



GUIDELINES

FOR

FRANCHISEE DEVELOPMENT

PREFACE

“Raiiv Gandhi Grammeen Vidyutikaran Yojna” was launched in April, 2005 and till March 2006 rural electrification infrastructure has been created in more than 10,000 villages.

The scheme envisages creation of rural electricity infrastructure to provide access of electricity to all rural households in five years. The scheme recognizes the criticality of rural electrification and household electrification for rural development, employment generation, and poverty alleviation. Electrification of BPL households free of charge in all rural habitations is an important component of the programme.

In order to maintain the infrastructure being created under RGGVY and provide uninterrupted quality of power supply, revenue sustainability is crucial. Revenue sustainability of electricity supply is to be ensured through deployment of franchisees. Provision for revenue subsidies from the State Government and non discriminatory supply of power between rural and urban areas is to be ensured to achieve this objective. The franchisees could be the Non-Governmental Organizations (NGOs), Users Association, Cooperatives or individual entrepreneurs, and the Panchayat institutions.

I am happy that a booklet on Franchisee Guidelines has been prepared by REC. The booklet contains some models for Franchisee Development, sample business plan for franchisee and a model contractual agreement. Some models of Franchisees adopted by various states have also been included in the booklet. I am sure this booklet will serve as guide to the utilities which are in the process of deploying Franchisees.

-Sd-

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GUIDELINES FOR FRANCHISEE DEVELOPMENT

1. Introduction

The Government of India has approved a new scheme, “Rajiv Gandhi Grameen Vidyutikaran Yojana – Scheme for Rural Electricity Infrastructure & Household Electrification”. The guidelines were issued by Ministry of Power, GOI, vide letter No.44/19/2004-D(RE) dated 18th March, 2005 (copy enclosed as Attachment). The scheme would be implemented through Rural Electrification Corporation (REC) and this new scheme merges the existing “Accelerated Electrification of One lakh villages and One crore households” and Minimum Needs Programme (MNP) for rural electrification.

2. The Guidelines

The present guidelines are intended to facilitate induction of franchisee so as to fulfill the following stipulation of the MOP’s guidelines for implementation of the new scheme “Rajiv Gandhi Grameen Vidyutikaran Yojana” :

- (i) In the management of rural distribution through franchisees who could be Non-Governmental Organisations (NGOs), Users’ Association, Cooperatives or individual entrepreneurs, the Panchayat institutions would be associated. The franchisees arrangement could be for

system beyond and including feeders from substation or from and including Distribution Transformer(s).

(ii) Based on the consumer mix and the prevailing consumer tariff and likely load, the Bulk Supply Tariff (BST) for the franchisee would be determined after ensuring commercial viability of the franchisee. Wherever feasible, bidding may be attempted for determining the BST. This Bulk Supply Tariff would be fully factored into the submissions of the State Utilities to the State Electricity Regulatory Commissions (SERCs) for their revenue requirements and tariff determination. The State Government under the Electricity Act is required to provide the requisite revenue subsidies to the State Utilities if it would like tariff for any category of consumers to be lower than the tariff determined by the SERC. While administering the scheme, prior commitments may be taken from the State Government regarding :

- (a) Determination of Bulk Supply Tariff for franchisees in a manner that ensures their commercial viability.
- (b) Provision of requisite revenue subsidy by the State Government to the State Utilities as required under the Electricity Act.

3. Objective

The main objective of the guidelines is to facilitate induction of franchisees, especially covering the following aspects :

- (a) Who could be a franchisee?
- (b) What would be the minimum technical / financial / expertise qualification of the franchisee?
- (c) How would a franchisee be selected?
- (d) For different sizes of franchisees, what would be their responsibilities and obligations? What would be their rights, including mode of tariff fixation?
- (e) What would be the duties / responsibilities and rights of the utility?
- (f) What would be the interface with Panchayat Raj Institutions (PRIs)?

4. What is a franchisee?

A franchisee may be defined as an individual, group or business entity, who is granted a special right or privilege to conduct a business and especially to exercise the power of another empowered entity such as to market its goods or services in a

particular territory under the entity's trade mark, trade name, or service mark and that often involves the use of rules and procedures designed by the parent entity and services and facilities provided by it (parent entity) in return for fees, royalties, or other suitable compensation.

5. What is a franchisee in the context of management of local electricity distribution in rural areas?

A franchisee may be an entity empowered by the state to either develop / operate a generation & distribution system or ready to distribute electricity within an identified contiguous area for a prescribed duration and collect revenues directly from rural consumers. The franchisee may have the option of generating its own electricity requirement; off-take supplies from the power utility or do both. It will also have the option to expand its own sub-transmission network, on appropriate approval of the State Government / Utility, depending on the load growth of the area over a period of few years.

