is supported by documentary evidence and legally enforceable undertakings, and has been considered as a component of the overall assessment of statutory eligibility and not as a substitute for compliance by the Applicant.

Finding No. 6

The declarations, affidavits, undertakings of the Applicant, the holding entity and the consortium partners, and the other material examined by the Committee disclose no non-compliance with the code of conduct under Rule 4 or any statutory disqualification affecting eligibility, and no winding-up petition stands admitted against the Applicant or its promoters.

6.25 Recommendations of the Committee

In view of the foregoing findings, the Committee recommends as follows:

- The licence conditions may contain conditions with respect to continued compliance with the financial commitments — including maintenance of earmarked resources of not less than Rs. 1,500 Crore, free from any charge or restriction; in no case shall such earmarked resources be less than Rs. 1,500 Crore as reduced by the cumulative funds actually infused towards the approved capital expenditure; ensure phased equity infusion before six months into the Applicant's entity and mobilisation of the debt schedule in Table 6.1, phased infrastructure development balanced across both Gurugram and Nuh, Universal Service Obligations, consumer protection measures and periodic reporting on network development, consumer connectivity and service quality;

- The earmarked promoter resources be maintained free from any charges or restriction throughout, and it recommends further that the Applicant shall furnish, annually. a certificate of a Chartered Accountant confirming that the earmarked resources of Promoter remain unencumbered.
- Applicant is required to infuse the equity component (30%) of the working capital requirement, i.e, Rs.23.10 Cr. — computed by the Applicant at approximately Rs. 77 crore for the first year of operation — so as to satisfy the financial institutions for the requirement of working capital loans;
- Licence conditions may include advance reporting to the Commission of any change in control of the licensee, significant change in shareholding, partnership changes in the holding entity, mergers and acquisitions, change in key management personnel, and any update to the registered name, registered address or constitutional documents (Articles of Association, partnership deed and the like); and
- It requires continuing regulatory supervision to ensure that the Applicant maintains throughout the licence period the financial, technical and organisational capability demonstrated during these proceedings.

CHAPTER 7

TERM OF REFERENCE-3.2

FINANCIAL CAPABILITY AND INVESTMENT PLAN

1. Assess whether the proposed capital investment, financing structure, debt-equity mix, implementation schedule and business plan are adequate and financially sustainable for establishing, operating and maintaining a distribution system throughout the proposed licence area in the phased manner.

2. Examine the financial viability of the proposed parallel licence, including projected cash flows, revenue assumptions, funding arrangements, debt servicing capability and long-term sustainability."

PART I

7.1 Introduction

Under ToR 3.2, the Committee is required to examine whether the Applicant possesses the financial capability necessary to establish, operate and sustain an independent electricity distribution system within the proposed licence area comprising the Revenue Districts of Gurugram and Nuh. Subsequent to the preliminary evaluation, detailed material has become available on record — the Applicant's Capital Investment Plan and Financial Viability write-up describing the seven-step, demand-driven, bottom-up CAPEX methodology, the Implementation Plan filed with the Compliance to the Commission's directives on 03.07.2026, and the Business Plan (Enclosure-9) to the Main Petition. This Chapter records the evaluation on that fuller record and quantifies, wherever possible, observations earlier expressed in general terms. Since electricity distribution is capital-intensive and requires sustained investment, financial capability has been assessed not merely on the Applicant's present position but on its ability to mobilise resources, implement the network, maintain reliable operations, discharge the Universal Service Obligation (USO) and sustain future expansion.

7.2 Scope of Examination

The Committee has examined: (i) the adequacy of the proposed capital investment programme of Rs. 4,716.73 Crore and the robustness of its estimation methodology; (ii) the phased implementation strategy over FY 2026-27 to FY 2030-31; (iii) the financing arrangements with reference to the normative 70:30 debt-equity structure under the HERC MYT Regulations, 2024; (iv) the viability of the business model, including the projected Aggregate Revenue Requirement (ARR), Average Cost of Supply (ACoS) and Debt Service Coverage Ratio (DSCR); (v) the financial assumptions, sales projections, loss trajectory and power procurement plan; (vi) the ability to sustain operations while discharging the USO across both Revenue Districts, including the district-wise CAPEX allocation; (vii) the principal financial and commercial risks; (viii) long-term sustainability and resilience; and (ix) the regulatory safeguards necessary to ensure continued financial discipline. Statutory capital adequacy, creditworthiness and Code of Conduct compliance have been examined in Chapter 6 and are not repeated except where necessary.

7.3 Statutory and Regulatory Framework

The evaluation has been undertaken within the framework of the Electricity Act, 2003, the Distribution Licence Rules, the applicable Regulations, the National Electricity Policy and the Tariff Policy, with particular reference to the HERC MYT Regulations, 2024: Regulation 8.3 prescribes the ARR components of the Distribution (Wires) Business recoverable through wheeling charges — interest on term loan and on normative working capital, depreciation, O&M expenses, return on equity and provision for bad and doubtful debts — net of Non-Tariff Income and Income from Other Business, while Regulation 8.3.4 prescribes the ARR components of the Retail Supply Business, including power purchase cost and transmission charges. Since a licensee must maintain financial capability throughout the licence period, and tariff determination, prudence review and investment approval remain continuing functions of the Commission.

7.4 Material Examined

The Committee has examined, inter alia: the Petition and Business Plan, including Tables 1 to 33 (Pages 59–90 of the Main Petition); the Capital Investment Plan and Financial Viability write-up with the underlying Financial Model; the Implementation Plan (Pages 67–96 of the Compliance filing dated 03.07.2026); the BEE (Bureau of Energy Efficiency) Energy Audit Reports for FY 2023-24 and FY 2024-25, which constitute the historical base for sales estimation; the DHBVNL and HVPNL rate lists and market-rate benchmarks (Annexure-1) and the smart meter rate list (Annexure-2); audited financial statements and promoter capability information (Chapter 6); the projected Profit & Loss, cash flow to equity and DSCR derived from the year-wise ARR projections; the submissions of DHBVNL and other objectors; additional information furnished at the Committee's direction; and the applicable statutory provisions, Regulations, policy documents and judicial principles. The evidence has been evaluated in its entirety, not on any single indicator; where figures are reproduced, source Tables and pages are indicated.

7.5 Principles Governing Financial Evaluation

The evaluation has been guided by principles consistent with the Electricity Act, 2003 and accepted regulatory practice: financial capability is assessed over the entire implementation and operational period; phased financing is a recognised feature of large infrastructure projects; projections are planning assumptions subject to regulatory review; long-term sustainability outweighs short-term profitability; the Applicant must be able to discharge statutory obligations, including the USO, throughout the authorised area; and statutory eligibility, project viability and continuing regulatory supervision are distinct enquiries.

7.6 Financial Context of the Proposed Distribution Project

The proposed undertaking involves phased development of an independent distribution system covering the Gurugram and Nuh Revenue Districts, comprising five administrative divisions with materially different demand and revenue characteristics:

Division	Classification	Principal Characteristics
Gurugram Sub-urban	Urban – Residential / Commercial	Dense urban residential and commercial zones; HT load served from HVPNL 220 kV substations
Gurugram City	Urban – Mixed	Central Business District and high-density commercial areas
Sohna	Peri-urban – Industrial	IMT Sohna industrial and residential areas
Manesar	Industrial – Heavy	IMT Manesar, HSIDC Phase 5, MIC; dominated by large HT industries

Nuh	Rural – Agricultural	Predominantly agricultural and low-income consumer base

(Implementation Plan, Pages 67–96 of the Compliance to Commission directives dated 03.07.2026)

As per the BEE Energy Audit data for FY 2024-25, the licence area served approximately 8.36 lakh consumers with an aggregate contracted load of about 7,488 MW and total energy sales of 12,220.65 MU (Tables 1 and 2, Pages 59–61 of the Main Petition); the four Gurugram divisions accounted for the overwhelming share, with Nuh at 638.25 MU (about 5.2%) on a predominantly rural and agricultural profile. Viability has accordingly been evaluated on the entire authorised area, not only its commercially attractive segments — the inclusion of both districts materially influences investment requirements, revenues, operating costs and long-term sustainability.

7.7 Analytical Framework

The Committee has proceeded by examining, in sequence, the capital investment programme and its estimation methodology; the internal consistency of the demand, load, network and cost build-up; the financing structure; the revenue assumptions, power procurement plan and projected financial performance; the financial implications of the USO, including district-wise investment allocation; implementation and commercial risks; long-term sustainability and debt-servicing capacity; and the regulatory safeguards necessary to preserve financial discipline and protect consumer interests.

PART II(A)

7.8 Introduction

This Part does not verify every engineering estimate or technical design, which are examined in Chapters 8 and 9; it determines whether the investment programme is commensurate with the scale of the undertaking, whether its estimation methodology is sound and internally consistent, and whether it can support an independent distribution system in the proposed licence area — that is, its financial credibility and practical feasibility.

7.9 Proposed Capital Investment Programme

The Applicant proposes total capital expenditure of Rs. 4,716.73 Crore over FY 2026-27 to FY 2030-31, representing Gross Fixed Assets (GFA) as at the end of FY 2030-31 — Wire Business Rs. 4,650.37 Crore and Supply Business Rs. 66.36 Crore. The year-wise phasing is:

Component (Rs. Crore)	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	5-Year Total
Wire Business CAPEX	287.00	453.54	1,059.08	1,289.36	1,561.39	4,650.37
Supply Business CAPEX	5.85	9.75	13.25	17.06	20.45	66.36
Total Annual CAPEX	**292.86**	**463.29**	**1,072.33**	**1,306.42**	**1,581.84**	**4,716.73**
Cumulative GFA (Closing)	**292.86**	**756.14**	**1,828.48**	**3,134.90**	**4,716.73**	—

(Table 25, Page 77 of the Main Petition)

Within the Wire Business, HT infrastructure (EHV bay extensions, 33/11 kV distribution substations and transformers, 33 kV and 11 kV cable networks and HT consumer sub-stations) accounts for Rs. 1,409.10 Crore, and LT infrastructure (100 kVA distribution transformers, ring main units, feeder pillars, LT underground cables and LT consumer sub-stations) for Rs. 3,241.27 Crore (Tables 19–21, Page 75). The Supply Business CAPEX comprises smart metering for a projected cumulative base of 1,61,591 consumers by FY 2030-31 and Customer Care Centres and automation of Rs. 30 Crore (Tables 22–24, Page 76). The phased, demand-aligned conception of the programme is consistent with established utility practice.

7.10 Methodology of CAPEX Estimation

The estimation follows a demand-driven, bottom-up approach in seven steps: (i) licence-area sales estimated from the BEE Energy Audit historical base using category-wise CAGRs approved by the Commission in the DHBVNL Business Plan Order; (ii) the Applicant's own sales, converted from energy (MU) to load (MW) at load factors of 60% (HT) and 25% (LT); (iii) network planning against estimated load, on a defined hierarchy from the HVPNL interface to the consumer meter; (iv) unit costs benchmarked to the DHBVNL and HVPNL rate lists and market rates; (v) Wire Business CAPEX; (vi) Supply Business CAPEX on a consumer-count basis; and (vii) consolidation of total CAPEX and GFA build-up. The principal planning parameters are:

Parameter	**Value**	**Application**
Applicant's share in new incremental sales	25% (FY28) rising to 40% (FY31)	Share of incremental licence-area sales accruing to the Applicant
Load switched over from DHBVNL	2.5% (FY28) rising to 4.0% (FY31)	Share of existing DHBVNL sales migrating to the Applicant
Natural growth of own sales	3% p.a.	Organic growth from consumers already on own network
Load Factor — HT / LT	60% / 25%	Conversion of energy sales (MU) to demand (MW)
Cost escalation	3% p.a. compounding	Applied on all unit costs from base year
Erection, Testing & Commissioning	15% of supply cost	Applied on supply cost of all items
Overheads (sub-stations)	16.5% of supply cost	HVPNL-interface bay extensions, per DHBVNL norms
Contingency on material cost	2%	Applied on supply cost of each element
Interest During Construction	2%	Applied on total project cost during construction

GST	18%	DHBVNL rates are GST-inclusive; 18% added where rates are ex-GST

(Key Planning Parameters and Assumptions; Table 5, Page 64 and Assumptions Sheet of the Financial Model)

Unit costs are benchmarked to the DHBVNL rate list for sub-station equipment, cables and transformers, the HVPNL rate list for bay extensions (Rs. 10.09 Crore for a 100 MVA 220/33 kV bay and Rs. 4.13 Crore for a 25/31.5 MVA 66/11 kV bay, supply cost), and prevailing market rates for compact substations (Rs. 5.30 Crore for a 12.5 MVA equivalent), distribution transformers, ring main units, feeder pillars and LT XLPE cables (Annexure-1). 85% of 33/11 kV transformation capacity is proposed through Compact Substations and 15% through conventional Distribution Substations, yielding a weighted average installed cost of approximately Rs. 7.06 Crore per 12.5 MVA substation after ETC, civil cost, escalation and IDC.

The Committee's assessment is fourfold. First, the approach is demand-led rather than target-led: physical assets are derived from projected load and cost follows physical quantities — the appropriate discipline for utility capital planning. Secondly, growth assumptions are anchored to CAGRs already approved by the Commission in the DHBVNL Business Plan Order (10% domestic, 6% HT and LT commercial and industrial, lower for agriculture); for HT C&I, the 5-year CAGR of 6% has been preferred to the higher 2-year and 3-year CAGRs (14% and 18%) — a conservative choice. Thirdly, unit costs are anchored to incumbent-utility rate lists, limiting scope for understatement. Fourthly, the Committee has test-checked the arithmetic consistency of the build-up — annual totals, division-wise reconciliation and the correspondence of normative equity with the Chapter 6 requirement — and found no material discrepancy.

7.10A. Basis for Consumer Migration and Sales Projections

DHBVNL submits that the switch-over (2.5% to 4.0%) and incremental-share (25% to 40%) assumptions underlying the Applicant's sales projections are not supported by any independent consumer survey, demand-estimation study or market assessment, and cannot therefore be independently verified.

The Applicant submits that the assumptions are derived from Commission-approved CAGRs in the DHBVNL Business Plan Order for aggregate licence-area demand, combined with its own planning parameters (Table 5) for its projected market share, and that a bespoke primary survey was not considered necessary given this regulatory anchoring.

The Committee finds that the absence of an independent survey does not invalidate a methodology anchored to Commission-approved benchmarks, and the projections are, in any event, already treated as planning assumptions subject to periodic review.

7.11 Augmentation of HVPNL Interface System

In its Implementation Plan, the Applicant has proposed the construction of bays and allied works at the HVPNL interface within its proposed area of supply. In this regard, the Committee observes that, under the scheme of the Electricity Act, 2003 — in particular Sections 39 and 40 thereof — the development and augmentation of the intra-State transmission system falls within the exclusive domain of the Transmission Licensee (STU). A Distribution Licensee is neither obligated nor entitled to undertake augmentation of transmission substations. In the present case, it is HVPNL which is duty-bound to plan and develop an adequate transmission system for the smooth evacuation of power and its injection into the distribution network of the licensee.

The Committee is, however, conscious of the distinction between augmentation of the transmission system per se and works in the nature of dedicated connectivity — such as terminal bays at the interface substation — which are conventionally executed by, or under the supervision of, the STU but funded by the connectivity-seeking entity under the applicable connectivity and supervision-charge framework. Any arrangement under which the Applicant itself constructs, owns or operates transmission assets would be impermissible in the absence of a transmission licence. The Committee accordingly recommends that any interface works be undertaken strictly through HVPNL under its extant connectivity procedures, with the cost thereof borne either by HVPNL or by the Applicant. Accordingly, it will be passed through in the ARR of the concerned Utility. However, the final determination of this issue is left to the wisdom of the Commission.

7.12 DHBVNL's Alternative Capital Investment Estimate

DHBVNL's Observation/Issue: DHBVNL has estimated the capital investment required to serve the entire Gurugram–Nuh licence area, inclusive of working capital, at approximately Rs. 11,397.75 Crore, implying an equity requirement of approximately Rs. 3,419.33 Crore — materially exceeding the Applicant's Rs.

4,716.73 Crore. Relying on India Power Corporation Limited (HERC/Pro-08 of 2014), DHBVNL submits that the Commission must independently determine the investment required to discharge the USO across the entire licensed area before testing capital adequacy.

Applicant's Response: The Applicant submits that its estimate is not of a full, simultaneous, area-wide network, but of a phased, demand-sequenced network scaled to its own projected market share, rising to only 15.21% of licence-area sales by FY 2030-31; the two figures are therefore not comparable as estimates of the same undertaking.

Committee's Findings: The Committee finds the divergence attributable to a difference in scope rather than to any infirmity in the Applicant's seven-step methodology, which is independently anchored to Commission-approved CAGRs and incumbent-utility rate lists (paragraph 7.10). The principle in IPCL has nonetheless been applied in substance through the district-wise USO test at paragraph 7.22 (Nuh's CAPEX allocation tested against its proportionate sales contribution). The Applicant's smaller, phased investment is found capable of supporting universal service over the planning horizon, subject to the enforceable safeguards recommended in Part III(B).

7.13 Phased Implementation Strategy

The Implementation Plan (Pages 88–96 of the Compliance filing dated 03.07.2026) sets out the year-wise and division-wise rollout. Over the five-year horizon the physical programme comprises, inter alia, 6 nos. 220/33 kV bay extensions (100 MVA each), 14 nos. 66/11 kV bays with 25/31.5 MVA transformers, 17 nos. 66/33 kV bays with 20/25 MVA transformers, 36 nos. 33/11 kV distribution substations with 105 nos. 12.5 MVA power transformers, 205 km of 33 kV underground cable, 340 nos. 11 kV feeders with 1,020 km of 11 kV cable, 13,600 nos. 100 kVA distribution transformers and 4,080 km of LT underground cable. The division-wise and Revenue District-wise CAPEX allocation is:

Division / Revenue District (Rs. Cr)	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	5-Year Total

Gurugram Sub-urban	147.94	263.44	370.33	389.61	415.04	1,586.37
Gurugram City	1.52	2.34	385.59	536.37	675.26	1,601.08
Sohna	59.59	80.93	118.05	144.58	183.16	586.32
Manesar	49.70	71.43	135.90	161.04	220.51	638.56
Gurugram Revenue District	**258.75**	**418.15**	**1,009.87**	**1,231.61**	**1,493.97**	**4,412.35**
Nuh Revenue District	**34.10**	**45.14**	**62.46**	**74.81**	**87.86**	**304.37**
Grand Total	**292.86**	**463.29**	**1,072.33**	**1,306.42**	**1,581.84**	**4,716.73**

(Table 25, Page 77 of the Main Petition)

A phased rollout is commercially prudent and operationally appropriate. Approximately 84% of total CAPEX is programmed in the last three years (FY 2028-29 to FY 2030-31) — consistent with the lead time for HVPNL interface works, approvals and mobilisation, but concentrating execution and financing risk in that window; this is addressed in paragraph 7.23 and the safeguards in Part III(B). Implementation should not result in prolonged concentration of infrastructure in commercially attractive locations alone: the Committee notes that rollout in the Nuh division commences in the very first year (FY 2026-27), with a 33/11 kV distribution substation and a 66/33 kV bay programmed alongside the initial Gurugram works, and continues every year thereafter. The rollout must remain consistent with the USO, and implementation milestones should remain subject to periodic review by the Commission.

Gurugram City Rollout Sequencing

DHBVNL's Observation/Issue: DHBVNL submits that Gurugram City receives near-nil CAPEX (Rs. 1.52 Crore and Rs. 2.34 Crore) in FY 2026-27 and FY 2027-28 respectively despite an existing HT load of 143 MW, while other divisions receive substantial first-year investment, evidencing a selective, commercially-driven market-entry strategy rather than a uniform area-wide rollout.

Applicant's Response: The Applicant submits the sequencing reflects dependency on the corresponding HVPNL interface works for Gurugram City rather than deliberate deferral, and that cumulative investment in the division reaches Rs. 385.59 Crore by FY 2028-29 and Rs. 1,601.08 Crore over the five-year period — the second-highest among the four divisions.

Committee's Findings: The Committee finds the concern legitimate in substance, since a prolonged lag in a high-density division could operate as selective service in effect, even where not so intended. The safeguards recommended in Part III(B) are accordingly extended to require division-wise progress reporting specifically for Gurugram City, with reasons to be furnished by the Applicant for any slippage beyond FY 2028-29.

7.14 Project Viability and Adequacy of Capacity Planning

The Committee has compared planned capacity addition against projected load on the Applicant's own network:

Particulars	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Energy sales on own network (MU)	558.30	1,113.77	1,856.17	2,772.00
As % of total licence area sales	3.75%	6.99%	10.90%	15.21%
Projected load on own network (MW)	212.26	425.24	712.24	1,067.06
Cumulative distribution transformation capacity (MVA)	380.0	842.5	1,380.0	2,002.5

(Tables 8 and 9, Pages 66–67 of the Main Petition; capacity comparative statement, Implementation Plan)

The planned transformation capacity of 2,002.5 MVA against a projected peak requirement of about 1,067 MW by FY 2030-31 provides a capacity margin of the order of 1.9 times, which is reasonable for an underground urban network having regard to diversity, N-1 redundancy, transformer loading norms (approximately 80% assumed in feeder planning) and headroom for growth beyond the planning horizon.

The assumed network hierarchy — approximately three 11 kV feeders per 12.5 MVA transformer, forty 100 kVA distribution transformers per 11 kV feeder and about 400 LT consumers per feeder — is consistent with accepted distribution planning practice.

The Committee also regards as material that sales on the Applicant's own network remain in the range of 3.75% to 15.21% of total licence-area sales over the period: the undertaking is an incremental network developed alongside, not in substitution of, the incumbent's system, and the scale of investment and projected market share are mutually consistent (the implications for the incumbent are examined in the Chapter on impact on DHBVNL and cross-subsidy). The Committee is satisfied that the project is capable of implementation in principle, subject to timely mobilisation of resources, phased execution and continued regulatory supervision.

7.15 Infrastructure Development and Asset Creation

The programme provides an independent network with the operational systems necessary for efficient utility operation: 100% smart metering (single-phase, three-phase, HT and LTCT meters at the unit costs in Table 23, escalating at 3% per annum), communication and digital monitoring, Customer Care Centres with automation (Rs. 1 Crore per centre, one per division per year as the consumer base expands) and system control. The network is predominantly underground (33 kV, 11 kV and LT XLPE cable), with 85% of 33/11 kV capacity through compact substations — appropriate for the dense urban geography of the Gurugram divisions and materially reducing right-of-way and outage exposure, at a higher unit capital cost that is reflected in the estimates. Periodic verification of physical progress should accompany financial monitoring.

7.16 Implementation Considerations

The Committee draws particular attention to the HVPNL interface. The EHV interface works — the 220/33 kV and 66 kV bay extensions at HVPNL substations — are to be carried out by HVPNL; the Applicant has stated that in the event of delay it will itself develop the interface network and transfer the assets to HVPNL. Since the entire downstream rollout is sequenced from these in-feed points, any slippage directly delays capitalisation, consumer connection and revenue commencement. The intimated fallback mitigates, but does not eliminate, this dependency; a specific safeguard is recommended in Part III(B). The project is further exposed to supply-chain constraints (particularly power transformers and compact substations, for which delivery periods have elongated industry-wide), right-of-way coordination for extensive underground cabling in dense urban corridors, and regulatory approvals. Such risks are inherent in large utility projects and do not, by themselves, undermine viability; effective project governance, periodic monitoring and regulatory oversight will nevertheless be essential.

7.17 Committee's Preliminary Assessment

In summary: the proposed investment of Rs. 4,716.73 Crore is broadly commensurate with the scale of the undertaking, and its seven-step, demand-driven estimation methodology is sound, internally consistent and anchored to Commission-approved growth rates and incumbent-utility cost benchmarks; the phased strategy accords with accepted utility practice, subject to the observation that the concentration of about 84% of CAPEX in the last three years warrants close monitoring of execution and financing milestones; the planned capacity of 2,002.5 MVA against a projected requirement of about 1,067 MW provides an adequate margin; and viability depends on timely mobilisation of resources, timely completion of the HVPNL interface works, disciplined execution and compliance with statutory obligations, particularly the USO, under continued monitoring by the Commission.

PART II(B)

7.18 Introduction

This Part evaluates the financing arrangements, revenue assumptions, power procurement plan, USO implications and financial risks. The objective is not to determine future profitability or financial closure, but to assess whether the financial model is credible, capable of supporting implementation and consistent with the long-term obligations of a licensee under the Electricity Act, 2003.

7.19 Financing Arrangements

The Applicant proposes to finance the project through promoter equity and promoter-group support, institutional borrowings and internal accruals, on the normative 70:30 debt-equity structure under the HERC MYT Regulations, 2024. Applied to CAPEX of Rs. 4,716.73 Crore, this implies equity of approximately Rs.

1,415.02 Crore and debt of approximately Rs. 3,301.71 Crore, mobilised progressively with the annual phasing. This has been examined in Chapter 6 in greater detail under the Capital Adequacy & Creditworthiness. The initial infusions & in-principle debt arrangements for Phase 1 have also been examined in Chapter 6. Debt is assumed at 9.00% per annum with a 12-year repayment and one-year moratorium, and interest on normative working capital at 10.20% (SBI MCLR of 8.7% as on 01.04.2026 plus 150 basis points) (Table 31, Pages 89–90). The structure is consistent with financing models generally adopted for large infrastructure projects.

The Committee has also taken note of the Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025, as amended by the Amendment Directions, 2026 (Revised) dated 30 March 2026. First, to the extent promoter equity is to be mobilised by borrowing against listed securities, such lending is subject to loan-to-value ceilings, minimum haircuts, ongoing valuation, margin-call requirements and end-use monitoring; the realisable liquidity of a securities portfolio is accordingly lower than its quoted market value. Secondly, bank finance for the distribution business will be appraised under project finance norms, with lenders ordinarily requiring demonstrable equity from the promoters' own funds. The certified market value of the promoter portfolio has therefore been treated as an indicator of financial capacity rather than freely deployable equity, and the Committee has recommended (in Chapter 6 and in Part III(B)) that equity infusion milestones be secured through enforceable undertakings and verified before each implementation phase. Subject to the foregoing, the financing model provides a reasonable basis for implementation.

7.20 Revenue Model and Financial Assumptions

The revenue build-up proceeds from the licence-area sales projections (Commission-approved CAGRs) to the Applicant's own sales through three streams: natural growth of 3% per annum on existing sales, a share of incremental new sales rising from 25% in FY 2027-28 to 40% in FY 2030-31, and switch-over of existing DHBVNL consumers rising from 2.5% to 4.0% of the previous year's licence-area sales. The resulting division-wise sales are:

Sales in MU

Division	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Gurugram Sub-urban	223.73	434.49	699.36	1,025.55
Gurugram City	179.90	347.09	554.98	808.26
Sohna	—	33.15	122.68	238.81
Manesar	138.74	268.00	429.03	625.65
Nuh	15.93	31.04	50.12	73.73
Total Eleven Power	**558.30**	**1,113.77**	**1,856.17**	**2,772.00**
Total licence-area sales	14,896.07	15,925.19	17,032.41	18,224.12
Applicant's share of licence-area sales	**3.75%**	**6.99%**	**10.90%**	**15.21%**

(Table 8, Pages 66–67 of the Main Petition)

Distribution losses are projected at 5.80% in FY 2027-28 declining to 5.20% by FY 2030-31, benchmarked against FY 2024-25 levels of comparable private and urban licensees (1.02% for TPC-D and 2.81% for Torrent Surat to 7.48% for NPCL) (Tables 26–27, Pages 78–79) — achievable for a new, fully-metered, predominantly underground network with 100% smart metering from inception, and conservative relative to the best comparators, though requiring sustained vigilance in Nuh. Applying the ARR components under Regulations 8.3 and 8.3.4, the projected ARR and ACoS are:

Particulars (Rs. Crore)	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Power purchase cost	273.05	552.34	929.19	1,397.69
Transmission charges	51.82	100.65	167.68	250.11
O&M expense	32.32	66.52	113.27	169.64
Depreciation	20.98	51.69	99.27	157.03

Interest and finance charges	22.87	45.10	68.14	79.45
Interest on working capital	7.90	16.42	28.50	43.09
Total revenue expense	**408.94**	**832.72**	**1,406.06**	**2,097.01**
Add: Return on Equity (14%)	22.03	54.28	104.23	164.88
Aggregate Revenue Requirement	**430.97**	**886.99**	**1,510.29**	**2,261.89**
Net sales (MU)	558.30	1,113.77	1,856.17	2,772.00
ACoS (Rs./kWh)	**7.72**	**7.96**	**8.14**	**8.16**
DHBVNL ACoS/ABR (Rs./kWh)	**7.77**	**8.00**	**8.24**	**8.49**

(Tables 32–33, Page 90 of the Main Petition)

The projected ACoS remains below the corresponding DHBVNL ACoS/ABR in every year, though the margin is modest initially (Rs. 0.05/kWh in FY 2027-28 and Rs. 0.04/kWh in FY 2028-29), widening to Rs. 0.33/kWh by FY 2030-31 as scale of economy materialises. The projections thus do not rest on a claim of dramatic early cost advantage — a realistic framing; equally, the thin early margin means adverse variance in power purchase cost or sales realisation would be absorbed by the licensee's shareholders rather than consumers, since the regulated framework allows recovery only of prudently incurred costs upon truing-up. The Applicant has additionally computed an Average Billing Rate for green energy supply of Rs. 8.65 to Rs. 9.37 per kWh, incorporating a Green Energy Premium of Rs. 0.88/kWh.

Several of these variables — consumer acquisition and migration, category-wise composition, connected load and sales, loss reduction, billing and collection efficiency, tariffs and wheeling charges, and future regulatory determinations — are influenced by market conditions, consumer behaviour and regulatory decisions and are not entirely within the Applicant's control. **Accordingly, the Committee considers that these projections should be treated as planning assumptions rather than assured financial outcomes and should be periodically reviewed against actual operational performance.**

7.21 Power Procurement Plan

The energy requirement, after grossing up sales for distribution losses (5.80% declining to 5.20%) and intra-State (1.95%) and inter-State (3.65%) transmission losses, rises from 609.98 MU in FY 2027-28 to 3,008.55 MU in FY 2030-31 (Table 28, Page 79). The proposed portfolio is 80% renewable and 20% thermal: Firm and Dispatchable Renewable Energy (FDRE) contracted at Rs. 4.40/kWh (ex-bus, benchmarked to recent competitive bidding, about 50% from within Haryana); Green Day Ahead Market (GDAM) purchases at Rs. 3.80/kWh (FY 2025-26 base, escalated 3% p.a.), tapering from 25% to 5% of the renewable portfolio as firm PPA capacity builds; and thermal base-load at Rs. 5.00/kWh (FY 2026-27 base) escalating 3% p.a. Power purchase cost rises from Rs. 273.05 Crore to Rs. 1,397.69 Crore and transmission charges from Rs. 51.82 Crore to Rs. 250.11 Crore (Tables 29–30, Page 81).

Three observations follow: the 80% renewable share substantially exceeds the applicable Renewable Purchase Obligation trajectory and is a commercial differentiator rather than a compliance necessity; the plan is progressively de-risked, with market-exposed GDAM purchases tapering in favour of firm contracted capacity; and deliverability of round-the-clock supply from an 80% renewable portfolio depends on the actual availability profile of the contracted FDRE capacity — any shortfall would be bridged through market purchases, with the cost variance subject to prudence review. **The procurement assumptions are reasonable planning assumptions whose prudence will fall for determination in tariff proceedings, not in these licensing proceedings.**

7.22 Universal Service Obligation and Financial Implications

Financial sustainability cannot be evaluated solely by reference to high-value consumers: a licensee must serve all consumer categories throughout the authorised area without discrimination, and Gurugram and Nuh present significantly different profiles — the Gurugram divisions contribute the bulk of industrial and commercial demand, while Nuh contains a larger proportion of rural, agricultural and subsidised consumers requiring greater network investment per unit of saleable energy. The detailed filings permit this to be tested quantitatively: Nuh is allocated Rs. 304.37 Crore, about 6.5% of total CAPEX, against projected Nuh sales of 73.73 MU by FY 2030-31, about 2.7% of the Applicant's projected sales — approximately 2.4 times its proportionate sales contribution — with rollout programmed from the first year and every year thereafter. This pattern is consistent with a bona fide intention to serve the entire licence area rather than a token presence designed to satisfy the minimum-area requirement. Projections are, however, not commitments; **the Committee has recommended in Part III(B) that the district-wise rollout, including the Nuh programme, be embedded in enforceable licence conditions with periodic reporting.**

7.23 Financial Risks and Sensitivity Assessment

The pivotal assumptions are the market-share assumptions: the share of incremental new sales (25% rising to 40%) and the switch-over of existing DHBVNL consumers (2.5% rising to 4.0%). Slower acquisition would proportionately reduce sales, revenue and asset utilisation, while much of the capital cost, once incurred, is fixed; conversely, because the CAPEX phasing is demand-sequenced, a shortfall can be partially mitigated by preponing later-year investment. The other principal risks are:

- delay in mobilisation of promoter equity or in achieving debt financing and financial closure, particularly given the concentration of about 84% of CAPEX in FY 2028-29 to FY 2030-31;
- delay in completion of the HVPNL interface works, on which downstream rollout and revenue commencement are sequenced;
- escalation in capital and construction costs beyond the assumed 3% per annum, or inadequacy of the 2% contingency and IDC provisions in the event of material delay;
- increase in financing costs above the assumed 9.00% interest rate;
- slower loss reduction than the projected 5.80% to 5.20% trajectory, particularly in Nuh;
- erosion of the projected ACoS advantage over DHBVNL, which is thin (Rs. 0.04–0.05/kWh) in the initial two years;
- variance in renewable energy availability or market prices affecting the 80% renewable portfolio;
- delay in subsidy reimbursement, where applicable; and changes in regulatory or macro-economic conditions.

These risks are inherent in projects of this nature and do not, by themselves, render the proposal unviable. Under the cost-plus framework, prudently incurred costs are recoverable through the ARR as well as upon truing-up, and the principal consequence of adverse variance falls on the licensee's shareholders through reduced or delayed returns rather than on consumers. Financial planning should nevertheless remain resilient to reasonable variations, with periodic review of projections against actual experience.

7.24 Preliminary Financial Assessment

In summary: the financing structure is consistent with accepted infrastructure practice and the normative framework, and reconciles with Chapter 6; the revenue model is a reasonable planning framework anchored to Commission-approved growth rates and a benchmarked loss trajectory; the projected ACoS remains below DHBVNL's throughout without depending on an implausible cost advantage; the procurement plan is a reasonable planning construct whose prudence will be determined in tariff proceedings; the district-wise allocation supports the credibility of the USO commitment, subject to enforceable rollout conditions; and the projections and assumptions should remain subject to periodic regulatory review and continuing supervision by the Commission.

PART III(A)

7.25 Introduction

Financial sustainability extends beyond initial capital or successful implementation: a licensee must be able to operate, maintain and expand its network, meet statutory and contractual obligations, service financial commitments and continue reliable supply under changing conditions. This Part accordingly focuses on long-term resilience rather than projected short-term profitability.

7.26 Principles Governing Financial Sustainability

A financially sustainable distribution utility should be able to maintain adequate operational cash flows; meet working capital and liquidity requirements; service debt; finance network maintenance, replacement and expansion; absorb reasonable variations in demand, expenditure and revenue; maintain statutory Standards of Performance; and discharge the USO throughout the authorised area — assessed over the entire licence period.

7.27 Revenue, Expenditure, Cash Flow and Debt-Servicing Capacity

Long-term viability turns on the balance between recurring expenditure — power purchase, transmission and wheeling charges, O&M (assumed at 7.5% of ARR), financing costs, depreciation (4.00% on the asset mix) and compliance costs — and regulated revenue driven by consumer growth, sales, billing and collection efficiency, loss reduction and tariff determination.

Under the cost-plus framework, projected profit after tax is therefore substantially equivalent to the regulated 14% Return on Equity on average equity, rising from Rs. 22.03 Crore in FY 2027-28 to Rs. 164.88 Crore in FY 2030-31. After debt service on 12-year term debt with a one-year moratorium, free cash flow to equity is projected slightly below profit after tax and is capable of redeployment as equity, partially internalising the funding of later-phase expansion.

The projected DSCR works out in the range of 1.46 to 1.54 — within the range ordinarily acceptable to lenders for regulated infrastructure assets, and deriving principally from the cost-plus recovery framework rather than optimistic margin assumptions. Coverage is nevertheless sensitive to the timeliness of tariff determination and truing-up; sustained regulatory lag would compress coverage, reinforcing the importance of timely filings and determinations. Since expenditure on power procurement precedes revenue realisation, the normative working capital allowance (one month of O&M expenses, maintenance spares at 1% of opening GFA and receivables of about two months) provides the regulatory basis for financing this timing difference, and the Applicant should maintain adequate liquidity and working capital facilities.

7.28 Business Resilience and Financial Governance

The demand-sequenced structure of the programme itself provides a measure of resilience against variations in demand, schedules, financing costs and regulatory decisions, since later-phase investment can be modulated against realised consumer acquisition without impairing service to connected consumers. Long-term sustainability further depends on sound financial governance: financial planning, internal controls, budgetary management, statutory audit, monitoring of expenditure against the approved programme, segregated accounting for the Wires and Retail Supply businesses as contemplated by the HERC MYT Regulations, 2024, regulatory reporting and timely disclosure of material developments.

7.29 Committee's Assessment

The Committee concludes that the investment and financing framework — Rs. 4,716.73 Crore of phased CAPEX on a normative 70:30 structure — provides a reasonable and internally consistent basis for the undertaking; that the projected DSCR of 1.46 to 1.54 and the substantially pass-through character of the regulated cost structure support sustainability under reasonable assumptions, subject to disciplined implementation and prudent financial management; that resilience should be assessed continuously against actual performance rather than projections alone; and that the Commission should retain ongoing oversight through financial reporting, prudence review and monitoring of implementation progress.

PART III(B)

7.30 Committee's Findings on ToR 3.2

Having examined the material on record and the submissions of all stakeholders, the Committee records the following findings:

Finding No. 1

The proposed capital investment programme of Rs. 4,716.73 Crore over FY 2026-27 to FY 2030-31 (Wire Business Rs. 4,650.37 Crore; Supply Business Rs. 66.36 Crore) is commensurate with the scale, scope and phased development of the undertaking. Its seven-step, demand-driven, bottom-up estimation methodology — anchored to Commission-approved growth rates, incumbent-utility rate lists and defined planning norms — is sound and internally consistent, and the planned transformation capacity of 2,002.5 MVA against a projected requirement of about 1,067 MW by FY 2030-31 provides an adequate planning margin.

Finding No. 2

The proposed financing structure — promoter equity and support, institutional borrowings and internal accruals on the normative 70:30 basis, implying equity of approximately Rs. 1,415.02 Crore and debt of approximately Rs. 3,301.71 Crore mobilised in phase with the investment programme — is consistent with financing practices for infrastructure projects of comparable magnitude and reconciles with the capital adequacy evaluation in Chapter 6. Its implementation will depend on timely mobilisation of resources, particularly during FY 2028-29 to FY 2030-31 in which about 84% of the CAPEX is programmed.

Finding No. 3

The financial projections — sales rising from 558.30 MU (3.75% of licence-area sales) in FY 2027-28 to 2,772.00 MU (15.21%) in FY 2030-31, an ARR rising from Rs. 430.97 Crore to Rs. 2,261.89 Crore, a projected ACoS of Rs. 7.72 to Rs. 8.16 per kWh remaining below DHBVNL's corresponding ACoS/ABR in every year, and a distribution loss trajectory of 5.80% declining to 5.20% benchmarked against comparable private and urban licensees — provide a reasonable planning framework. These projections should be treated as planning assumptions rather than assured outcomes; the ACoS margin over the incumbent is modest in the initial two years.

Finding No. 4

The business model has been evaluated on the basis that the Applicant will discharge the USO throughout Gurugram and Nuh. The district-wise allocation on record — Rs. 304.37 Crore (about 6.5% of CAPEX) for Nuh against about 2.7% of projected sales, with rollout programmed from the first year — supports the conclusion that the proposal is intended to serve a balanced consumer profile rather than only commercially remunerative consumers, subject to the rollout commitments being made enforceable.

Finding No. 5

The financial and commercial risks identified — dependence on the market-share and switch-over assumptions, the back-loaded CAPEX phasing, the HVPNL interface dependency, cost escalation, financing constraints, the availability profile of the predominantly renewable portfolio, and operational uncertainties — are not uncommon in infrastructure projects and are capable of being managed through prudent execution, the demand-sequenced flexibility of the phased programme, sound governance and continuing regulatory oversight. Under the cost-plus framework, the principal consequence of adverse variance falls on the licensee's shareholders rather than consumers.

Finding No. 6

On the material presently available — including profit after tax substantially equivalent to the regulated Return on Equity, free cash flow to equity after debt service, and a projected DSCR of 1.46 to 1.54 within the range ordinarily acceptable to lenders — the Committee finds no financial deficiency or project-related infirmity of such magnitude at this stage as would render the undertaking financially unviable or constitute an independent ground for refusal under ToR 3.2.

7.31 Recommended Regulatory Safeguards

If the licence is granted, the Commission may consider incorporating safeguards requiring the Applicant to:

- implement the approved programme of Rs. 4,716.73 Crore as per the committed year-wise and division-wise rollout schedule, including the Nuh rollout from the first year;
- infuse equity per the phased 70:30 requirement, secured through enforceable promoter undertakings, and demonstrate such infusion and corresponding debt tie-up before each implementation phase;
- maintain adequate financial resources, liquidity and working capital for efficient operation and network development;
- furnish at least half-yearly reports on CAPEX against the approved programme, funding status, HVPNL interface and network rollout progress, and district-wise implementation;
- report promptly any delay in the HVPNL interface works and the mitigation proposed, including invocation of the intimated arrangement to develop the interface assets and transfer them to HVPNL;
- submit annual audited financial statements with segregated Wires and Retail Supply accounts and statutory certifications, and promptly disclose any material variation in project cost, financing, schedule, procurement or business assumptions;
- maintain prudent financial governance, internal controls and risk management, comply with all requirements prescribed by the Commission, and remain subject to continuing prudence review and financial supervision throughout the licence period.

These safeguards are directed to implementation and oversight and do not constitute additional statutory conditions for grant of licence.

7.32 Committee's Recommendation

The Committee recommends that the Commission recognise that the Applicant has demonstrated an investment programme, financing framework and business model capable of supporting the proposed undertaking, subject to implementation in accordance with the approved programme and continuing regulatory supervision. Financial capability should remain under periodic review, so that any material deviation from the assumptions examined — in particular the consumer acquisition and switch-over trajectory, the equity infusion and debt tie-up schedule, the HVPNL interface progress and the district-wise rollout — may be addressed promptly through appropriate regulatory measures.

7.33 Conclusion

Having examined the investment programme of Rs. 4,716.73 Crore and the methodology of its estimation, the phased implementation plan, the financing arrangements on the normative 70:30 structure, the revenue model, the power procurement plan, the projected ARR, ACoS and DSCR, the district-wise investment allocation bearing on the USO, the implementation risks and the evidentiary material on record, the Committee is satisfied that the proposed undertaking is financially viable and capable of implementation, subject to the licence conditions, implementation safeguards and continuing regulatory oversight recommended in this Report.

Accordingly, the Committee concludes that the Applicant has satisfactorily addressed the financial considerations arising under ToR 3.2.

CHAPTER 8

TECHNICAL CAPABILITY, MANAGERIAL CAPABILITY AND DISTRIBUTION NETWORK

"1. Examine whether the Applicant possesses the necessary technical expertise, managerial capability and operational experience, either independently or through legally binding arrangements, for establishing and operating a reliable distribution system.

2. Evaluate the proposed network development plan, implementation schedule, substation infrastructure, consumer connectivity plan, system redundancy, reliability standards and compliance with applicable technical standards.

3. Examine whether the proposed distribution system conforms to the Electricity Act, 2003, HERC Regulations, Distribution Code, Supply Code, Grid Code, CEA Regulations and other applicable technical standards."

This Chapter is divided into three parts. Part-A deals with the introduction, scope, statutory and regulatory frameworks. Part B deals with Committee's evaluation on the basis of materials available. Part C deals with the Committees' overall analysis, observation, findings, recommendations and conclusion thereof.

PART I

8.1 Introduction:

ToR 3.3 requires the Committee to examine whether the Applicant possesses the technical expertise, managerial capability and operational preparedness necessary for establishing, operating and maintaining an independent electricity distribution system within the proposed licence area, either independently or through legally binding arrangements. The examination extends to the proposed network development plan, implementation schedule, substation infrastructure, consumer connectivity, system reliability and redundancy, and conformity with the Electricity Act, 2003, the applicable HERC Regulations, the Distribution Code, the Supply Code, the Grid Code, the relevant Central Electricity Authority (CEA) Regulations and other applicable technical standards. Issues relating to statutory eligibility, financial capability, power procurement, transmission interface and public interest are addressed separately in the relevant Chapters of this Report.

8.2 Statutory and Regulatory Framework:

The Committee has undertaken its examination within the framework of the Electricity Act, 2003, the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, the applicable HERC Regulations governing grant of distribution licence, the Distribution Code, the Supply Code, the Grid Code and the technical standards prescribed by the Central Electricity Authority. These instruments prescribe the standards governing planning, design, construction, operation, maintenance, safety, reliability and performance of the distribution system, compliance with which is a continuing obligation of every distribution licensee. The Committee has accordingly evaluated the Applicant's capability not merely with reference to its proposed engineering arrangements but also its ability to discharge the statutory, technical, operational and consumer service obligations associated with a parallel distribution licence.

8.3 Material Considered:

For the purposes of ToR 3.3, the Committee has considered, inter alia:

- the Petition, technical proposal and proposed network development plan submitted by the Applicant;
- the additional affidavits, technical submissions and rejoinders filed during the proceedings, and the MoU between the Consortium Members;
- the replies, objections and technical submissions filed by DHBVNL, HVPNL and other stakeholders;
- the organisational structure, implementation strategy and proposed deployment of technical and managerial resources;
- the binding Consortium MoU and the Responsibility Matrix allocating responsibilities amongst the consortium members;
- the oral submissions advanced during the hearings; and
- the applicable statutory provisions, HERC Regulations, Codes and CEA Regulations governing electricity distribution.

The material has been evaluated in its entirety, having regard to the statutory framework, accepted engineering and utility practices, and the evidence placed on record. The findings recorded in this Chapter rest upon a cumulative assessment of the evidence and not upon any individual submission or document.

8.4 Issues for Examination:

From the pleadings, documentary evidence and submissions made during the proceedings, the following principal issues arise under ToR 3.3:

(i) Whether the Applicant has demonstrated adequate technical expertise, managerial capability and institutional capacity for undertaking the functions of a parallel distribution licensee?

(ii) Whether the proposed organisational arrangements, the binding Consortium MoU and the Responsibility Matrix collectively demonstrate capability for network planning, engineering design, network development, implementation, operation, maintenance and consumer services, while preserving the Applicant's statutory responsibility?

(iii) Whether the proposed network development plan, implementation schedule, substation infrastructure, consumer connectivity programme and system design provide a technically credible framework for phased establishment, reliable operation and progressive expansion of the proposed distribution system?

(iv) Whether the objections raised by the Respondents disclose any material deficiency in the Applicant's demonstrated technical, managerial or operational capability that would justify refusal of the proposed licence?

(v) Whether the proposed distribution undertaking is capable of being established and operated in conformity with the Electricity Act, 2003, the applicable HERC Regulations, the Distribution Code, the Supply Code, the Grid Code, the applicable CEA Regulations and other prescribed technical standards?

The Committee examines these issues in the succeeding Parts of this Chapter.

PART - B

COMMITTEE'S EVALUATION

8.5 Technical Expertise and Institutional Capability:

The Applicant has relied upon its technical proposal, proposed organisational structure, network development strategy, deployment of technical resources and the institutional arrangements placed on record to establish that it possesses the capability necessary for undertaking the functions of a distribution licensee. The Respondents have questioned this capability principally on the grounds that the Applicant has no previous experience of operating a licensed distribution utility, that reliance upon consortium partners cannot substitute for the Applicant's own capability, and that engineering, procurement and construction (EPC) experience is, by itself, insufficient.

The Committee is of the view that technical capability under ToR 3.3 is not confined to engineering competence alone but extends to the overall institutional ability to plan, establish, operate, maintain and progressively expand a distribution system in conformity with the statutory and regulatory framework. The assessment must therefore rest on the entire evidence placed on record and not on any single factor. The Committee further notes that neither the Electricity Act, 2003 nor the applicable HERC Licensing Regulations prescribe previous operational experience as a distribution licensee as an independent statutory condition for grant of licence. While such experience is a relevant consideration, its absence does not, by itself, constitute a legal or technical bar where the Applicant otherwise demonstrates the capability necessary to discharge the obligations of the proposed licence.

On an overall evaluation, the Committee is satisfied that the Applicant has demonstrated access to the technical expertise and institutional capability necessary for establishing and operating the proposed distribution undertaking. The detailed evaluation of the Consortium MoU, Responsibility Matrix and operational arrangements is undertaken in the succeeding sections.

Finding

The Committee finds that the Applicant has, prima facie, demonstrated the technical expertise and institutional capability required under ToR 3.3 for establishment and operation of the proposed parallel distribution system.

8.6 <u>Managerial Capability:</u>

The Applicant has proposed an organisational structure assigning responsibilities for engineering, project implementation, network operations, maintenance, consumer services, commercial operations, finance, information technology and regulatory compliance, supported by an integrated management framework designed for both implementation and long-term operation. The Respondents have questioned whether these arrangements are presently operational and whether the Applicant has independently demonstrated the managerial capability required to operate a distribution utility.

The Committee observes that a distribution licence is ordinarily granted prior to establishment of the complete operational organisation. The relevant consideration at the licensing stage is whether the Applicant has proposed a credible organisational and governance framework capable of being operationalised before commencement of licensed operations. The proposed structure clearly identifies the principal functional responsibilities, and the governance framework provides for managerial oversight, coordination amongst specialised functional areas and accountability for operational performance. The adequacy of these arrangements must be assessed together with the institutional support examined in the succeeding section.

Finding

The Committee is satisfied that the Applicant has demonstrated a credible managerial and organisational framework capable of supporting implementation, operation and progressive expansion of the proposed distribution undertaking, subject to implementation, compliance with the conditions of licence and continuing regulatory oversight by the Commission.

8.7 <u>Operational Capability and Consortium Arrangements:</u>

The Applicant has relied upon a binding Consortium Memorandum of Understanding (MoU) supported by a Responsibility Matrix allocating defined functional responsibilities amongst the consortium members. The consortium brings together complementary expertise in engineering, network planning, project implementation, distribution infrastructure, automation, metering, consumer services and commercial operations, while overall statutory responsibility remains with Eleven Power as the proposed distribution licensee. The consortium documentation provides for defined responsibilities, commercial commitments, continuity of participation and a minimum six-year tenure with an exit mechanism, relied upon to demonstrate implementation certainty during the establishment phase.

The Respondents have contended that the Applicant has no independent operational experience as a distribution licensee, that EPC capability cannot be equated with utility operations, and that contractual arrangements cannot substitute for the statutory responsibilities of the proposed licensee. The Committee agrees that statutory responsibilities under the Electricity Act, 2003 cannot be delegated through contractual arrangements. However, ToR 3.3 expressly permits evaluation of capability, demonstrated **independently or through binding arrangements**. The relevant question is therefore whether the consortium arrangements credibly supplement the Applicant's institutional capability while preserving its exclusive statutory accountability.

The Committee finds that the binding Consortium MoU is not merely a statement of intent. It records defined functional responsibilities, commercial commitments, continuity obligations, withdrawal provisions and implementation support arrangements. The Responsibility Matrix demonstrates a structured allocation of the principal functions of a modern distribution utility according to the demonstrated expertise of the participating organisations.

Table 8.1 – Committee's Evaluation of the Consortium Responsibility Matrix

Functional Area	Responsibility Matrix (Summary)	Committee's Evaluation
Statutory compliance, licence	Eleven Power retains sole responsibility for statutory	Appropriately preserves statutory and regulatory

obligations and investments	compliance, regulatory approvals, investments and overall accountability.	responsibility exclusively with the Applicant.
Network planning, engineering and grid integration	Eleven Power provides overall approval; HEC leads network planning, substations and grid integration; Advait provides execution support; Vision India provides operational and demand inputs.	Demonstrates an integrated engineering framework for planning, design and coordinated network development.
Project implementation and substation development	Eleven Power exercises programme oversight; HEC provides engineering supervision; Advait leads EPC/distribution rollout; Vision India supports field mobilisation and O&M readiness.	Demonstrates complementary capability for implementation, construction supervision, quality assurance and commissioning.
Distribution infrastructure and underground cabling	HEC leads HV cabling; Advait leads 33/11 kV cabling, RMUs and distribution infrastructure; Eleven Power provides approvals and oversight.	Demonstrates capability for phased development and modernisation of the proposed network.
Consumer connectivity, metering and commercial operations	Vision India leads new connections, meter installation, billing, collection and customer-care operations; Eleven Power retains regulatory oversight.	Demonstrates capability for consumer interface, metering, billing, revenue management and customer service.
Distribution automation and smart-grid systems	HEC leads SCADA, ADMS, feeder automation and smart-grid architecture; Advait supports communications, GIS, RMUs and network	Demonstrates capability for deployment of modern distribution management systems and future-ready utility operations.

	modernisation; Vision India supports field implementation and consumer data.	
Power procurement and system operations	Eleven Power remains solely responsible for procurement strategy, PPAs, market purchases, scheduling and regulatory compliance; consortium members provide technical and demand inputs.	Appropriately retains statutory and commercial accountability with the Applicant while utilising specialised technical support.

The Committee finds that the Responsibility Matrix, read together with the binding Consortium MoU, provides a credible institutional framework for network planning, implementation, operation, maintenance, digital utility systems and consumer services during the establishment and initial operational phase of the proposed undertaking. The consortium documentation further provides **a minimum six-year lock-in, provision for forfeiture of the non-lead members' security deposit of Rs.5 Crore (Rupees Five Crore)**, continuity obligations and structured provisions governing withdrawal or replacement of members. These provisions provide materially greater implementation certainty than a purely informal technical association. The statutory obligations of the proposed licensee nevertheless remain exclusively with Eleven Power; the consortium supplements, but does not transfer or dilute, its responsibilities under the Electricity Act, 2003, the applicable HERC Regulations or the proposed licence.

Finding

The Committee finds that the Consortium MoU and the Responsibility Matrix constitute credible evidence of the Applicant's institutional capability for the purposes of ToR 3.3. They materially strengthen the Applicant's demonstrated capability across network planning, engineering, implementation, operation, maintenance, automation and consumer services, while preserving the Applicant's exclusive statutory responsibility as the proposed distribution licensee.

8.8 Distribution Network Development and Operational Preparedness

The Applicant has submitted a phased development plan comprising establishment of substations, distribution lines, underground cabling, distribution automation, consumer metering systems and supporting infrastructure, with progressive expansion of the network in accordance with consumer demand, applicable planning criteria and statutory approvals. The implementation strategy integrates engineering design, construction, commissioning, operation and consumer service functions through the organisational framework and consortium arrangements placed on record. The Respondents have questioned the adequacy of the implementation schedule, submitting that detailed engineering, substation designs, network layouts and operational arrangements have not yet been finalised.

The Committee observes that grant of a distribution licence necessarily precedes detailed engineering, procurement and construction. At the licensing stage, the relevant consideration is whether the Applicant has demonstrated a technically credible framework capable of phased implementation. The Committee finds that the proposed network philosophy, implementation strategy and development programme provide a reasonable basis for progressive establishment and expansion of the proposed system. Detailed engineering, route alignments, equipment selection and construction activities are implementation-stage matters that remain subject to the applicable statutory approvals, technical standards and regulatory supervision.

Finding

The Committee is satisfied that the proposed network development plan, implementation strategy and consumer connectivity programme provides a technically credible framework for phased establishment, operation and expansion of the proposed distribution undertaking.

8.9 Conformity with Technical Standards:

The material placed on record does not indicate any inherent inconsistency between the proposed distribution undertaking and the Electricity Act, 2003, the applicable HERC Regulations, the Distribution Code, the Supply Code, the Grid Code or the Regulations and Technical Standards notified by the CEA. Compliance with these requirements shall remain a continuing obligation throughout implementation and operation, and the Applicant shall comply with all applicable technical specifications, safety and performance standards, and directions issued by the Commission and other competent authorities from time to time.

Finding

The Committee concludes that the proposed distribution undertaking is capable of being implemented in conformity with the applicable statutory and technical framework, subject to compliance with the applicable licence conditions, statutory approvals and continuing regulatory oversight.

8.10 Principal Objections and Committee's Evaluation:

The Committee has examined the principal objections raised by the Respondents together with the Applicant's replies, rejoinders and the supporting material placed on record. The evaluation is summarised below.

Table 8.2 – Principal Objections, Applicant's Response and Committee's Evaluation

Principal Objection	Applicant's Response	Committee's Evaluation
Applicant has no previous experience as a distribution licensee.	Capability has been demonstrated through organisational arrangements, technical resources and the legally binding Consortium MoU.	Previous operational experience is a relevant consideration but not an independent statutory prerequisite. Capability has been assessed on the cumulative evidence on record.
Consortium arrangements cannot substitute for the Applicant's capability.	The Consortium supplements technical capability; statutory responsibility remains exclusively with Eleven Power.	Accepted. The Consortium strengthens institutional capability without diluting statutory responsibility.
EPC capability is not equivalent to utility operation.	The Applicant relies upon integrated capability covering engineering, implementation,	The Committee agrees that EPC experience alone is insufficient. The evidence, however, demonstrates

	operation, consumer services and commercial functions.	capability extending to the principal operational functions of a distribution utility.
Network proposal lacks detailed engineering and implementation particulars.	Detailed engineering will follow grant of licence and statutory approvals.	Detailed engineering is an implementation-stage activity. The proposal provides an adequate technical framework for licensing purposes.
Organisational framework is not presently operational.	The organisational structure will be established before commencement of licensed operations.	The Applicant shall demonstrate the organisational framework before commencement of operations.

The Committee has considered these objections individually and collectively. Certain objections raise legitimate issues relating to implementation, operational readiness and continuing performance, which warrant regulatory oversight during implementation and operation. However, the objections do not establish any material deficiency in the Applicant's demonstrated technical expertise, managerial capability or institutional capacity so as to warrant refusal of the proposed licence under ToR 3.3.

Finding

While certain implementation-related concerns merit continuing regulatory supervision, the objections raised by the Respondents do not disclose any material technical or managerial deficiency that would justify refusal of the proposed distribution licence under ToR 3.3.

PART- C

ANALYSIS, OBSERVATION, FINDINGS, RECOMMENDATIONS AND CONCLUSION OF THE COMMITTEE

8.11 Committee's Overall Analysis:

The Committee has examined the entirety of the material described in Section 8.3, including the technical proposal, the network development plan, the Consortium MoU and Responsibility Matrix, the objections and rejoinders, and the oral submissions, in the context of ToR 3.3. The assessment has been directed towards determining whether the Applicant has demonstrated the institutional capability necessary to establish, operate and progressively develop the proposed distribution undertaking, and whether the objections raised by the Respondents disclose any material deficiency warranting refusal of the proposed licence on technical or managerial grounds.

8.12 Committee's Findings:

Based upon the material placed on record and the evaluation recorded in Part II, the Committee records the following findings:

(i) The Applicant has demonstrated adequate technical expertise, managerial capability and institutional preparedness for undertaking the functions of a parallel distribution licensee. The proposed organisational framework provides a credible basis for planning, implementation, operation, maintenance and management of the proposed undertaking.

(ii) The legally binding Consortium MoU, read with the Responsibility Matrix, provides complementary capability across network planning, engineering, project implementation, operation and maintenance, automation, metering, consumer services and commercial operations, and materially strengthens the Applicant's institutional capability while preserving its exclusive statutory responsibility. The Commission may, if considered appropriate, require that these arrangements remain legally enforceable throughout the critical implementation phase and that any material change be brought to its notice.

(iii) The proposed network development plan, implementation strategy, substation infrastructure and consumer connectivity programme provide a technically credible framework for phased establishment and progressive expansion of the proposed system. Detailed engineering, procurement, construction and commissioning are implementation-stage activities and do not detract from the overall technical viability of the proposal.

(iv) The proposed distribution undertaking is capable of being implemented in conformity with the Electricity Act, 2003, the applicable HERC Regulations, the Distribution Code, the Supply Code, the Grid Code and the applicable CEA Regulations, subject to compliance with statutory requirements, licence conditions and continuing regulatory oversight.

(v) While certain concerns raised by the Respondents relating to implementation, operational readiness and future performance warrant continuing regulatory supervision, they do not establish any material deficiency in the Applicant's demonstrated technical, managerial or institutional capability so as to justify refusal of the proposed licence under ToR 3.3.

(vi) However, the Committee feels that a legally enforceable and binding agreement amongst the consortium members is required to be executed substituting the binding MoU.

8.13 <u>Committee's Recommendations:</u>

i) The Applicant shall furnish a legally enforceable Consortium Agreement after grant of licence but before commencement of operations.

ii) The Applicant shall also furnish details of the Key Managerial Personnel on its rolls after grant of licence but before commencement of operations.

8.14 <u>Conclusion:</u>

Having regard to the pleadings, documentary evidence and submissions placed before it, the Committee is of the considered opinion that the Applicant has **substantially demonstrated compliance with the requirements of ToR 3.3** relating to technical expertise, managerial capability, operational preparedness, distribution network development and conformity with the applicable statutory and technical framework, and that the proposed undertaking is supported by a credible institutional, managerial and technical framework capable of progressive implementation and operation in accordance with the Electricity Act, 2003, the applicable HERC Regulations, the Codes, the relevant CEA Regulations and the conditions of licence.

The Committee emphasises that grant of licence shall not dilute the Applicant's continuing responsibility to establish and maintain the organisational capability, technical resources and operational arrangements represented before the Commission. The Applicant shall remain solely responsible for compliance with all statutory obligations and licence conditions, notwithstanding the support available through the Consortium arrangements, and any material modification to the Consortium MoU, the Responsibility Matrix or the organisational framework affecting the demonstrated capability shall be promptly brought to the notice of the Commission for such directions as it may consider appropriate.

Accordingly, the Committee concludes that the material placed on record does not disclose any technical, managerial or institutional deficiency which, by itself, would justify refusal of the proposed parallel distribution licence under **ToR 3.3**.

CHAPTER 9

GRID INTEGRATION, NETWORK DEVELOPMENT PLAN AND SYSTEM READINESS

(TERM OF REFERENCE 3.4)

1. **Examine the statutory functions and responsibilities of the State Transmission Utility under Sections 39 and 40 of the Electricity Act, 2003 with reference to transmission planning, grid security, system coordination, open access and network development.**
2. **Examine whether any statutory approval, consent or No Objection Certificate from the State Transmission Utility or any other authority is required under the Electricity Act, 2003, the Rules framed thereunder or the applicable Regulations before grant of a Parallel Distribution Licence.**

PART I — SCOPE, STATUTORY FRAMEWORK AND ISSUES

9.1 Introduction and Scope

Under ToR 3.4, the Committee is required to examine the statutory functions and responsibilities of the State Transmission Utility (STU) under Sections 39 and 40 of the Electricity Act, 2003; to determine whether any approval, consent or No Objection Certificate (NOC) from the STU or any other authority is a statutory prerequisite for grant of a Parallel Distribution Licence; and to evaluate the Applicant's proposed transmission interface, grid integration framework and system coordination arrangements. To that end the Committee has examined the Petition and the Network Development Plan, the proposed EHV/HV infrastructure, interface arrangements, communication, SCADA and protection philosophy, the engineering studies proposed for implementation, the objections of HVPNL, DHBVNL, UHBVNL and other Respondents together with the Applicant's replies and rejoinders, and the applicable framework comprising the Act, the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, the applicable HERC Regulations, the Haryana Grid Code and the relevant CEA Regulations and Technical Standards.

One distinction is central to the whole of this Chapter and is stated here once: the statutory requirements governing grant of licence are separate from the technical, engineering and operational requirements which arise during implementation and must be fulfilled before commencement of supply. Transmission connectivity, interface approvals, Grid Code compliance, protection coordination and the associated system studies belong to the second category. The examination which follows applies this distinction to each issue raised.

9.2 Issues Arising for Determination

On the pleadings and material placed on record, the following issues arise: (i) whether the statutory functions assigned to the STU under Sections 39 and 40 require a prior approval, consent or NOC before grant of a Parallel Distribution Licence; (ii) whether the Applicant has proposed a technically credible transmission interface and grid integration framework, adequately addressing connectivity, system coordination, protection and operational requirements; (iii) whether the objections raised by the Respondents disclose any legal or technical impediment to grant; and (iv) whether the proposed undertaking is capable of secure integration with the existing transmission system in conformity with the applicable statutory and technical framework.

9.3 Statutory and Regulatory Framework

The statutory architecture assigns distinct but complementary responsibilities to the several entities concerned: Sections 14 and 15 govern the grant of a distribution licence; Section 32 vests system operation, scheduling and grid coordination in the State Load Despatch Centre; Sections 39 and 40 charge the STU and the Transmission Licensee with coordinated planning, development and non-discriminatory access to the intra-State transmission system; and Section 42 places upon every distribution licensee the obligation to develop and maintain an efficient, coordinated and economical distribution system. The CEA Regulations prescribe the technical standards for connectivity, safety and grid connection; the Haryana Grid Code governs operational coordination, protection, metering and reliability; and the applicable HERC Regulations govern distribution licensing and operation. The Committee has evaluated ToR 3.4 by reading these provisions harmoniously, having regard also to the framework governing transmission connectivity and General Network Access (GNA) where applicable.

PART II — COMMITTEE'S EVALUATION

9.4 Statutory Role of the State Transmission Utility and the Transmission Licensee

The Applicant submits that grant of a Parallel Distribution Licence neither diminishes nor interferes with the STU's functions under Sections 39 and 40: the STU continues to discharge its responsibilities of transmission planning, coordinated development of the intra-State system, non-discriminatory transmission access and system coordination, while the Applicant remains responsible only for its own distribution system. The Respondents contend that the proposed parallel system cannot be examined independently of the State transmission network, that HVPNL must evaluate its technical implications before any grant, and that the proposed interface may bear upon system planning, augmentation, protection coordination and grid security.

The Committee finds that the responsibilities which Sections 39 and 40 of the Act, 2003 assign to the STU and the Transmission Licensee are continuing statutory obligations, unaffected by the number of distribution licensees operating in the State, and intended to facilitate coordinated development and non-discriminatory access by eligible users. The existence of those responsibilities cannot, of itself, be construed as creating an additional licensing requirement unless the Act or the applicable Regulations expressly so provide. The Committee has further noted the STU's Capital Investment Plan approved by the Commission in the MYT Order dated 13.03.2025 for FY 2025-26 to FY 2029-30, covering substations, lines, land, IT systems, SAMAST and OPGW works and the SLDC: the State transmission system is accordingly already the subject of an approved and funded augmentation programme extending across the area & period of the Applicant's proposed rollout. The statutory functions of the STU and the Transmission Licensee accordingly continue to operate independently of, and remain fully preserved notwithstanding, the grant of a Parallel Distribution Licence.

It may not be out of place to mention that the MYT Order adequately captures the projected growth in demand for the entire State, including the Gurugram and Nuh areas, for the Control Period FY 2025-26 to FY 2029-30. Accordingly, the Transmission Plan, along with the corresponding CAPEX for developing adequate infrastructure to meet the growing requirements of the system, has been duly approved by the Commission for the said Control Period. It is pertinent to note that transmission planning is undertaken on an area-specific and not a licensee-specific basis. Consequently, the entry of an additional distribution licensee, if the licence is granted, would at most necessitate a marginal augmentation of transmission infrastructure, and no significant change in the approved Transmission Plan is envisaged.

9.5 Whether Prior STU Approval or NOC is a Statutory Prerequisite

The Applicant submits that neither Sections 14 and 15 nor the 2005 Rules prescribe any prior STU approval or NOC; transmission connectivity, interface approvals, protection studies and related clearances are implementation-stage requirements arising before energisation, not before grant. The Respondents contend that without STU concurrence the Commission cannot assess the impact of the proposed system on the transmission network, and that grant without prior technical concurrence risks avoidable system constraints.

On examination of the statutory provisions and the applicable regulatory framework, the Committee does not find any provision of the Electricity Act, 2003 or the applicable HERC Regulations which requires a prior approval or NOC from the STU as a condition precedent for grant of a Parallel Distribution Licence. At the same time, the technical inputs of the STU are of considerable importance to coordinated implementation and secure grid operation. The Committee accordingly concludes that a prior STU approval or NOC is not a statutory prerequisite for grant; all transmission connectivity requirements, interface approvals and technical clearances prescribed under the applicable framework shall, however, necessarily be obtained before commencement of commercial operations.

9.6 Transmission Interface and Grid Integration Framework

The material on record indicates a progressively developed undertaking: phased establishment of EHV/HV substations, interface arrangements with the State transmission system, associated distribution infrastructure, and modern protection, communication and automation systems. The Applicant proposes to undertake, as part of implementation, the detailed engineering studies — load-flow, fault-level, protection coordination, voltage regulation and system security — in accordance with the applicable standards. These studies are indispensable to safe and reliable integration, but they are engineering activities which ordinarily follow grant and precede energisation.

HVPNL Interface System. In its Implementation Plan the Applicant proposes construction of bays and allied works at the HVPNL interface within its proposed area of supply. Under the scheme of the Act — Sections 39 and 40 in particular — development and augmentation of the intra-State transmission system falls within the exclusive domain of the Transmission Licensee/STU; a distribution licensee is neither obligated nor entitled to augment transmission substations, and it is HVPNL which is duty-bound to plan and develop an adequate transmission system for evacuation of power into the licensee's network. The Committee is, however, conscious of the distinction between augmentation of the transmission system per se and works in the nature of dedicated connectivity — such as terminal bays at the interface substation — which are conventionally executed by, or under the supervision of, the STU but funded by the connectivity-seeking entity under the applicable connectivity and supervision-charge framework. Any arrangement under which the Applicant itself constructs, owns or operates transmission assets would be impermissible in the absence of a transmission licence. The Committee accordingly recommends that any interface works be undertaken strictly through HVPNL under its extant connectivity procedures, the cost being borne by HVPNL or by the Applicant as the Commission may determine and passed through in the ARR of the utility bearing it; the final determination of this issue is left to the wisdom of the Commission.

Subject to the foregoing, the Committee is satisfied that the Applicant has proposed a technically credible framework for transmission interface and grid integration, the detailed engineering studies and interface arrangements to be completed before commencement of supply in accordance with the Act, the applicable HERC Regulations, the Haryana Grid Code and the relevant CEA Regulations.

9.7 Principal Objections and the Committee's Evaluation

The objections of HVPNL, DHBVNL, UHBVNL and other Respondents broadly concern transmission connectivity, the requirement of an NOC, GNA, protection coordination, Grid Code compliance, land for substations, network architecture, system studies and operational readiness. They are summarised, with the Applicant's response and the Committee's evaluation, in Table 9.1 below.

Table 9.1Principal Objections, Applicant's Response & Committee's Evaluation

Principal Objection	Applicant's Response	Committee's Evaluation
Prior NOC from HVPNL is mandatory before grant of licence.	The Applicant has approached HVPNL, sought an in-principle NOC and undertaken to comply with all directions; transmission approvals follow grant of licence and precede commencement of supply.	STU consultation is important and should continue; however, neither the Electricity Act, 2003 nor the applicable licensing framework establishes an STU NOC as a statutory condition precedent for grant.
Transmission capacity, GNA and interconnection have not been established.	Connectivity studies, GNA and interconnection agreements will be completed before power drawal in accordance with the applicable regulatory framework.	Implementation-stage obligations, to be completed before commercial operation and monitored by the Commission.
Protection coordination, SCADA/EMS compatibility and Grid Code compliance remain uncertain.	The Applicant has undertaken to comply fully with all technical requirements of HERC, HVPNL, SLDC, CEA and CERC and to undertake the necessary system studies.	Technically valid concerns, but they relate to engineering implementation rather than licensing eligibility; compliance to be secured through licence conditions and regulatory supervision.

Principal Objection	Applicant's Response	Committee's Evaluation
System studies (load-flow, fault-level, stability) have not been completed.	The Applicant accepts their necessity and will complete them before energisation and execution of the interconnection arrangements.	Indispensable for secure grid integration; their completion is a pre-condition for commissioning, not for grant of licence.
Proposed substations on HVPNL land and the transmission interface remain uncertain.	HVPNL land would be used where available; failing which alternative land would be arranged without affecting implementation.	Land availability is an implementation issue and does not affect the legal or technical evaluation .of licensing eligibility. Further, it is the prerogative of HVPNL whether the land can be allotted to the applicant or not.
The proposed network violates the 33 kV Pilot Project Belt architecture and duplicates infrastructure.	The network is based on a 220/33 kV in-feed; notified PPB sectors will conform to the prescribed 220/33/0.4 kV configuration.	Conformity with the Commission's notified architecture must be ensured during detailed engineering; the Applicant's undertaking adequately addresses the issue at the licensing stage.

9.7A Analysis of the Concerns of Respondents

The Committee accepts that these concerns are not insignificant: transmission planning, network integration, protection coordination, communication systems, GNA, Grid Code compliance and coordinated operation are fundamental to the safe and reliable operation of an interconnected system. On the material before it, however, the objections go to how the licensed system will be implemented and operated, not to whether the Applicant is eligible for grant of licence. The Act contemplates that a distribution licence authorises establishment and operation of a distribution system, while connectivity, interconnection agreements, engineering

PART III — FINDINGS, RECOMMENDATIONS AND CONCLUSION

9.8 Findings of the Committee

On the evaluation recorded in Part II, the Committee records the following findings under ToR 3.4:

(i) Statutory framework. The Act distinguishes between the statutory requirements governing grant of a distribution licence and the operational obligations governing establishment, interconnection and operation of the distribution system. The authority & responsibilities of the STU, the Transmission Licensee and the SLDC continue independently throughout the licence period and are not diminished by grant of a Parallel Distribution Licence.

(ii) STU approval and NOC. The technical participation of HVPNL is essential to coordinated planning, connectivity and secure operation; but neither the Act nor the applicable HERC Regulations prescribe a prior NOC from the STU as a statutory condition precedent for grant. The Applicant's compliance with the Commission's direction to approach HVPNL, and its undertaking to complete that process, are relevant implementation measures and should continue to be pursued.

(iii) Transmission connectivity and grid integration. The Applicant has presented a technically credible framework for phased connectivity and integration. Transmission access, interconnection arrangements, interface metering, GNA where applicable, protection coordination and the associated engineering studies are implementation-stage requirements to be completed before commencement of commercial operations.

(iv) Technical readiness. The proposed arrangements for substations, transmission interface, communication systems, SCADA, telemetry and operational coordination are capable of supporting secure and reliable integration with the Haryana State Grid, subject to detailed engineering, statutory approvals and compliance with the applicable technical standards, and subject also to the interface works being routed through HVPNL as recorded at paragraph 9.6.

(v) Respondents' objections. The objections identify legitimate implementation requirements and underline the need for coordinated planning and continuing supervision, but establish no statutory or technical deficiency justifying refusal of the proposed licence under ToR 3.4.

9.9 No Objection Certificate From Other Authority

Section 15(2)(ii) of the Act, 2003 read with Regulation 4(1)(d) of the HERC Licensing Regulations, 2004 mandates the prospective applicant to obtain no objection certificate from the Ministry of Defence if any portion of the proposed area of supply falls within the territorial jurisdiction of the Ministry of Defence. In this regard the Committee finds that the Applicant has submitted the No Objection Certificate issued by the Ministry of Defence, before the Commission **(Annexure-C to the Additional Submission dated 03.07.2026 of the Applicant)**. It is pertinent to note that this issue has been raised by one objector Prof. Sampat Singh in his objection. With the submission of the NoC, the concern of the objector appears to be duly addressed.

9.10 Recommendations

To secure integration and coordinated operation, the Committee recommends that, in the event of grant, the Commission consider incorporating the following licence conditions:

(a) the Applicant shall obtain all transmission connectivity, interconnection approvals and statutory clearances, including GNA wherever applicable, before commencement of commercial operations;

(b) detailed load-flow, short-circuit, protection coordination, voltage regulation, reactive power, contingency and system security studies shall be completed, and periodically updated, in coordination with HVPNL and the SLDC;

(c) transmission interface agreements and operational coordination arrangements with HVPNL and the SLDC shall be executed before energisation, all interface works being undertaken through HVPNL under its extant connectivity procedures in the manner recorded at paragraph 9.6;

(d) interface metering, SCADA, telemetry, communication systems and protection schemes shall conform to the applicable CEA Regulations, the Haryana Grid Code and other technical standards;

(e) the Applicant shall comply with all lawful technical directions of the Commission, HVPNL, the SLDC and other competent authorities concerning grid security, system operation and network coordination; and

(f) the Applicant shall promptly report any material event affecting transmission connectivity, grid security or coordinated operation, and shall furnish periodic compliance reports as directed by the Commission.

9.11 Conclusion

The Committee concludes that the Applicant has substantially addressed the requirements of ToR 3.4 relating to transmission interface, grid integration and system coordination. The statutory responsibilities of the STU and the Transmission Licensee remain fully preserved under the Electricity Act, 2003; transmission connectivity, interconnection approvals, engineering studies, Grid Code compliance and operational coordination, while indispensable, are matters to be completed during implementation before commencement of supply and are not statutory preconditions for grant. The Respondents' objections concern implementation, engineering coordination and operational readiness; they merit continuing regulatory supervision and the licence conditions recommended above, but disclose no inherent legal or technical impediment to the proposed licence. Subject to compliance with the applicable statutory framework, technical standards and licence conditions, and to the Commission's continuing oversight, the Committee is satisfied that the proposed distribution system is capable of secure and coordinated integration with the Haryana State Grid.

CHAPTER 10

TERM OF REFERENCE-3.5

POWER PROCUREMENT

Examine whether execution of long-term Power Purchase Agreements constitutes a statutory prerequisite for grant of a Distribution Licence or whether such arrangements may lawfully be finalised after grant of licence in accordance with the Electricity Act, 2003 and the applicable regulatory framework.

The present Chapter is divided into four parts- Part-A deals with the scope of the ToR and Regulatory Framework. Part-B deals with the pleadings and submissions of the Applicant, Objectors (specifically DHBVNL) and other stake holders. Part-C deals with the detailed analysis, observations, findings and recommendations of the Committee and Part-D summarizes the findings and recommendations of the Committee.

PART-A

10.1 Scope

To examine whether execution of long-term Power Purchase Agreements constitutes a statutory prerequisite for grant of a Distribution Licence, or whether such arrangements may lawfully be finalised after grant of licence in accordance with the Electricity Act, 2003 and the applicable regulatory framework.

10.2 Regulatory Framework

The Committee has examined the Applicant's procurement plan against the Electricity Act, 2003, the National Tariff Policy, 2016, the HERC (Framework for Resource Adequacy) Regulations, 2024, the HERC (GEOA) Regulations, 2023, the HERC MYT Regulations, 2024, the HERC Renewable Energy, RPO and REC Regulations, 2025. The provisions material to the present evaluation are set out below.

10.2.1 Electricity Act, 2003

Section 62(1)(a) empowers the Appropriate Commission to determine tariff for supply of electricity by a generating company to a distribution licensee. Said Section 62(1(a) is extracted herein below;

(1) The Appropriate Commission shall determine the tariff in accordance with the provisions of this Act for –

(a) supply of electricity by a generating company to a distribution licensee:

Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity;

Section 63 mandates the Commission to implement the tariff fixed through competitive bidding as per the guidelines of the Central Govt. Said Sec.63 is extracted herein below;

Section 63 provides:

> *"Notwithstanding anything contained in section 62, the Appropriate Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government."*

Section 86(1)(b) casts upon the State Commission the function to:

> *"regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State."*

10.2.2 National Tariff Policy, 2016

Clause 5.2 of the National Tariff Policy provides that procurement of power by distribution licensees shall ordinarily be through a transparent competitive bidding process in accordance with Central Government guidelines, while recognising defined exceptions where the Section 62 cost-plus route remains available.

10.2.3 HERC (Framework for Resource Adequacy) Regulations, 2024

The Resource Adequacy Regulations require every distribution licensee to undertake long-term and medium-term demand forecasting (Regulation 6) and short-term, hourly and sub-hourly forecasting aggregated at the State level (Regulation 7); to ascertain its resource adequacy requirement and its allocation (Regulation 12); to plan its procurement resource mix (Regulation 14) and procurement type and tenure (Regulation 15), and to obtain the Commission's approval of Power Purchase Agreements (Regulation 17). The framework thereby operationalises reliability and least-cost planning while preserving the Commission's approval gate over every long-term commitment.

10.2.4 HERC MYT Regulations, 2024

Regulation 61 subjects the cost of power purchase to the Commission's prudence review and approval, requiring procurement to accord with the Act, the National Electricity Policy, the Tariff Policy, the Resource Adequacy Regulations and Central Government guidelines, with Fuel and Power Purchase Adjustment Surcharge (FPPAS) permitted strictly in accordance with the Regulations. Regulation 62 governs short-term power procurement, requiring transparent processes and subjecting the resulting costs to prudence check.

10.2.5 HERC Renewable Energy, RPO and REC Regulations, 2025

Regulation 63 requires compliance with the Renewable Purchase / Consumption / Generation Obligation trajectories specified by the Ministry of Power, and Regulation 64 permits fulfilment through certificates under the Central Commission's Regulations, so that the obligation may be met through renewable procurement, self-generation or Renewable Energy Certificates.

PART-B

10.3 Applicant's Submissions in the Petition

10.3.1 Power Procurement Plan

As per the Applicant, power will be procured through an optimum mix of short-term GDAM procurement and long-term PPAs with thermal and Firm and Dispatchable Renewable Energy (FDRE) sources, both within and outside the State of Haryana, with the objective of optimising overall power purchase cost while enabling a greater proportion of green energy in the portfolio. It is further mentioned by the Applicant that, during the initial years of operation, it will arrange power through short-term sources, including the energy exchanges and bilateral tie-ups, to meet demand in the licence area as it builds, and that procurement will thereafter transition progressively into long-term contracted capacity as the consumer base stabilises.

10.3.2 Total Energy Requirement at the State Periphery

As submitted by the Applicant, based on the sales estimation, the quantum of power purchase has been computed by grossing up sales for distribution losses (5.80% in FY 2027-28 declining to 5.20% by FY 2030-31), intra-State transmission losses of 1.95% and inter-State transmission losses of 3.65%, and accounting for energy injected at the State periphery from FDRE capacity proposed to be contracted within Haryana:

10.3.3 Sources and Cost of Power Purchase

The Applicant has submitted that the requirement is proposed to be met from three sources: (a) thermal generation for base-load requirements; (b) Firm and Dispatchable Renewable Energy under long-term PPAs; and (c) the Green Day Ahead Market. The portfolio is 20% thermal and 80% renewable throughout, with the GDAM share of the renewable component tapering from 25% in FY 2027-28 to 5% in FY 2030-31 and the FDRE PPA share correspondingly rising from 75% to 95%. About 50% of the FDRE procurement is proposed from within Haryana. As per the Applicant, GDAM is priced at Rs. 3.80/kWh ex-bus (FY 2025-26 base, CUF

30%) based on historical GDAM rates, FDRE at Rs. 4.40/kWh ex-bus (CUF 40%) based on recent TBCB outcomes, and thermal at Rs. 5.00/kWh ex-bus (FY 2026-27 base), escalated year-on-year. It is further mentioned by the Applicant that inter-State transmission charges have been computed on the contracted MW at prevalent Rs./MW/month rates and intra-State charges at the Commission-approved Rs./kWh rate for FY 2026-27, both appropriately escalated.

10.4 Comments of the Stakeholders (including Respondents)

10.4.1 Creation of Stranded Capacity and Fixed-Cost Under-Recovery

The Stakeholders submitted that DHBVNL, through the Haryana Power Purchase Centre (HPPC), has executed long-term PPAs based on integrated State-wide demand forecasts, carrying mandatory fixed-cost and capacity-charge liabilities payable irrespective of the energy actually drawn. As per the Stakeholders, the Gurugram and Nuh districts constitute nearly 20% of Haryana's total power requirement, accounting for approximately 2,793 MW during peak periods, and HPGCL's generation expansion has been mapped to this aggregate State demand. It was contended that migration of high-consumption consumers to the Applicant would render DHBVNL's contracted capacity surplus to its residual consumer base, with the unrecovered fixed-cost burden estimated to increase progressively from Rs. 121.69 Crore in FY 2027-28 to Rs. 604.34 Crore by FY 2030-31, and would threaten the optimal utilisation and long-term operational planning of State-owned base-load assets.

10.4.2 Market Risk and Resource Adequacy

The Stakeholders contended that the Applicant's reliance on approximately 80% renewable sourcing — principally FDRE and GDAM — for the continuous demand of premium load centres is imprudent: GDAM clearing volumes historically fall substantially short of aggregate purchase bids, so the market cannot be treated as an assured source for discharging the Universal Service Obligation; the licence area is a high-density industrial, commercial and data-centre hub with zero tolerance for supply uncertainty; and the petition lacks a detailed contingency framework demonstrating how peak demand, seasonal variations and generator outages would be managed without firm, long-term contracted capacity.

10.4.3 Regulatory Bypass under Section 86(1)(b)

The Stakeholders raised a statutory objection that Section 86(1)(b) empowers the State Commission to regulate the electricity purchase and procurement process, including the price at which power is purchased, and that by procuring primarily through short-term, market-determined routes the Applicant effectively strips the Commission of this authority — a strategy resembling an electricity trading model rather than a regulated distribution model, compromising long-term consumer protection and tariff stability.

10.5 Applicant's Additional Submissions / Reply / Rejoinder

10.5.1 Reply on Stranded Capacity and Fixed-Cost Under-Recovery

The Applicant submitted that the commercial consequences of competition — consumer migration, stranded power purchase obligations, or impacts on the Incumbent's ARR — are operational matters falling under the continuing regulatory jurisdiction of the Commission, not threshold eligibility criteria under Sections 14 and 15. As per the Applicant, the Sixth Proviso to Section 14 explicitly provides that an application for a parallel licence shall not be refused on the ground that a licensee already exists in the same area; Parliament consciously introduced regulated competition knowing that consumer choice and migration would follow. It is further submitted by the Applicant that demand fluctuations and stranded-capacity risks are inherent to power utilities and arise continuously from Open Access, captive generation, rooftop solar and energy-efficiency measures; the Act does not insulate any utility from normal commercial risk, which is routinely addressed through prudent procurement, annual tariff determinations and true-up proceedings under Sections 61 and 62. It is mentioned by the Applicant that the Incumbent itself met approximately 10% of its total power purchase requirement through short-term purchases during FY 2024-25, and that, because switch-over to the Applicant is projected to be gradual (about 2.5% of existing sales in FY 2027-28), it matches the natural load growth of the region, preventing any sudden capacity stranding or tariff shock.

10.5.2 Reply on Market Risk and Resource Adequacy

As per the Applicant, a prospective distribution licensee cannot lawfully initiate competitive bidding or execute binding long-term PPAs prior to the formal grant of licence; initial procurement must necessarily be calibrated to verified consumer migration volumes and actual load profiles. It is submitted by the Applicant that the portfolio of 20% thermal base-load and 80% green energy is structured for round-the-clock reliability: the FDRE component incorporates Battery Energy Storage Systems and hybrid configurations, making it operationally firm and dispatchable at source notwithstanding its renewable origin. The Applicant has further submitted that, as the consumer base stabilises, long-term PPAs will be progressively contracted through competitive bidding in strict compliance with the HERC Resource Adequacy framework and regulatory approvals.

10.5.3 Reply on the Alleged Regulatory Bypass under Section 86(1)(b)

The Applicant categorically rejected the contention that market-based or short-term procurement bypasses regulatory oversight. As per the Applicant, grant of a parallel licence does not diminish the Commission's authority under Section 86(1)(b): all power purchase costs, tariff structures, procurement contracts and market transactions remain subject to the Commission's approval, MYT reviews and annual true-up. It is submitted that the Respondents conflate pre-grant eligibility with post-grant regulatory supervision; sourcing power through competitive market routes or regulated PPAs operates fully within the statutory framework.

<u>PART-C</u>

10.6 Committee's Observations and Recommendations

10.6.1 Compliance of the Power Procurement Plan with the Statutory and Regulatory Framework

Section 86(1)(b)- The Applicant expressly proposes that every long-term procurement arrangement, every PPA, every procurement source and every tariff requiring approval shall be submitted to the Commission under Section 86(1)(b). The Commission accordingly retains complete regulatory control over procurement and tariff determination.

National Tariff Policy, 2016- As per the Applicant, the plan proposes that long-term conventional, renewable, medium-term, short-term (where applicable) and storage procurement shall primarily be undertaken through tariff-based competitive bidding under Ministry of Power guidelines under section 63, with the Section 62 route confined to the statutory exceptions recognised under the Policy, the Act, Government guidelines or HERC Regulations. The procurement philosophy directly aligns with the Policy.

Resource Adequacy Regulations, 2024- The Applicant has submitted that the plan forecasts demand over the licence period, identifies long-, medium- and short-term resource requirements, matches contracted capacity with projected demand, ensures resource diversity, integrates renewable energy and storage, maintains reserve margins, aligns procurement with transmission availability and network planning and provides for periodic review and revision as required by HERC. The proposed power procurement plan of the Applicant is demonstrated in Table-29 of the Business Plan (Enclosure-9) submitted alongwith the main Petition.

MYT Regulations, 2024- The Applicant proposes that all procurement costs shall be transparently disclosed; only Commission-approved costs shall be claimed in the ARR; procurement shall follow merit-order principles where applicable; all procurement shall be subject to HERC prudence review; deviations from the approved procurement plan shall be justified; and fuel and power purchase adjustments shall be undertaken strictly under the applicable Regulations.

RPO and REC Regulations, 2025- The Applicant proposes to achieve all applicable RPO targets through competitive bidding wherever applicable, direct procurement from renewable generators, participation in renewable energy markets and exchanges where permitted, and RECs for any residual requirement. The 80% renewable share substantially exceeds the applicable RPO trajectory, so compliance headroom is built into the portfolio by design.

10.6.2 Whether Long-Term PPAs are a Statutory Prerequisite for Grant of Licence

The Committee observes that neither the Electricity Act, 2003 nor the applicable Licensing Rules mandates the execution of firm, long-term PPAs prior to the grant of a distribution licence. The Stakeholders' contention that the absence of executed PPAs at this stage disentitles the Applicant therefore inverts the statutory sequence.

The Applicant's proposed timeline targets initiation of medium- and long-term procurement within one month from the date of grant of licence, with tariff adoption within four months from that date, framed with reference to the Guidelines for Tariff Based Competitive Bidding Process for Procurement of Firm and Dispatchable Power from Grid Connected Renewable Energy Power Projects with Energy Storage Systems issued by the Ministry of Power in June 2023. The Committee finds this sequencing appropriate.

10.6.3 On Stranded Capacity and Fixed-Cost Under-Recovery of the Incumbent

The Committee has examined the Stakeholders' estimate that stranded fixed costs would rise from Rs. 121.69 Crore in FY 2027-28 to Rs. 604.34 Crore by FY 2030-31, and records the following analysis.

- The objection conflates two distinct components of the Applicant's projected sales. Stranding of the Incumbent's committed capacity can arise only from the switched-over component — existing DHBVNL consumers migrating to the Applicant, projected at 2.5% of the previous year's licence-area sales in FY 2027-28 rising to 4.0% by FY 2030-31. The larger component of the Applicant's sales is its share of incremental new demand in the licence area (25% rising to 40% of incremental sales), which represents load DHBVNL has not yet contracted firm capacity to serve; capture of future growth by a competitor may affect the Incumbent's expansion planning, but planned capacity yet to be committed can be re-phased and is not, in any meaningful sense, stranded.

- The magnitudes are modest and gradual against the Incumbent's own portfolio flexibility. The licence area constitutes about 20% of the State requirement; the Applicant's entire sales reach only 3.75% of licence-area sales in FY 2027-28 and 15.21% by FY 2030-31 — of the order of 0.75% rising to about 3% of State-level sales and the migrated component is smaller still. The Incumbent itself met approximately 10% of its power purchase requirement through short-term purchases in FY 2024-25; energy freed up by migration therefore first displaces the Incumbent's own discretionary short-term and market purchases before it can touch committed capacity charges. The fixed-cost stranding pleaded would materialise only after this buffer is exhausted, and the gradual ramp gives HPPC a multi-year window to re-optimise the State portfolio through reallocation among the State distribution licensees, market sale of surplus energy, banking arrangements and re-phasing of planned capacity additions.

- As a matter of law, the Sixth Proviso to Section 14 precludes refusal of a parallel licence application on the ground that a licensee already exists in the area; Parliament thereby accepted that regulated competition entails consumer migration and its commercial consequences for the incumbent. Those consequences are to be addressed in the tariff jurisdiction — through prudence review, true-up and, where warranted, appropriate treatment of demonstrated stranded costs in the Incumbent's ARR proceedings — and not by denying the licence. The Committee also notes that the methodology underlying the Rs. 121.69–604.34 Crore estimate has not been placed before the Committee in verifiable detail, and appears to attribute to migration the whole of the Applicant's projected sales rather than the switched-over component alone.

The Committee nevertheless considers the incumbent's planning concern legitimate in principle, and recommends a mitigation that costs the Applicant little: the consumer Migration Protocol already provides for structured, purpose-limited data exchange between licensees, and this channel should be used to furnish DHBVNL/HPPC with periodic (at least half-yearly) visibility of realised and projected migration volumes, so that the State portfolio can be re-optimised in the ordinary course of resource-adequacy planning rather than reactively.

10.6.4 On Market Risk and Resource Adequacy

The Committee has tested the reliability objection against the structure of the proposed portfolio rather than its renewable label. The portfolio is 20% thermal base-load throughout. The renewable component is predominantly Firm and Dispatchable Renewable Energy contracted under the MoP's June 2023 FDRE Guidelines. The plan does not rest the Universal Service Obligation on GDAM only. It uses GDAM as a bridge while consumer migration is verified and long-term capacity is competitively contracted.

As regards contingency, the Committee notes that deliverability of round-the-clock supply from a portfolio that is 80% renewable, ultimately depends on the realised availability profile of the contracted FDRE capacity. The shortfalls would be bridged through market purchases at prevailing prices, with the shortfall compensation under the FDRE PPAs partially offsetting the cost, and the net variance, subject to the Commission's prudence review. Immediately upon grant, the Applicant should execute Interconnection Agreements and joint system studies with HVPNL to secure General Network Access (GNA), and establish a definitive scheduling and forecasting protocol with the SLDC so that transitional GDAM drawals in FY 2027-28 and FY 2028-29 are managed without prejudice to intra-State grid discipline.

10.6.5 On the Alleged Regulatory Bypass under Section 86(1)(b)

The procurement of power through short-term competitive bids or power exchanges does not oust the Commission's jurisdiction under Section 86(1)(b). The power purchase cost incurred by the Distribution Licensee is accepted in the ARR of Discom, only upon prudence check at truing-up. Every long-term arrangement and PPA is expressly proposed to be submitted for the Commission's approval. The tariffs discovered through Section 63 come before the Commission for adoption. The short-term procurement of power is governed by Regulation 62 of the MYT Regulations and the transparency requirements thereunder. Far from a trading model, the proposed framework places every procurement decision within one of the Commission's approval, adoption or prudence gates. The objection accordingly fails.

PART-D

10.7 SUMMARY OF THE COMMITTEE'S FINDINGS

Based on the above discussions, the Committee records that:

(a) Execution of long-term PPAs is not a statutory prerequisite for grant of a distribution licence such arrangements are lawfully finalised after grant under the Commission's approval

(b) The stranded-capacity objection does not constitute a ground for refusal: stranding can arise only from the modest, gradual switched-over component of sales, is buffered by the Incumbent's own short-term purchases, and falls within the Commission's continuing tariff jurisdiction under the scheme of regulated competition established by the Sixth Proviso to Section 14, with migration-data sharing recommended in mitigation; and

(c) The Section 86(1)(b) objection fails, as every procurement decision under the proposed framework passes through the Commission's approval, adoption or prudence gates.

10.8 Recommendations of the Committee

Based on the regulatory prudence check and technical assessment, the Committee recommends as follows:

(i) Mandatory post-grant tariff approvals: grant of the licence shall not be construed as pre-approval of power purchase costs; all finalised PPAs shall be submitted to the Commission for tariff adoption/determination and approval prior to commencement of power flow.

(ii) Timely STU and SLDC coordination: immediately upon grant, the Applicant shall execute Interconnection Agreements and initiate joint system studies with HVPNL to secure General Network Access, wherever applicable, and shall establish a definitive scheduling and forecasting protocol with the SLDC to manage transitional GDAM drawals during FY 2027-28 and FY 2028-29 without prejudice to intra-State grid discipline.

(iii) Migration data sharing: the Applicant shall furnish DHBVNL/HPPC, through the data-exchange channel of the approved Migration Protocol, periodic (at least half-yearly) statements of realised and projected consumer migration volumes to facilitate orderly re-optimisation of the State power portfolio.

(iv) RPO and procurement reporting: the Applicant shall report annually on RPO compliance and on actual procurement against the approved plan, with deviations justified and subject to the Commission's prudence review under the MYT Regulations.

CHAPTER 11
TERM OF REFERENCE 3.6
UNIVERSAL SERVICE OBLIGATION

1. **Examine whether the Applicant has demonstrated the capability to discharge the Universal Service Obligation under Section 43 of the Electricity Act, 2003 across the entire proposed licensed area, including Gurugram and Nuh districts.**

2. **Examine whether the proposed phased rollout of the distribution network is consistent with the Electricity Act, applicable judicial precedents and the objective of ensuring universal, non-discriminatory and reliable electricity supply.**

This Chapter is organised in four Parts. **Part A** sets out the introduction, the scope of examination and the statutory and regulatory framework and principles. **Part B** records the pleadings and submissions of the Applicant, DHBVNL and other stakeholders, together with the figures advanced by each side. **Part C** contains the Committee's analysis and observations. **Part D** records the Committee's findings, recommendations and conclusion.

PART A — INTRODUCTION, SCOPE, STATUTORY FRAMEWORK & REGULATORY PRINCIPLES

11.1 Introduction:

Under ToR 3.6, the Committee is required to examine whether the Applicant prima facie satisfies the statutory and regulatory obligations relating to the Universal Service Obligation (**"USO"**), non-discriminatory supply and prevention of selective consumer service as mandated under Sections 42 and 43 of the Electricity Act, 2003. ToR 3.6 is closely connected with, but analytically distinct from, ToR 3.3 (Technical Capability and Distribution Network) and ToR 3.7 (Consumer Migration and Consumer Protection). This Chapter confines itself to the USO, namely, whether the

Applicant's proposal, including its phased rollout, is consistent with the statutory duty to supply electricity on a universal and non-discriminatory basis.

The examination under this Chapter accordingly extends beyond mere acceptance of these obligations to whether the Applicant's proposal is consistent with their effective discharge on a non-discriminatory basis, while recognising that continuing compliance is a matter for regulatory supervision throughout the currency of the licence.

11.2 Scope of Examination:

This Chapter is confined with two moot questions; **first**, whether the Applicant has demonstrated the commitment and capability to discharge the USO under Section 43 across the entire proposed licensed area, including Gurugram and Nuh districts, and to provide electricity on a non-discriminatory basis throughout that area; and **second**, whether the proposed phased rollout of the distribution network is consistent with the Act, applicable judicial precedents and the objective of universal, non-discriminatory and reliable supply, including whether the material on record establishes any case of selective consumer servicing ("cherry-picking"), together with the regulatory safeguards and licence conditions necessary to secure continuing compliance after grant.

11.3 Statutory and Regulatory Framework

The Committee has considered Sections 14, 42 and 43 of the Act, together with the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, the HERC (Electricity Supply Code) Regulations, 2014, the Standards of Performance Regulations, 2020 and the regulatory framework discussed in Chapters 2 and 3.

Section 42(1) casts a specific duty on the distribution licensee to develop and maintain an efficient, co-ordinated and economical distribution system in its area of supply and to supply electricity in accordance with the Act.

Section 43(1) imposes a mandatory obligation on every distribution licensee to give supply, on application, to the owner or occupier of any premises within one month of receipt of the application. The **first proviso** qualifies this obligation where supply requires extension of distribution mains or commissioning of new sub-stations, in which case supply is to be given as soon as such extension or commissioning is effected or within such period as the Appropriate Commission may specify; the **second proviso** empowers the Commission to extend the specified period for a village, hamlet or area wherein no provision for supply presently exists.

The sixth proviso to Section 14 permits the Commission to grant a licence to two or more persons in the same area, subject to satisfaction of conditions of capital adequacy, creditworthiness and code of conduct as prescribed, and expressly provides that **no applicant who complies with these requirements shall be refused a licence merely on the ground that there already exists a licensee in the same area.**

Rule 3(1) of the Capital Adequacy Rules, 2005 requires the Commission, upon receipt of an application under Section 15(1), to decide the **requirement of capital investment** for the distribution network after hearing the applicant, having regard to the size of the area of supply and the service obligation within that area in terms of Section 43. The HERC (Electricity Supply Code) Regulations, 2014 prescribe the timelines within which a licensee must release new connections upon receipt of a complete application.

The Committee further considers that the obligation of non-discriminatory supply necessarily includes an obligation against selective consumer servicing. A distribution licensee cannot confine its operations to commercially advantageous consumers while avoiding consumers or areas involving comparatively higher service obligations. Compliance with the USO is not confined to the licensing stage but continues throughout the licence period under the Commission's supervision.

11.4 Regulatory Principles Adopted

In this Chapter the Committee has adopted the following regulatory principles for evaluation:

1. The USO embodied principally in Section 43 is the core statutory obligation attached to every distribution licence, and applies equally to every licensee - incumbent or parallel; grant of a parallel licence neither transfers nor diminishes it;
2. Selective consumer service ("cherry-picking") is fundamentally inconsistent with the USO and the statutory requirement of non-discriminatory supply;
3. Allegations of cherry-picking or discriminatory supply must be supported by objective evidence and cannot rest solely upon projected migration scenarios or commercial apprehensions; and
4. Continuing compliance with the USO is most appropriately secured through enforceable licence conditions, periodic reporting and ongoing regulatory oversight throughout the currency of the licence.

PART B — SUBMISSIONS OF THE PARTIES

11.5 The Applicant's Case

As per the Applicant **(Business Plan, Pages 77–78)**, it fully accepts the statutory obligations imposed upon every distribution licensee and proposes to establish an independent distribution system covering the entire proposed area in accordance with the approved implementation programme. Its specific USO commitments are: **(i)** non-discriminatory supply of power to all categories of consumers, with connections released within the timelines of the HERC (Electricity Supply Code) Regulations, 2014; **(ii)** coverage of all consumer categories — urban, industrial, commercial, residential, peri-urban, rural and agricultural — across both Gurugram and Nuh districts, with Nuh included from Phase I; **(iii)** an express assurance that no area forming part of the proposed area of supply is proposed to be permanently excluded from network development, any area not covered in an earlier phase remaining eligible for subsequent development; and **(iv)** a voltage-wise position under which LT network development will be done "as per requirement", USO at 11 kV/33 kV "will be declared on completion of the laying of the distribution network", and EHV supply will follow connectivity from the STU.

Pursuant to the Interim Order dated 26.05.2026, the Applicant filed Additional Submission on affidavit dated 03.07.2026, comprising the Debt-Equity Capitalisation Plan **(Annexure F)**, the Implementation Plan **(Annexure G)**, the USO Affidavit **(Annexure H)**, the Operational Modalities **(Annexure I)** and the Migration Protocol **(Annexure J)**. The USO Affidavit covenants, inter alia, unconditional compliance with Section 43 within the timelines of the Supply Code and Standards of Performance Regulations; grant of connections and supply to all eligible consumers on a completely non-discriminatory basis; an express disavowal of "any form of consumer or geographical cherry-picking"; and phased capital expenditure that "progressively expand[s] infrastructure to encapsulate rural, urban, agricultural, and commercial sectors alike".

On the legal plane, the Applicant submits that Section 43 is an obligation of continuing performance, not a condition of entry, relying on the first and second provisos to Section 43(1) and on the Appellate Tribunal's decision in **Municipal Corporation of Greater Mumbai (BEST) v. MERC**, Appeal No. 279 of 2017, decided on 11.03.2026, which approved phased development methodology. The Applicant further submits that its network has been designed on a 33 kV-dominant architecture to serve the whole area; the phasing is based on engineering, reliability and demand considerations and not on consumer category or revenue profile; the Phases IV and V are directed to N-1 redundancy across all divisions; and its consortium with Vision India Services (retail distribution operations, including for UHBVNL, DHBVNL and HVPNL), HEC Infra Projects (EHV substations) and Advait Energy Transitions (EPC execution), provides the operational backbone to discharge the USO across all categories and geographies.

11.6 Objections of DHBVNL and Other Stakeholders

DHBVNL's Reply raises two connected but distinct objections: first, that the Applicant has failed to demonstrate the capability to discharge the USO under

Section 43 across the entire licensed area; and second, that the Applicant's business model and phased rollout amount, in substance, to selective servicing of high-value consumers in breach of Sections 42 and 43.

On the first limb, DHBVNL submits that the Section 43 obligation is area-wide and cannot be restricted to selected consumer categories, geographical pockets or commercially remunerative locations. A phased rollout, "by its very nature", leaves large portions of the area without network for extended periods, so that the Applicant would be incapable of energising a new consumer within the statutory thirty-day period — particularly in rural and dispersed parts of Nuh and emerging urban villages of Gurugram — which DHBVNL characterises as "a direct violation of Section 43(1)" and "a fatal statutory defect." A connected submission founded on Section 42(1) contends that the duty to "develop and maintain" is continuous and area-wide, requiring a complete, functional system across the entire area from the date of grant; and that the Applicant cannot rely on DHBVNL's own network to discharge this obligation. UHBVNL and HVPNL further question the Applicant's financial capability to raise 70% of the requisite debt to discharge the USO for the entire area, and point to the absence of any audited operational track record, the Applicant having been incorporated only in June 2025. Intervenors including the All India Kisan Sabha and farmers' associations of Nuh express concern for supply continuity, connection timelines and tariff treatment of the rural and agricultural consumer base of Nuh — a district with an AT&C loss level of approximately 42% (FY 2023-24), among the highest in the licence area.

On the second limb, DHBVNL's principal factual case rests on the sequencing of the Applicant's proposed capital investment across its five divisions, as disclosed in the Applicant's own Business Plan:

Table 11.1 — Division-wise HT Rollout Sequencing (DHBVNL's computation from the Applicant's Business Plan)

Division	FY25 HT Load (MW)	Cumulative HT rollout FY27	Cumulative HT rollout FY28	Cumulative HT rollout FY30
Gurugram Sub-urban	241	11%	27%	100%
Gurugram City	143	0%	0%	100% (by FY31)
Sohna	326	12%	26%	100%
Manesar	827	8%	16%	100%
Nuh	67	14%	30%	100%

(As reproduced from Tables 4–7 of DHBVNL's Reply; figures not disputed by the Applicant as to quantum)

DHBVNL emphasises that Gurugram City — despite the second-highest existing HT load (143 MW) among the five divisions — receives nil capital investment in both HT and LT infrastructure in FY 2026-27 and FY 2027-28, whereas other divisions receive investment from year one. It relies on the Applicant's own statements that LT development will proceed "as per requirement" and that USO at 11 kV/33 kV "will be declared on completion" of the network, to argue that the sequencing is demand- and revenue-driven rather than obligation-driven. It further characterises paragraph 3.6 of the Business Plan — projecting migration of only 2.50% of DHBVNL's existing consumers, with the balance of sales drawn from new industrial, residential and commercial developments — as a "candid admission" that the model targets high-revenue segments while avoiding agricultural, rural and subsidised categories: "a textbook case of cherry-picking." DHBVNL has also placed on record three revenue-loss scenarios for FY 2027-28 (Rs. 424.12 Crore on the Applicant's own projections, rising to Rs. 1,898.75 Crore and Rs. 4,272.19 Crore on DHBVNL's assumed 20% and 45% switchover), which are set out in Table 13.1

of Chapter 13 (ToR 3.8) and are not reproduced here; and states that it has already incurred approximately Rs. 1,136 Crore, with a further Rs. 598 Crore proposed, on system strengthening (RDSS and Smart City works) in the licence area.

DHBVNL relies on the following precedents: Hon'ble APTEL, in cross Appeal Nos. 246 and 229 of 2012, decided on 28.11.2014 (a licensee "cannot gain undue commercial advantage… by selectively laying down network to cater to only high end consumers"); **Noida Power Company Ltd. v. PVVNL**, APTEL Appeal No. 7 of 2010, decided 06.04.2011 (capital adequacy and creditworthiness are threshold requirements only; grant of a parallel licence remains discretionary having regard, inter alia, to the applicant's ability to discharge the USO; and a five-year rollout period granted by a State Commission was held "contrary to the universal service obligation"); **India Power Corporation Ltd.**, HERC/PRO-08 of 2014 (this Commission's own order for Gurgaon, holding a business plan premised on load materially below the area's actual projected load to be "incomplete, inadequate and based on erroneous premises" for USO purposes); and paragraph 5.4.7 of the National Electricity Policy (a second licensee "shall have obligation to supply to all consumers").

As a safeguard, DHBVNL proposes that, until the Applicant has established and commissioned its network across the entirety of the licensed area and demonstrated the ability to independently discharge the USO, consumers presently supplied through dedicated or independent feeders (including consumer-funded infrastructure) should not be permitted to migrate to the Applicant, on the ground that these predominantly comprise high-load, high-revenue consumers whose premature migration would facilitate cherry-picking.

Prof. Sampat Singh, one of the Objectors, has raised concern that agricultural supply may fall outside the Applicant's scope, the State having announced a separate Discom for agriculture; that State subsidy for agricultural consumers is of the order of Rs. 7,870.32 crore; and that rural domestic supply, the most difficult segment, appears to be left out.

11.7 <u>The Applicant's Rejoinder</u>

On the "complete network" contention, the Applicant denies that Section 42(1) requires a complete and functional network before grant — "an obligation that would be impossible of performance by any applicant" — relying on the first and second provisos to Section 43(1) and on BEST v. MERC, under which Phase I connections were directed to be released precisely in the vicinity of existing infrastructure. Paragraph 33 of that judgment holds:

> *"As per Section 42 of the Electricity Act, a distribution licensee is mandated to develop and maintain an efficient and economical distribution system within its area of supply, which would mean progressive expansion and improvement of the distribution system. In our view, it is not a one-time activity... Thus, in terms of Electricity Act, upon grant of distribution licence, the Licensee cannot be expected to develop the entire distribution network at one go, and there would be phased development of network and furthermore no time line for such a network development has been mandated in the Act. Section 43 of the Act also acknowledges that in the course of providing supply to a new customer, there would be instances, where extension of substation and/or distribution network would be required and same can be provided as per time lines specified by State Commission/ or upon such extension."*

On cherry-picking, the Applicant's principal answers are: (i) the inclusion of the entirety of Nuh district — accepted to be "the least remunerative part of the proposed area" on DHBVNL's own figures — demonstrates "the very opposite of selective conduct", since a cherry-picking applicant would have confined itself to Gurugram alone, which independently satisfies the minimum area of supply; (ii) the 2.5% switchover projection is "a conservative and transparent assumption, disclosed by the Applicant itself", with the balance of projected sales from new consumers who were never DHBVNL's; (iii) there is no requirement in the Act, the Rules or the Regulations that a parallel licensee maintain a consumer mix mirroring the incumbent's; and (iv) allegations of cherry-picking cannot rest on general apprehension but must be supported by specific material, none of which — as opposed to projected migration scenarios — is on record. As to investment sequencing specifically, the Para-Wise Reply answers at the level of overall network design (33 kV-dominant, area-wide) and demand-driven LT development, coupled with acceptance that rollout milestones and completion timelines "may be imposed as conditions of licence, to which the Applicant has no objection"; it does not offer a division-specific reasoned justification for the Gurugram City schedule.

On the revenue-loss scenarios, the Applicant characterises the 20% and 45% switchover constructs as "inflated" and "speculative", and submits that the confinement of CSS (Section 42(2)) and Additional Surcharge (Section 42(4)) to open-access consumers was a deliberate legislative choice confirming that migration under the sixth proviso was not intended to attract a compensatory levy; financial consequences of lawful migration are to be addressed through tariff, ARR and true-up proceedings (examined in Chapter 13).

On the proposed embargo, the Applicant "emphatically" opposes DHBVNL's dedicated-feeder condition on four grounds: it has no foundation in the Act, Rules or Regulations; it is contrary to the consumer's statutory right to choose between licensees, which is the very objective of the sixth proviso; it is irreconcilable with the phased methodology approved in BEST v. MERC; and it is self-defeating, denying migration to the very consumers the Applicant is soonest able to serve. It characterises the condition as "a device to place the Respondent's most significant consumers beyond the reach of competition indefinitely" which would "render the licence nugatory." Finally, the Applicant points to the comprehensive Migration Protocol (Annexure J) — addressing eligibility (including treatment of defaulters), procedures, timelines, security deposits, settlement of dues, metering, consent and data exchange — and submits that the Commission is fully empowered to approve, modify and notify such a framework, to which regulatory oversight, periodic reporting and rollout milestones it has no objection.

PART C — COMMITTEE'S ANALYSIS AND OBSERVATIONS

11.8 Section 43 as a Continuing Obligation:

The text of Section 43(1), read with its two provisos, does not require a distribution licensee to possess a complete and functional network across its entire licensed area on the date of grant. The first proviso expressly contemplates that supply may follow the extension of distribution mains or commissioning of new sub-stations, within a period the Commission may specify; the second permits further extension for areas presently without provision for supply. On a plain reading, Section 43 is a continuing, area-wide obligation whose timeline of discharge the statute itself commits to regulatory specification — not an instantaneous, all-area precondition to grant. This construction is confirmed by BEST v. MERC (Para 33, extracted above) and is consistent with the Supreme Court's reasoning in the JSPL matter on the minimum area of supply. DHBVNL's "complete network from day one" contention is accordingly not accepted as a matter of statutory interpretation.

At the same time, DHBVNL's reliance on Section 42(1) and on the Appellate Tribunal's disapproval, in the Noida Power line of authority, of an unstructured five-year rollout cannot be dismissed as a mere policy objection. The Tribunal's repeated emphasis — including in the IPCL matter (HERC/PRO-08 of 2014) concerning this very licence area — is that a business plan whose capacity build-up trails materially behind actual load, or whose phases are not evenly spread so as to meet demand as and when it arises, can be "incomplete, inadequate and based on erroneous premises" for USO purposes. The lawfulness of phasing as a methodology, in other words, does not answer the separate, fact-specific question of whether a particular phasing plan is designed to meet obligations evenly across the area or is sequenced to prioritise commercially attractive segments.

As regards the applicability of the decision of the Commission in India Power Ltd. (supra) the findings of the Commission was rendered on the peculiar and admitted shortcomings of India Power's own business plan and the same cannot be construed as an authority for the proposition that every phased network roll-out by a second distribution licence frustrates the Universal Service Obligation under

Section 43 of the Act, 2003. In the instant case, the Applicant has filed a comprehensive Business Plan alongwith a detailed Network Roll-Out Plan in a phased manner which are structurally and materially different from the proposal of the India Power. The Applicant's proposed area of supply spans the entire Gurugram and Nuh revenue districts. Its Phase-1(FY-2026-2027) network build-out commences simultaneously across four out of five administrative divisions, which together account for the area/network covering around 79% of the total consumer base of the proposed licence area (6.39 Lakhs out of 8.12 Lakhs consumers, as per Table-1 of proposed Business Plan). Further the Gurugram City Division (covers the area/network having 21% of the consumer base) will be covered from the third year onwards. On the otherhand, the India Power had proposed only 41% of the projected Gurugaon Municipal Corporation load even by FY-2020-2021 (the sixth year) of its plan. Therefore, the case of India Power does not apply in the instant case.

The Committee has further considered the submission that agricultural supply may stand outside the Applicant's proposed scope by reason of the State Government's announced intention to constitute a separate distribution utility for agricultural supply. No notification affecting any such constitution has been placed before the Committee and the Committee proceeds upon the law as it stands. Upon that footing the universal service obligation under Sections 42 and 43 attaches to every consumer within the area of supply, including agricultural and rural domestic consumers, and the conditions recommended at paragraph 11.13 are framed accordingly. Should the position alter hereafter, it will be for the Hon'ble Commission to consider the consequences for the area of supply and for the conditions of licence.

11.9 Evaluating the Cherry-Picking Allegation on the Record:

Applying the settled standard — that allegations of cherry-picking must rest on objective evidence, not general apprehension or projected migration scenarios — to the present record produces the following picture.

In the Applicant's favour. The inclusion of the whole of Nuh district — predominantly rural and agricultural, 128,565 consumers, approximately 42%

AT&C loss, conceded by DHBVNL to be the least remunerative part of the proposed area — is a genuine and material fact inconsistent with a pure cherry-picking strategy, since a strategy confined to extracting high-value consumers would not require assuming USO across an entire low-revenue rural district. Nor is the Nuh commitment merely nominal: the Implementation Plan provides infrastructure in Nuh from Phase I itself (a 20/25 MVA 66/33 kV transformer at HVPNL's existing 66 kV Nuh substation, a 33 kV substation with 12.5 MVA capacity, 11 kV feeders and associated LT network), with Nagina taken up in Phase II, Taoru in Phase III, Rangla-Rajpur in Phase IV and N-1 completion in Phase V, aggregating Rs. 304.37 Crore over five years — modest in absolute terms but a meaningful allocation to a geographically large, commercially challenging division. The projected migration of only 2.5% of DHBVNL's existing consumers is also a real, if partial, indicator of scale. All five divisions receive infrastructure from Phase I except Gurugram City, and the phase-wise infrastructure aggregates (36 distribution substations, 105 transformers of 12.5 MVA, 205 km of 33 kV lines, 340 feeders and 1,020 km of 11 kV lines, examined in Chapter 7 under ToR 3.2 and not reproduced here) evidence an area-wide backbone rather than enclave development.

Against the Applicant. DHBVNL's division-wise sequencing table (Table 11.1) is drawn from the Applicant's own Business Plan and is not, in substance, disputed as to its figures — only as to the inference to be drawn from them. It must, however, be read with the Applicant's own division-wise capital expenditure phasing:

Table 11.2 — Applicant's Proposed Division-wise Capital Expenditure, HT + LT, Wire and Supply Business (Rs. Crore)

Division	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Gurugram Sub-urban	147.94	263.44	370.33	389.61	415.04	1,586.38
Gurugram City	1.52	2.34	385.59	536.37	675.26	1,601.08
Sohna	59.59	80.93	118.05	144.58	183.16	586.32

Division	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Manesar	49.70	71.43	135.90	161.04	220.51	638.57
Nuh	34.10	45.14	62.46	74.81	87.86	304.37
Grand Total	**292.86**	**463.29**	**1,072.33**	**1,306.42**	**1,581.84**	**4,716.73**

(Source: Table 25 of the Applicant's Business Plan)

Read together, the two tables refine the issue considerably. Gurugram City is not excluded from the Applicant's plans — on the contrary, it carries the **largest** division-wise allocation of the entire programme (Rs. 1,601.08 Crore, **deferral**, not denial — but a two-year deferral of the division with the second-highest existing HT load (143 MW), contrasted with immediate investment in every other division, for which the Applicant's Para-Wise Reply offers no division-specific engineering justification (such as outlet availability from HVPNL substations, right-of-way constraints or load-growth sequencing), answering only at the level of overall network architecture. This sequencing, taken with the Applicant's statements that LT development will proceed "as per requirement" and that 11 kV/33 kV USO will be "declared on completion", remains capable of supporting an inference that the build-out tracks commercial attractiveness — and it is the single most concrete piece of evidence DHBVNL has placed on record under this ToR.

The revenue-loss scenarios. DHBVNL's 20% and 45% scenarios are its own hypothetical constructs; only Scenario 1 (558.30 MU / Rs. 424.12 Crore, on the Applicant's own figures) has direct evidentiary value for assessing the actual proposal. Scenarios 2 and 3 legitimately illustrate DHBVNL's exposure if migration proves substantially higher than projected — a matter for licence conditions and monitoring — but do not establish that the present proposal is designed to achieve such migration. The Committee's detailed assessment of these financial consequences is contained in Chapter 13 (ToR 3.8).

11.10 The Proposed Embargo on Dedicated-Feeder Consumers

DHBVNL's proposed condition — barring migration of dedicated/independent-feeder consumers until the Applicant's network is complete across the entire licensed area — is difficult to reconcile with the statutory scheme. The sixth proviso to Section 14 is framed to enable consumer choice between licensees once the prescribed conditions are satisfied; a blanket embargo confined to the very consumers most readily served would operate less as a safeguard against cherry-picking than as a means of insulating a defined category of high-value consumers from competition altogether, for a period tied to completion of an area-wide network that Section 43 itself does not require as a precondition of supply. That said, the underlying concern — premature, disorderly migration of high-load consumers ahead of the Applicant's demonstrated capacity to serve them reliably — is not without substance; it is more appropriately addressed through the Migration Protocol (Annexure J) and Commission-approved, capacity-linked eligibility and sequencing conditions, short of a categorical bar.

11.11 Regulatory Asymmetry and Legacy Obligations

DHBVNL's submission that it continues to bear Standards of Performance, agricultural supply, Renewable Purchase Obligation, RDSS and other legacy commitments, while a new entrant is free of such historical burden, identifies a genuine structural feature of introducing competition into an established distribution area. It is not, however, a ground for refusing a licence to an applicant that otherwise satisfies the statutory conditions: the Act contemplates parallel licensing precisely in already-served areas, and the sixth proviso forecloses refusal on the sole ground that an existing licensee is present. The appropriate response is regulatory — tariff, surcharge and true-up mechanisms exist to allocate the financial consequences of migration — and the Committee's findings in Chapter 13 (ToR 3.8) should be read together with this Chapter to the extent they address DHBVNL's financial-asymmetry concerns.

PART D — FINDINGS, RECOMMENDED LICENCE CONDITIONS AND CONCLUSION

11.12 Findings:

(i) The USO under Sections 42 and 43 of the Electricity Act, 2003 is the fundamental statutory obligation attached to every distribution licence, and applies equally and independently to the Applicant and to DHBVNL. Grant of a parallel licence under the sixth proviso to Section 14 neither transfers nor dilutes this obligation.

(ii) On a plain reading of Section 43(1) and its provisos, as confirmed by the Appellate Tribunal in BEST v. MERC (Appeal No. 279 of 2017, decided 11.03.2026) and consistent with the Supreme Court's reasoning in the JSPL matter, phased development of a distribution network is not, in itself, inconsistent with the USO; DHBVNL's contention that a complete and functional network must exist across the entire area from the date of grant is not accepted.

(iii) The Applicant has demonstrated its commitment and prima facie capability to discharge the USO: through the sworn USO Affidavit (Annexure H) covenanting non-discriminatory supply and disavowing cherry-picking; the Implementation Plan and Network Rollout Plan covering all five divisions and all consumer categories; the inclusion of Nuh district — the most rural and commercially challenging division — with dedicated infrastructure from Phase I and Rs. 304.37 Crore of committed expenditure; and the operational and technical backbone of its consortium.

(iv) However, the lawfulness of phasing as a methodology does not, by itself, establish that a particular phasing plan is non-discriminatory in its sequencing. DHBVNL has placed on record specific, substantially undisputed figures from the Applicant's own Business Plan showing token capital investment (Rs. 1.52 Crore and Rs. 2.34 Crore) in Gurugram City — the division with the second-highest existing HT load — for the first two years, with the division activated only from Phase III. While Gurugram City ultimately carries the largest division-wise allocation (Rs. 1,601.08 Crore), the two-year deferral has not been specifically explained by the Applicant beyond general submissions on overall network design. The concern is one of deferral, not exclusion, and warrants a targeted clarification and an enforceable rollout-parity safeguard rather than being treated either as conclusively established cherry-picking or as a fully resolved non-issue.

(v) The projected migration of approximately 2.5% of DHBVNL's existing consumers, and the inclusion of the entirety of Nuh district within the licensed area, weigh against a finding of cherry-picking on the material presently available. DHBVNL's 20% and 45% revenue-loss scenarios are hypothetical constructs illustrating exposure under higher migration assumptions and do not establish that the Applicant's proposal is designed to achieve such migration. On the totality of the record, the Committee does not find sufficient objective evidence that the proposal, taken as a whole, is structured to exclude, or defer indefinitely, service to any consumer category or geographical segment.

(vi) DHBVNL's proposed embargo on migration of consumers presently served through dedicated or independent feeders, pending completion of the Applicant's network across the entire licensed area, is not consistent with the statutory scheme of consumer choice under the sixth proviso to Section 14 and Section 43, and ought not to be imposed in the form proposed. The legitimate concern underlying it — orderly, capacity-matched migration of high-load consumers — is more appropriately addressed through the Migration Protocol and Commission-approved eligibility and sequencing safeguards.

11.13 <u>Recommended Licence Conditions:</u>

To give specific effect to these findings, the Committee recommends that the following conditions be considered if the licence is granted:

1. **Universal Service Obligation**: the Licensee shall continuously comply with Sections 42 and 43 of the Act and all regulations made thereunder, including

the HERC (Electricity Supply Code) Regulations, 2014 connection timelines, across the entire licensed area;

2. **Non-Discriminatory Supply:** The Licensee shall make electricity available to every eligible consumer within the licensed area in accordance with law within a phased manner and shall not discriminate between consumer categories or geographical areas except as specifically permitted under applicable regulations.
3. **Commission-Approved Rollout Plan with Milestones**: the Network Rollout Plan and Implementation Plan shall be placed before the Commission for approval, with specified phase-wise and division-wise milestones, periodic progress reporting and consequences for unjustified non-compliance;
4. **Investment-Sequencing Disclosure and Parity Safeguard**: the Licensee shall, within a time-bound period, furnish a reasoned division-wise justification for its capital investment sequencing (including the Gurugram City schedule), and shall not defer HT or LT investment in any division, beyond what is objectively justified by load, terrain, outlet availability or right-of-way constraints, disproportionately as compared with other divisions of comparable load;
5. **Anti-Cherry-Picking Obligation**: the Licensee shall not adopt any network-development sequencing, connection-charge practice or operational arrangement that results in selective servicing of commercially attractive consumers while deferring, without objective justification, consumers or areas it is statutorily obligated to serve; the Commission may additionally prescribe the mechanism for handling mid-phase connection requests in areas where the Licensee's network is yet to be commissioned;
6. **Migration Protocol and Eligibility Safeguards**: the Migration Protocol (Annexure J) and Operational Modalities (Annexure I) shall be placed before the Commission for scrutiny, modification and approval;
7. **Standard of Performance:** The Licensee shall comply with the Standards of Performance Regulations, Supply Code and all consumer service obligations applicable to distribution licenses.

8. **Periodic Compliance Reporting**: the Licensee shall submit periodic reports on consumer-category-wise and geography-wise connections, applications received and disposed of under Section 43, division-wise network expansion and commissioning (including N-1 compliance status), and consumer complaints relating to refusal or delay of supply; and
9. **Periodic Regulatory Review and Corrective Measures**: the Commission may periodically review compliance with the USO — including investment sequencing, consumer mix and rollout milestones — and may issue directions, require corrective action or modify licence conditions where evidence of discriminatory sequencing or selective servicing emerges.

11.14 <u>Conclusion:</u>

The Committee is satisfied that, on the material available, the Applicant has, prima facie satisfied the statutory obligations imposed by Sections 42 and 43. The concept of **phased rollout is a statutorily valid methodology**. The Applicant's commitments through Additional Submission made before the Commission through Affidavit dated 03.07.2026, the all-division Implementation Plan, the inclusion of Nuh from Phase I and the express assurance that no area is permanently excluded appears to be a genuine USO commitment. The specific concern regarding the **two-year deferral of investment in Gurugram City is not fully answered on the present record**, and the **concerns expressed by DHBVNL and the intervenors otherwise highlight the need for robust safeguards to preserve the integrity of the parallel distribution framework**.

Accordingly, the Committee answers ToR 3.6 by concluding that the Applicant has **demonstrated the commitment and capability required for discharge of the Universal Service Obligation, and recommends that compliance with the USO, prevention of cherry-picking and maintenance of non-discriminatory supply be secured through the licence conditions set out in Para 11.13** — including the targeted investment-sequencing disclosure and rollout-parity safeguard — together with periodic compliance reporting, continuing regulatory oversight and timely intervention wherever warranted by actual operational experience. **This approach appropriately balances the statutory objectives of promoting competition, protecting consumers and ensuring universal access to electricity under the Electricity Act, 2003.**

CHAPTER 12

TERM OF REFERENCE 3.7

CONSUMER MIGRATION AND CONSUMER PROTECTION

1.Examine the proposed framework for migration of consumers from the Existing Distribution Licensee, including treatment of existing contracts, pending applications, security deposits, arrears, disputed accounts, billing arrangements, metering, continuity of supply and consumer grievance redressal.

This Chapter 12 is divided into four parts. Part-A deals with introduction, scope, issues, statutory framework and regulatory principles. Part-B deals with the pleadings and submission of parties and stakeholder. Part-C deals with the analysis and observation of the Committee and Part-D deals with the findings, recommendations of the Committee and conclusion thereof.

PART A

SCOPE, STATUTORY FRAMEWORK AND REGULATORY SETTING

12.1 Introduction

Under the Term of Reference 3.7, extracted above, the Committee is required to examine the proposed framework for migration of consumers from the Existing Distribution Licensee i.e. DHBVNL, together with the incidents of migration such as existing contracts, pending applications, security deposits, arrears, disputed accounts, billing, metering, continuity of supply and grievance redressal etc.

The Electricity Act, 2003 contemplates competition in distribution through parallel licences operating through independent distribution systems. Migration is not an incidental by-product of that framework but its intended operative consequence. Without the ability of a consumer to move, the coexistence of two licensees in one area would be an empty formality and at this point, the interests of the consumers who migrate, the consumers who don't migrate, the incumbent licensee and the new entrant, most sharply intersect. The issues raised in ToR 3.7

have a direct nexus upon the terms, conditions, procedure and safeguards of the migrating consumers, non-migrating consumers, the incumbent licensee and the new licensee. The Committee will be confined to test whether the proposed application of the Applicant/Applicant would succeed in successful transition of multiple distribution mechanisms to the existing single distribution policy.

12.2 Scope and Limits of Examination

The Committee has confined its examination under this ToR to the statutory and regulatory framework governing migration, the submissions received, the consumer-protection issues arising during migration, and the safeguards necessary for orderly implementation. Tariff determination, cross-subsidy quantification, power procurement and financial sustainability are considered only so far as they bear directly upon migration, their detailed examination being undertaken under ToR 3.8 and ToR 3.9; the threshold questions of eligibility, capital adequacy and creditworthiness fall under ToR 3.1 to 3.3, and nothing in this Chapter expresses any view upon them.

The sufficiency of the proposed area of supply under the Explanation to Rule 3 of the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005, as amended, has a bearing upon the cherry-picking controversy discussed at paragraph 12.12 below, but falls for determination under ToR 3.1 and is referred to in this Chapter only for that limited purpose.

12.3 Issues Arising for Determination

On a consideration of the pleadings, the following issues arise under ToR 3.7:

(i) whether the absence of a notified Consumer Migration Framework in Haryana bars, or is a condition precedent for, the grant of a parallel licence;

(ii) whether the Applicant's Migration Protocol **(Annexure J, Additional Information dated 03.07.2026)** adequately addresses the matters enumerated in ToR 3.7;

(iii) whether, and by what mechanism, the loss of cross-subsidy contribution and the stranding of fixed costs occasioned by migration are recoverable, and in particular whether Sections 42(2) and 42(4) reach a consumer who migrates wholly to a parallel licensee's own network;

(iv) the treatment of existing contracts, pending applications, security deposits, arrears, disputed accounts, final billing and metering;

(v) whether the incumbent may withhold migration on account of outstanding or disputed dues, alleged irregularity or pending litigation;

(vi) whether dedicated or independent feeder consumers may be restrained from migrating until the Applicant's network covers the entire licence area, as urged by DHBVNL;

(vii) the allocation of responsibility for continuity of supply and grievance redressal in a two-licensee networks; and

(viii) the safeguards, licence conditions and monitoring mechanisms required to give effect to the foregoing.

12.4 Statutory Framework

The statutory architecture within which consumer migration operates may be shortly stated.

- The Sixth Proviso to Section 14 permits the grant of licence to two or more persons for distribution through their own distribution systems within the same area; it establishes the permissibility of parallel licensing but prescribes no migration mechanism, leaving the modalities of consumer choice to subordinate regulation and licence conditions. Section 42(1) obliges every licensee to develop and maintain an efficient, coordinated and economical distribution system — a continuing obligation discharged progressively, not a condition to be satisfied in full before grant. Sections 42(2) and 42(4) provide respectively for the cross-subsidy surcharge payable upon open access and for an additional surcharge to meet the fixed cost of the licensee arising out of its obligation to supply; their reach in the context of migration is examined at paragraph 12.13 and is the consequential legal question under this ToR.
- Sections 42(5) to 42(7) require every licensee to establish a grievance redressal forum within six months of grant, with appeal to the Ombudsman. Section 43 imposes the universal service obligation; Section 47 governs security; Section 56 governs disconnection for non-payment, sub-section (2) prescribing a two-year limitation upon recovery by disconnection. Section 16 empowers the Commission to specify licence conditions, and Sections 86(1)(a), (b), (e) and (k)

and Section 181 furnish the regulation-making and directive powers through which a Consumer Migration Framework would be given effect.

12.5 <u>Subordinate Legislation, Rules and Policy</u>

Three instruments outside the Act itself are of direct relevance.

First, the Electricity (Rights of Consumers) Rules, 2020, as amended, prescribe binding consumer-facing standards applying to a migrating consumer as to any other — timelines for release of new connections (seven days in metropolitan areas, fifteen in other municipal areas, thirty in rural areas), the prohibition upon supply without a meter, billing obligations, a multi-layered grievance architecture with an outer limit of forty-five days, and automatic compensation for defined service failures. These Rules furnish ready-made benchmarks against which the timelines of any Consumer Migration Framework should be calibrated: a migration should not take longer, or afford weaker protection, than a fresh connection would.

Secondly, the National Electricity Policy, 2005, at paragraph 5.4.7, places the second licensee under an obligation to supply all consumers in accordance with Section 43 and requires the Commission to regulate tariff including connection charges so that the second licensee does not resort to cherry-picking; paragraph 5.8.3 articulates the compensatory rationale of the surcharges under Sections 42(2) and 42(4). These provisions are the policy backbone of the safeguards discussed below; paragraph 5.4.7 is examined in detail in Chapter 11 (ToR 3.6).

Thirdly, the Commission's own regulatory instruments — the Electricity Supply Code, the Regulations governing duty to supply and security, the Standards of Performance Regulations and the Grievance Redressal Forum and Ombudsman Regulations — already govern security deposits and refunds, final billing, disconnection for arrears and grievance forums. A Consumer Migration Framework need not be constructed from first principles; it should so far as possible operate by extending and harmonising these existing instruments to the two-licensee situation.

PART B

SUBMISSIONS OF THE PARTIES AND STAKEHOLDERS

12.6 Submissions of the Applicant

The Applicant submits that consumer migration is an inherent and intended consequence of the Sixth Proviso to Section 14, integral to the legislative objective of consumer choice and competition, occurring progressively as the network is developed and subject to the applicable regulations and the Commission's supervision. The Applicant has also submitted a consumer migration plan (**Annexure-J to the Additional Submission on Affidavit dated 03.07.2026**).

As to the absence of a notified framework, the Applicant submits that migration procedures, coordination and consumer protection are properly the subject of licence conditions, regulations and directions, not restrictions upon the grant of licence. As to Sections 42(2) and 42(4), it accepts that those levies are confined on their terms to open access consumers and were not extended by Parliament to consumers migrating to a parallel licensee a deliberate feature of the statutory scheme which cannot be converted into an objection to the operation of the very provision it serves.

12.7 Objections of DHBVNL

DHBVNL's objections under this head are, in substance, of four kinds.

First, on cherry-picking and consumer mix, DHBVNL contends that the proposed area is concentrated with high-revenue consumers; that the Applicant's projection of 2.5% switchover coupled with a 25% share of new sales is a candid admission of targeting remunerative segments while avoiding agricultural, rural and subsidised categories; and that selective migration would erode its revenue base while leaving its fixed-cost obligations unchanged. It relies upon Appeal Nos. 246 and 229 of 2012 and paragraph 5.4.7 of the National Electricity Policy.

Secondly, on financial impact, DHBVNL projects three scenarios of revenue loss for FY 2027-28, from approximately Rs. 424 crore on the Applicant's own 2.5% switchover assumption to approximately Rs. 1,899 crore and Rs. 4,272 crore on assumed switchover of 20% and 45% of sales, with quantifications of cross-subsidy surcharge impact, capital investment incurred and proposed in Gurugram, and deferred FSA exposure. These figures, and the Committee's evaluation of them, are set out in Chapter 13 (ToR 3.8) and are not reproduced here.

Thirdly, and most significantly in law, DHBVNL contends that the existing framework contains no mechanism for recovery of cross-subsidy support or stranded costs from a consumer who migrates to a parallel licensee: Sections 42(2) and 42(4) are designed for a consumer who remains within its consumer base but procures power through open access, not one who ceases to be its consumer altogether. It relies upon this Commission's Order dated 17.06.2020 in HERC/PRO-11 of 2017, and seeks a direction that migrating consumers settle a proportionate share of deferred FSA liabilities before migration, or that recovery be effected through the Applicant.

Fourthly, on the framework itself, DHBVNL identifies nine matters said to be wholly undefined in Haryana — eligibility including treatment of defaulters, migration timelines and procedures, security deposits, metering at changeover, allocation of deferred regulatory liabilities, grievance redressal in a multi-licensee environment, and switchover and changeover procedures — and submits that a comprehensive Consumer Migration Framework should be a condition precedent to grant. It further seeks an embargo restraining consumers supplied through dedicated or independent feeders, including consumer-funded infrastructure, from migrating until the Applicant's network covers the entirety of the licence area.

12.8 Submissions of the Intervenors

The intervenors opposing the petition — Employee Federations, Engineer Essociations, the All India Kisan Sabha and Consumer Bodies — emphasised the risk to agricultural and rural consumers, the cross-subsidy burden shifting to those who remain, and the absence of settled procedure protecting a consumer caught between two licensees; those supporting it, principally industrial and commercial consumers and resident welfare associations in Gurugram, emphasised choice, reliability and competitive pricing. Common to both was the requirement of transparent procedures, continuity of supply, timely settlement, effective grievance redressal and coordinated functioning. The Committee has treated these concerns as directed to the content of the framework rather than to the grant of the licence.

12.9 Applicant's Response

In response, the Applicant denies the Respondent's scenarios as methodologically unsound — treating predominantly new-consumer sales as revenue lost, computed upon gross revenue rather than contribution, and resting upon 20% and 45% switchover assumptions finding no support on the record — and computes the deferred FSA balance recoverable from consumers proposed to be migrated as on 31.03.2027 at approximately Rs. 17.17 crore, against approximately Rs. 53.58 crore recoverable from new consumers in the same year. The rival computations are examined in Chapter 13; for this ToR it suffices that the quantum dispute bears upon the design of the financial-neutrality mechanism at paragraph 12.19(F), not upon the existence of the right to migrate.

As to the proposed embargo on dedicated and independent feeder consumers, the Applicant opposes it in terms: it has no foundation in the Act, the Rules or any Regulation; it is contrary to the consumer's statutory right of choice; it may be addressed based on the phased development methodology approved in the BEST line, where first-phase connections were directed to be released precisely in the vicinity of existing infrastructure; and it would deny migration to the very consumers the Applicant is soonest able to serve.

PART C

ANALYSIS AND OBSERVATIONS OF THE COMMITTEE

12.10 Parallel Licensing and Phased Network Development

Whether a parallel licence may be granted, and migration permitted, to an applicant which does not at the threshold possess a fully built network has been considered by the Appellate Tribunal on several occasions, most recently in **Brihanmumbai Electric Supply and Transport Undertaking / Municipal Corporation of Greater Mumbai v. MERC & Tata Power Company Limited, Appeal No. 279 of 2017, decided on 11.03.2026.** In said case, the Hon'ble APTEL upheld the phased rollout of Tata Power's network in the Mumbai suburban area in two phases over seven years. The observations rendered by Hon'ble Tribunal on the said issue held as follows;

- the obligation under Section 42(1) is a continuous process and not a one-time pre-condition to grant;
- the duplication of networks is an inevitable and permissible consequence of a statutory scheme which itself mandates more than one licensee;
- the contention of stranded assets arising from changeover "has no merit" for the same reason.
- the Change-over Protocol had been followed since 2009 without substantial difficulty, and rejected the allegation of cherry-picking as "misconceived" in the absence of specific instances.

12.11 The Change-over and Switch-over Distinction

The most developed regulatory practice on the mechanics of migration has arisen in Mumbai, where overlapping licensed areas required the Maharashtra Commission to devise a working framework resting on a **distinction fundamental to this ToR**.

A change-over consumer elects to take supply from the new licensee while continuing to receive power over the incumbent's wires through open access: the incumbent remains the wires provider, receives wheeling charges, and the surcharges under Sections 42(2) and 42(4) apply. A switch-over consumer migrates entirely — both supply and wires — onto the new licensee's own network, ceasing to be a consumer of the incumbent for any purpose.

In the present scenario, the Applicant has proposed development of a parallel distribution system and it has also proposed supply only through its distribution network. Thus, the issue of 'change-over' would not arise in the present context.

12.12 Cherry-Picking and the Universal Service Obligation

The concern of cherry-picking urged by DHBVNL is legally cognisable. The Hon'ble Tribunal's observations in cross Appeal Nos. 246 and 229 of 2012, decided on 28.11.2014, recognise the concern in terms, and paragraph 5.4.7 of the National Electricity Policy makes the second licensee's obligation to supply all consumers under Section 43 explicit, with regulation of connection charges as the principal instrument against selective acquisition. The BEST judgment of 11.03.2026 holds, however, that an allegation of cherry-picking must be supported by specific material, a general apprehension being insufficient. The identified risk is accordingly to be addressed by imposing and enforcing the universal service obligation and regulating the terms of connection — not by prohibiting migration or refusing the licence. The full analysis of the universal service obligation is contained in Chapter 11 (ToR 3.6).

Applied to the record: the Applicant has applied for the entirety of both revenue districts, including Nuh — on the Respondent's own figures the least remunerative part of the area — its Implementation Plan and universal-service affidavit are on record, and no specific instance of selective network laying has been placed before the Committee, the proceedings being at a pre-grant stage where none could exist. The appropriate response is not refusal but enforceable rollout milestones, category-wise coverage obligations and regulated connection charges as conditions of licence, as recommended at paragraph 12.19(G).

12.13 Cross-Subsidy Surcharge and Additional Surcharge: The Central Legal Question

The recoverability of cross-subsidy contribution and stranded fixed cost upon migration is, in the Committee's considered view, the single most consequential legal question arising under this ToR. Its full statutory and quantitative analysis is undertaken in Chapter 13 (ToR 3.8); what follows states the conclusions material to the design of the migration framework.

In relation to switch-over consumers, the position is materially different: such a consumer ceases altogether to be a consumer of the incumbent, takes no open access over its network and pays no wheeling charges, and on the plain language of Sections 42(2) and 42(4) neither levy attaches. The Applicant accepts this reading, and it accords with this Commission's Order dated 17.06.2020 in HERC/PRO-11 of 2017, holding — following Sesa Sterlite Limited v. OERC (Judgement 25.04.2014 of Hon'ble Supreme Court, (2014) 8 SCC 444) — that both surcharges are leviable upon a consumer, not upon another licensee operating in the same area. It may be further noted that the Order dated 17.06.2020 of the Commission in HERC/PRO-11 of 2017, carried in appeal as Appeal No. 133 of 2020 and disposed of with connected appeals by the Hon'ble APTEL by common judgment dated 12.02.2024, eventually affirmed on this point by the Hon'ble Supreme Court in Indian Railways v. West Bengal State Electricity Distribution Company Limited & Ors., 2026 INSC 464, decided 08.05.2026.

There is accordingly, in respect of switch-over consumers, a genuine regulatory lacuna. The Committee does not regard it as a ground for refusing the licence: it is a consequence of the statutory scheme which Parliament enacted when it permitted parallel licensing;

12.14 Existing Contracts, Pending Applications, Security Deposits, Arrears and Disputed Accounts

ToR 3.7 requires specific examination of these matters. No single judgment lays down a code-like set of rules for the transfer or settlement of security deposits and arrears between an incumbent and a parallel licensee; the subject has been addressed through Commission-approved protocols tested on appeal. One authority is, however, of direct assistance on arrears.

The Committee draws from this authority, and from the practice under the Mumbai protocol, the following principles for the design of a migration framework in Haryana:

- Arrears attach to the premises and not merely to the person: a consumer migrating in respect of the same premises may lawfully be required, by regulation or licence condition, to clear undisputed arrears as a condition of migration, and the incumbent's right to recover legitimate arrears and to investigate suspected irregularity survives migration. A disputed claim stands differently — it cannot operate as an indefinite veto upon the statutory right to migrate; where dues are disputed, migration should proceed upon the consumer furnishing security for the disputed amount, the dispute continuing to be adjudicated in the ordinary course. Security deposits held by the incumbent should be adjusted against final dues and the balance refunded within a defined and short period, the new licensee's entitlement to its own security under Section 47 being unaffected, but no consumer being required to fund two deposits for any material period.
- A defined and short information-sharing window between licensees — for exchange of consumer records, arrear data and information relevant to alleged irregularity — is a proportionate mechanism for reconciling accounts without becoming a vehicle for delay, the Tribunal in BEST having found the timeline operating since 2009 adequate. Pending applications for new supply should be free to be addressed to either licensee at the applicant's choice, subject to any

allocation mechanism on the model considered in Appeal No. 35 of 2020 (Judgment dated 28.05.2020 of Hon'ble APTEL, in the matter of Tata Power Company Ltd. v. MERC & Others); and existing agreements with the incumbent should terminate only upon final meter reading, billing and settlement, the date of migration constituting the cut-off for accrual of liabilities as between the licensees, so that no period is unaccounted for and no consumer is billed twice.

12.15 Continuity of Supply, Metering, Billing and Grievance Redressal

The universal service obligation under Section 43 requires that the transition of a consumer, by change-over or switch-over, be effected without interruption or degradation in continuity, reliability or quality of supply — an obligation judicially recognised as compatible with phased rollout, provided the licensee's plan and conduct are genuinely directed towards eventual area-wide service.

As to metering and billing, the 2020 Rules supply the governing standards: no supply may be released without a meter; migration must be affected against a joint or independently verifiable final meter reading; and the final bill of the incumbent and the first bill of the new licensee must together account for the whole period without gap or overlap. Where the meter is replaced at switch-over, the framework should prescribe the timeline and cost responsibility, and retention of the removed meter while any consumption dispute subsists.

As to grievance redressal, Sections 42(5) to 42(7) oblige each licensee independently to maintain a Forum, with appeal to the Ombudsman. In a two-licensee area the risk is not the absence of a forum but uncertainty as to which forum a grievance lies before. The framework should provide that grievances referable to the pre-migration period — including disputed arrears, final bills and deposit refunds — lie against the incumbent; those referable to the post-migration period against the new licensee; and those relating to the migration process itself against either licensee at the consumer's election, with power in the Forum seised to join the other licensee; the forty-five day outer limit under the Rules applying throughout.

12.16 Comparative Regulatory Practice & Study

The Applicant has, in compliance with direction 4(i) of the Interim Order dated 26.05.2026, placed on record its own Protocol for Consumer Migration

(Switchover) as Annexure J (pages 146–153) to the Additional Information dated 03.07.2026 ("Annexure J")

In exercise of the liberty conferred by clause 4.6 of the Terms of Reference, the Committee has examined international practice on supplier switching. In the United Kingdom, switching is effected through a central service within one to two working days; the losing supplier may object only on defined grounds — principally outstanding debt or a live fixed-term contract — within a short prescribed window; indebtedness confers no absolute veto, prepayment customers in debt up to £500 being permitted to switch under a Debt Assignment Protocol; and credit balances must be refunded within ten working days of the final bill.

In the European Union, Article 12 of Directive (EU) 2019/944 confers a right to switch within a maximum of three weeks, reducing to twenty-four hours by end-2026, free of switching fees for households and small enterprises. The lesson is not that these timelines should be transplanted, but that mature competitive markets pair rapid, low-friction switching with a narrow, time-limited debt-objection window and a mechanism permitting even indebted consumers to move while the incumbent's recoverable dues are secured — the model the Committee recommends below.

The Committee has come upon the Protocol for Migration of Consumers from one Distribution Licensee to Another, and Release of New Connections, framed by the Maharashtra Electricity Regulatory Commission as Annexure C to its Order dated 12.06.2017 in Case Nos. 182 of 2014 and 40 of 2015 ("the MERC Protocol"). The MERC Protocol is the only Commission-settled migration instrument in the country governing two parallel distribution licensees operating through their own networks in a common area, and has operated in Mumbai for a considerable period. The Appellate Tribunal in BEST v. MERC & Tata Power, Appeal No. 279 of 2017, decided on 11.03.2026, recorded that the change-over arrangements had been followed since 2009 without substantial difficulty.

The Committee has made a comparative study between the proposal of Applicant (Annexure-J) as referred above and the MERC Protocol.

The significant points of the two protocols are compared point-wise below. Under each point, the position under the MERC Protocol and under Annexure J is stated first, followed by the Committee's analysis and observation. References to

Clauses are to the MERC Protocol; Annexure J is unnumbered beyond its principal heads and is referred to by subject.

A. **Streams of Migration Covered**

MERC: Three streams — change-over over Licensee A's wires (Cl. 4), switch-over (Cl. 5) and allocation of new connections (Cl. 6–7).

Applicant's Protocol (Annexure J): Switch-over only; new connections left to the Supply Code and Annexure I, with no inter-licensee allocation.

Committee's Analysis and Observation: Not a defect but the correct consequence of the Applicant's proposal to supply exclusively over its own system (paragraph 12.11); a change-over stream would have misled as to the scope of the licence sought. Annexure J is deficient only in the absence of any mechanism for release and allocation of new connections, on which MERC is materially fuller (item P). The framework should recite that migration under it is by switch-over alone.

B. **Institutional Coordination Mechanism**

MERC Protocol: The Mumbai Distribution Network Assessment Committee (M-DNAC) , a standing Commission-constituted committee. New connections requiring network works (Levels 3–5) are decided on weekly sealed-cost proposals of both licensees, the licensee with the lower cost building the network; decision within 15 days; default in submission forfeits the defaulting licensee's voice (Cl. 6.3–6.4).

Applicant's Protocol (Annexure J): None. Inter-licensee disputes go to mutual resolution within 15 working days and thereafter to the Commission; no standing body, and no least-cost allocation of new-connection works.

Committee's Analysis and Observation: The M-DNAC model economises duplicated capital expenditure and pre-empts disputes over new consumers — the very mechanism considered in APTEL Appeal No. 35 of 2020 and reflected at paragraph 12.19(E). A Haryana analogue deserves consideration, with the caveat recorded in Chapter 12 that it must not become an instrument of exclusion.

C. **Consumer Information and Publicity**

MERC Protocol: Both licensees to provide at their consumer service centres and websites: switch-over and permanent-disconnection application forms, the detailed procedure, the tariff schedule, the schedule of charges, metering requirements and agreement formats (Cl. 5.2).

Applicant's Protocol (Annexure J): Both licensees to give wide publicity to the availability of choice; forms, procedure and document checklists aligned to the Supply Code, meter specifications and indicative sources where the consumer opts for an own meter, and FAQs, at service centres and websites.

Committee's Analysis and Observation: Substantially aligned; Annexure J adds the affirmative publicity obligation and own-meter information, which are consumer-friendly improvements consistent with paragraph 12.19(H).

D. Application Route and Processing Fee

MERC Protocol: Application to Licensee B with a copy of the application to Licensee A for Permanent Disconnection; form free of cost; processing fee payable per Licensee B's approved Schedule of Charges; the completed application forwarded to Licensee A within 3 days (Cl. 5.3–5.4).

Applicant's Protocol (Annexure J): Application to the Prospective Licensee with a copy of the disconnection application to the Current Licensee; forms free; no documents beyond the Supply Code may be demanded; the application transmitted electronically to the Current Licensee within 3 working days. Fees and security follow the demand-notice route of the Supply Code.

Committee's Analysis and Observation: Aligned in architecture. Annexure J's bar on demanding documents beyond the Supply Code is a useful anti-friction device; the framework should nonetheless fix the processing fee by reference to the approved Schedule of Charges, as MERC does, to prevent fee-based discouragement in either direction.

E. Consumer Consent and Verification (Anti-Slamming)

MERC Protocol: No express provision; consent is implicit in the consumer-initiated application.

Applicant's Protocol (Annexure J): The signed application constitutes express and informed consent; the Prospective Licensee must verify the applicant's identity and the genuineness of consent; no switch-over may be processed on an unsigned or unverified application or one made without the consumer's knowledge.

Committee's Analysis and Observation: A material improvement over the 2017 MERC text. The anti-slamming verification should be carried into the Haryana framework verbatim, alongside the disclosure requirements at paragraphs 12.19(A) and (H).

F. Eligibility and Treatment of Defaulters

MERC Protocol: A consumer disconnected by Licensee A for payment default cannot switch over without clearing dues (Cl. 5.3(b)); no provision on theft or malpractice cases.

Applicant's Protocol (Annexure J): The same bar on defaulters, plus ineligibility while a theft, malpractice or unauthorised-use case is pending or supply stands disconnected for default — with an express carve-out restoring eligibility where the demand or proceeding is stayed by a court, the CGRF, the Ombudsman or a competent authority; undisputed dues must be cleared 'or otherwise secured in accordance with law'.

Committee's Analysis and Observation: Annexure J is the more complete text and its stay carve-out is directionally consistent with the disputed-dues principle at Finding 12.17(h) and paragraph 12.19(C). The framework should go one step further and operationalise the security route (bank guarantee or equivalent) for disputed amounts, so that a disputed claim never operates as a veto on migration.

G. Change of Name or Purpose at Migration

MERC Protocol: Expressly barred at the time of switch-over (permitted subsequently); change of sanctioned load or contract demand permitted (Cl. 5.3(f)–(g)).

Applicant's Protocol (Annexure J): No corresponding provision.

Committee's Analysis and Observation: A gap in Annexure J. The MERC bar is an anti-abuse device preventing migration from being used to shed liability history or re-characterise the connection; it should be adopted, with the MERC-style liberty to change load or demand retained.

H. Arrears Intimation and Clearance Timeline

MERC Protocol: Licensee A intimates arrears or security-deposit shortfall within 3 days of receiving the application copy; the consumer pays within 5 days; a provisional no-dues certificate issues within 3 days of payment (Cl. 5.4(d)–(f)).

Applicant's Protocol (Annexure J): An identical ladder in working days, with the addition that where nothing is due the Current Licensee must issue a No Dues Certificate within 3 working days.

Committee's Analysis and Observation: Aligned; Annexure J's express nil-dues certificate closes a small procedural gap in the MERC text.

I. Consequence of the Incumbent's Silence (Deemed Clearance)

MERC Protocol: None. The Protocol prescribes timelines but no consequence for default; an application can in practice stall on the incumbent's inaction.

Applicant's Protocol (Annexure J): Deemed clearance: if the Current Licensee fails to communicate arrears or any lawful impediment within the prescribed period, the application is deemed cleared for further processing — subject to express savings: the dues survive against the consumer, are a first charge on the security deposit, are not recoverable from the Prospective Licensee, and an energised switch-over is irreversible.

Committee's Analysis and Observation: The deeming provision is a genuine advance on MERC and answers the mischief of migration-by-attrition; the savings are fairly balanced. The Committee recommends two calibrations: deeming should operate only after one written reminder, and should stand excluded where a theft or tampering investigation has been notified in writing within the window.

J. Recovery of Residual Dues Discovered After Migration

MERC Protocol: A collection-agency mechanism: Licensee A communicates the outstanding amount; Licensee B shows it separately in its own bill to the consumer and remits collections to Licensee A by the end of the month (Cl. 5.5(g)).

Applicant's Protocol (Annexure J): The dues remain the consumer's liability to the Current Licensee alone, recoverable by it in accordance with law and adjustable against the security deposit; expressly not a liability of, nor recoverable from, the Prospective Licensee.

Committee's Analysis and Observation: On this point MERC is markedly superior for the incumbent: it conscripts the new licensee's billing relationship as the recovery channel, whereas Annexure J leaves DHBVNL to pursue an ex-consumer with whom it has no subsisting billing nexus. The Committee recommends adoption of the MERC bill-and-remit mechanism, which also serves the revenue-integrity concern noted in Chapter 10 (ToR 3.2) and paragraphs 12.19(C)–(D).

K. Metering and the Final Bill

MERC Protocol: The final meter reading is taken by Licensee A on the switch-over date, the consumer entitled to be present if practicable; final bill after adjusting the security deposit; the differential payable or refundable within 7 days (Cl. 5.5(e)–(f)).

Applicant's Protocol (Annexure J): Joint meter reading at a date and time intimated to both licensees; if the Current Licensee absents itself despite intimation, the Prospective Licensee reads the meter in the consumer's presence and communicates it electronically; the final bill is adjusted against the security deposit and the balance refunded within Supply Code/SoP timelines.

Committee's Analysis and Observation: Annexure J's joint-reading-with-fallback design is the better one: it removes the incumbent's ability to stall completion by non-attendance while preserving evidentiary integrity. It should be adopted, supplemented by the meter-retention rule at paragraph 12.19(D) (the removed meter preserved while any consumption dispute subsists).

L. Continuity of Supply and Safety at Cut-Over

MERC Protocol: Switch-over scheduled in coordination between the licensees with intimation to the consumer; no express no-interruption rule and no provision on dual energisation (Cl. 5.5(c)).

Applicant's Protocol (Annexure J): Disconnection by the Current Licensee takes effect only upon successful energisation by the Prospective Licensee, so that the consumer suffers no interruption; express prohibition on simultaneous energisation from more than one distribution system.

Committee's Analysis and Observation: A clear improvement, giving operative content to the continuity obligation discussed at paragraph 12.15. Both the make-before-break sequencing and the dual-energisation safety bar should be carried into the framework.

M. Overall Completion Timeline

MERC Protocol: Within the periods specified in the Supply Code, the SoP Regulations and the Practice Directions; switch-over to be scheduled within 7 days of payment of the security deposit and charges (Cl. 5.5(c)–(d)).

Applicant's Protocol (Annexure J): Within the timelines applicable to a new connection of the relevant category under the HERC Supply Code, including any additional period permitted for laying or augmentation of lines, excluding delay attributable to the consumer or to non-clearance of dues.

Committee's Analysis and Observation: Both anchor to the new-connection benchmark, which accords with the calibration principle at paragraph 12.5: a migration should take no longer, and afford no weaker protection, than a fresh connection. The framework should additionally import the outer limits of the Electricity (Rights of Consumers) Rules, 2020 expressly.

N. Anti-Obstruction Obligation

MERC Protocol: Not express; obstruction would be dealt with by the Commission under its general powers.

Applicant's Protocol (Annexure J): An express twofold obligation: neither licensee shall impose any condition, procedural requirement or technical restriction having the effect of unreasonably delaying, obstructing or discouraging switch-over; nor unreasonably delay, obstruct or discourage the consumer's lawful choice of distribution licensee.

Committee's Analysis and Observation: A desirable express norm, symmetrical in terms, which should be retained and made enforceable through the SoP and compensation machinery.

O. Data Exchange, Confidentiality and Data Protection

MERC Protocol: Confined to intimation of arrears and security-deposit particulars; no confidentiality or use-restriction provisions (the 2017 text predates the present data-protection regime).

Applicant's Protocol (Annexure J): Enumerated data fields (consumer particulars, load, category, meter, security deposit, dues, disputes, disconnection status, rooftop solar/net-metering and open-access status); secure electronic exchange within 3 working days of request; the data to be used solely for the switch-over, kept confidential, not used for marketing or solicitation; compliance with data-protection law; data disputes referable to the Commission.

Committee's Analysis and Observation: Annexure J is distinctly more modern and matches paragraph 12.19(I) almost clause for clause; it should be adopted, extended to cover the standing operational interface and the quarterly migration reporting recommended in Chapter 12.

P. New Connections in the Common Area

MERC Protocol: Level 1–5 categorisation by the network works required; Levels 1–2 released by the licensee applied to; Levels 3–5 allocated by the M-DNAC on least-cost sealed proposals; a change-over tariff option where the other licensee builds; release within SoP timelines excluding M-DNAC time (Cl. 6 and 8).

Applicant's Protocol (Annexure J): Not covered; a New Consumer is defined and remitted to the Supply Code, with operational detail in Annexure I.

Committee's Analysis and Observation: The MERC new-connection architecture has no counterpart in the Haryana filing. Whether to replicate it is a design choice for the Commission; at minimum, pending applications must be free to be addressed to either licensee at the applicant's election (paragraph 12.19(E)), and any allocation mechanism must not prevent a licensee from connecting a consumer who has chosen it.

Q. Grievance Redressal and Inter-Licensee Disputes

MERC Protocol: No dedicated provision within the Protocol; the general Supply Code/SoP and CGRF/Ombudsman machinery applies; the Commission retains supervisory jurisdiction.

Applicant's Protocol (Annexure J): Consumer grievances routed through the SoP Regulations, 2020, the Electricity (Rights of Consumers) Rules, 2020, the CGRF and the Ombudsman; inter-licensee disputes to mutual resolution within 15 working days, failing which to the Commission.

Committee's Analysis and Observation: Annexure J is the fuller text but neither instrument allocates forum responsibility between the two licensees. The tripartite allocation at paragraph 12.19(H) — pre-migration grievances against the outgoing licensee, post-migration grievances against the incoming licensee, and migration-process grievances against either at the consumer's election — should be added.

R. Review and Adaptability

MERC Protocol: Expressly revisable by the Commission from time to time through administrative orders (Cl. 2); the Formats revisable by the Commission or the M-DNAC.

Applicant's Protocol (Annexure J): No review clause; the supremacy clause yields to the Supply Code and the SoP Regulations on inconsistency.

Committee's Analysis and Observation: The framework should carry the MERC-style review power together with the first-year review and quarterly reporting recommended at paragraph 12.19(I).

PART D

FINDINGS, RECOMMENDATIONS AND CONCLUSION

12.17 <u>Findings of the Committee</u>

On an overall consideration of the statutory provisions, the material on record, the submissions of the parties and stakeholders and the authorities examined in Part C, the Committee records the following findings under ToR 3.7.

a. The Commission may suitably adopt the relevant provisions of MERC Protocol as the drafting template for the Consumer Migration Framework with appropriate changes/amendment in the Haryana Supply Code, 2014, the SoP Regulations, 2020 and the Electricity (Rights of Consumers) Rules, 2020.
b. The Switch-over Protocol evolved in Maharashtra, in operation since 2009 and repeatedly upheld on appeal, demonstrates that a workable framework is achievable and furnishes a tested model for adaptation to Haryana.
c. The Commission may consider constituting a standing coordination committee for the common area on the M-DNAC model — for scheduling of switch-overs, data-exchange oversight, and, if the Commission so chooses, least-cost allocation of new-connection works involving material network investment — subject to the condition that no such mechanism shall prevent either licensee from connecting a consumer who has chosen it.

d. The Migration Protocol at Annexure J addresses, at the level of principle, the matters enumerated in ToR 3.7. The Committee has not treated it as a substitute for a Commission-approved framework binding upon both licensees: a protocol emanating from one licensee cannot bind the other, and the matters in issue require symmetrical obligations.
e. In respect of switch-over consumers, who migrate wholly onto the Applicant's network and cease to be consumers of DHBVNL, neither Section 42(2) nor Section 42(4) applies on its terms — a position accepted by the Applicant and consistent with this Commission's Order dated 17.06.2020 in HERC/PRO-11 of 2017. The Order dated 17.06.2020 in HERC/PRO-11 of 2017, carried in appeal as Appeal No. 133 of 2020 and disposed of with connected appeals by the Hon'ble APTEL by common judgment dated 12.02.2024, affirmed on this point by the Hon'ble Supreme Court in Indian Railways v. West Bengal State Electricity Distribution Company Limited & Ors., 2026 INSC 464, decided 08.05.2026
f. The concern of cherry-picking is legally cognisable and expressly recognised by paragraph 5.4.7 of the National Electricity Policy and the Hon'ble Appellate Tribunal. It is to be addressed by enforcing the universal service obligation under Section 43 of the Act 2003, regulating connection charges, and imposing enforceable rollout and coverage obligations — not by refusing the licence or prohibiting migration. On the present record no specific instance of selective network laying has been established.
g. There is no legal foundation for the proposed embargo restraining dedicated or independent feeder consumers from migrating until the Applicant's network is complete across the entire licence area: it is contrary to the consumer's right of choice under the Sixth Proviso, irreconcilable with the phased-development methodology approved in the BEST line, and would in practical terms suspend competition for the whole rollout period. The legitimate concern underlying it is addressed by the rollout, coverage and financial-neutrality measures recommended below, not by an embargo upon a class of consumers defined by the profitability of serving them.
h. Arrears attaching to a premises may lawfully be made recoverable as a condition of migration in respect of undisputed amounts, disputed amounts

should be secured rather than made a ground for refusing or deferring migration.

i. Security deposits, final billing, metering, pending applications and continuity of supply are capable of comprehensive regulation; the Electricity (Rights of Consumers) Rules, 2020 and the Commission's existing Supply Code, security, standards of performance and grievance regulations furnish the greater part of the necessary content, requiring extension rather than fresh creation. Grievance redressal in a two-licensee environment requires express allocation of responsibility for the pre-migration period, the post-migration period and the migration process itself.

j. The Consumer Migration Impact Assessment filed by DHBVNL is a useful planning document. Its Scenarios 2 and 3, resting upon 20% and 45% switchover assumptions finding no support on the record, are not accepted as a basis for regulatory action; Scenario 1, founded on the Applicant's own disclosed assumption, is a reasonable planning case, though computation upon gross revenue rather than contribution overstates the impact.

12.18 Recommendation on the Sequencing of the Framework

The Committee recommends that, Consumer Migration Framework in the terms at paragraph 12.17 above, may be finalised and notified by the Commission after the grant of licence in consultation with the stakeholders. This preserves the Applicant's entitlement to a licence upon satisfaction of the statutory conditions, while ensuring that no consumer migrates in a regulatory vacuum and the incumbent is not exposed to unquantified loss in the interim.

12.19 Recommended Contents of the Consumer Migration Framework

The Committee recommends that the framework provide for the following.

A. *Right of migration and its exercise*

- A consumer within the licence area shall be entitled to migrate to either licensee by switch-over at the consumer's election, subject only to the conditions prescribed in the framework; the right shall be reciprocal, and not exercisable more than once in any twelve-month period save with the Commission's leave. Migration shall be initiated by written application in a prescribed common form, supported by proof of identity and of the connection and by informed consent recording that the consumer has been apprised of the incoming licensee's tariff, service standards, security requirements, applicable surcharges and grievance arrangements. No fee shall be charged to a domestic, agricultural or small commercial consumer for migration.

B. Timelines and the verification window

- Upon receipt of an application the incoming licensee shall notify the outgoing licensee within two working days, and the outgoing licensee shall furnish the consumer record — arrear position, security deposit held, meter details and particulars of any subsisting dispute or alleged irregularity — within seven working days. The outgoing licensee may object only within that window and only on the ground of undisputed arrears or a subsisting contractual commitment specifically approved by the Commission; failure to object within the window shall operate as a certificate that no dues are outstanding. Migration shall be completed within thirty days of application for switch over, and within such longer period as the framework may prescribe for switch-over having regard to the physical works required; in no case shall the total period exceed that prescribed for release of a new connection at the same premises under the 2020 Rules plus the period reasonably required for network extension.

C. Arrears, disputed accounts and security

- Undisputed arrears attaching to the premises shall be cleared as a condition of migration, upon a final statement furnished by the outgoing licensee within a defined period. Where dues are disputed or subject to pending proceedings, migration shall proceed upon the consumer furnishing a bank guarantee or equivalent security for the disputed amount, the dispute continuing to be adjudicated in the ordinary course; migration shall not be withheld or made conditional upon the outcome. The outgoing licensee's right to pursue recovery, and to investigate and act upon suspected theft or tampering, shall survive migration.

D. Security deposits, metering and final billing

- The security deposit held by the outgoing licensee shall be adjusted against the final bill and the balance refunded within the period prescribed by the Commission's regulations. Migration shall be effected against a joint final meter reading, or in default a reading independently verifiable and communicated to the consumer, constituting the cut-off for accrual of liabilities between the licensees; the final bill of the outgoing licensee and the first bill of the incoming licensee shall together account for the whole period without gap or overlap. Where the meter is replaced at switch-over, the removed meter shall be retained for a defined period while any dispute as to recorded consumption subsists.

E. **Existing contracts, pending applications and continuity**

- Existing agreements with the outgoing licensee shall stand terminated upon final settlement, without prejudice to accrued rights and liabilities. Pending applications for new supply shall be free to be addressed to either licensee at the applicant's election; the Commission may prescribe a standing coordination mechanism for allocation of new connections on the model considered in Appeal No. 35 of 2020, provided it shall not prevent either licensee from connecting a consumer who has chosen it. Neither licensee shall permit any interruption or degradation in the continuity, reliability or quality of supply by reason of a pending or completed migration.

F. **Financial neutrality**

- In respect of change-over consumers, cross-subsidy surcharge and additional surcharge shall apply in accordance with Sections 42(2) and 42(4) and the Commission's orders. In respect of switch-over consumers, mechanism specific to recovery of cross subsidy, loss or stranded cost arising from inter-licensee consumer migration presently does not exist under the Act, 2003 as well as the HERC Regulations. This gap is, however capable of being addressed in ARR and True Up exercise, once the parallel licence is operationalised considering the migration of the consumers.

G. **Anti-cherry-picking and coverage obligations**

- The licence should specify enforceable, phase-wise and area-wise rollout milestones drawn from the Implementation Plan at Annexure G in each phase and defined consequences for default. Connection charges recoverable by the new licensee should be regulated in accordance with paragraph 5.4.7 of the National Electricity Policy, and the licensee should report quarterly on migration by consumer category, load and geography, enabling the Commission to detect selective acquisition and to intervene.

H. Consumer protection, information and grievance redressal

- No licensee shall adopt misleading, coercive, inducement-based or discriminatory practices for acquiring consumers; all migration-related communications shall be in Hindi and English, disclose the applicable tariff, security requirement, service standards and any surcharge or migration charge payable, and be in a form approved by the Commission. Grievances referable to the pre-migration period shall lie against the outgoing licensee, those referable to the post-migration period against the incoming licensee, and those relating to the migration process against either licensee at the consumer's election, with power in the Forum seised to join the other licensee; the forty-five day outer limit under the 2020 Rules shall apply.

I. Data exchange, monitoring and review

- The licensees shall establish a standing operational interface for exchange of consumer, meter and migration data, in a format and within timelines prescribed by the Commission, subject to confidentiality and data-protection safeguards, consumer data being used only for migration and not for marketing. Both licensees shall file quarterly compliance reports on migration volumes, timelines achieved, objections raised and their disposition, deposit refunds and complaints; the Commission should review the operation of the framework at the end of the first year and thereafter as necessary, with power to modify it in the light of experience.

12.20 Suggested Conditions of Licence

Without prejudice to the Commission's statutory powers, the Committee suggests that, if the licence is granted, the matters at paragraph 12.19 be embodied as conditions of licence: compliance with the Consumer Migration Framework as notified and amended, with no migration permitted before it takes effect; discharge of the universal service obligation in accordance with the rollout milestones and coverage obligations forming part of the licence; prohibition of misleading, coercive or discriminatory acquisition practices; maintenance of continuity and quality of supply through migration; settlement protocols for final billing, deposits and dues, and payment or collection of any prescribed migration charge; maintenance of the data-exchange interface; establishment of the Grievance Redressal Forum within the period prescribed by Section 42(5); and quarterly reporting and periodic review, with liberty to the Commission to modify conditions in the light of experience and to enforce compliance in accordance with law.

12.21 Conclusion

The Committee concludes that the matters examined under ToR 3.7 do not constitute threshold statutory conditions governing the grant of a parallel distribution licence. Migration procedures, security deposits, metering, billing, continuity of supply and grievance redressal are matters of continuing regulation, capable of comprehensive treatment through a Consumer Migration Framework, licence conditions and the Commission's supervisory jurisdiction; the absence of such a framework at the date of the petition is not a bar to grant.

This can be, however, addressed in ARR and True Up exercise once the parallel licence is operationalised considering the migration of the consumers.

Subject to the findings recorded elsewhere in this Report upon the threshold conditions under ToR 3.1 to 3.3, upon which nothing in this Chapter bears, the Committee is of the considered opinion that consumer migration in the proposed licence area can be regulated in a transparent, orderly and consumer-centric manner, and that the concerns raised by DHBVNL and the intervenors are capable of being met by the framework, conditions and safeguards recommended above rather than by refusal of the licence.

CHAPTER 13

TERM OF REFERENCE 3.8

TARIFF, CROSS-SUBSIDY AND SECTORAL FINANCIAL IMPACT

"1. Assess the impact of the proposed Parallel Distribution Licence on: (a) ARR; (b) Retail Tariff; (c) Cross-subsidy levels; (d) Fuel Surcharge Adjustment; (e) Deferred Power Purchase Cost; (f) Existing Power Purchase Agreements; (g) Recovery of stranded costs and other financial obligations, if any.

2. Examine whether the statutory mechanisms relating to Cross Subsidy Surcharge, Additional Surcharge and other provisions of the Electricity Act, 2003 adequately address the financial consequences of consumer migration."

This Chapter is organised in four Parts. **Part A** sets out the introduction, the scope of examination under ToR 3.8 and the statutory and regulatory framework. **Part B** records the pleadings and submissions of the Applicant, DHBVNL and other stakeholders together with the figures advanced by each side. **Part C** contains the Committee's analysis and observations, including its examination of the adequacy of the statutory surcharge mechanisms and the regulatory transition framework. **Part D** records the Committee's findings, recommendations and conclusion.

PART A — INTRODUCTION, SCOPE AND REGULATORY FRAMEWORK

13.1 Introduction

ToR 3.8 requires the Committee to examine the likely financial implications of granting the proposed parallel distribution licence, including its impact on electricity tariffs, Aggregate Revenue Requirement (ARR), cross-subsidy, existing power procurement obligations, stranded costs, sectoral financial sustainability and the long-term interests of consumers in Haryana.

The introduction of a parallel distribution licensee has the potential to influence existing revenue streams, consumer mix, tariff design, recovery of approved ARR, power procurement commitments and utilisation of network assets. Consumer migration may also have consequential implications for Fuel and Power Purchase Adjustment/Fuel Surcharge Adjustment (FSA), Government subsidy under Section 65 of the Electricity Act, 2003, outstanding consumer dues and the treatment of prudently incurred fixed costs. These issues have been raised by the parties during the proceeding.

The Committee recognises that these issues concern the financial stability of the distribution sector and the protection of consumer interests. Equally, the Electricity Act, 2003 expressly contemplates competition in distribution through the grant of parallel licences under the Sixth Proviso to Section 14 and confers continuing regulatory powers upon the Commission to determine aforementioned factors after the grant of distribution licence. The principal question before the Committee is whether projected financial consequences may constitute statutory impediments to the grant of licence or are capable of being effectively managed within the existing regulatory framework after grant of distribution licence.

In undertaking this assessment, the Committee has considered the Petition, the Business Plan and other submissions of the Applicant, the objection and other submissions of DHBVNL and other stakeholders, the Consumer Migration Impact Assessment and the Applicant's response thereto, together with the applicable provisions of the Electricity Act, 2003, the National Electricity Policy, the Tariff Policy, 2016 and the HERC Multi-Year Tariff Regulations. Particular attention has been given to the projected ARR, Average Cost of Supply (ACoS), consumer sales projections, tariff assumptions and the financial scenarios presented by the parties.

The Committee has also recognised the limitations inherent in forecasting the financial impact of a proposed parallel licence. The extent of consumer migration, future demand growth, tariff evolution and procurement optimisation will depend upon future consumer choice, regulatory decisions and market developments, none of which can presently be determined with certainty. Accordingly, the financial projections and migration scenarios placed on record have been treated as analytical tools for evaluating regulatory preparedness rather than as predictions of future outcomes.

13.2 Scope of Examination

ToR 3.8 entrusts the Committee with a two-part examination. **The first part** requires an impact assessment of the proposed parallel distribution licence on:

(a) Aggregate Revenue Requirement (ARR) and Retail Supply Tariff;
(b) Cross-subsidy levels;

(c) Fuel Surcharge Adjustment (FSA) and deferred power purchase cost;
(d) Existing Power Purchase Agreements; and
(e) Recovery of stranded costs and other continuing financial obligations.

The second part requires an examination of the adequacy of the prevailing statutory mechanisms for safeguarding against the financial consequences of consumer migration upon commencement of operations by a parallel distribution licensee.

The Committee has confined its analysis to this scope, touching ancillary aspects only where necessary for cogent findings. The Committee has consciously adopted a regulatory perspective: financial consequences arising from lawful competition do not, by themselves, determine eligibility for grant of a distribution licence. The assessment is directed towards whether such consequences are capable of being appropriately addressed through the Commission's continuing powers of tariff regulation, prudence review, procurement approval and financial oversight under the Act.

13.3 Statutory and Regulatory Framework

13.3.1 ARR and Retail Tariff — Sections 61, 62, 63, 64 and 65

The Annual Revenue Requirement (ARR) ARR and Retail Supply Tariff (RST) of a distribution licensee are determined by the Commission under Sections 61,62,63,64 and 65 of the Act,2003 read with the HERC Multi-Year Tariff (MYT) Regulations, on the basis of the licensee's approved cost of supply, sales and revenue from tariff. Where a parallel licensee begins to serve a portion of the load previously served exclusively by the incumbent, the incumbent's sales reduce relative to what they would otherwise have been, while a material part of its costs, network fixed costs, manpower, and fixed and committed power purchase costs under existing PPAs, does not reduce proportionately in the short to medium term. This asymmetry between fixed-cost stickiness and sales erosion is the central mechanism through which a parallel licence can affect the incumbent's ARR and, in turn, its retail tariff, unless corrected through the surcharge mechanisms described below or through a corresponding adjustment of the incumbent's approved cost base. The relevant provisions have also been examined against the National Tariff Policy, 2016, the HERC (Framework for Resource Adequacy) Regulations, 2024, the HERC (GEOA)

Regulations, 2023, the HERC MYT Regulations, 2024 and the HERC Renewable Energy, RPO and REC Regulations, 2025.

13.3.2 Cross-Subsidy Surcharge and Additional Surcharge — Sections 42(2) and 42(4)

Section 42(2) empowers the Commission to require payment of a Cross-Subsidy Surcharge (CSS), in addition to wheeling charges, to meet the current level of cross-subsidy within the licensee's area of supply, subject to the mandate that cross-subsidies be progressively reduced; the Tariff Policy contemplates the same trajectory. The Additional Surcharge under Section 42(4) is designed to offset stranded fixed and power-purchase costs. Both provisions, on their terms, operate in the context of **open access** — where a consumer remains a consumer of the distribution licensee but sources electricity from another supplier over the licensee's wires. Whether these provisions extend to a consumer who ceases to be a consumer of the incumbent altogether upon migrating to a parallel licensee operating its own network is the central legal question raised under the second part of ToR 3.8 and is examined in Para 13.16 below.

13.3.3 FSA and Deferred Power Purchase Cost

FSA is the periodic pass-through mechanism under the MYT Regulations by which variations in fuel and power purchase costs beyond the approved ARR are trued up and recovered from, or refunded to, consumers. Where recovery of a past FSA shortfall is deferred and spread over future periods (a deferred power purchase cost or regulatory asset), that recovery is levied on the licensee's then-current sales base. A reduction in that sales base, without a corresponding reduction in the quantum to be recovered, requires a higher per-unit levy on the residual consumers or a longer recovery period.

13.3.4 Existing Power Purchase Agreements

PPAs executed by DHBVNL through the Haryana Power Purchase Centre (HPPC) remain DHBVNL's contracts; grant of a parallel licence does not transfer, novate or reduce DHBVNL's contracted capacity or fixed/take-or-pay liability thereunder. The financial question is whether, and to what extent, a migration-driven reduction in DHBVNL's sales renders any part of that contracted capacity surplus to requirement, and how any consequential fixed-cost under-recovery is to be addressed.

13.4 Financial Characteristics of the Proposed Licence Area

The proposed licence area comprises the districts of Gurugram and Nuh, which exhibit materially different consumer profiles. Gurugram has a high concentration of industrial, commercial and premium domestic consumers, yielding higher energy sales, greater revenue realisation and a substantial contribution towards ARR recovery and cross-subsidy. Nuh is characterised predominantly by rural, agricultural and subsidised consumers, comparatively higher system losses and greater dependence upon Government subsidy. The detailed comparative consumer, sales and revenue profile of the two districts is not reproduced here.

The Applicant seeks a licence for both districts as a single integrated service area. The financial assessment therefore cannot be confined to Gurugram alone but must consider the combined consumer profile, revenue characteristics and public service obligations of both districts. The integrated licence area means the Applicant assumes the corresponding Universal Service Obligations — including supply to subsidised, rural and agricultural consumers — together with the opportunity to serve commercially attractive consumers, thereby materially moderating the objection that the proposed licence is directed at selective acquisition of high-revenue consumers alone.

PART B — SUBMISSIONS OF THE PARTIES

13.5 Overview of Positions

DHBVNL's Reply devotes a substantial part of its objections to the financial impact of the proposed parallel licence, principally under the headings "Cherry-Picking of High-Value Consumers", "Impact on Cross-Subsidy Framework and Tariff Stability", "Impact on Existing Power Procurement Commitments, Resource Adequacy and Stranded Costs" and "Impact on Recovery of Deferred Fuel Surcharge Adjustment (FSA)". The Applicant denies these objections in substance, both on legal grounds — that the matters raised are not conditions precedent to grant of licence and stand addressed through the Commission's continuing tariff jurisdiction — and on factual and methodological grounds — that DHBVNL's computations overstate the impact by treating non-comparable figures as comparable, or by assuming switchover percentages not supported by the Applicant's own Business Plan. The specific figures advanced by each side on each part of ToR 3.8(1) are set out below.

13.6 Impact on ARR and Retail Tariff

As per DHBVNL, its sales in the proposed licence area (Gurugram and Nuh) were approximately 12,776 MU in FY 2025-26, generating revenue of approximately Rs. 9,493.75 Crore — over 35% of DHBVNL's total sales and over 42% of its total revenue. On this base, DHBVNL computes three migration scenarios for FY 2027-28:

Table 13.1 — Migration Scenarios computed by DHBVNL for FY 2027-28

Scenario	Basis	Loss in Sales (MU)	Loss in Revenue (Rs. Cr.)
1	Applicant's own stated switchover (2.5% of DHBVNL sales plus share of new sales)	558.30	424.12
2	DHBVNL's assumed 20% switchover	2,555.20	1,898.75
3	DHBVNL's assumed 45% switchover	5,749.20	4,272.19

(Source: Reply of DHBVNL; as set out in Table 9,10 & 11)

The Applicant denies all three scenarios on four grounds: (i) Scenario 1 treats the Applicant's entire projected FY 2027-28 sales of 558.30 MU as revenue lost by DHBVNL, whereas on the Applicant's own Business Plan only 2.5% of DHBVNL's existing sales are assumed to switch over, the balance being sales to new consumers who were never DHBVNL's consumers; (ii) the figures are computed on gross revenue, which is not a recognised measure of loss and is inconsistent with DHBVNL's own separately-computed fixed-cost impact (Para 13.9 below), which is a small fraction of the headline figure; (iii) the 20% and 45% switchover levels in Scenarios 2 and 3 are DHBVNL's own assumptions with no basis in the record; and (iv) all three scenarios ignore that any lawful variation in sales and cost is adjusted through the annual ARR/tariff determination and true-up process in the ordinary course.

13.7 Impact on Cross-Subsidy Levels:

As per DHBVNL, its approved CSS for FY 2026-27 is Rs. 1.45/kWh for HT Supply and Rs. 1.18/kWh for LT Supply, on an approved ARR of Rs. 29,637 Crore against total sales of 42,621 MU (ACoS of Rs. 6.95/kWh). LT and HT Supply consumers presently contribute positive cross-subsidy of Rs. 467.96 Crore and Rs. 1,754.52 Crore respectively (Rs. 1.06/kWh and Rs. 1.17/kWh), which subsidises Domestic and Agricultural consumers (negative cross-subsidy of Rs. 1,166.00 Crore and Rs. 611.72 Crore respectively). On the Scenario 1 migration of 558.30 MU (398.11 MU LT and 160.18 MU HT), DHBVNL estimates a revenue loss of approximately Rs. 448.95 Crore (computed on a cost-of-supply basis, close to but distinct from the Rs. 424.12 Crore figure at Para 13.6) and a resulting CSS impact of approximately Rs. 0.72/kWh for LT and Rs. 0.09/kWh for HT Supply consumers.

In response, the Applicant denies that cross-subsidy is a vested right of the incumbent, characterising it as a tariff mechanism periodically redetermined by the Commission precisely because demand and consumer mix are dynamic; any variation arising from lawful competition is a matter for tariff determination and true-up, not a ground to refuse licence. It repeats that the underlying Rs. 448.95 Crore revenue-loss figure proceeds on the same "entire sales as lost revenue" premise addressed at Para 13.6, and denies the resulting CSS-impact figures on that basis.

13.8 Impact on FSA and Deferred Power Purchase Cost

As per DHBVNL, recovery of FSA for FY 2022-23 and subsequent years was deferred by the Commission to moderate tariff shock, leaving a deferred FSA balance of Rs. 3,563 Crore accrued over FY 2022-23 to FY 2024-25. Applying an FSA rate of Rs. 0.47/kWh to its stated FY 2025-26 sales of approximately 12,776 MU in the proposed licence area, DHBVNL projects an FSA-recovery impact of approximately Rs. 600.47 Crore in a single year and approximately Rs. 1,801.42 Crore cumulatively over three years, on the footing that consumers who contributed to the underlying historical power purchase cost would exit DHBVNL's recovery base upon migration.

The Applicant denies this computation on the ground that it applies the FSA rate to the entirety of DHBVNL's 12,776 MU sales in the licence area — equivalent to assuming that every consumer in Gurugram and Nuh migrates, some forty times the Applicant's stated 2.5% switchover assumption, and inconsistent with DHBVNL's own Scenario 1 elsewhere in the same Reply. On the Applicant's computation, based on the sales actually proposed to migrate, the FSA/FPPA balance recoverable from migrating consumers as on 31.03.2027 is approximately Rs. 17.17 Crore — which, in the same year, is exceeded by the approximately Rs. 53.58 Crore of FSA/FPPA that DHBVNL would recover from new consumers within the same licence area who were never DHBVNL's consumers.

The deferred FSA balance is, in substance, a deferred power-purchase-cost regulatory asset recovered over time from current sales. The magnitude of the disagreement, approximately Rs. 600 Crore per year on DHBVNL's area-wide computation against approximately Rs. 17 Crore on the Applicant's switchover-specific computation, turns on the same two contested inputs; the actual quantum of sales that will migrate, and whether the DHBVNL-wide deferred balance can properly be apportioned to the Gurugram/Nuh area without disaggregated data.

13.9 Existing PPAs, Stranded Costs and Capital Investment

As per DHBVNL, its power procurement (through HPPC, and from HPGCL as a State generator) is committed on a long-term, largely fixed-cost basis against the licensed area's aggregate projected demand; Gurugram and Nuh together account for approximately 2,793 MW of peak and 1,801 MW of lean-period demand — nearly 20% of State demand. On the Applicant's own sales projections, DHBVNL computes a sales erosion rising from 1.36% of its total sales in FY 2027-28 to 5.56% by FY 2030-31, translating on a stated FY 2025-26 fixed-cost base of Rs. 14,960.61 Crore over 76,861.76 MU, i.e. Rs. 1.95/kWh, into a fixed-cost impact rising from approximately Rs. 121.69 Crore (FY 2027-28) to approximately Rs. 604.34 Crore (FY 2030-31), equivalent to Rs. 0.03/kWh rising to Rs. 0.13/kWh on DHBVNL's remaining sales. DHBVNL separately states that it has incurred approximately Rs. 1,136 Crore, and proposes a further approximately Rs. 598 Crore, of capital investment (RDSS, Smart City and other strengthening works) in the licence area, which would be under-utilised if load migrates away. It also raises the possibility of stranding at the generation level for HPGCL.

In response, the Applicant submits that the apprehension of stranded capacity is not borne out on the record: on its stated 2.5% switchover in FY 2027-28, any marginal reduction in DHBVNL's demand would first displace DHBVNL's costlier short-term purchases — approximately 10% of its total procurement on the FY 2024-25 true-up — before touching contracted long-term capacity; and fixed charges for contracted stations are in any event recovered on availability under the two-part tariff and are unaffected by scheduling variations. It notes that DHBVNL's own fixed-cost-impact figures (Rs. 0.03–0.13/kWh) are markedly smaller than, and difficult to reconcile with, the gross revenue-loss figures advanced elsewhere in the same Reply. On the sunk-investment point, the issue may be examined in detail at the time of determination of ARR and Trueing Up process in accordance with the regulations.

13.10 Adequacy of the Statutory Surcharge Mechanisms

The sharpest legal disagreement on record concerns not the quantum of impact but whether Sections 42(2) and 42(4) apply at all to compensate DHBVNL for a consumer's full migration to a parallel licensee.

As per DHBVNL, CSS and Additional Surcharge, by their statutory design, are levied upon an open access consumer who remains within the consumer base of the distribution licensee while sourcing power from elsewhere; they are not framed to apply to a consumer who ceases to be DHBVNL's consumer altogether upon migrating to another distribution licensee operating its own network in the same area. DHBVNL relies on HERC's Order dated 17.06.2020 in HERC/PRO-11 of 2017, which it states held that CSS is leviable on an open access consumer and not on a distribution licensee, and that there is no provision for levy of such surcharge on another distribution licensee operating in the same area of supply. On this basis, DHBVNL submits that no mechanism presently exists in Haryana for recovery of cross-subsidy loss or stranded cost arising specifically from inter-licensee consumer migration, and that the Commission should devise one before considering grant of the licence.

The Applicant does not dispute DHBVNL's description of the scope of Sections 42(2) and 42(4), nor the HERC Order of 17.06.2020 cited for it — it expressly accepts that description as correctly stated. Its answer is that this narrower scope is a deliberate feature of the statutory scheme: Parliament, in enacting the Sixth Proviso to Section 14 permitting parallel licences, deliberately did not extend

CSS/Additional Surcharge to consumers migrating under that proviso, and this legislative choice cannot be treated as a lacuna requiring regulatory supplementation as a precondition to grant. In place of CSS/Additional Surcharge, the Applicant relies on the Commission's general and continuing ARR/tariff determination and true-up jurisdiction under Sections 61, 62 and 64 as the mechanism through which any actual, quantified variation in DHBVNL's costs and revenue would be absorbed over time. The Applicant has also stated that it has no objection to reasonable licence conditions and safeguards the Commission considers necessary.

Ancillary Submission of Stakeholders

Some stakeholders have raised objections regarding Rs. 1,608 crore Gurugram Smart Grid DPR and Rs. 44,742 crore invested by the State over decades; Rs. 3,352 crore of State equity since 2012; the UDAY debt takeover and the residual Rs. 8,650 crore; the RDSS DPR for Gurugram and Faridabad of Rs. 3,584.44 crore approved on 14.08.2024. The Stakeholders submit that the Applicant may be directed to furnish a capital-sharing proposal before the application is evaluated further.

PART C — COMMITTEE'S ANALYSIS AND OBSERVATIONS

13.11 Approach to the Assessment

The purpose of this assessment is not to predict the precise extent of consumer migration or future tariff levels, but to determine whether the financial consequences identified during these proceedings are capable of being effectively managed within the statutory and regulatory framework. Future consumer migration, demand, procurement optimisation and tariff determination are influenced by numerous regulatory and commercial variables that cannot presently be determined with certainty. The migration scenarios and financial projections placed on record — including the illustrative scenarios in the Consumer Migration Impact Assessment and the parties' rival computations — are accordingly treated as analytical tools for assessing regulatory preparedness rather than forecasts of outcomes.

13.12 Consumer Migration and Revenue Impact

Consumer migration is the principal driver of the financial implications of a parallel distribution framework. The magnitude of impact depends not merely upon the number of migrating consumers but upon their category, consumption profile, geographical distribution and the pace of migration. The Committee observes that the parties' rival computations — ranging from Rs. 424 Crore to Rs. 4,272 Crore — illustrate a range driven principally by the assumed switchover percentage (2.5%, 20% and 45% respectively) rather than by any dispute over methodology of comparable rigour on both sides. Neither party's chosen scenario can be treated as determinative: the 20% and 45% switchover assumptions find no support in the record, while Scenario 1, though anchored to the Applicant's own Business Plan, conflates the Applicant's entire projected sales with sales lost by DHBVNL, ignoring sales to new consumers who were never DHBVNL's. The financial impact under ToR 3.8(1) is therefore properly reported as a function of the realistic switchover range emerging from the Business Plan and the phased Network Rollout Plan, and not as a single figure.

The Committee further observes that the integrated licence area comprising both Gurugram and Nuh obliges the Applicant to serve a diversified consumer base — rural, agricultural and subsidised consumers together with industrial and commercial consumers — and thereby materially moderates the cherry-picking objection. The financial implications of migration must ultimately be evaluated on actual migration patterns observed after commencement of operations, not on assumed percentages advanced in pleadings.

13.13 ARR, Cross-Subsidy and Tariff

A substantial proportion of the approved ARR — power purchase costs, transmission charges, employee expenses, O&M, depreciation, interest and finance charges and return on equity — is fixed or semi-fixed and cannot immediately be reduced proportionately merely because sales decline. A temporary mismatch between revenue recovery and approved expenditure is, however, an inherent feature of transition to a competitive framework and is not unique to parallel licensing: comparable adjustments arise from changes in demand forecasts, economic conditions, energy efficiency, distributed generation and open access. The Commission possesses continuing statutory powers to review ARR, undertake prudence review, revise tariffs and regulate cost recovery through periodic tariff proceedings.

As regards cross-subsidy, the Committee accepts that migration of contributing consumers may affect the cross-subsidy pool; DHBVNL's own computation places the Scenario-1 impact at Rs. 0.72/kWh (LT) and Rs. 0.09/kWh (HT), figures which are themselves contested as resting on an overstated revenue-loss base. Cross-subsidy is not a vested right of the incumbent but a tariff mechanism periodically redetermined by the Commission under a statutory mandate of progressive reduction. Any consequential variation is to be addressed through the Commission's normal tariff determination process based upon actual migration and verified financial data. These are regulatory consequences of a competitive market, not legal barriers to grant Distribution Licence.

13.14 FSA, Consumer Arrears and Government Subsidy

FSA is a statutory tariff adjustment mechanism for recovery of prudently incurred variations in power purchase costs. Consumer migration occurring after commencement of operations does not, by itself, extinguish accrued FSA liabilities or alter the statutory framework governing their recovery. Similarly, outstanding consumer arrears lawfully recoverable by DHBVNL remain recoverable in accordance with law notwithstanding subsequent migration of the consumer. Where Government subsidy is provided under Section 65 for specified consumer categories, such subsidy should follow the eligible consumer and be administered in a transparent, equitable and non-discriminatory manner through the licensee actually supplying electricity, subject to applicable Government orders and directions of the Commission.

On the quantum of the deferred-FSA dispute, the Committee notes that DHBVNL's Rs. 600.47 Crore per year computation assumes migration of the entire licence-area sales base, which is inconsistent with its own Scenario 1; the Applicant's Rs. 17.17 Crore computation is confined to its stated switchover. The realistic exposure lies between these bounds and depends on actual migration and on the area-specific (not DHBVNL-wide) deferred balance, which is not separately established on the record. These are issues of tariff administration and regulatory implementation, not statutory eligibility. Appropriate accounting, billing and settlement arrangements can preserve the rights of both licensees while ensuring continuity of consumer benefits and recovery of lawful dues.

13.15. Power Procurement, Stranded Assets and Stranded Costs

The Committee distinguishes between stranded assets — existing network infrastructure that may become temporarily under-utilised following migration — and stranded costs — continuing financial obligations associated with such assets or existing contractual commitments. Temporary under-utilisation does not, by itself, establish permanent stranding: demand, consumer mix and network utilisation continuously evolve with economic growth, urbanisation, distributed energy resources and changing consumption patterns.

On contracted capacity, the Committee finds force in the Applicant's submission that a marginal demand reduction at the stated switchover level would first displace costlier short-term purchases — approximately 10% of DHBVNL's procurement on the FY 2024-25 true-up — before affecting long-term contracted capacity, whose fixed charges are in any event recovered on availability under the two-part tariff. Optimisation of procurement portfolios, review of contracted capacity and resource adequacy planning fall within the continuing jurisdiction of the Commission and do not constitute threshold licensing conditions.

Further, concern of DHBVNL qua fixed-cost computation (Rs. 121.69 Crore rising to Rs. 604.34 Crore over FY 2027-28 to FY 2030-31) and its stated sunk and planned capital investment of approximately Rs. 1,136 Crore and Rs. 598 Crore needs to be examined by the Commission on the basis of prudence.

13.16 Scope of Sections 42(2) and 42(4) — The Central Legal Question

On the second part of ToR 3.8, three points emerge from the record.

- **First**, there is common ground between the parties — not merely DHBVNL's unilateral assertion — that Sections 42(2) and 42(4), on their text and on HERC's own Order dated 17.06.2020 in HERC/PRO-11 of 2017, are framed around open access and do not extend to a consumer's full migration to a parallel distribution licensee. The dispute is over the legal and regulatory consequence of that limited scope, not the scope itself.
- **Second**, the ARR/tariff true-up process that the Applicant offers as the alternative mechanism is a general, licensee-wide, retrospective adjustment: it can true up DHBVNL's actual approved costs against actual approved revenue in a tariff year, but it does not create the direct, migration-linked

compensatory charge that CSS and Additional Surcharge represent, and it operates with the lag inherent in annual tariff cycles. Its adequacy as a full substitute for a purpose-built mechanism has not been demonstrated on the record by either party.

- **Third**, and independently of the legal question, the Commission retains power under Section 16 of the Act, and under its general licensing and tariff jurisdiction, to impose specific licence conditions. This issue may be examined in detail by the Commission post-operationalisation of parallel licence if granted.

13.17 Regulatory Transition and Financial Management Framework

The Committee has also examined the comparative experience of parallel distribution, particularly in Maharashtra, where issues of consumer migration, tariff adjustment, network utilisation and procurement have generally been addressed through phased implementation, licence conditions and continuing regulatory oversight rather than by restricting competition. Consistent with that experience, the Committee considers that, if the proposed licence is granted, financial stability and consumer interests would be best served through a structured three-stage transition framework under the Commission's supervision:

Stage I — Baseline Assessment- Prior to commencement of commercial operations, establishment of a verified financial baseline covering consumer profile and category-wise sales, ARR, tariff structure, cross-subsidy position, existing power procurement commitments, deferred FSA (including its area-specific quantum), Government subsidy under Section 65, outstanding consumer arrears and other significant continuing financial obligations.

Stage II — Periodic Regulatory Review- Following commencement of operations, periodic review of actual consumer migration, changes in consumer mix and revenue, ARR recovery, tariff and cross-subsidy position, procurement obligations and contracted capacity, utilisation of existing distribution assets, financial performance of both licensees and compliance with Universal Service Obligations.

Stage III — Regulatory Intervention- Where supported by verified financial evidence and prudence review: optimisation of procurement portfolios, review of ARR, examination of prudent stranded-cost claims, adjustment of tariff and cross-subsidy trajectories in accordance with law, review of subsidy mechanisms under Section 65, resource adequacy planning and such other measures as may be necessary. Any intervention should be evidence-based, proportionate and undertaken through the Commission's normal statutory processes after hearing affected stakeholders.

PART D — FINDINGS, RECOMMENDATIONS AND CONCLUSION

13.18 Findings

Having examined the Electricity Act, 2003, the applicable HERC Regulations, the Petition, the Business Plan, the Consumer Migration Impact Assessment, the submissions of the Applicant, DHBVNL and other stakeholders and the financial material placed on record, the Committee records the following findings:

(i) There is a genuine and substantial factual dispute between DHBVNL and the Applicant on the quantum of tariff, cross-subsidy, FSA and stranded-cost impact under ToR 3.8(1). DHBVNL's figures (Rs. 424–449 Crore revenue loss and Rs. 0.72/Rs. 0.09 per kWh CSS impact in Scenario 1; approximately Rs. 600 Crore per year FSA impact; Rs. 121.69–604.34 Crore fixed-cost impact) are computed on its own assumptions and are contested by the Applicant, principally on the ground that they treat the Applicant's entire projected sales, including sales to new consumers who were never DHBVNL's part, as DHBVNL's lost revenue. The rival computations (Rs. 424 Crore to Rs. 4,272 Crore) illustrate a range driven principally by the assumed switchover percentage, and the financial impact is properly assessed as a function of a realistic switchover range rather than as a single figure.

(ii) The proposed licence area comprises both Gurugram and Nuh and therefore represents a balanced mix of industrial, commercial, domestic, rural and agricultural consumers. The Applicant consequently assumes the corresponding Universal Service Obligations together with the opportunity to serve commercially viable consumers, substantially mitigating concerns regarding selective migration of only high-revenue consumers.

(iii) On the second part of ToR 3.8, the parties are in substantial agreement that Sections 42(2) (CSS) and 42(4) (Additional Surcharge), as presently framed and as construed in HERC's Order dated 17.06.2020 in HERC/PRO-11 of

2017 (subsequently confirmed by Hon'ble Apex Court in the matter of Indian Railways), apply to open access consumers and do not extend to consumers who fully migrate from the incumbent to a parallel distribution licensee. The statutory mechanisms named in ToR 3.8(2) therefore do not, on their terms, directly address the financial consequences of the specific form of consumer migration at issue.

(iv) The general ARR/tariff determination and true-up mechanism under Sections 61, 62, 63, and 64 remains available to DHBVNL for recovery of actual, prudently incurred costs, but it is a retrospective, licensee-wise adjustment process rather than a targeted, migration-linked compensatory charge. No mechanism specific to recovery of cross-subsidy loss or stranded cost arising from inter-licensee consumer migration presently exists under HERC's regulations. This gap is, however, capable of being addressed once the parallel licence is operationalised considering the migration of the consumers and considering the best practice in other States where the parallel licence has been operationalised.

(v) Existing power procurement obligations, FSA, outstanding Government subsidy under Section 65 of the Act, 2003, outstanding consumer arrears, stranded costs and other continuing financial commitments are matters requiring ongoing regulatory supervision and do not, by themselves, constitute statutory impediments to the grant of a parallel distribution licence. Accrued FSA liabilities and lawfully recoverable arrears are not extinguished by migration, and Government subsidy should follow the eligible consumer.

(vi) The Electricity Act, 2003 and the applicable HERC Regulations provide the Commission with adequate powers — through tariff determination, ARR approval, prudence review, procurement regulation, resource planning, licence conditions and other continuing mechanisms, to address the transitional financial consequences identified under ToR 3.8. Those consequences are transitional and regulatory in nature and are capable of being effectively managed within the existing statutory framework without defeating the legislative objective of promoting competition.

(vii) The Committee has also noted the amount placed on record as to State investment in the Haryana power utilities over several decades, under various flagship schemes of the GoI and State of Haryana namely UDAY, RDSS etc.

Those investment made under the said schemes are for the benefit of the consumers of the State of Haryana at large. In an event a parallel licence is granted, the new incumbent can not take any advantage of the investment already made as it has to develop its own network. Furthermore, there is no such provision in the Act, 2003 for reimbursement.

(viii) The Committee does not regard the general character of the ARR and true-up mechanism as making it inadequate. Migration will be gradual and bounded (ToR 3.5). The amount at stake is modest: deferred FSA recoverable from consumers proposed to be migrated is about Rs. 17.17 crore as on 31.03.2027, against about Rs. 53.58 crore from new consumers in the same year. The verified baseline and periodic assessment at para 13.19 place the mechanism under continuing supervision rather than leaving it to operate only in arrear. The migration-attributable component, once identified through that baseline, can be dealt with within the tariff process without a separate charge. Should experience show otherwise, the Commission retains power under Sections 16, 86 and 181

13.19 Recommendations

In order to facilitate an orderly transition and preserve sectoral financial stability, the Committee recommends that, in post-grant of distribution licence phase, the Commission may consider:

1. Establishing, before commencement of commercial operations, a verified financial baseline as set out in Stage I of Para 13.17, and for that purpose directing DHBVNL to furnish category-wise approved sales, revenue, ABR, ACoS and CSS for FY 2025-26/FY 2026-27 specific to the Gurugram and Nuh circles, the area-specific deferred FSA balance (if separable), and the composition (short-term versus long-term contracted) of its procurement portfolio referable to the licence area, so that the competing computations on record can be independently tested rather than adopted from either party's pleadings;
2. Undertaking periodic assessment of actual consumer migration and its impact on ARR, tariff recovery, cross-subsidy, procurement obligations and the financial position of both distribution licensees, in accordance with Stage II of Para 13.17;

3. Periodically reviewing contracted capacity, procurement portfolios and resource adequacy based on actual demand, migration and evolving sectoral requirements;
4. Examining claims relating to stranded costs or other transitional financial impacts only on the basis of prudence review, causation and verified financial evidence;
5. Ensuring that FSA, Government subsidy under Section 65, outstanding consumer arrears and other continuing financial obligations are administered in a transparent, equitable and non-discriminatory manner in accordance with the Act, the applicable Regulations and the Commission's tariff orders, with subsidy following the eligible consumer; and
6. Undertaking a comprehensive review of the financial implications of parallel distribution after commencement of commercial operations, and thereafter at such intervals as the Commission considers appropriate, based on actual operational experience and verified financial information.

These recommendations are intended to facilitate continuing regulatory oversight and are without prejudice to the Commission's statutory discretion in future tariff, ARR, procurement and other regulatory proceedings.

13.20 Conclusion

The Committee accordingly answers ToR 3.8 by concluding that the anticipated financial consequences of the proposed parallel distribution licence are manageable within the existing statutory and regulatory framework — supplemented by the licence conditions and transition framework— and, therefore, do not constitute independent grounds for refusing the grant of licence.

CHAPTER 14

SYSTEM PLANNING, NETWORK DEVELOPMENT AND SECTOR DEVELOPMENT.

TERM OF REFERENCE 3.9

Assess the likely impact of the proposed licence on distribution system planning, transmission planning, network losses, system reliability and resilience, asset utilisation and future investment requirements of the Existing Distribution Licensee and the State Transmission Utility.

PART I

STATUTORY FRAMEWORK, SCOPE OF EXAMINATION AND GUIDING PRINCIPLES

14.1 Introduction

ToR 3.9 requires the Committee to examine the likely impact of the proposed Parallel Distribution Licence on distribution planning, transmission planning, network losses, system reliability and resilience, asset utilisation and future investment requirements of the Existing Distribution Licensee and the State Transmission Utility (STU). The Committee is also required to assess whether the proposed distribution undertaking can be integrated into the long-term development of the Haryana electricity sector in a manner that promotes efficiency, reliability and coordinated system growth.

Unlike the preceding Chapters, which examine the Applicant's statutory eligibility, financial capability, technical preparedness, transmission interface, power procurement, universal service obligations, consumer migration and sectoral financial impact, this Chapter considers the broader implications of introducing a parallel distribution licensee on the planning and development of the electricity sector as a whole. The evaluation is therefore directed not only at the Applicant's proposed network but also at its interaction with the existing transmission and distribution systems and its implications for future sectoral development.

The Committee recognises that the Electricity Act, 2003 envisages competition in electricity distribution within a framework of coordinated planning and continuing regulatory oversight. Accordingly, the issue is not whether multiple distribution licensees may coexist, but whether such coexistence can be achieved without adversely affecting efficient system planning, network utilisation, reliability, resilience and long-term development of the electricity sector.

The Committee has examined the Final Petition dated 12.05.2026 and the Business Plan and Network Rollout Plan (Enclosure 9) dated 11.05.2026, the replies of DHBVNL and HVPNL, and the Interim Order dated 26.05.2026.

14.2 Scope of Examination

For the purposes of ToR 3.9, the Committee has examined:

- the statutory and regulatory framework governing coordinated planning of the electricity sector;
- the Applicant's demand projections, network rollout plan and phased infrastructure development programme;
- the likely impact of the proposed licence on distribution and transmission planning;
- the effect on utilisation of the existing assets of the Distribution Licensee and the State Transmission Utility;
- the likely implications for network losses, operational efficiency, reliability and system resilience;
- the impact on future capital investment requirements of the Applicant, the Existing Distribution Licensee and the STU;
- the objections raised by the Respondents together with the Applicant's replies and rejoinders;
- the planning assumptions adopted in the Petition, the Business Plan and the supporting technical material; and
- the compatibility of the proposed network architecture with the distribution configuration already approved by the Commission for the notified Pilot Project Belt, and the practical feasibility of implementing a parallel network having regard to Right of Way, land and statutory approval constraints in the proposed licence area; and

- whether the proposed planning framework provides a sustainable basis for long-term development of the electricity sector consistent with the Electricity Act, 2003 and the applicable regulatory framework.

The Committee has also examined whether the concerns raised by the Respondents disclose any material planning or sectoral impact that would justify refusal of the proposed licence or whether such issues can be addressed through coordinated planning, regulatory oversight and implementation-stage measures.

14.3 Statutory and Regulatory Framework

The Committee has examined the Electricity Act, 2003, the National Electricity Policy, the Tariff Policy, the applicable HERC Regulations, the Haryana Grid Code, the HERC Supply Code and the relevant Regulations and Technical Standards issued by the Central Electricity Authority. These instruments collectively establish the framework for coordinated development of generation, transmission and distribution systems with the objectives of ensuring reliable, economical and sustainable supply of electricity.

The statutory framework places complementary responsibilities upon the State Transmission Utility, the Existing Distribution Licensee and any subsequent distribution licensee to ensure coordinated planning, efficient utilisation of infrastructure, prudent investment, reliable system operation and protection of consumer interests. In a multi-licensee environment, these objectives assume greater significance and require continuing coordination amongst all sector participants.

The Committee also notes that planning under the Electricity Act is a dynamic and continuing process. Demand growth, consumer migration, technological advancement, distributed energy resources, electric vehicle charging, smart metering and digitalisation require periodic review of planning assumptions and investment priorities. Accordingly, the assessment under ToR 3.9 is directed towards determining whether the proposed planning framework is capable of accommodating these developments without compromising system efficiency or long-term sectoral sustainability.

The Committee has, in particular, had regard to Section 42(1) of the Act, which casts on every distribution licensee the duty to develop and maintain an efficient, coordinated and economical distribution system in its area of supply; to Section 39(2)(b), which obliges the STU to plan and coordinate the development of the intra-State transmission system with all licensees; to Regulations 3.1 to 3.6 of the Haryana Grid Code Regulations, 2009 governing transmission system planning, planning criteria, planning data and implementation; to Regulations 4.1 and 4.2 of the HERC (Electricity Supply Code) Regulations, 2014 obliging the licensee to upgrade, strengthen and extend its own distribution system and to recover the cost thereof through its ARR; to the CERC (Connectivity and General Network Access to Inter-State Transmission System) Regulations, 2022, under which the STU alone applies to CTUIL for grant or enhancement of GNA on behalf of intra-State entities; and to the HERC (Duty to Supply Electricity on Request) (Second Amendment) Regulations, 2023 notified on 27.09.2023 prescribing the 220/33/0.4 kV configuration for the notified Pilot Project Belt sectors of Gurugram.

Table 14.1 – Statistical and Regulatory Framework

Provision / Instrument	**Subject Matter**	**Relevance to ToR 3.9**
Electricity Act, 2003	Planning and development of the electricity sector	Statutory basis for coordinated system development
National Electricity Policy	Long-term sector planning	Demand forecasting, investment and network development
Tariff Policy	Efficient utilisation of assets	Investment efficiency and consumer interest
HERC Regulations	Distribution planning	Network development and operational obligations
Haryana Grid Code	Transmission and distribution coordination	System planning and operational reliability
HERC Supply Code	Distribution system operation	Planning and supply obligations
CEA Regulations	Technical standards	Minimum technical and safety standards, transmission planning criteria and grid standards against which the Applicant's network

Provision / Instrument	Subject Matter	Relevance to ToR 3.9
		design, protection scheme and system studies are to be tested
Section 42(1), Electricity Act, 2003	Duty to develop and maintain an efficient, coordinated and economical distribution system	Central to the objection that phased rollout does not discharge an area-wide obligation
Section 39(2)(b), Electricity Act, 2003	STU's duty to plan and coordinate the intra-State transmission system	Establishes that transmission planning with a new licensee is a continuing statutory duty of the STU
CERC GNA Regulations, 2022	Connectivity and General Network Access	STU applies to CTUIL on behalf of intra-State entities; GNA is a post-grant process
HERC (Duty to Supply) (2nd Amendment) Regulations, 2023 dated 27.09.2023	220/33/0.4 kV configuration for the notified Pilot Project Belt	Benchmark for testing the Applicant's proposed architecture in Sectors 58–115 of Gurugram

14.4 Issues for Determination

On the basis of the pleadings, documentary evidence and submissions placed on record, the Committee considers that the following principal issues arise for determination:

- Whether the Applicant's demand forecasts and phased network development programme provide a credible basis for long-term distribution planning.
- Whether a phased network rollout is legally permissible under Section 42(1) of the Electricity Act, 2003, or whether the Applicant is required to establish an area-wide distribution system from the date of grant.
- Whether the proposed licence is likely to have any material adverse impact on transmission planning undertaken by the State Transmission Utility.
- Whether the proposed distribution system is likely to improve or adversely affect network losses, operational efficiency, reliability and system resilience.

- Whether operation of multiple distribution licensees is likely to result in inefficient utilisation or unnecessary duplication of network assets.
- Whether the proposed network architecture is consistent with the distribution configuration approved by the Commission for the notified Pilot Project Belt sectors of Gurugram.
- Whether Right of Way, land availability and statutory approval constraints in the proposed licence area render the proposed network development plan impracticable.
- Whether the projected investment programme is technically and economically consistent with coordinated sector development.
- Whether the objections raised by the Respondents disclose any material planning or sectoral concern that would justify refusal of the proposed licence.
- Whether the proposed planning framework is consistent with the long-term objectives of the Electricity Act, 2003 and the applicable regulatory framework.

14.5 Guiding Principles

In evaluating ToR 3.9, the Committee has been guided by the following principles:

- coordinated development of transmission and distribution systems;
- efficient utilisation of existing infrastructure;
- prudent and demand-driven capital investment;
- promotion of system reliability, resilience and operational efficiency;
- integration of modern technologies and evolving consumer requirements;
- protection of consumer interests through sustainable sector development;
- continuing coordination amongst the Applicant, the Existing Distribution Licensee, the STU and the Commission; and
- the distinction between matters going to the threshold legality of the grant and matters properly regulated through licence conditions, monitoring and implementation-stage supervision; and
- evaluation of the cumulative evidence placed on record in the context of the Electricity Act, 2003 and the applicable regulatory framework.

The Committee's evaluation in the succeeding Parts is directed towards determining whether the proposed Parallel Distribution Licence is capable of being implemented in a manner that supports coordinated planning, efficient asset utilisation, reliable system operation and the long-term development of the Haryana electricity sector while addressing the concerns raised by the Respondents.

PART II

COMMITTEE'S EVALUATION

14.6 Planning Framework and Sector Development

The Committee has examined the Applicant's planning framework, network development strategy, demand projections and phased implementation programme in conjunction with the objections raised by the Respondents and the Applicant's replies and rejoinders. The evaluation under this Part is confined to the issues arising under ToR 3.9, namely the likely impact of the proposed Parallel Distribution Licence on distribution planning, transmission planning, network losses, system reliability and resilience, asset utilisation and future investment requirements. Matters relating to technical capability, transmission connectivity, power procurement, financial capability and consumer migration have been examined separately in the relevant Chapters and are not repeated herein.

The Applicant has proposed a phased development of its distribution system based upon projected demand growth and progressive addition of network infrastructure. The proposed planning approach envisages development of substations, distribution lines and associated facilities in stages, aligned with actual consumer migration and demand, rather than through upfront creation of surplus infrastructure. The Applicant has submitted that such an approach would enable efficient deployment of capital, facilitate orderly network expansion and minimise the risk of under-utilisation of assets.

The Respondents have, however, questioned the planning assumptions underlying the proposal and have contended that establishment of a parallel distribution network may affect existing distribution and transmission planning, reduce utilisation of the existing network, necessitate revision of investment plans and lead to duplication of infrastructure. They have also expressed concerns regarding the impact on network losses, system reliability and long-term sector development.

In response, the Applicant has maintained that the proposed network is intended to complement, rather than disrupt, the existing electricity infrastructure. It has submitted that implementation will be phased, demand-driven and undertaken in coordination with the State Transmission Utility and other competent authorities. The Applicant has further contended that planning assumptions would be reviewed periodically in accordance with actual consumer growth, system requirements and regulatory directions.

14.6.1 Demand Projections and the Applicant's Projected Share of the Licence Area

The Committee has examined the demand and sales projections underlying the Applicant's plan rather than assessing the planning framework in the abstract. The Applicant has adopted the category-wise compounded annual growth rates approved by the Commission in the Business Plan Order for the Control Period FY 2025-26 to FY 2029-30 (10.00% domestic; 6.00% HT and LT industry; 2.00% agriculture; 5.00% to 6.00% for other categories). Applying those escalation factors, total sales for the five Divisions comprised in the proposed licence area (Gurugram City, Manesar, Gurugram Sub-urban, Sohna and Nuh) are projected to rise from 10,914.99 MU in FY 2023-24 to 18,224.12 MU in FY 2030-31.

The Committee considers the adoption of the Commission's own approved escalation factors to be an appropriate and verifiable planning basis, since it eliminates any dispute as to the reasonableness of the underlying growth assumptions. The Applicant's projected share of that demand is summarised below.

Table 14.2 – Applicant's Projected Sales, Own-Wire Demand and Share of the Licence Area

Particulars	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Applicant's sales (MU)	558.30	1,113.77	1,856.17	2,772.00
Total sales in licence area (MU)	14,896.07	15,925.19	17,032.41	18,224.12

Particulars	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Applicant's share of licence-area sales	3.75%	6.99%	10.90%	15.21%
Demand on own wire (MW)	212.26	425.24	712.24	1,067.06
Assumed switchover from existing licensee's sales	2.50%	3.00%	3.50%	4.00%

[Source: Tables 7, 8 and 9 of Enclosure 9 — Business Plan and Network Rollout Plan dated 11.05.2026.]

Two consequences follow from these figures and are material to the objections raised. First, the greater part of the Applicant's projected sales is derived from its assumed share of new load in a rapidly growing licence area rather than from migration of consumers already connected to the existing licensee's network; the assumed switchover from the existing licensee's sales rises only from 2.50% in FY 2027-28 to 4.00% in FY 2030-31 (5.00% in FY 2031-32). Secondly, even on the Applicant's own projections it would serve 15.21% of licence-area sales by FY 2030-31, which places the outer limit of any near-term impact on utilisation of the existing network within a range that can be absorbed by the natural growth in the demand as well as through effective planning.

14.6.2 Network Capacity Parameters and Phased Rollout

The Applicant has derived its network requirement from the above demand projections applying the following planning parameters: maximum loading of assets restricted to 80%; 33 kV feeder capacity of 20 MVA with an average feeder length of 5 km; 11 kV feeder capacity of 5 MVA with an average loop length of 3 km; 33/11 kV distribution substations with 12.5 MVA power transformers; bay extension capacities of 25/31.5 MVA at 66/11 kV and 20/25 MVA at 66/33 kV; N-1 redundancy across all network elements; a SCADA/DMS-enabled 33 kV ring main configuration with normally open points and 50% DMS-enabled RMUs; 100% underground cabling for the Gurugram District with a mixed underground and overhead network in Nuh; 100% prepaid smart metering; and reactive compensation at all voltage levels. The Committee finds these parameters to be consistent with CEA technical standards and with contemporary distribution utility practice, and considers that they have been applied consistently across the five phases of the rollout.

Table 14.3 – Phase-wise Network Development Proposed (Licence Area Totals)

Element	FY 2026-27	FY 2027-28	FY 2028-29	FY 2030-31
33/11 kV substations (nos.)	4	4	8	11
12.5 MVA transformers (nos.)	7	9	23	37
66 kV bay extensions (nos.)	3	3	8	8
33 kV line (km)	25	25	45	60
11 kV feeders (nos.)	20	35	78	112
11 kV line (km)	60	105	234	336

The Committee observes that the sizing of the network in each phase tracks the demand projected to be carried on the Applicant's own wire in that phase, and that the rollout extends to all five Divisions including Nuh from the first phase onwards. The plan does not, on its face, disclose a network confined to high-revenue pockets. The Committee nevertheless notes that Gurugram City receives no network development in FY 2026-27 and FY 2027-28, and that the volume of works in Nuh is materially smaller than in the Gurugram Divisions; the Applicant's explanation, that phasing is determined by engineering, reliability and existing network loading considerations and not by consumer or revenue category, is accepted at this stage as APTEL Judgment in Appeal No.279 of 2017, dated 11th March, 20206 categorically allows phase-wise development in the licence area as discussed in detail in Chapter-13 of the present Report.

14.6.3 Whether Phased Development is Permissible under Section 42(1)

The Committee considers it necessary to address expressly the legal objection raised by the Existing Distribution Licensee, since it goes not to the merits of the plan but to the threshold legality of any phased rollout. DHBVNL has contended that the duty under Section 42(1) to "develop and maintain" an efficient, coordinated and economical distribution system is area-wide and continuous, that a licensee must therefore have a complete and functional distribution system across the entire licensed area from the date of grant, and that phased development necessarily leaves parts of the area unserved. Reliance has been placed on the judgment of the Appellate Tribunal for Electricity in Appeal No. 132 of 2011 (Tata Power Company Limited v. MERC), where the Tribunal held that "develop" is wider than "build" or "establish", and on the twin test laid down by the Hon'ble Supreme Court in Indian Railways v. West Bengal Electricity Distribution Co. Ltd., 2026 INSC 464, namely that an applicant must both operate and maintain a distribution system and supply electricity to consumers within its area of supply.

The Applicant has answered this objection by relying on the judgment of the Appellate Tribunal in Appeal No. 279 of 2017 dated 11.03.2026, in which the Tribunal held that the obligation under Section 42 is not a one-time activity but requires the licensee continuously to plan and invest in infrastructure to meet growing demand, that a licensee "cannot be expected to develop the entire distribution network at one go", that there would accordingly be phased development of the network, and that the Act prescribes no timeline for such development. The Applicant has further undertaken that the five-year rollout represents the initial implementation strategy only, that the obligation to develop and maintain the system continues beyond that period, and that no area within the proposed area of supply is to be permanently excluded from network development.

The Committee finds that the authorities relied upon by the two sides are not in conflict. Tata Power v. MERC establishes the breadth of the word "develop"; it does not hold that the entire network must exist on the date of grant. The twin test in Indian Railways (supra) defines what a distribution licensee is; it does not prescribe the pace at which the system is to be built. Appeal No. 279 of 2017, which is the later and more directly applicable authority, addresses the precise question in issue and holds that phased development is permissible and that no statutory timeline is prescribed. Regulation 4.2.1 of the HERC (Electricity Supply Code) Regulations, 2014 is to the same effect, casting a continuing obligation to upgrade, extend and strengthen the system to meet demand including the growth of such demand. The Committee accordingly holds that phased network development is not, in itself, contrary to Section 42(1), and that the objection does not disclose a ground for refusal.

14.6.4 Compatibility with the Notified Pilot Project Belt

The State Transmission Utility has objected that the Applicant's proposal to establish 33/11 kV distribution substations within Sectors 65, 69, 85, 95, 99 and 107 of Gurugram would be contrary to the 220/33/0.4 kV distribution architecture approved by the Commission for the notified Pilot Project Belt covering Sectors 58 to 115. DHBVNL has raised the cognate objection that the Applicant proposes an 11 kV network in areas where the Commission has directed connections to be released at 33 kV, and where expenditure exceeding Rs. 1,000 Crore has already been incurred under the Smart City Project on infrastructure upgraded from 11 kV to 33 kV. This objection is squarely a planning objection and is not addressed elsewhere in this Report.

The Applicant has replied, at paragraph 32 of its Rejoinder to the STU dated 10.07.2026, that its Gurugram architecture is itself founded on a 220/33 kV in-feed through the STU's substations at Sectors 62, 72, 52A, 65 and 85 with a 33 kV sub-transmission network, and has expressly undertaken that all connections in the notified Pilot Project Belt sectors shall be released in the 220/33/0.4 kV configuration in full compliance with the Regulations notified on 27.09.2023.

The Committee accepts the undertaking, which if honoured resolves the objection entirely. The Committee is, however, of the view that an undertaking of this nature must be converted into an enforceable obligation and independently verified, because non-compliance would defeat a distribution architecture already approved by the Commission and would strand consumer-funded investment. The Committee therefore recommends that compliance with the Pilot Project Belt notification be made an express licence condition and that the Commission satisfy itself, before commercial supply commences in any Pilot Project Belt sector, that the Applicant's approved network design for that sector conforms to the 220/33/0.4 kV configuration.

14.6.5 Right of Way, Land and Approval Constraints

DHBVNL has submitted that establishment of a parallel network in Gurugram would require a large number of statutory and civic approvals relating to land use, road cutting, Right of Way, HSVP/GMDA, national highways, railway and metro crossings, utility corridors, gas pipelines, telecommunication infrastructure and aviation restrictions, and has pointed to its own experience under the Smart City project, where the contract of the EPC agency was prematurely terminated after Right of Way difficulties in Gurugram. It has contended that the Petition discloses no approval matrix, coordination framework or timeline for obtaining such clearances.

One of the objectors, Prof. Sampat Singh, has also raised the issue of safety with respect to the unavoidable proximity of two live distribution systems in restricted corridors.

The Applicant has responded that its design is engineered to minimise precisely these constraints, through factory-assembled gas-insulated compact substations occupying a fraction of the land required by conventional air-insulated substations, skid-mounted and underground substations, geometrically optimised LT feeder pillars, a predominantly underground network dispensing with overhead poles, and the use of trenchless technology (micro-tunnelling and horizontal directional drilling) to address road-cutting concerns.

The Committee considers that the Applicant's design response is technically advanced and materially reduces, though it does not eliminate, the Right of Way risk. The objection is nevertheless a serious one on the evidence, since it is founded on the Respondent's documented experience in the same geography. The risk is, however, one borne in the first instance by the Applicant, whose network cannot be commissioned unless the approvals are obtained; it does not by itself impair the existing licensee's system or the sector's planning framework. The Committee is therefore of the view that the appropriate course is not refusal of the licence but a direction that the Applicant furnish, as part of the Implementation Plan, to be filed after grant of licence, if considered, a comprehensive approval matrix identifying every statutory, civic and utility clearance required, the authority concerned, the expected timeline and the interface arrangements with GMDA, HSVP, NHAI and other agencies, adhering to the safety provisions as prescribed by the Central Electricity Authority (CEA) under Safety Rules, 2023. The Committee also finds that presently two distribution systems have also coexisted in the licence area of Greater Mumbai since 2009 without the safety consequences apprehended. Thus, the concern qua safety with respect to right of way is a matter of proper planning, execution and supervision during the time of implementation and the same is not a matter of feasibility.

14.6.6 Adequacy of the Infrastructure Particulars on Record

The Existing Distribution Licensee has contended that the Petition does not furnish sufficient particulars of infrastructure readiness, and has identified nine specific heads on which information is said to be wanting. Because that contention, if made out, would go to the adequacy of the planning material itself, the Committee has tested each head against the Business Plan and Network Rollout Plan (Enclosure 9) and the Applicant's subsequent submissions rather than dealing with the objection in general terms.

Table 14.4 – Infrastructure Particulars Sought and Status on the Present Record

Particular sought by the Existing Distribution Licensee	Status on the present record
Proposed EHV connectivity arrangements	In-feed is proposed at 220/33 kV and 66/33 kV through the STU's existing substations (Sectors 62, 72, 52A, 65 and 85) by way of bay extensions, with phase-wise bay extension quantities at 66/11 kV (25/31.5 MVA) and 66/33 kV (20/25 MVA). Substation-wise interconnection particulars and the STU's concurrence remain to be established through the No Objection Certificate and the Interconnection Agreement.
Substation development and commissioning plans	Division-wise numbers of 33/11 kV substations and 12.5 MVA transformers are given for each of the five phases. Site identification, land tenure and dated commissioning schedules are not on record and are to be furnished with the Implementation Plan directed by the Interim Order dated 26.05.2026.
Distribution network architecture and system configuration	Voltage configuration, feeder capacities, loop lengths, transformer ratings, loading limits, the N-1 criterion, ring main topology, reactive compensation and cabling philosophy are all specified and are capable of being tested against CEA technical standards.

Particular sought by the Existing Distribution Licensee	Status on the present record
Feeder-wise implementation and network rollout plans	Division-wise feeder numbers and route kilometres are given for each phase, but feeder-wise routing and sequencing are not on record.
Phasing of network development and completion timelines	Five annual phases from FY 2026-27 to FY 2030-31 are specified with year-wise asset additions. Dated completion milestones are not specified and should be fixed as licence conditions.
Capital deployment milestones	In a form permitting planning verification. An indicative programme of the order of Rs. 5,000 Crore over five years is stated, but its linkage to year-wise physical milestones is not demonstrated. To be addressed through the Rolling Network Development and Capital Investment Plan.
SCADA, control centre and system operation arrangements	A SCADA/DMS-enabled ring main network with 50% DMS-enabled RMUs and ADMS-based operation is proposed. The location of the control centre and the compatibility of the Applicant's SCADA/EMS with the systems of the STU and the SLDC are not demonstrated and are addressed by way of licence conditions.

The Committee concludes that the particulars on record are sufficient to test the planning framework at the licensing stage, in that the demand basis, the sizing methodology, the network architecture and the phasing are all disclosed and independently verifiable; but that they are not sufficient to verify implementation, in that site-level, feeder-level and dated milestone particulars are absent. The objection is therefore made out in part. In the Committee's view the deficiency is of a kind ordinarily cured at the implementation stage, and is precisely what the Commission's direction for a detailed Implementation Plan is designed to elicit; it does not, on the present record, establish a planning deficiency of a character warranting refusal of the licence.

14.6.7 Network Development in Nuh Revenue District

The Existing Distribution Licensee has submitted that Nuh Revenue District comprises predominantly rural, agricultural and low-density load, that such areas require higher network investment per consumer, greater operation and maintenance expenditure and longer deployment timelines, and that the Petition discloses no area-specific roadmap for such consumers. The Committee considers the submission to be well founded as a proposition of network economics, and has therefore examined what the Applicant's own projections disclose for Nuh.

On those projections, total sales in the Nuh Division are estimated at 973.81 MU in FY 2030-31, of which the Applicant projects sales of 73.73 MU — a penetration of approximately 7.6%. The corresponding penetration is approximately 17.8% in Gurugram Sub-urban, 16.9% in Sohna and 15.8% in Manesar. Own-wire demand in Nuh rises from 6.44 MW in FY 2027-28 to 29.91 MW in FY 2030-31, being about 2.8% of the Applicant's total own-wire demand, served by one 33/11 kV substation added in each phase, 5 km of 33 kV line per phase and 11 kV feeders rising from two to six.

The Committee accordingly finds that the plan does provide for network development in Nuh from the first phase onwards and does not exclude the district, but that the projected penetration in Nuh is materially lower than in the Gurugram Divisions. That differential follows from the Applicant's own migration and load assumptions rather than from any stated intention to avoid the district, and the Applicant has expressly undertaken that phasing is determined by engineering, reliability and network loading considerations and not by consumer or revenue category, and that no area is to be permanently excluded. The Committee is nevertheless of the view that the differential is sufficient to require an express safeguard, and recommends that division-wise coverage obligations and reporting be imposed in respect of Nuh in particular. The distinct question whether the Applicant is in a position to discharge its obligation under Section 43 of the Act throughout Nuh upon demand is examined in the Chapter dealing with universal service obligation and is not decided here.

14.6.8 Objections Touching System Planning but Falling Outside ToR 3.9

Certain objections raised by the Respondents touch upon system planning but fall in substance within other Terms of Reference. So that no objection is left undisposed of, the Committee records their disposal as follows.

- Operational readiness — system operation, outage management and restoration, emergency response, consumer grievance redressal and field maintenance. Remitted to the Chapter dealing with technical and operational capability.
- Institutional and organisational readiness — organisational structure, field offices, staffing and manpower deployment, training and allocation of operational responsibilities. Remitted to the Chapter dealing with technical and operational capability.
- Reliability of power procurement and its consequences for scheduling and grid management. The State Transmission Utility has submitted that an applicant without a firm and diversified procurement plan cannot be a reliable off-taker and that scheduling instability would translate into grid management difficulty. The procurement plan is examined in the Chapter dealing with power procurement; for the purposes of ToR 3.9 the Committee observes only that scheduling discipline is enforceable through the Grid Code and the State Load Despatch Centre and is further secured by the Interconnection Agreement recommended at 14.11, Stage B.

Accordingly, the Committee considers that the central issue under ToR 3.9 is not whether planning assumptions will change following the grant of a Parallel Distribution Licence—they inevitably will—but whether the proposed planning framework is capable of accommodating such changes through coordinated planning, efficient utilisation of infrastructure and appropriate regulatory oversight. On the material placed before it, the Committee finds that the Applicant has presented a planning framework which is capable of supporting such coordinated development, subject to implementation in accordance with the applicable statutory and regulatory framework.

PART II-B

14.7 Evaluation of Principal Objections and Planning Issues

The Committee has examined the principal objections raised by the Existing Distribution Licensee, the State Transmission Utility and other Respondents, together with the Applicant's replies, rejoinders and the material placed on record. The objections primarily concern the likely impact of the proposed Parallel

Distribution Licence on distribution and transmission planning, network losses, system reliability and resilience, asset utilisation and future investment requirements. The Committee's evaluation of these issues is summarised below.

Table 14.5 – Principal Objections, Applicant's Response and Committee's Evaluation

Issue / Objection	Applicant's Response	Committee's Evaluation
Distribution Planning	Network expansion will be phased and aligned with actual consumer migration and demand growth.	The phased planning approach is reasonable and consistent with prudent utility practice. Periodic review based on actual demand will minimise planning uncertainty.
Legality of phased rollout under Section 42(1) (DHBVNL; Tata Power v. MERC, Appeal No. 132 of 2011; Indian Railways v. WBEDCL, [2026] 5 SCR 479)	Section 42 imposes a continuing obligation; APTEL, Appeal No. 279 of 2017 (11.03.2026) holds the entire network need not be developed at one go and prescribes no timeline; no area to be permanently excluded.	The authorities are not in conflict. Phased development is permissible; the objection goes to milestones rather than to legality. Coverage and completion milestones to be fixed as licence conditions.
Transmission Planning	Transmission interface and augmentation will be undertaken in coordination with the STU and other competent authorities.	The statutory planning responsibility of the STU remains unaffected. Any additional transmission requirements can be addressed through the established planning process.
System studies, GNA, protection coordination, reactive power and SCADA/EMS compatibility (STU)	Existing intra-State transmission capacity is adequate; the Applicant caters to part of existing and future load; STU applies for GNA on behalf of intra-State entities; all CERC GNA Regulations, 2022	Neither the Act nor the Rules of 2005 or the Licensing Regulations of 2004 makes system studies, connectivity, GNA or STU concurrence a condition of eligibility; each arises on or after grant. A formal Interconnection Agreement and completed system studies should

Issue / Objection	Applicant's Response	Committee's Evaluation
	conditions to be complied with post-grant.	be made a condition precedent to commencement of power drawal.
Network Losses	Modern network design, underground cabling, smart metering and advanced technologies are expected to improve operational efficiency.	The projected reduction in technical losses appears achievable in principle. Actual performance should be verified through regulatory monitoring after commencement of operations. The proposed trajectory of 5.80% in FY 2027-28 reducing to 5.20% by FY 2030-31 is credible for a new underground network with 100% smart metering, but is to be read subject to the inclusion of the whole of Nuh Revenue District, where loss levels are higher.
System Reliability & Resilience	The proposed network incorporates redundancy, automation, SCADA/ADMS, modern protection systems and phased augmentation.	These features are capable of enhancing reliability and resilience, subject to implementation in accordance with applicable technical standards and regulatory requirements.
Asset Utilisation	Consumer migration will be gradual and infrastructure development will be demand-driven, thereby avoiding unnecessary investment.	Some redistribution of network utilisation is an inherent consequence of parallel licensing. Such changes should be addressed through coordinated planning and regulatory review rather than treated as a bar to licensing. On the Applicant's own projections the assumed switchover from the existing licensee's sales rises only from 2.50% to 4.00% between FY 2027-28 and FY 2030-31, which does not support the contention

Issue / Objection	Applicant's Response	Committee's Evaluation
		that existing assets would be stranded in the near term.
Stranding of RDSS, Smart City, underground cabling and smart metering investments (DHBVNL)	Migration is gradual; the greater part of the Applicant's sales derives from new load in a growing area rather than from existing consumers.	The concern is legitimate but is quantitatively bounded on the present projections. Utilisation of the existing network and recovery of approved capital schemes should be reviewed periodically by the Commission through the ARR/MYT process.
Pilot Project Belt incompatibility (STU and DHBVNL)	Gurugram architecture is founded on 220/33 kV in-feed; express undertaking that all PPB connections will be released in the 220/33/0.4 kV configuration (Rejoinder dated 10.07.2026, para 32).	The undertaking resolves the objection but must be converted into an express licence condition and verified before commercial supply commences in any PPB sector.
Right of Way, land and statutory approvals (DHBVNL)	Compact gas-insulated and skid-mounted substations, predominantly underground network, trenchless technology (micro-tunnelling / HDD).	The design response materially reduces but does not eliminate the risk, which is borne principally by the Applicant. An approvals matrix and interface framework should be furnished with the Implementation Plan.
Insufficient particulars of infrastructure readiness — EHV connectivity, substation and feeder-wise plans, commissioning timelines, capital deployment milestones, SCADA and control centre (DHBVNL)	Enclosure 9 sets out demand-based sizing, architecture, planning parameters and phase-wise asset addition for each Division.	Made out in part. The particulars suffice to test the planning framework but not to verify implementation; site-level, feeder-level and dated milestone particulars are absent and are to be furnished with the Implementation Plan. See Table 14.4.
No area-specific roadmap for rural and low-density Nuh; higher	Rollout is area-wide and phased on engineering and loading criteria, not on	Nuh is included from the first phase, but projected penetration there (about 7.6% by FY 2030-

Issue / Objection	Applicant's Response	Committee's Evaluation
investment per consumer (DHBVNL)	consumer or revenue category; no area permanently excluded.	31) is materially below the Gurugram Divisions (about 15.8% to 17.8%). Division-wise coverage obligations and reporting for Nuh recommended.
Continuity of supply and Supplier of Last Resort obligations undefined (DHBVNL)	Not specifically answered on the present record.	Not covered by any single Term of Reference but carrying planning and investment consequences for the Existing Distribution Licensee. Recommended for express determination by the Commission post grant of licence.
Future Investment Requirements	Capital investment will be undertaken progressively in accordance with actual system growth and consumer demand.	Progressive investment aligned to demand is consistent with prudent planning.

14.8 Committee's Evaluation

The Committee has considered the cumulative impact of the proposed Parallel Distribution Licence on long-term system planning rather than evaluating each issue in isolation.

The material on record indicates that the Applicant has adopted a phased planning framework under which infrastructure development is intended to follow actual consumer migration and demand growth. Such an approach is consistent with prudent planning principles and provides flexibility to modify investment programmes in response to evolving system requirements.

The Committee has, in this connection, noted the Capital Investment Plan of the State Transmission Utility already approved by the Commission in the MYT Order dated 13.03.2025 for the period FY 2025-26 to FY 2029-30, covering substations, lines, land, IT systems, SAMAST and OPGW works and the SLDC. The transmission system of the State is therefore already the subject of an approved and funded augmentation programme extending across the period of the Applicant's proposed rollout. Any transmission augmentation or interface requirements arising during implementation can be addressed through the established planning process and coordination among the concerned entities.

The Committee further finds that the concerns relating to network losses, reliability, resilience and asset utilisation are matters that depend principally upon engineering design, operational performance and coordinated planning. These issues require continuing regulatory oversight throughout implementation and operation but do not constitute inherent deficiencies in the proposed planning framework.

With regard to future investment requirements, the Committee considers that both the Applicant and the Existing Distribution Licensee will need to periodically review their capital investment programmes in light of actual consumer migration, demand growth and utilisation of existing assets. Such periodic adjustments are integral to efficient utility planning and should be undertaken through the established regulatory and planning processes.

The Committee also records that the objection founded on duplication of network assets, and on distribution being in the nature of a natural monopoly, cannot be sustained as a ground of refusal. The sixth proviso to Section 14 of the Electricity Act, 2003 expressly contemplates the grant of a licence to a second distribution licensee in the same area of supply on its own network, subject to compliance with the additional requirements prescribed by the Central Government. A contention that the resulting network is duplicative is, in substance, a contention against the statutory scheme itself. Whether the Applicant satisfies those additional requirements is a distinct question examined under the Chapters dealing with capital adequacy and creditworthiness, and nothing in this Chapter should be read as an opinion on that question.

Accordingly, the Committee concludes that the principal objections raised by the Respondents identify important planning and operational considerations which warrant continued coordination and regulatory supervision. However, on the basis of the material placed on record, the Committee does not find that these objections establish any material planning or sectoral impediment that would justify refusal of the proposed Parallel Distribution Licence under ToR 3.9.

PART III

COMMITTEE'S FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

(Terms of Reference 3.9)

14.9 Committee's Findings

Having examined the Petition, the supporting Business Plan and Network Development Plan, the replies and objections filed by the Respondents, the Applicant's rejoinders, the applicable statutory and regulatory framework, and the material placed on record, the Committee records the following findings under ToR 3.9.

At the outset the Committee records the legal characterisation on which the findings that follow proceed. The conditions governing the grant of a distribution licence are those laid down in Sections 14 and 15 of the Electricity Act, 2003, in the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005 and in the HERC (Transmission and Distribution Licensing) Regulations, 2004. Neither the Act nor those Rules or Regulations prescribes, as a condition of eligibility for grant, the prior existence of a complete distribution network, the prior completion of load flow or other system studies, connectivity, General Network Access, or the concurrence or No Objection Certificate of the State Transmission Utility. Each of those matters arises under provisions which operate upon and after grant — the duty under Section 42(1), which attaches to a person who is already a licensee; the STU's duty under Section 39(2)(b) and Regulations 3.1 to 3.6 of the Haryana Grid Code Regulations, 2009 to plan and coordinate with licensees; the connectivity and interconnection provisions of the Grid Code, which apply to a user upon connection; and the CERC GNA Regulations, 2022, under which the STU applies to CTUIL on behalf of intra-State entities. It follows that network adequacy, phased development, system studies, connectivity and transmission concurrence are matters of implementation, to be secured through conditions of licence under Section 16 and through continuing regulatory supervision, and are not threshold requirements the non-fulfilment of which can found a refusal under the sixth proviso to Section 14.

The Committee has considered whether this characterisation is consistent with the Commission's decision in India Power Corporation Limited (HERC/PRO-08 of 2014), where an application was rejected as deficient in form and content and premature, including as to the assessment of infrastructure required and the corresponding investment. In the Committee's view it is. What was found wanting in that case was any credible assessment of the infrastructure requirement and of the investment needed to meet it — a matter going to capital adequacy and to the seriousness of the application — and not the absence of completed system studies, connectivity or transmission concurrence. In the present case an infrastructure assessment, a demand basis and a sized network are on record; the questions of study, connectivity and concurrence are of a different order and arise at implementation.

(i) Distribution Planning

The Committee finds that the Applicant has proposed a phased and demand-responsive distribution planning framework under which network expansion is intended to be aligned with actual consumer migration and demand growth. The proposed planning methodology is capable of supporting orderly development of the distribution system while permitting periodic review of planning assumptions as circumstances evolve. The Committee further finds that the demand projections rest on the escalation factors approved by the Commission's own Business Plan Order for FY 2025-26 to FY 2029-30, that the network has been sized from those projections applying parameters consistent with CEA technical standards, and that the planning as submitted satisfies Regulations 4.2.1 and 4.2.2 of the HERC (Electricity Supply Code) Regulations, 2014.

(ii) Legality of Phased Network Development

The Committee finds that phased development of the distribution network is not contrary to Section 42(1) of the Electricity Act, 2003. The obligation to develop and maintain an efficient, coordinated and economical distribution system is a continuing obligation, and the Appellate Tribunal has held in Appeal No. 279 of 2017 (judgment dated 11.03.2026) that a licensee cannot be expected to develop the entire network at one go and that no timeline for network development is mandated by the

Act. The objection founded on Appeal No. 132 of 2011 and on Indian Railways v. WBEDCL is directed to the content of the obligation rather than to the pace of its discharge, and does not disclose a ground for refusal.

(iii) Transmission Planning

The Committee finds that the proposed Parallel Distribution Licence does not alter or diminish the statutory responsibilities of the State Transmission Utility for transmission planning and coordinated development of the State transmission system. Any transmission augmentation or interface requirements arising during implementation can be addressed through the established planning process and coordination among the concerned entities. The Committee further finds that the STU's duty under Section 39(2)(b) of the Act and Regulation 3.1 of the Haryana Grid Code Regulations, 2009 to plan and coordinate the transmission system extends to any new distribution licensee upon grant, that system studies, GNA applications and interconnection arrangements are post-grant regulatory processes, and that neither a transmission system study nor a No Objection Certificate from the STU is a condition precedent to the grant of a licence under Sections 14 and 15 of the Act. The Committee notes the Commission's direction in the Interim Order dated 26.05.2026 requiring the Applicant to obtain a No Objection Certificate from the STU regarding transmission capacity and land availability, and observes that the direction is a procedural measure to assist the Commission in its examination and does not convert transmission concurrence into a statutory condition of eligibility; non-furnishing of such a certificate cannot, of itself, found a refusal of the licence.

(iv) Network Losses

The Committee finds that the proposed network architecture and operational approach have the potential to improve technical efficiency and contribute towards reduction of network losses. Actual performance, however, will depend upon implementation, operational practices and compliance with the applicable technical standards and shall remain subject to regulatory oversight. The Committee finds the proposed trajectory of 5.80% in FY 2027-28 reducing to 5.20% by FY 2030-31 to be credible for a new underground network with complete smart metering, subject to the qualification that the licence area includes the whole of Nuh Revenue District where prevailing loss levels are higher, and directs that the trajectory be treated as a monitored licence condition.

(v) System Reliability and Resilience

The Committee finds that the proposed planning framework incorporates measures intended to enhance system reliability and operational resilience through phased infrastructure development, network redundancy, automation and modern system management practices. Continued compliance with applicable technical standards and coordinated operation will remain essential.

(vi) Asset Utilisation

The Committee finds that introduction of a parallel distribution licensee may lead to changes in utilisation of certain existing network assets as consumer migration occurs. Such changes are an inherent consequence of a competitive distribution framework and do not, by themselves, establish inefficient system planning or constitute a valid ground for refusal of the proposed licence. Their long-term implications should be addressed through periodic planning and regulatory review. The Committee further finds that, on the Applicant's own projections, switchover from the existing licensee's sales is assumed to rise only from 2.50% in FY 2027-28 to 4.00% in FY 2030-31, and that the apprehension of stranding of investments made under RDSS, Smart City, underground cabling and smart metering programmes is therefore quantitatively bounded on the present record, though it remains a matter for periodic review by the Commission.

(vii) Compliance with the Notified Pilot Project Belt Architecture

The Committee finds that the Applicant has undertaken to release all connections in the notified Pilot Project Belt sectors of Gurugram in the 220/33/0.4 kV configuration in compliance with the Regulations notified on 27.09.2023, and that this undertaking answers the objection raised by the STU and the Existing Distribution Licensee. The Committee finds it necessary that the undertaking be made an express licence condition and independently verified before commercial supply commences in any Pilot Project Belt sector.

(viii) Right of Way and Implementation Feasibility

The Committee finds that the Right of Way, land and statutory approval constraints identified by the Existing Distribution Licensee are real and are supported by documented experience in the same geography, but that the Applicant's design response, comprising compact gas-insulated substations, a predominantly underground network and trenchless cable-laying technology, is directed at precisely those constraints. The Committee finds that this risk is borne principally by the Applicant and does not impair the existing system or the sectoral planning framework, and that the appropriate course is a direction to furnish a comprehensive approvals and interface matrix with the Implementation Plan rather than refusal of the licence.

(ix) Future Investment Requirements

The Committee finds that future investment requirements of the Applicant, the Existing Distribution Licensee and the State Transmission Utility should continue to be determined through coordinated planning, realistic demand assessment and periodic review. The material placed before the Committee does not establish that the proposed licence would necessarily result in inefficient or avoidable duplication of investment.

(x) Adequacy of the Particulars on Record

The Committee finds that the objection as to insufficiency of infrastructure particulars is made out in part. The demand basis, sizing methodology, network architecture, planning parameters and phasing are disclosed and verifiable, and are sufficient for the Commission to test the planning framework at the licensing stage. Site-level and feeder-level particulars, dated commissioning and completion milestones, and the linkage between capital deployment and physical milestones are not on record. The Committee finds this deficiency to be of a kind ordinarily cured at the implementation stage, and to be the subject of the detailed Implementation Plan to be filed after grant of licence and it does not warrant refusal of the licence.

(xi) Objections Remitted and Objection Requiring Express Determination

The Committee finds that the objections relating to operational readiness, institutional and organisational readiness and reliability of power procurement fall within other Terms of Reference and are remitted to the Chapters dealing respectively with technical and operational capability and with power procurement.

14.10 Conclusion

On the material examined, the Committee concludes that the Applicant has substantially addressed the issues arising under ToR 3.9. The proposed Parallel Distribution Licence is capable of being integrated into the existing sector framework through coordinated planning, phased implementation and continuing regulatory supervision, and the record does not establish any material adverse impact on distribution planning, transmission planning, network losses, reliability and resilience, asset utilisation or future investment requirements such as would warrant refusal.

That conclusion does not rest on the Applicant having demonstrated a completed network, system studies, connectivity, General Network Access or transmission concurrence, none of which is a condition of eligibility under the Act, the Rules of 2005 or the Licensing Regulations of 2004. It rests on the Applicant having placed on record a demand basis, a sizing methodology and a phased development programme sufficient to show the proposal to be serious and technically coherent, the remaining matters being questions of implementation regulated through conditions of licence.

14.11 Recommendations: Proposed Licence Conditions and Compliance Timelines

The Committee recommends that, in the event the proposed Parallel Distribution Licence is granted, the Commission may consider imposing the following conditions of licence under Section 16 of the Electricity Act, 2003, together with such continuing supervision as it may think fit. None of these is put forward as a condition precedent to grant, and none qualifies the conclusion recorded at 14.10; they are conditions to be discharged after grant and, in the case of Stages B and C below, before operationalisation of the distribution system. Timelines run from the date of grant of the licence unless otherwise stated, and may be modified by the Commission as deemed fit.

A. Pre-construction stage

Proposed condition	Compliance timeline
Nomination of a nodal officer and establishment of a standing coordination mechanism with the Existing Distribution Licensee, HVPNL and the SLDC for demand forecasts, network development, transmission interface, system augmentation and operational planning.	Within 30 days of grant; mechanism to remain in operation throughout the licence period.
Filing of the detailed Implementation Plan comprising substation-wise site identification and land tenure, feeder-wise routing and sequencing, dated commissioning milestones for each phase and Division, the linkage between year-wise capital deployment and physical milestones, and the control centre architecture.	Within 90 days of grant of Licence.
Filing of an approval matrix identifying every statutory, civic and utility clearance required, the authority concerned, the expected timeline, the coordination arrangements with GMDA, HSVP, NHAI, railway and metro authorities and other utility owners, and the measures proposed to minimise excavation and disruption to public infrastructure.	Within 90 days of grant; updated half-yearly until completion of the rollout.
Filing, for the approval of the Commission, of division-wise rollout milestones and area coverage obligations, expressly including Nuh Revenue District and other low-density areas, so that phasing	Within 90 days of grant; any deviation thereafter to be

Proposed condition	Compliance timeline
does not operate as permanent exclusion of any part of the area of supply.	reported with reasons within 30 days.

B. Before energisation and commencement of power drawal

Proposed condition	Compliance timeline
Completion, to the satisfaction of the State Transmission Utility, of load flow, short circuit, protection coordination, reactive compensation and system stability studies for the network elements proposed to be charged.	Not later than 60 days before the proposed energisation of the first network element in each Division.
Demonstration of compatibility of the Applicant's SCADA/EMS and communication systems with the systems of the STU and the SLDC.	Before charging of the first 33 kV element in each Division.
Execution of a formal Interconnection Agreement with the STU, and securing of connectivity and General Network Access through the STU in compliance with the CERC (Connectivity and General Network Access) Regulations, 2022.	Within 90 days from the date of grant of licence.

C.Before operationalisation (commencement of commercial supply)

Proposed condition	Compliance timeline
Compliance to be overseen by the Hon'able Commission that the approved network design for each notified Pilot Project Belt sector conforms to the 220/33/0.4 kV configuration prescribed by the Regulations notified on 27.09.2023, all connections in such sectors to be released in that configuration.	Before commencement of commercial supply in any Pilot Project Belt sector.
Certification that the network elements to be commissioned conform to the applicable CEA Regulations and technical standards, including safety, construction and connectivity standards, and to the N-1 criterion adopted in the Business Plan.	Before commencement of commercial supply in each Division.
Compliance to be overseen by the Hon'ble Commission, and incorporation in the licence, of the framework governing continuity of supply on financial distress, operational failure, procurement shortfall, surrender, revocation or insolvency, including the identity of the Supplier of Last Resort, step-in triggers and timelines, consumer transition arrangements, allocation of responsibility and cost recovery.	Before commencement of commercial supply.

D. Continuing obligations after operationalisation

Proposed condition	Compliance timeline
Execution of Rolling Network Development Plan and Capital Investment Programme reflecting actual migration, connected load and demand growth; and regard, in planning expansion, to	Updated annually and filed with the ARR petition; significant revisions reported within 30 days.

Proposed condition	Compliance timeline
optimum utilisation of existing transmission and distribution infrastructure, coordinating with the Existing Distribution Licensee and the STU wherever technically and economically feasible so as to minimise avoidable duplication.	
Reporting of network losses on the approved trajectory, reliability indices, network expansion against approved milestones, utilisation of major network assets and capital investment.	Half-yearly, division-wise; reviewed by the Commission at each ARR or MYT proceeding.
Furnishing by the Existing Distribution Licensee of division-wise actual distribution losses for the Gurugram and Nuh Divisions for the preceding three financial years, to enable the Applicant's loss trajectory to be benchmarked.	Within 60 days of grant of licence.
Review by the Commission of the impact of the licence on distribution and transmission planning, losses, reliability and resilience, utilisation of the existing network and recovery of approved schemes including RDSS, Smart City, underground cabling and smart metering, with revision of the planning assumptions of the concerned utilities and such directions as may be necessary.	At each ARR or MYT proceeding, and otherwise as the Commission may deem fit.

CHAPTER 15

PUBLIC INTEREST

1. Examine whether grant of the proposed licence would advance the objectives of the Electricity Act, 2003, including promotion of competition, protection of consumer interests, improvement in quality and reliability of supply, promotion of efficiency and economy, renewable energy integration and innovation and consumer choice.

This Chapter is divided into three parts. Part-A deals with introduction, scope, issues, statutory framework and regulatory principles. Part-B deals with the Committee's integrated public interest evaluation. Part-C deals with the Committee's observation, findings and conclusion thereof.

PART-A
INTRODUCTION AND SCOPE OF EXAMINATION

15.1 Introduction:

The final issue referred to the Committee under ToR 3.10 is whether the proposed parallel distribution licence, viewed in the context of the Electricity Act, 2003, is consistent with the broader public interest.

Unlike the preceding Chapters, which examine individual statutory, financial, technical and managerial requirements, this Chapter undertakes an integrated assessment of those findings to determine whether the cumulative evidence discloses any public interest consideration that materially affects the overall evaluation under the Terms of Reference. It is not intended to revisit conclusions already reached in Chapters 6 to 14, but to assess their collective effect in the light of the statutory objectives of the Electricity Act, 2003.

For this purpose, the Committee has considered the Act, the National Electricity Policy, the Tariff Policy, the pleadings and submissions of the parties, the Applicant's Business Plan, the objections raised by stakeholders, including the Consumer Migration Impact Assessment submitted by DHBVNL, and the findings recorded in the preceding Chapters of this Report.

The Committee recognises that the present proceedings concern the implementation of the statutory framework for parallel distribution in an existing licence area. Accordingly, the public interest assessment extends beyond the interests of individual stakeholders and encompasses consumer welfare, sectoral efficiency, financial sustainability, reliability of supply, investment, regulatory certainty and the orderly development of the electricity distribution sector.

The Committee has also taken into note the concern of the AIPEF and other stakeholders regarding the interest of the existing employees working in the State distribution sector. The primary apprehension of the employees pertains to restructuring under Section 133 of the Act, 2003. The Committee has rendered its finding in its "Finding" section below.

The Committee has further considered the concern of the stakeholders (Prof.Sampat Singh), regarding the constitutional provision of Articles 21, 38, 39(b) & 48 of the Act, 2003.

15.2. <u>Scope of Evaluation:</u>

In undertaking the assessment under this Chapter pertaining to public interest the Committee has considered:

- the statutory objectives of the Electricity Act, 2003;
- promotion of regulated competition and consumer welfare;
- Universal Service Obligations and consumer protection;
- financial sustainability of the electricity sector;
- operational and financial implications identified during these proceedings, including those reflected in the DHBVNL Consumer Migration Impact Assessment;
- the regulatory mechanisms available to the Commission to address such issues; and
- the cumulative findings recorded in Chapters 6 to 14.

The Committee has not treated any individual factor as independently determinative. Rather, the assessment proceeds on the basis of a holistic evaluation of the competing public interest considerations, recognising that issues relating to consumer migration

15.3. Public Interest under the Electricity Act, 2003:

Although the Electricity Act, 2003 does not expressly define the expression public interest, its provisions indicate that public interest is to be assessed by balancing the statutory objectives of consumer welfare, promotion of competition, Universal Service Obligations, reliable and efficient electricity supply, financial sustainability, technological advancement and orderly sectoral development.

The Act promotes competition while simultaneously preserving the statutory obligations applicable to every distribution licensee. Consequently, public interest cannot be evaluated solely from the perspective of consumer migration, commercial impact upon an existing licensee, or the interests of an individual applicant. It requires a balanced assessment of all relevant considerations within the statutory and regulatory framework.

Public interest under the Electricity Act, 2003 also encompasses the promotion of efficiency and economy in electricity distribution, technological innovation, renewable energy integration, consumer choice and creation of a stable regulatory environment capable of attracting efficient investment while safeguarding consumer interests.

The Committee also recognises that parallel distribution may give rise to operational and financial consequences for market participants. Such consequences are inherent in the legislative framework and, unless they disclose a legal or regulatory impediment under the Act, are matters falling within the Commission's continuing regulatory jurisdiction rather than determinative factors in the present public interest assessment.

PART-B

COMMITTEE'S INTEGRATED PUBLIC INTEREST EVALUATION

15.4 Integrated Public Interest Evaluation:

The Committee has undertaken an integrated assessment of the evidence on record to determine whether the public interest considerations arising from the proposed parallel distribution licence materially affect the conclusions reached under the preceding Terms of Reference.

The Committee's evaluation proceeds on the basis that public interest under the Electricity Act, 2003 requires balancing multiple statutory objectives, including consumer welfare, regulated competition, Universal Service Obligations, reliability of supply, financial sustainability of the electricity sector and efficient network development. These objectives are complementary and must be harmonised through the regulatory framework established under the Act.

The Committee has therefore evaluated whether the proposed licence advances the statutory objectives of promoting competition, protecting consumer interests, improving quality and reliability of supply, encouraging efficiency, economy, innovation, renewable energy integration and consumer choice, while maintaining an appropriate balance between the interests of consumers, investors, existing licensees and the long-term development of the electricity sector."

The Committee has therefore evaluated whether the proposed licence advances the statutory objectives of promoting competition, protecting consumer interests, improving quality and reliability of supply, encouraging efficiency, economy, innovation, renewable energy integration and consumer choice, while maintaining an appropriate balance between the interests of consumers, investors, existing licensees and the long-term development of the electricity sector."

The Committee further recognises that introduction of a parallel distribution licensee may give rise to operational and financial consequences affecting both licensees and consumers. The relevant issue, however, is whether such consequences constitute overriding public interest concerns or are capable of being addressed through the Commission's continuing regulatory jurisdiction. The Committee has evaluated the evidence from this perspective

15.5 <u>Evaluation of DHBVNL's Consumer Migration Impact Assessment:</u>

The Committee has carefully considered the Consumer Migration Impact Assessment submitted by DHBVNL. The Assessment identifies potential implications of parallel distribution in relation to consumer migration, revenue distribution, Aggregate Revenue Requirement, Average Cost of Supply, cross-subsidy mechanisms, power procurement commitments, infrastructure utilisation, stranded assets, stranded power purchase obligations and overall financial sustainability.

The Committee considers that these are legitimate regulatory concerns. Their significance lies in highlighting the operational and financial issues that may arise during implementation of parallel distribution and which may require continuing regulatory attention.

However, the Assessment primarily addresses the possible consequences of implementation rather than the statutory permissibility of parallel distribution or the threshold requirements examined under the earlier Terms of Reference. The issues identified are dependent upon future operational experience and the regulatory measures adopted by the Commission from time to time.

Accordingly, the Committee considers that the DHBVNL Impact Assessment is an important regulatory planning document. It should assist the Commission in future oversight of consumer migration, tariff determination, prudence review of power procurement, treatment of stranded assets and stranded power purchase obligations, and other consequential regulatory measures. It does not, by itself, disclose any overriding public interest consideration warranting a different conclusion under ToR 3.10.

The Committee also notes that issues relating to quality of supply, network reliability, technological modernisation and renewable energy integration identified during these proceedings are matters capable of continuous regulatory supervision through licence conditions, Standards of Performance and other statutory mechanisms."

15.6 Overall Public Interest Balance:

Having considered the statutory framework, the evidence on record and the cumulative findings contained in Chapters 6 to 14, the Committee is satisfied that the public interest assessment requires balancing the potential benefits of regulated competition against the operational and financial implications identified during these proceedings.

The Committee further considers that regulated competition, if implemented in accordance with the statutory framework, has the potential to encourage operational efficiency, improved consumer service standards, technological innovation and prudent private investment in electricity infrastructure, thereby contributing to the long-term development of the electricity sector in Haryana."

The Committee finds that the issues identified, including those highlighted in the DHBVNL Impact Assessment, are matters that principally concern the regulation of parallel distribution after commencement of operations. They are capable of being addressed through the Commission's continuing statutory powers, including tariff regulation

PART-C

COMMITTEE'S FINDINGS, REGULATORY OBSERVATIONS AND CONCLUSION

15.7 <u>Committee's Findings:</u>

Having considered the statutory framework, the evidence placed on record, the submissions of the parties and the cumulative findings recorded in Chapters 6 to 14, the Committee records the following findings:

(i) Public interest under the Electricity Act, 2003 requires a balanced consideration of consumer welfare, promotion of regulated competition, Universal Service Obligations, financial sustainability, reliable electricity supply and orderly development of the electricity sector.

(ii) The Electricity Act, 2003 contemplates the operation of multiple distribution licensees within the same area. Consequently, operational and financial implications arising from parallel distribution are foreseeable consequences of the statutory framework and are not, by themselves, inconsistent with the legislative scheme.

(iii) The findings recorded in the preceding Chapters establish the Applicant's position in relation to the respective Terms of Reference. The present Chapter is confined to evaluating the broader public interest implications of those findings.

(iv) The Consumer Migration Impact Assessment submitted by DHBVNL identifies significant operational and financial issues, including consumer migration, power procurement, stranded assets and PPAs, cross-subsidy, infrastructure utilisation and sectoral financial sustainability. These are legitimate regulatory concerns requiring continuing oversight.

(v) The Committee finds that these matters principally relate to the regulation of parallel distribution after commencement of operations and do not, in themselves, constitute overriding public interest considerations that materially alter the conclusions reached under the preceding Terms of Reference.

(vi) The Committee further finds that the proposed licence has the potential to advance the statutory objectives of promoting efficiency and economy, improving quality and reliability of supply, encouraging technological innovation, facilitating renewable energy integration and expanding consumer choice, subject to compliance with the Electricity Act, 2003, the applicable Regulations and the licence conditions imposed by the Commission

(vii) Accordingly, the Committee finds that the public interest considerations examined under ToR 3.10 do not disclose any independent statutory or regulatory impediment requiring a conclusion different from that otherwise emerging from this Report.

(viii) The present proceeding does not attract the provision of Section 133 of the Act, 2003, which relates to reorganization of the State Electricity Boards. It operates where the undertaking of a Board or utility is transferred or vested, and secures the terms and conditions of the service of the personnel so transferred which shall not less favourable than they previously enjoyed. It is, in other words, a provision about **transfer**. In the instant case, there is no such occasion of transfer of the undertaking. Further, as regards the concern of the employees regarding the implication on the business of DHBVNL and its consequent effect upon the employees thereof, the Committee finds that, any change in the existing business parameter of the DHBVNL shall be taken care of in the ARR and Truing Up exercise, etc. under regulatory mechanism.

(ix) As regards the concern qua the inconsistency of the proposed application of the Petitioner with the constitutional provisions qua right to life, promotion of social welfare of the people, ownership and control of the material resources of the State etc., the Committee finds that, the operation of parallel distribution and supply of electricity is the legislative intent as envisaged in the sixth proviso to Section 14 of the Act, 2003 read with the Distribution Licence Rules, 2005 framed by the Parliament. Hence, the fundamental objectives enshrined in the stated Articles of the Constitution are not frustrated by the introduction of competition in a particular area which would rather reduce the concept of monopoly in respect of supply of electricity, thereby providing the consumer a choice to choose his supplier. The intent of the Parliament is to promote competition and consequent efficiency.

15.8 Regulatory Observations (Conditions Subsequent):

The Committee considers that the issues identified during these proceedings are more appropriately addressed through continuing regulatory oversight following commencement of parallel distribution operations. The Commission may therefore consider appropriate post-licensing regulatory measures in relation to:

1. Consumer migration, financial sustainability, tariff impacts and cross-subsidy.
2. Power procurement, stranded power purchase obligations, stranded assets and resource planning.
3. Quality & Reliability of supply of Power at a competitive price.
4. Network development, infrastructure utilisation, Universal Service Obligations and consumer protection.
5. Periodic regulatory review of the operational and financial impact of parallel distribution, with such further regulatory directions as may be warranted by actual experience.

These observations are intended to identify areas requiring continuing regulatory supervision and should be regarded as **conditions subsequent** to be addressed through the Commission's ongoing regulatory jurisdiction rather than as threshold considerations governing the present public interest assessment

15.9 Conclusion:

The Committee has undertaken an integrated assessment of the public interest issues arising under ToR 3.10 by considering the statutory framework, the material placed on record and the cumulative findings recorded in the preceding Chapters.

The Committee recognises that the implementation of parallel distribution is likely to present operational and financial challenges requiring continuing regulatory oversight. However, on the basis of the evidence examined, these issues are matters for post-licensing regulation and do not constitute independent public interest considerations that materially detract from the conclusions otherwise reached in this Report.

The Committee is also satisfied that, viewed holistically, the proposed licensing framework is capable of advancing the broader public interest by balancing the interests of consumers, investors, the existing distribution licensee and the long-term development of the electricity sector, while preserving the Commission's continuing regulatory jurisdiction to address operational and financial consequences as they arise.

The Committee therefore concludes that the public interest assessment under ToR 3.10 does not disclose any overriding consideration warranting a conclusion different from that emerging from the cumulative evaluation of the preceding Terms of Reference. The matters identified during these proceedings are appropriately addressed through the Commission's continuing regulatory jurisdiction and post-licensing oversight.

CHAPTER 16

ToR 3.11 — Regulatory Safeguards, Implementation Framework, Monitoring Mechanisms and Institutional Coordination.

Regulatory Safeguards

1. **Recommend appropriate licence conditions, regulatory measures, implementation safeguards, monitoring mechanisms and compliance requirements that may be imposed by the Commission.**

2. **Recommend measures for coordination among the Applicant, the Existing Distribution Licensee, the State Transmission Utility, HPPC, SLDC and other stakeholders.**

PART I

Scope of Examination and Regulatory Principles

16.1 Introduction

The final Term of Reference requires the Committee to recommend the licence conditions, regulatory measures, implementation safeguards, monitoring mechanisms and coordination arrangements that should accompany the grant of a parallel distribution licence. Unlike the earlier Terms of Reference, which relate to statutory eligibility, financial and technical capability, universal service and public interest, ToR 3.11 is forward-looking: it concerns the framework needed to ensure that, if the licence is granted, its implementation remains consistent with the objectives of the Electricity Act, 2003 and the interests of consumers and the sector.

The Applicant has submitted a draft licence incorporating the standard conditions ordinarily applicable to a distribution licensee — compliance with the Act and Regulations, Standards of Performance, the Grid, Distribution and Supply Codes, tariff regulation, accounting, consumer grievance redressal, safety, power procurement, reporting and enforcement. The Committee does not reproduce those conditions. It has instead focused on the additional safeguards that arise specifically because a second distribution licensee will operate through its own distribution system within an area already served by an existing licensee, bearing in mind that the Commission's regulatory jurisdiction continues throughout the licence period and that emerging implementation issues can be addressed through licence conditions, amendments and directions under the Act.

16.2 Need for Additional Regulatory Safeguards

The introduction of parallel distribution creates operational interfaces that are absent where a single licensee operates: interaction between two distribution systems, coordination of planning and outages, management of consumer migration, integration with the State Transmission Utility and the State Load Despatch Centre, exchange of operational information, maintenance of service standards and protection of consumer rights during the transition.

These matters do not create eligibility criteria beyond those prescribed under the Electricity Act, 2003 and the Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005. They are implementation safeguards falling within the Commission's powers under Sections 15 and 16 of the Act to regulate the manner in which the licence is brought into operation and administered throughout its term — supplementing, not substituting, the statutory framework and the standard licence conditions.

16.3 Basis of the Committee's Recommendations

In formulating its recommendations, the Committee has considered:

- the statutory provisions of the Electricity Act, 2003, the applicable Regulations and the standard licence conditions of the Commission;
- the pleadings and submissions of the parties;
- the operational characteristics of the proposed licence area comprising Gurugram and Nuh, and the respective responsibilities of the Existing Distribution Licensees, HVPNL as State Transmission Utility, HPPC, SLDC and other sector institutions;
- the practical experience of parallel distribution licensing in India; and
- in particular, the Distribution Licence granted by the Maharashtra Electricity Regulatory Commission ("MERC") to The Tata Power Company Limited vide Order dated 14.08.2014 in Case No. 90 of 2014, issued as Distribution Licence

No. 1 of 2014 dated 14.08.2014 for the Mumbai licence area, the text of which has been perused by the Committee, together with the implementation framework laid down by MERC thereunder and its affirmation by the Hon'ble Appellate Tribunal for Electricity.

16.4 Committee's Approach

The Committee has not attempted to prescribe an exhaustive set of licence conditions; their formulation remains within the Commission's statutory jurisdiction under Section 16 of the Act. Its objective is to identify the principal areas in which enhanced regulatory oversight would facilitate successful implementation and minimise the risk of operational disputes, consumer inconvenience and avoidable regulatory intervention.

The Committee considers that the effectiveness of a parallel distribution regime is determined less by the grant of the licence itself than by the quality of the framework governing its implementation. Where consumer migration, network development, institutional coordination and regulatory monitoring are clearly defined at the commencement of the licence, parallel licensing has functioned with certainty and few disputes; where these matters have been left to evolve after commencement, prolonged regulatory intervention has often become necessary.

PART II

16.5 Lessons Emerging from Parallel Distribution Experience

16.5.1 General Observations

The Committee has examined the experience of parallel and multiple distribution licensing in India, including the approaches of the Electricity Regulatory Commissions and the judicial guidance of the Hon'ble Supreme Court and the Appellate Tribunal for Electricity. The grant of a parallel licence has generally not presented the principal regulatory challenge; the significant issues have arisen during implementation — network development, consumer migration, coordination among sector entities, maintenance of service standards and regulatory supervision in the initial years. The most fully developed body of such experience is that of Mumbai, where MERC granted a parallel distribution licence to The Tata Power Company

Limited ("Tata Power") in an area already served by two existing distribution licensees. That precedent is examined below.

16.5.2 The Mumbai Precedent: Distribution Licence granted by MERC to Tata Power

By Order dated 14.08.2014 in Case No. 90 of 2014, MERC granted Tata Power a distribution licence — issued as Distribution Licence No. 1 of 2014 dated 14.08.2014, the text of which has been perused by the Committee — for twenty-five years with effect from 16.08.2014 up to 15.08.2039, covering the Mumbai City area, parts of the Mumbai Suburban area and the Mira Bhayandar Municipal Corporation area. Since the area was already served by the Brihanmumbai Electric Supply and Transport Undertaking ("BEST") and Reliance Infrastructure Limited (now Adani Electricity Mumbai Limited), MERC expressly treated the application as one for a second distribution licence. The Mumbai licence is therefore the closest available regulatory analogue to the present Petition.

The objections urged before MERC closely mirror those raised before this Committee: that the applicant's rollout plan was inadequate and selective; that it would "cherry pick" high-value consumers; that the Universal Service Obligation could not be discharged within the timelines of the Standards of Performance Regulations; that a parallel network would duplicate assets; and that the grant would gravely impair the incumbents' finances. MERC held that none of these apprehensions constituted a ground for refusal under Sections 14 and 15 of the Act once the statutory eligibility criteria were satisfied, and noted that the Hon'ble Supreme Court, by Judgment dated 08.05.2014 in Civil Appeal No. 4223 of 2012 (BEST v. MERC), had settled that even a local-authority incumbent cannot preclude a second licence in its area of supply.

The regulatory technique adopted merits particular attention. Rather than requiring a completed network or fully crystallised rollout as a precondition to grant, MERC granted the licence subject to a specific condition that Tata Power submit its detailed Network Roll-out Plan, within six weeks of commencement of the Licence, for the Commission's approval, with adherence to the approved plan a continuing licence obligation. The Hon'ble Appellate Tribunal for Electricity upheld this approach in 2014, holding that network rollout may legitimately be prescribed and supervised as a subsequent specific condition of the licence rather than imposed as a precondition to grant — affirming the distinction between licensing-stage eligibility and implementation-stage supervision applied throughout this Report.

The structure of Distribution Licence No. 1 of 2014 itself repays attention. It is a concise instrument in two Parts. Part I (General) adopts the standard conditions under the MERC (General Conditions of Distribution Licence) Regulations, 2006 — compliance and reporting obligations, prior approval of power procurement, non-discriminatory open access, provision of intervening distribution facilities to other licensees to the extent of surplus capacity, segregated accounting, prohibition of undue preference to any person in distribution or supply, submission of a Business Plan within three months of the Licence coming into force with annual updates and yearly reporting of actual implementation against the approved Plan, prior approval of capital investments, and restrictions on transfer of assets and of the Licence. Notably, Clause 5.7 elevates adherence to the Commission-approved network rollout plan into a general condition of the Licence itself.

Part II (Specific) contains only three conditions, each directed to the parallel-licensing context: first, that the Licensee shall submit a detailed Network Roll-out Plan in accordance with the observations and directions in the Order dated 14.08.2014 in Case No. 90 of 2014; secondly, that the plan should clearly bring out that it is cost-effective, provides equal access to all categories of consumers, creates a level playing field, and is optimal for meeting the Universal Service Obligations in a time-bound manner; and thirdly, that the plan shall be submitted for approval within six weeks of commencement of the Licence. These four qualitative tests translate into licence-condition form the very concerns of duplication, cherry picking, incumbent prejudice and universal service urged by the objectors in that proceeding, as in the present one.

The implementation experience is equally instructive. By Order dated 12.06.2017 in Case Nos. 182 of 2014 and 40 of 2015, MERC approved Tata Power's revised rollout plan and laid down the supervisory architecture for parallel operation: rollout directed towards identified clusters with a balanced consumer mix including small residential consumers; regulation of network extension by the rival licensees inter se to avoid wasteful duplication; a detailed consumer Migration Protocol (Annexure C to the said Order) governing migration applications, timelines, settlement of dues, security deposits, metering and inter-licensee data exchange; and periodic reporting of rollout progress. This framework has been affirmed by the Hon'ble Appellate Tribunal by Judgment dated 11.03.2026 in Appeal No. 279 of 2017 (BEST v.

MERC), relied upon elsewhere in this Report; a comparative study of the MERC Migration Protocol against the Applicant's proposed Protocol is contained in Chapter 12.

One element of the Mumbai experience is not transposable. The "changeover" arrangement — supply by Tata Power over the incumbent's wires — flowed from the Judgment of the Hon'ble Supreme Court dated 08.07.2008 in Civil Appeal No. 2898 of 2006, specific to Tata Power's historical licences. In the present case the Applicant must supply through its own distribution system under the sixth proviso to Section 14, and its proposed Migration Protocol accordingly contains no changeover stream. What is transposable is the safeguard architecture accompanying the licence, not the wires-sharing arrangement.

From the Mumbai precedent the Committee draws four principal lessons: first, the grant may appropriately be accompanied by a requirement to file a detailed network rollout plan within a defined period for the Commission's approval, adherence to which becomes a licence obligation; secondly, a balanced consumer-mix obligation in the approved rollout is the practical regulatory answer to the apprehension of cherry picking; thirdly, a Commission-approved migration protocol should be in place before consumer migration commences; and fourthly, continuing supervision through periodic reporting and structured review has proved workable and judicially sustainable.

16.5.3 Other Lessons from Regulatory Experience

Regulatory experience more generally reinforces the same themes. Consumer choice — a principal objective of parallel licensing — is realised effectively only where transparent migration procedures preserve continuity of supply and certainty regarding billing, metering, security deposits and grievance redressal, and where no consumer category is disadvantaged by the transition. Distribution infrastructure cannot be established simultaneously across a licence area, and milestone-based implementation programmes with periodic reporting have proved more effective than unstructured rollout. Effective coordination among the licensees, the State Transmission Utility, the State Load Despatch Centre and procurement agencies significantly reduces disputes over outages, protection systems, scheduling, emergency restoration and network planning.

Equally, the Commission's role does not conclude with the grant. Periodic review during the initial years enables assessment of compliance, early identification of implementation constraints and issue of appropriate directions. Successful parallel distribution has depended on a combination of regulatory certainty — clear licence conditions — and regulatory flexibility to respond to practical issues as they emerge. None of this experience warrants additional statutory eligibility requirements; it supports implementation safeguards, monitoring mechanisms and coordination arrangements of the kind recommended in Part IV.

16.5.4 Lessons Applicable to the Present Petition

The Committee accordingly considers the following principles particularly relevant to the proposed licence in Haryana:

- implementation should proceed in a planned and phased manner under a Commission-approved rollout plan;
- consumer interests and continuity of supply should remain paramount throughout the implementation period;
- coordination among the Applicant, the Existing Distribution Licensees, HVPNL, HPPC and SLDC should be institutionalised through clearly defined procedures;
- implementation progress should be subject to periodic monitoring by the Commission; and
- regulatory flexibility should be preserved to enable appropriate directions should implementation diverge materially from the commitments made in these proceedings.

These principles form the basis of the safeguards recommended in Part IV of this Chapter.

PART III

16.6 Application to the Present Petition

16.6.1 Circumstances of the Proposed Licence

The proposed licence area comprises Gurugram and Nuh, which together present diverse consumer characteristics, demand patterns and network requirements. Successful implementation will depend upon coordinated planning and effective interaction among the Applicant, the Existing Distribution Licensees, HVPNL, HPPC, SLDC and the agencies responsible for transmission planning, power procurement and system operation. Implementation should be guided by the principles that consumer interests remain paramount, that migration is orderly, transparent and without interruption of supply, that no consumer class is disadvantaged by the introduction of a parallel licensee, and that the Applicant's network develops in accordance with an approved programme in coordination with the existing system.

The Committee is of the view that these objectives can be achieved through targeted regulatory measures incorporated as licence conditions or directions under Sections 15 and 16 of the Electricity Act, 2003, without any additional statutory eligibility requirement beyond those prescribed under the Act and the Rules.

16.6.2 Committee's Conclusions

The Committee is satisfied that the regulatory framework presently available under the Electricity Act, 2003 and the Regulations of the Commission is substantially adequate for governing a parallel distribution licence. Having regard to the experience of parallel licensing and the circumstances of the present Petition, it recommends that implementation be supported by a focused set of regulatory safeguards, substantially on the model adopted by MERC while granting the Tata Power distribution licence and since affirmed by the Hon'ble Appellate Tribunal for Electricity, directed towards:

- protecting consumer interests;
- ensuring timely development of the Applicant's distribution system;
- maintaining reliable and secure system operation;
- strengthening institutional coordination among sector participants; and
- enabling effective regulatory oversight during the implementation period.

The specific safeguards recommended by the Committee are set out in Part IV of this Chapter.

PART IV

16.7 Recommended Regulatory Safeguards

16.7.1 Regulatory Philosophy

The proposed licence, if granted, should be accompanied by an implementation framework that promotes orderly market development while protecting consumer interests and preserving system reliability. Consistent with paragraph 16.2 above, the safeguards below supplement the standard licence conditions and statutory requirements; their purpose is to facilitate efficient implementation and provide an appropriate framework for continuing regulatory oversight.

16.7.2 Phased Implementation of Distribution Network

Development of the Applicant's distribution system should proceed in accordance with a phased implementation programme approved by the Commission, identifying major milestones for substations, distribution lines, consumer service infrastructure, metering systems and associated facilities. Consistent with the approach adopted by MERC in the Tata Power licence, the licence may itself stipulate as a specific condition that the Applicant file its detailed network rollout and implementation plan — consistent with the Implementation Plan and CAPEX programme placed before the Commission in these proceedings — within a defined period of the grant (MERC prescribed six weeks) for the approval of the Commission, with adherence to the approved plan a continuing licence obligation on the model of Clause 5.7 of Distribution Licence No. 1 of 2014, so that departures are directly enforceable as breaches of a licence condition.

In line with Specific Condition 2 of the said Licence, the plan submitted for approval should be required to demonstrate that it is cost-effective; that it provides equal access to all categories of consumers; that it creates a level playing field; and that it is optimal for meeting the Universal Service Obligations in a time-bound manner. A balanced consumer mix across categories and across the licence area, including Nuh district, should be required so that the rollout does not remain confined to high-value consumers or localities — the effective regulatory response, as the Mumbai experience demonstrates, to the apprehension of cherry picking. Progress reports against the approved plan may be prescribed at six-monthly intervals.

16.7.3 Consumer Migration Framework

The Commission should approve a transparent framework governing migration of consumers to the Applicant, ensuring continuity of supply, protection of consumer rights, orderly transfer of consumer records, settlement of billing issues and clear communication with consumers. Migration should be voluntary and follow procedures approved by the Commission. In framing that framework, the Commission may usefully draw upon the Migration Protocol prescribed by MERC as Annexure C to its Order dated 12.06.2017, which has operated in Mumbai and been judicially affirmed; the comparative study of the MERC Protocol and the Applicant's proposed Protocol, with the Committee's recommendations for its strengthening, is contained in Chapter 12 and should be read as part of this safeguard.

16.7.4 Universal Service and Non-Discrimination

The Applicant should discharge the statutory obligations applicable to every distribution licensee, including non-discriminatory access to supply within its licensed area; the introduction of competition should not result in selective service to particular consumer categories or localities. The MERC licence addresses this concern through the combination of a general condition prohibiting undue preference to any person in distribution or supply and the specific requirement that the rollout plan provide equal access to all categories of consumers; corresponding conditions may appropriately be incorporated in the present licence.

16.7.5 Institutional Coordination

The Applicant, the Existing Distribution Licensees, HVPNL, HPPC and SLDC should establish formal coordination mechanisms covering network planning, operational planning, outage management, maintenance schedules, scheduling and system operation, emergency restoration, protection coordination and exchange of operational information. Coordination should extend beyond day-to-day operations to periodic exchange of planning information, projected demand growth, proposed network augmentation and emergency preparedness, so that parallel distribution develops as an integrated component of the State electricity system — while respecting the independent statutory responsibilities of each entity.

16.7.6 Power Procurement and Resource Adequacy

The Applicant should, at intervals specified by the Commission, demonstrate compliance with the Commission-approved power procurement strategy and maintain adequate arrangements to meet the projected demand of consumers within the licensed area. Material changes in procurement strategy affecting security of supply should be reported to the Commission without delay.

16.7.7 Information Sharing and Digital Integration

Appropriate protocols should be established for secure and timely exchange of system data, outage information, metering information and demand forecasts among the Applicant, the Existing Distribution Licensees, HVPNL, HPPC and SLDC, while maintaining confidentiality of commercially sensitive information.

16.7.8 Compliance Monitoring

The Applicant should submit compliance reports, at intervals specified by the Commission, covering implementation of licence obligations, network development, service quality, consumer complaints, reliability indices, renewable energy obligations, safety compliance and other matters specified by the Commission. A convenient template exists in Clauses 9.10 and 9.11 of Distribution Licence No. 1 of 2014, which require submission of a Business Plan — covering, inter alia, year-wise load growth, loss-reduction trajectory with a specific action plan, metering plan, cost-reduction plan and key financial parameters — within three months of the licence coming into force, annual updates, and reporting by the end of the first quarter of each financial year of actual implementation against the approved Plan.

16.7.9 Periodic Implementation Review

The Commission should undertake a structured implementation review after approximately two years of commercial operation, or at such other interval as it considers appropriate, and periodically thereafter, assessing inter alia:

- whether the objectives of parallel distribution — competition, consumer choice, efficiency and service quality — are being achieved, and the impact on consumers including tariff, quality of supply and grievance redressal;

- progress of network development and consumer migration, and compliance with Universal Service Obligations and financial commitments;
- system reliability and coordination with HVPNL, HPPC and SLDC;
- the effect on the Existing Distribution Licensees, including financial sustainability and continued discharge of their universal service obligations; and
- whether any modification of licence conditions or additional regulatory measures is warranted.

The outcome of such review may guide further regulatory directions or modification of implementation measures as the Commission considers necessary in the public interest.

16.7.10 Residual Regulatory Powers

The electricity sector is dynamic and unforeseen operational issues may arise during implementation. Nothing in these recommendations limits the Commission's statutory powers under the Electricity Act, 2003 — including its continuing jurisdiction throughout the licence period — to issue directions, impose additional measures, amend licence conditions or take such other action as may be necessary in the interest of consumers, grid security and the orderly development of the sector.

16.7.11 Committee's Recommendations

The Committee recommends that the Commission, while considering grant of the proposed licence, may incorporate safeguards substantially on the lines discussed in this Chapter — supplementing the statutory framework and standard licence conditions, and not constituting additional eligibility requirements — to facilitate effective implementation, strengthen coordination among sector participants, protect consumer interests and enable continuing regulatory oversight, including the structured implementation review recommended in paragraph 16.7.9 above. Safeguards of substantially this nature have already been imposed and administered by MERC in respect of the parallel distribution licence granted to Tata Power, and have withstood appellate scrutiny; their practicability and legal validity are therefore well established.

CHAPTER 17 RESIDUARY POWER
TERM OF REFERENCE 3.12

ToR 3.12: To examine any other legal, financial, commercial, technical or regulatory issue which, in the considered opinion of the Committee, is relevant for enabling the Commission to adjudicate the Petition in accordance with law and in the larger public interest.

This Chapter is arranged in four Parts. Part I sets out the scope, statutory basis and approach. Part II identifies the residual and overlapping issues arising on the record. Part III records the Committee's evaluation of those issues. Part IV contains the Committee's findings, recommendations and conclusion.

PART I — SCOPE, STATUTORY BASIS AND APPROACH

17.1 Introduction

Unlike the preceding Terms of Reference, each of which is directed to a defined aspect of the proposed Parallel Distribution Licence, ToR 3.12 is residuary in character. It enables the Committee to place before the Commission those matters which do not fall wholly within any single Term of Reference, but which are nevertheless material to the adjudication of the Petition.

Two categories of matter answer that description. The first consists of issues which encompasses two or more Terms of Reference, where each Chapter has correctly addressed the aspect before it, but the aspects are interdependent and require to be given effect together rather than separately. The second consists of matters which have emerged on the record as unresolved, but for which the remedy lies outside the four corners of the present Petition.

The Committee has confined this Chapter to those two categories.

17.2 Scope of Examination

In discharge of ToR 3.12, the Committee has examined the Petition, the replies and objections of the Respondents and other stakeholders, the Applicant's rejoinders, the directions issued by the Commission during the proceedings, and the findings recorded in Chapters 6 to 16, in order to identify:

- issues arising under more than one Term of Reference which require coordinated rather than separate implementation;

- recommendations made in more than one Chapter which are directed to the same subject matter and which should be consolidated into a single obligation;
- matters identified on the record as unresolved, and the forum or process appropriate for their resolution; and
- any further matter which, in the Committee's opinion, the Commission should have before it when adjudicating the Petition.

Two limits upon this Chapter should be stated at the outset. First, this Chapter does not reopen, revisit or qualify any finding recorded under the preceding Terms of Reference. Each such finding stands as recorded in the Chapter concerned. Second, this Chapter does not restate the regulatory safeguards, implementation framework, monitoring mechanisms and institutional coordination measures recommended under ToR 3.11. Those matters have been examined in Chapter 16 and the recommendations there made are not repeated here. This Chapter is confined to what remains after Chapter 16 has been given effect.

17.3 Statutory Basis for Residuary Consideration

The Commission's function under Sections 14 and 15 of the Electricity Act, 2003 is not exhausted by the determination whether a licence should be granted. Section 16 empowers the Commission to specify the conditions subject to which a licence is granted; Section 23 enables it to issue directions for securing the equitable distribution of electricity; Section 86(1)(b) and 86(1)(e) confer continuing regulatory jurisdiction over procurement and over the promotion of the objectives of the Act; and Sections 61, 62, 63 and 64 preserve a continuing tariff jurisdiction throughout the licence period.

The Committee has examined ToR 3.12 against that framework. Where a matter is capable of being addressed by a licence condition, the Committee has said so. Where it is not, the Committee has identified the process by which it may appropriately be addressed, rather than treating it as a ground bearing upon the grant of the licence.

17.4 Issues for Determination

The following issues arise under ToR 3.12:

(i) Whether any matter arising under more than one Term of Reference requires coordinated treatment which would not be secured by implementing the Chapters separately.

(ii) Whether any recommendation has been made in more than one Chapter in respect of the same subject matter, such that consolidation is required to avoid duplicated or inconsistent obligations.

(iii) Whether any matter identified on the record remains unresolved, and if so, the process appropriate for its resolution.

(iv) Whether any further matter requires to be placed before the Commission for the purposes of adjudication of the Petition.

17.5 Guiding Principles

In examining these issues the Committee has been guided by the following principles:

- a residuary examination supplements; it does not duplicate, and it does not revisit;
- an issue is properly residuary only if it is traceable to the record in these proceedings, and the Committee has not treated matters of general regulatory desirability as residual issues arising under this ToR;
- the distinction drawn throughout this Report between conditions of eligibility and conditions of implementation is maintained: a matter requiring regulatory attention during implementation is not, for that reason, a ground for refusal of the licence; and
- where a matter lies beyond the scope of the present Petition, the appropriate course is to identify it, and the process for addressing it, rather than to defer the adjudication of the Petition on account of it.

PART II — RESIDUAL AND CROSS-CUTTING ISSUES ARISING ON THE RECORD

17.6 Identification of Residual Issues

Applying the approach set out in Part I, the Committee has identified five matters answering the description in paragraph 17.1. Four are cross-cutting matters requiring coordinated implementation; the fifth is an unresolved matter requiring a separate regulatory process. Each is examined below and summarized in Table 17.1.

17.7 Consolidation of Rollout, Coverage and Migration Obligations

Chapters 11, 12 and 14 each recommend that the Commission impose enforceable obligations derived from the Applicant's phased Implementation Plan. Chapter 11 does so in the context of the Universal Service Obligation under Section 43, recommending phase-wise and area-wise rollout milestones with category-wise coverage obligations. Chapter 12 does so in the context of consumer migration, recommending that connection charges be regulated and migration reported by category, load and geography. Chapter 14 does so in the context of network development, recommending that area coverage obligations and completion milestones be fixed as licence conditions so that phased development does not operate as the permanent exclusion of any part of the area of supply.

Each recommendation is correct within its own Chapter. All three, however, draw upon the same underlying material and are directed to the same conduct. If implemented as three separate sets of licence conditions, they would produce overlapping obligations, three reporting streams derived from a single dataset, and a material risk of inconsistency between the milestone dates, coverage thresholds and reporting periodicities specified under each.

The Committee is of the view that these obligations should be given effect as a single, consolidated schedule of rollout and coverage obligations forming part of the licence, expressed by phase, by area and by consumer category, and supported by a single reporting instrument. Consolidation involves no dilution of any of the three recommendations; it secures each of them more effectively than separate implementation would.

17.8 Sequencing of Post-Grant Transmission and Procurement Conditions

Chapters 9, 10 and 14 record that a series of steps must be completed after grant and before the commencement of supply: execution of Interconnection Agreements with HVPNL; joint system studies; securing General Network Access; establishment of a scheduling and forecasting protocol with the SLDC; and submission of finalised power purchase arrangements to the Commission for adoption, determination or approval prior to the commencement of power flow.

These steps are examined separately, and correctly so, under ToR 3.4, ToR 3.5 and ToR 3.9. On the record, however, they are interdependent and share a common critical path. The transitional reliance upon short-term and exchange-based procurement during FY 2027-28 and FY 2028-29, examined in Chapter 10, is predicated upon grid access and scheduling arrangements examined in Chapter 9; and the network development sequence examined in Chapter 14 governs the timing at which each becomes necessary. Delay in any one of them displaces the others.

The Committee accordingly considers that these post-grant requirements should be expressed as a single sequenced schedule of conditions precedent, phase by phase, rather than as separate obligations arising under separate Chapters, so that the Commission and the concerned entities have a common view of what must be completed, by when, and in what order, before supply commences in each phase.

17.9 Consolidation of Reporting and Information-Sharing Channels

Recommendations for structured information sharing appear in more than one Chapter. Chapter 10 recommends that the consumer Migration Protocol be used to furnish DHBVNL and HPPC with periodic visibility of realised and projected migration volumes, so that resource adequacy planning may be undertaken prospectively. Chapter 12 recommends quarterly reporting of migration by consumer category, load and geography to enable the Commission to detect selective acquisition. Chapter 16 recommends information sharing and digital integration among the licensees and the system operators.

The subject matter of these recommendations substantially coincides. The Committee considers that they should be given effect through a single reporting instrument, prescribed by the Commission, specifying the data fields, periodicity, recipients and permitted use, rather than through separate channels established under separate licence conditions. A single instrument reduces compliance burden, ensures that the incumbent, the system operators and the Commission work from identical data, and preserves the purpose limitation on which the Migration Protocol proceeds.

17.10 <u>Continuity of the Basis of Assessment</u>

The evaluation of the Applicant's technical and managerial capability under ToR 3.3 proceeded upon the binding Consortium MoU and the Responsibility Matrix allocating responsibilities among the consortium members, and the evaluation of financial capability under ToR 3.2 proceeded upon the Business Plan, the Capital Investment Plan and the financing structure placed on record. The Committee's satisfaction on these matters is therefore a satisfaction referable to specific arrangements, and not one at large. The Committee considers that the continued subsistence of those arrangements should be a matter of which the Commission is kept informed, and that material change should be brought to the notice of the Commission, seeking approval wherever required under the Act or the conditions of licence.

17.11 The Unresolved Question of Impact of Migration

The Committee has identified one matter which remains unresolved on the record and which falls under the regulatory supervision of the Commission post grant of licence.

Chapter 13 records that the parties are in substantial agreement that the Cross-Subsidy Surcharge under Section 42(2) and the Additional Surcharge under Section 42(4), as presently framed and as construed by the Commission in its Order dated 17.06.2020 in HERC/PRO-11 of 2017, operate in the context of open access and do not extend to a consumer who ceases altogether to be a consumer of the incumbent upon migrating to a parallel licensee operating its own network.

The Committee has found in Chapter 13 that this does not constitute a ground for refusal of the licence. The Sixth Proviso to Section 14 admits of parallel licensing and of the consumer migration which necessarily follows from it, and the financial consequences are addressed through the Commission's continuing tariff jurisdiction.

17.12 Disposal of Interim Directions

Applicant was issued different directives during the proceedings by its Interim Order dated 26.05.2026, such as to obtain a No Objection Certificate from the State Transmission Utility regarding transmission capacity. Chapter 14 records the Committee's view that this direction was a procedural measure to assist the Commission in its examination, and does not convert transmission concurrence into a statutory condition of eligibility.

Compliance with those directions, and the material filed pursuant to them, has been taken into account in the relevant Chapters. As the directions were issued by the Commission and not by the Committee, the Committee records the position for completeness and leaves their formal disposal by the Hon'ble Commission in its final order.

Table 17.1 — Residual and Cross-Cutting Issues

Issue	Chapters Concerned	Nature	Course Proposed
CAPEX Rollout, coverage and migration obligations drawn from a common Implementation Plan	11, 12, 14	Overlapping obligations from a single source	Consolidated schedule of CAPEX rollout and coverage obligations in the licence.
Post-grant transmission, grid access and procurement steps on a common critical path	9, 10, 14	Interdependent and time-bound	Single sequenced schedule of phase-wise conditions precedent
Migration and performance reporting recommended through separate channels	10, 12, 16	Duplicated reporting of the same data	Single reporting instrument prescribed by the Commission
Consortium Agreement, Responsibility Matrix, financing structure and Business Plan as the basis of assessment	7, 8	Continuity of the basis of satisfaction	Reporting of material change; seeking approval where required
Absence of impact of migration	13	Unresolved; general application in the State	Separate regulatory proceeding, at the Commission's discretion

PART III — COMMITTEE'S EVALUATION

17.13 Evaluation

Taken together, the matters identified in Part II share a common character. None of them discloses a deficiency in the Applicant's eligibility for the proposed licence, and none of them requires any finding recorded in the preceding Chapters to be revisited. Four of the five arise because the Terms of Reference divide, for the purposes of examination, a subject matter which in implementation is indivisible; the fifth arises because the record has disclosed a gap in the regulatory framework of the State which the present proceedings are not the appropriate vehicle to fill.

The practical consequence of the first four is that the recommendations of this Report should be translated into licence conditions as a consolidated instrument rather than as a Chapter-by-Chapter transcription. A transcription would carry into the licence the divisions of the Terms of Reference, which exist for the convenience of examination and serve no purpose in implementation. The Committee's recommendations are intended to be read and given effect as a whole.

The Committee also records that its identification of these matters is not an indication of any inadequacy in the statutory framework. The Electricity Act, 2003 and the Regulations framed by the Commission confer ample power to specify licence conditions, to require reporting, to monitor compliance, to review implementation and to issue further directions. The matters identified here concern the manner in which those powers are best exercised, and, in one instance, the forum in which a distinct question is best determined.

PART IV — FINDINGS, RECOMMENDATIONS AND CONCLUSION

17.14 Findings

(i) The legal, financial, commercial, technical and regulatory issues arising from the Petition have been comprehensively examined under the respective Terms of Reference. No residual issue has emerged which materially alters, or warrants reconsideration of, any conclusion recorded in the preceding Chapters.

(ii) Four matters arise under more than one Term of Reference and require coordinated rather than separate implementation, namely: the consolidation of rollout of the network, coverage and migration obligations; the sequencing of post-grant transmission, grid access and procurement conditions; the consolidation of reporting and information-sharing channels; and the continuity of the arrangements upon which the Applicant's capability was assessed.

(iii) The absence of a purpose-built mechanism for compensating cross-subsidy loss and stranded cost arising from full inter-licensee consumer migration is a matter of general application in the State. Consistently with the finding recorded in Chapter 13, it does not constitute a ground for refusal of the present licence, and it is not capable of being satisfactorily addressed by a condition imposed in the licence of a single licensee.

(iv) The issues identified during the proceedings relate to implementation, coordination and continuing compliance rather than to the Applicant's eligibility, and are capable of being addressed through licence conditions, phased implementation and the Commission's continuing supervisory and tariff jurisdiction.

(v) The Electricity Act, 2003 and the applicable Regulations confer upon the Commission adequate powers to specify licence conditions, issue directions, monitor compliance and take corrective measures as may be necessary in the interest of consumers and the orderly development of the electricity sector. No further enabling provision is required for the implementation of the recommendations contained in this Report.

17.15 Recommendations

The recommendations under this ToR are confined to matters not already recommended under the preceding Terms of Reference, and in particular do not repeat the regulatory safeguards recommended in Chapter 16. Without prejudice to the powers of the Commission, the Committee recommends:

1. Consolidated implementation schedule. That the rollout, coverage and migration obligations recommended in Chapters 11, 12 and 14 be given effect as a single consolidated schedule forming part of the licence, expressed by phase, by area and by consumer category, so that a single set of milestones, thresholds and reporting dates governs all three.

2. Sequenced conditions precedent. That the post-grant requirements identified in Chapters 9, 10 and 14 — Interconnection Agreements, joint system studies, General Network Access, the scheduling and forecasting protocol with the SLDC, and submission of power purchase arrangements for adoption, determination or approval

— be specified as a sequenced schedule of phase-wise conditions precedent to the commencement of supply in the phase concerned.

3. Single reporting instrument. That the information-sharing and reporting recommendations made in Chapters 10, 12 and 16 be given effect through one reporting instrument prescribed by the Commission, specifying data fields, periodicity, recipients and permitted use, in place of separate channels.

4. Reporting of material change. That any material change in the composition of the consortium, the allocation of responsibilities under the Responsibility Matrix, ownership or control, the financing structure or the Business Plan be reported to the Commission promptly, seeking approval wherever required under the Act or the conditions of licence, the Committee's satisfaction as to capability being referable to those arrangements as placed on record.

5. Impact of Migration. The issues related to financial impact of migration including deferred FSA recovery, Power Purchase Stranded cost, Cross Subsidy etc. needs to be addressed by the Commission in the ARR and True-Up Orders post operationalization of the parallel licence considering the quantum of migration.

6. Recommendations to be read as a whole. That the recommendations of this Report be translated into licence conditions as a single consolidated instrument rather than by Chapter-by-Chapter transcription, the divisions of the Terms of Reference having been adopted for the convenience of examination and serving no purpose in implementation.

17.16 Conclusion

The Committee concludes that no additional legal, financial, commercial, technical or regulatory issue has emerged under ToR 3.12 which would justify refusal of the proposed Parallel Distribution Licence, or which requires any conclusion recorded under the preceding Terms of Reference to be revisited. The matters identified under this ToR concern the manner in which the recommendations of this Report are best given effect, and, in one instance, the forum in which a question of general application in the State is best determined. Each is capable of being addressed through the Commission's existing powers. The Committee accordingly submits that the findings and recommendations contained in this Report be read as an integrated whole, and places this Report before the Hon'ble Haryana Electricity Regulatory Commission for their kind consideration and for such orders as it may deem fit.

CHAPTER 18

REPORT AND DELIVERABLES

TERM OF REFERENCE - 3.13

Findings on each of the Terms of Reference; recommendations supported by reasons; and suggested licence conditions and regulatory safeguards, wherever appropriate.

18.1 INTRODUCTION

This Chapter is arranged in five parts. Part I sets out the scope and approach. Part II records the consolidated findings on each Term of Reference. Part III sets out the recommendations with the reasons supporting them. Part IV contains the consolidated schedule of suggested licence conditions & Part V records the deliverables and the conclusion.

PART I — SCOPE AND APPROACH

18.2 Nature of this Chapter

ToR 3.13 is not an examination of further questions of substance. It requires the Committee to render its work in summary form: findings referable to each Term of Reference, recommendations with the reasons on which they rest, and a set of licence conditions and regulatory safeguards fit to be carried into licence itself.

This Chapter accordingly performs three functions. It states, in one place, what the Committee has found under each Term of Reference. It sets out the recommendations; each traced to the finding and reason which supports it. And it consolidates into a single schedule the licence conditions and safeguards recommended across Chapters 6 to 17.

18.3 Structure of the Report

The Report comprises Chapters 1 to 5, which set out the constitution of the Committee, the reference, the procedure followed and the record; Chapters 6 to 17, which contain the examination of Terms of Reference 3.1 to 3.12; and this Chapter, which contains the deliverables required by ToR 3.13. The Report is to be read as a whole, and no finding in any Chapter is to be read in isolation from the reasoning which supports it in that Chapter.

PART II — CONSOLIDATED FINDINGS ON EACH TERM OF REFERENCE

18.4 Findings by Term of Reference

The findings recorded under each Term of Reference are summarised below. The summary is for convenience of reference; the findings themselves are those recorded in the Chapters cited, together with the reasons there stated.

ToR 3.1 — Statutory and regulatory eligibility (Chapter 6). The Applicant has demonstrated compliance with the minimum area of supply under the amended Explanation to Rule 3(2), the proposed area comprising the entire Municipal Corporation of Gurugram and the complete and contiguous revenue districts of Gurugram and Nuh; with capital adequacy, on the promoter's certified market-value net worth of Rs. 4,085.60 Crore against a five-year equity requirement of approximately Rs. 1,415.02 Crore; with creditworthiness, on aggregate institutional solvency certification of Rs. 2,000 Crore and in-principle sanction of Rs. 205 Crore for Phase 1; and with the code of conduct under Rule 4, no statutory disqualification being disclosed. Reliance upon promoter financial strength is expressly contemplated by Rule 3(2) and has been treated as a component of the assessment

ToR 3.2 — Financial capability and investment plan (Chapter 7). The capital investment programme of Rs. 4,716.73 Crore over FY 2026-27 to FY 2030-31 is commensurate with the scale and phasing of the undertaking, and its estimation methodology is sound and internally consistent. The financing structure on the normative 70:30 basis is consistent with HERC Tariff Regulation and reconciles with the capital adequacy evaluation in Chapter 6, its implementation depending upon timely mobilisation during FY 2028-29 to FY 2030-31, in which about 84% of the CAPEX is programmed. The financial projections furnish a reasonable planning framework but are to be treated as planning assumptions rather than assured outcomes. No financial deficiency of a magnitude constituting an independent ground for refusal has been found.

ToR 3.3 — Technical and managerial capability (Chapter 8). The Applicant has demonstrated adequate technical expertise, managerial capability and institutional preparedness. The binding Consortium MoU, read with the Responsibility Matrix, provides complementary capability across the functions of a distribution licensee and materially strengthens institutional capability while preserving the Applicant's exclusive statutory responsibility. Detailed engineering, procurement, construction and commissioning are implementation-stage activities. No material deficiency justifying refusal has been found.

ToR 3.4 — Grid integration and system readiness (Chapter 9). The Act distinguishes the requirements governing grant of licence from the operational obligations governing interconnection and operation. Neither the Act nor the applicable Regulations prescribes a prior 'No Objection Certificate' from the State Transmission Utility as a condition precedent to grant of licence. Transmission access, interconnection, interface metering, General Network Access where applicable, protection coordination and the associated studies are implementation-stage requirements to be completed before commencement of commercial operations. The objections identify legitimate implementation requirements but establish no statutory or technical deficiency justifying refusal of licence.

ToR 3.5 — Power procurement (Chapter 10). Execution of long-term Power Purchase Agreements is not a statutory prerequisite for grant of licence; such arrangements may lawfully be finalised after grant, subject to the Commission's approval. The stranded-capacity objection also does not constitute a ground for refusal, stranding being confined to the modest and gradual switched-over component of sales and falling within the Commission's continuing tariff jurisdiction. Every procurement decision under the proposed framework will pass through the Commission's under Section 86(1)(b).

ToR 3.6 — Universal service obligation (Chapter 11). The universal service obligation under Sections 42 and 43 attaches equally and independently to the Applicant and to DHBVNL, and grant of a parallel licence neither transfers nor dilutes it. Phased development of a network is not, in itself, inconsistent with that obligation. The Applicant's planning has demonstrated commitment and prima facie capability to discharge it. The lawfulness of phasing does not, however, establish that a particular phasing plan is non-discriminatory in its sequencing. However, the two-year deferral of investment in Gurugram City is not fully answered on the present record; this warrants a targeted clarification during the approval of Business Plan following the issue of Licence, if granted. The Committee found no legitimate basis for the proposed embargo on migration of dedicated or independent feeder consumers and hence it does not merit consideration under the existing legal framework.

ToR 3.7 — Consumer migration and consumer protection (Chapter 12). The Migration Protocol at Annexure J addresses the matters enumerated in the Term of

Reference at the level of principle, but is not a substitute for a Commission-approved framework binding upon both licensees, a protocol emanating from one licensee being incapable of binding the other. The Switch-over Protocol in operation in Maharashtra since 2009 furnishes a tested model for adaptation. In respect of switch-over consumers, there is a genuine regulatory lacuna in the recovery of cross-subsidy contribution and stranded fixed cost referable to such consumers — a consequence of the statutory scheme and not a ground for refusal. The Committee did not find any legal foundation for the proposed embargo upon migration of dedicated or independent feeder consumers This matter needs to be addressed at the time of approval of Business Plan post Licensing, if granted.

ToR 3.8 — Tariff, cross-subsidy and sectoral financial impact (Chapter 13). The parties are in substantial agreement with the provisions of Sections 42(2) and 42(4) of the Act, 2003. This applies to the open access consumers and does not extend to the consumers who migrate fully to a parallel licensee. The anticipated financial consequences with respect to the migrating consumers are nevertheless manageable within the existing framework by the Commission in Business Plan, ARR and True Up exercise, if the parallel licence is granted and operationalised subsequently. Therefore, the same does not constitute any impediment for the grant of licence.

ToR 3.9 — System planning and network development (Chapter 14). Neither the Act nor the Rules of 2005 nor the Licensing Regulations of 2004 prescribes, as a condition of eligibility, a complete distribution network, completed system studies, connectivity, General Network Access or the concurrence of the State Transmission Utility; each arises under provisions operating upon and after grant of licence. The planning framework is demand-responsive and consistent with the Commission's own approved escalation factors and with CEA technical standards. Phased development is not contrary to Section 42(1).

ToR 3.10 — Public interest (Chapter 15). The Act contemplates the operation of multiple distribution licensees within the same area with an objective to bring competition and consumer choice, and the operational and financial implications of parallel distribution are foreseeable consequences of the statutory framework rather than considerations inconsistent with it. The matters identified in the Consumer Migration Impact Assessment are legitimate regulatory concerns requiring continuing oversight, but relate principally to the regulation of parallel distribution after commencement of operations. The public interest considerations disclose no independent statutory or regulatory impediment requiring a conclusion different from that otherwise emerging from the Report.

ToR 3.11 — Regulatory safeguards and institutional coordination (Chapter 16). Safeguards supplementing the statutory framework and the standard licence conditions — phased implementation against a Commission-approved plan, a consumer migration framework, universal service and non-discrimination conditions, institutional coordination, procurement and resource adequacy reporting, information sharing, compliance monitoring, periodic implementation review and preservation of residual regulatory powers — are appropriate and practicable. Safeguards of substantially this nature have been imposed and administered by MERC in respect of the parallel distribution licence granted to Tata Power and have withstood appellate scrutiny.

ToR 3.12 — Residuary (Chapter 17). No residual issue has emerged which materially alters, or warrants reconsideration of, any conclusion recorded in the preceding Chapters.

18.5 The Cumulative Position

Taken together, the findings recorded under Terms of Reference 3.1 to 3.12 disclose no ground, whether of eligibility, capability, financial capacity, technical readiness, procurement, universal service, consumer protection, tariff impact, system planning or public interest, upon which the Petition falls to be refused. The matters which have been found to require regulatory attention are, without exception, matters of implementation, coordination, sequencing and continuing supervision, and are capable of being addressed through conditions of licence and the Commission's continuing jurisdiction.

PART III — RECOMMENDATIONS AND THE REASONS SUPPORTING THEM

18.6 Form of the Recommendations

The recommendations of the Committee are those recorded in different chapters. These are not restated in full here. This Part records the reasons on which they rest, grouped by the object each is directed to achieve, so that the Hon'ble Commission has before it not only what is recommended but the reasons for such recommendations.

18.7 Recommendations on Financial Integrity

Committee's Proposal. The promoters shall maintain earmarked resources of not less than Rs. 1,500 Crore, free from any charge or restriction; in no case shall such earmarked resources be less than Rs. 1,500 Crore as reduced by the cumulative funds actually infused towards the approved capital expenditure; shall ensure phased equity infusion before six months of the requirement as per approved CAPEX programme into the Applicant's entity and also ensure mobilisation of corresponding debt accordingly; make sure infusion of the equity component of the first-year working capital requirement; submit annual audited financial statements with segregated Wires and Retail Supply accounts; prompt disclosure of material variation in project cost, financing, schedule, procurement or business assumptions; and half-yearly reporting on CAPEX against the approved programme (Chapters 6 and 7).

Reason. Capital adequacy under Rule 3(2) was established upon resources whose availability was certified as at the date of application, and against a five-year requirement. A satisfaction as to adequacy at the threshold is therefore not self-executing: it is a satisfaction that resources exist and are committed, which is of value only if they remain committed and are in fact deployed on the schedule examined.

18.8 Recommendations on Universal Service and Non-Discrimination

Committee's Proposal. Continuous compliance with Sections 42 and 43 across the entire licensed area; non-discriminatory supply; a Commission-approved Network Rollout Plan with phase-wise and division-wise milestones and consequences for unjustified non-compliance; a reasoned division-wise justification of capital investment sequencing, including the Gurugram City schedule, within a time-bound period; a rollout-parity safeguard prohibiting disproportionate deferral of investment in any division beyond what is objectively justified; an express anti-cherry-picking obligation extending to network sequencing, connection-charge practice and operational arrangements; category-wise coverage obligations in each phase; and regulation of connection charges in accordance with paragraph 5.4.7 of the National Electricity Policy (Chapters 11, 12, 14 and 16).

Reason. The universal service obligation is the principal statutory protection. The Committee has found phased development to be lawful, the apprehension of cherry-picking is not found on record; but both conclusions rest upon the obligation being enforceable in the licence rather than assumed. The specific requirement of a reasoned justification of the Gurugram City sequencing follows from the finding at paragraph 11.12(iv) that the two-year deferral is not answered on the present record. This needs to be addressed at the time of approval of business plan in post licensing, if granted.:

18.9 Recommendations on Grid Security and Coordinated Operation

Committee's Proposal. Completion of transmission connectivity, interconnection approvals and statutory clearances, including General Network Access where applicable, before commencement of commercial operations; execution of interface agreements with HVPNL and operational coordination arrangements with the SLDC before energisation, all interface works being routed through HVPNL under its extant connectivity procedures; completion and periodic updating of load-flow, short-circuit, protection coordination, voltage regulation, reactive power, contingency and system security studies; conformity of interface metering, SCADA, telemetry, communication and protection systems with the applicable CEA Regulations and the Haryana Grid Code; establishment of a scheduling and forecasting protocol with the SLDC. and formal coordination mechanisms among the Applicant, the Existing Distribution Licensee, HVPNL, HPPC and the SLDC (Chapters 9, 10, 14 and 16).

Reason. The Committee's conclusion that transmission concurrence, system studies and General Network Access are not conditions of eligibility rests upon conditions of implementation. That conclusion is sustainable only if they are secured before supply commences, and it would be defeated if they are not secured as per schedule. These recommendations are therefore not additional to the finding under ToR 3.4 and ToR 3.9; they are the mechanism by which that finding is made good. The requirement that they be completed phase by phase, rather than in gross, follows from the phased character of the undertaking itself.

18.10 Recommendations on Consumer Protection in Migration

Committee's Proposal. A Consumer Migration Framework, approved and notified by the Commission and binding upon both licensees, providing for the right of migration and its exercise (including any capacity-linked eligibility conditions; timelines and a verification window; treatment of arrears, disputed accounts and security; security deposits, metering and final billing; existing contracts, pending applications and continuity of supply; financial neutrality; anti-cherry-picking and coverage obligations; consumer protection, information and grievance redressal; and data exchange, monitoring and review, in the terms set out in paragraph 12.19; together with the embodiment of those matters as conditions of licence in the terms of paragraph 12.20.

Reason. Migration is the mechanism by which parallel licensing takes effect, and it is the point at which the consumer is most exposed: to interruption of supply, to disputes as to arrears and deposits accruing between two licensees, to gaps or overlaps in billing, and to acquisition practices directed at the licensees' commercial interest rather than the consumer's. The framework recommended is symmetrical because the exposure is symmetrical, and it is to be notified by the Hon'ble Commission. The Committee has drawn upon the Maharashtra Protocol because it has operated since 2009 and has been repeatedly upheld on appeal, and a tested model is to be preferred to an untested one.

18.11 Recommendations on Procurement Discipline

Committee's Proposal. That grant of licence should not be construed as pre-approval of power purchase costs, all finalised Power Purchase Agreements being submitted for tariff adoption, determination and approval prior to commencement of power flow; annual reporting on renewable purchase obligation compliance and on actual procurement against the approved plan, with deviations justified and subject to prudence review; periodic demonstration of compliance with the approved procurement strategy; prompt reporting of material changes in procurement strategy affecting security of supply; and periodic review of contracted capacity, procurement portfolios and resource adequacy against actual demand and migration.

Reason. The Committee's answer to the objection under Section 86(1)(b) is that every procurement decision passes through a regulatory gate. The recommendations in this matter identify each gate and fix the point in time at which it operates, so that the finding is capable of being verified in operation rather than resting upon the structure of the proposal alone.

18.12 Recommendations on Sectoral Financial Stability

Committee's Proposal. Establishment, before commencement of commercial operations, of a verified financial baseline, DHBVNL furnishing category-wise approved sales, revenue, ABR, ACoS and CSS for the Gurugram and Nuh circles, the area-specific deferred FSA balance and the composition of its procurement portfolio referable to the licence area; periodic assessment of actual migration and its impact on both licensees; examination of stranded-cost claims only upon prudence review, causation and verified evidence; and half-yearly migration data sharing with DHBVNL and HPPC through the data-exchange channel of the approved Migration Protocol.

Reason. The competing computations on record differ widely. A regulatory response constructed upon either party's pleading would be arbitrary; a response constructed upon audited data will be appropriate. The baseline recommendation is therefore logically prior to every other recommendation in this group, and the settlement mechanism cannot operate until it is complete.

18.13 Recommendations on Coordinated Implementation

Committee's Proposal. That the rollout, coverage and migration obligations recommended in Chapters 11, 12 and 14 be given effect as a single consolidated schedule expressed by phase, area and consumer category; that the post-grant requirements identified in Chapters 9, 10 and 14 be specified as a sequenced schedule of phase-wise implementation; that the information-sharing and reporting recommendations of Chapters 10, 12 and 16 be given effect through one reporting instrument; and that the recommendations of this Report be translated into licence conditions as a single consolidated instrument rather than by Chapter-by-Chapter transcription (Chapter 17).

Reason. The Terms of Reference divide, for the convenience of examination, a subject matter which in implementation is indivisible. Consolidation dilutes nothing; it secures each recommendation more effectively than separate implementation would.

PART IV — SUGGESTED LICENCE CONDITIONS

18.14 Introductory

The conditions set out below are suggested for incorporation in the licence, if granted, under Section 16 of the Electricity Act, 2003. They are drawn from the Chapters. They are suggested in addition to, and not in substitution for, the standard conditions of licence and the statutory and regulatory obligations applicable to every distribution licensee, and none of them constitutes an additional requirement of eligibility.

The conditions are arranged in four Schedules according to when they operate: conditions precedent to commencement of supply in each phase; continuing obligations; reporting obligations; and conditions as to review and variation.

18.15 Schedule A — Conditions Precedent to Commencement of Supply

To be satisfied in respect of each phase before commencement of commercial supply in that phase.

Sl.No	Condition
A1	Filing of the detailed Network Rollout and Implementation Plan and CAPEX programme, within a defined period of grant, for the approval of the Commission
A2	Furnishing of a reasoned division-wise justification of capital investment sequencing, including the Gurugram City schedule
A3	Execution of Interconnection Agreements with HVPNL and completion of joint system studies; securing of General Network Access where applicable
A4	Completion of load-flow, short-circuit, protection coordination, voltage regulation, reactive power, contingency and system security studies
A5	Establishment of the scheduling and forecasting protocol with the SLDC
A6	Conformity of interface metering, SCADA, telemetry, communication systems and protection schemes with the applicable CEA Regulations, the Haryana Grid Code and technical standards
A7	Submission of finalised Power Purchase Agreements for tariff adoption, determination or approval prior to commencement of power flow
A8	Furnishing of a legally enforceable Consortium Agreement and of details of Key Managerial Personnel on the Applicant's rolls. The Applicant shall also furnish details of the Key Managerial Personnel on its rolls after grant of licence but before commencement of operations.
A9	Demonstration of equity infusion and corresponding debt tie-up for the phase before each two quarters, and infusion of the equity component of the first-year working capital requirement.
A10	Independent verification of compliance with the notified Pilot Project Belt architecture in any Pilot Project Belt sector.

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Sl.No	Condition
A11	Establishment of the Grievance Redressal Forum within the period prescribed by Section 42(5)

18.16 Schedule B — Continuing Obligations

Sl.No.	Condition
B1	Continuous compliance with Sections 42 and 43 and the regulations made thereunder, including Supply Code connection timelines, across the entire licensed area
B2	Non-discriminatory supply; no undue preference between consumer categories or geographical areas
B3	Adherence to the Commission-approved rollout plan and to the phase-wise and division-wise milestones, with defined consequences for unjustified non-compliance
B4	Rollout parity: no deferral of HT or LT investment in any division, disproportionately as compared with divisions of comparable load, beyond what is objectively justified by load, terrain, outlet availability or right-of-way constraints
B5	Category-wise coverage obligations in each phase, requiring service to domestic, agricultural and rural consumers
B6	Compliance with the Consumer Migration Framework as notified and amended
B7	Prohibition of misleading, coercive, inducement-based or discriminatory acquisition practices
B8	Maintenance of continuity and quality of supply through migration
B9	Payment or collection and remittance of any migration or transition charge prescribed by the Commission
B10	Compliance with the Standards of Performance Regulations, the Supply Code and all consumer service obligations

Sl.No.	Condition
B11	Implementation of the approved capital programme in accordance with the committed year-wise and division-wise schedule, including the Nuh rollout from the first year
B12	Maintenance of earmarked resources of not less than Rs. 1,500 Crore, free from any charge or restriction; in no case shall such earmarked resources be less than Rs. 1,500 Crore as reduced by the cumulative funds actually infused into the Applicant's entity towards the approved capital expenditure; Ensure infusion of phased equity requirement before six months of the requirement as per approved CAPEX programme; Furnish a certificate of a Chartered Accountant confirming that the earmarked resources of Promoter remain unencumbered, annually.
B13	Maintenance of adequate financial resources, liquidity and working capital
B14	Maintenance throughout the licence period of the financial, technical and organisational capability demonstrated in these proceedings
B15	Achievement of the Commission approved distribution loss trajectory
B16	Compliance with the Commission-approved power procurement strategy, and maintenance of arrangements adequate to meet projected demand
B17	Maintenance of the standing data-exchange interface with the Existing Distribution Licensee, HVPNL, HPPC and the SLDC, subject to confidentiality and purpose limitation
B18	Compliance with all lawful technical directions of the Commission, HVPNL, the SLDC and other competent authorities concerning grid security, system operation and network coordination
B19	Advance reporting of any change in control, significant change in shareholding, partnership changes in the holding entity, mergers and acquisitions, or change in constitutional documents, with prior approval where required
B20	Prompt reporting of material variation in project cost, financing, schedule, procurement or business assumptions, and of material change in procurement strategy affecting security of supply

18.17 Schedule C — Reporting Obligations

To be given effect, so far as practicable, through a single reporting instrument prescribed by the Commission.

Sl.No.	Condition	Periodicity
C1	Connections and applications under Section 43 by consumer category and geography; division-wise network expansion and commissioning, including N-1 status; complaints of refusal or delay	As prescribed
C2	Migration by consumer category, load and geography; timelines achieved; objections raised and their disposition; deposit refunds and complaints	Quarterly, both licensees
C3	Realised and projected migration volumes furnished to DHBVNL and HPPC through the Migration Protocol data-exchange channel	At least half-yearly
C4	CAPEX against the approved programme; funding status; HVPNL interface progress; district-wise implementation; network rollout progress	At least half-yearly
C5	Audited financial statements with segregated Wires and Retail Supply accounts and statutory certifications	Annual
C6	Renewable purchase obligation compliance and actual procurement against the approved plan, with deviations justified	Annual
C7	Service quality, reliability indices, consumer complaints, safety compliance and implementation of licence obligations	As prescribed
C8	Prompt report of any material event affecting transmission connectivity, grid security or coordinated operation, and of any delay in HVPNL interface works with the mitigation proposed	Forthwith

18.18 Schedule D — Review and Variation

Sl.No.	Condition
D1	Performance review after approximately two years of commercial operation, and periodically thereafter, covering the achievement of the objectives of parallel distribution, network development and migration, universal service and financial commitments, system reliability and coordination, and the effect upon the Existing Distribution Licensee
D2	Periodic review of compliance with the universal service obligation, including investment sequencing, consumer mix and rollout milestones, with power to issue directions, require corrective action or modify licence conditions
D3	Periodic assessment of actual consumer migration and its impact on ARR, tariff recovery, cross-subsidy, procurement obligations and the financial position of both licensees
D4	Periodic review of contracted capacity, procurement portfolios and resource adequacy against actual demand and migration
D5	Review of the operation of the Consumer Migration Framework at the end of the first year and thereafter as necessary, with power to modify it in the light of experience
D6	Preservation of the Commission's residual powers to issue directions, impose additional measures, amend licence conditions or take such other action as may be necessary

PART V — DELIVERABLES AND CONCLUSION

18.19 Deliverables

In discharge of ToR 3.13, the Committee submits:

(a) findings upon each of Terms of Reference 3.1 to 3.12, recorded in Chapters 6 to 17 respectively and consolidated at paragraph 18.4;

(b) recommendations, recorded in the paragraphs identified at paragraph 18.6, with the reasons supporting them set out at paragraphs 18.7 to 18.13;

(c) suggested licence conditions, consolidated in Schedules A to D at paragraphs 18.14 to 18.18, each traced to the Chapter from which it derives; and

(d) recommended regulatory safeguards, contained in Chapter 16 and given effect through the Schedules referred to.

18.20 Conclusion

The Committee has examined each of the matters referred to and has recorded its findings and the reasons for them in this chapter. Upon those findings, the Committee has not found any ground upon which the Petition falls to be refused. The Committee accordingly recommends that a parallel distribution licence may be considered to be granted to the Applicant subject to the conditions as suggested in Schedule-A to D. The matters requiring regulatory attention are matters of implementation, sequencing and continuing supervision, and the Committee has recommended the licence conditions and safeguards by which they may be addressed.

Subject to the foregoing, the Committee submits this Report to the Hon'ble Haryana Electricity Regulatory Commission for its consideration and for such orders as it may deem fit in accordance with prevailing rules, regulations & law.

PLACE: PANCHKULA

DATE: 07.08.2026

07-08-26

Sri Bibhu Prasad Mahapatra

Member

7/8/2026

Er.Ravinder Kumar Sharma

Member

07/08/2026

Sri Alok Nigam, I.A.S. (Retd.)

Chairman