6. Franchisee Models

Although, the franchisee could be empowered to generate and also distribute electricity within the designated franchisee area, the present guidelines focus mainly on franchisees, who would be

associated with the distribution of electricity. Supplementary guidelines would be formulated for distributed generation.

There may be three (or four) basic models in the area of management of local distribution of electricity.

i) **Revenue collection franchisee** - such franchisee is mainly responsible for collection of revenue on behalf of utility from the ultimate consumers in the area franchised.

(Please refer 'Model – A' and 'Model - B' below)

ii) **Energy purchase, sell and collection franchisee** – such franchisee shall purchase energy from the utility and sell to the consumers in the franchised area.

(Please refer 'Model - C' below)

iii) **Energy purchase & sell, collection and O & M franchisee** – such franchisee who, in addition to purchasing, selling and collection of energy bill (as mentioned above), shall also be responsible for the operation and maintenance of the local distribution system within the area franchised.

(Please refer 'Model - D' below)

The franchisees shall be permitted to use the existing infrastructure of the utility in the area assigned to it for the desired operation with the permission of the state and the state power utility and shall not be the owner of the electricity infrastructure within the franchisee area not created by it in the course of its operation.

iv) **Electricity Co-operative as franchisee** – The electric cooperative societies, which are created under the existing co-operative societies Act of the respective state governments and empowered to engage in the business of supplying electricity in the designated areas with the responsibility of operation and maintenance of the power supply, as owner of the electric infrastructure in the area of its operation (transferred to it by the utility), fall in this category.

Model – A : Revenue Franchisee- collection based

This kind of franchisee may be developed with the intended role limited to billing, revenue collection, complaints redressal, facilitating release of new service connection and keeping vigil on the status of distribution network in the franchised area for providing appropriate feedback to the utility.

Such Collection Franchisee would be appointed for an area and be given a target for revenue collection every month. (which depends on the baseline collection in the area).

The remuneration methodology involves:

- i) paying the franchisee margins (which will be a percentage of collections) on achievement of the target,
- ii) levy of penalty for not achieving the target
and
- iii) incentives for exceeding the target.

Drawback of this system is that the franchisee is not a partner in loss reduction – since its compensation is linked to the revenue collections made – and not on the energy input coming into the area. This model is thus not preferred for adoption.

Model – B: Revenue Franchisee – Input based

In case of the input based franchisee, the input energy into the area covered by the franchisee is measured by the utility and the target for revenue collection are set based on the collections made as a percentage of the input energy supplied to the consumers beyond the point of metering by the utility.

The operations and remuneration methodology of the input based franchisee is similar to that of the collection franchisee. The basic difference is in the target setting mechanism by the utility.

The input based franchisee's area may be decided based on:

- i) Energy supplied by the utility through 11 kV feeder(s) as a point / location of measurement of energy supplied to franchisee and will need a metering unit in the individual 11 kV feeders.
- ii) Above system can also be distribution transformer wise located in the villages having smaller area of franchisee operation.

The additional advantage of this method as compared to that of the collection franchisees is that the franchisee also becomes a partner in loss reduction and tries to reduce theft in the system.

Model – C : Input based Franchisee

This model is similar to the Revenue Based Model – with one significant difference that the franchisee will also buy the electricity from the utility and shall pay the energy charges to the utility at a pre-determined rate. The energy supplied / purchased will be as shown in the 11 kV metering unit. The franchisee will have to collect revenues from the consumers through raising bills so as to have sustainable commercial operation.

Model – D : Operation & maintenance franchisee

In this model, in addition to the franchisee operation indicated in model C above, the Utility may also hand over the operation and maintenance of 11 kV & LT feeders including distribution transformers to the franchisee based on monthly retainer basis or at an adjusted energy purchase price (of the utility), factored appropriately considering O & M cost of the franchisee.

Model – E : Rural Electric Co-operative Societies

This approach calls for the State to authorize the creation of traditional electric cooperative society that is organized, owned and operated by its members. The society owns the distribution utility assets and is responsible for all utility functions including operations and maintenance, metering, billing and collections, accounting and finance, procurement, stores and system planning and expansion.

The operations of the co-operative society involve:

- Organizes the community and recruits membership.
- Owns the distribution system and carries any debt on the assets.
- Is responsible for all facets of managing and operating the utility.
- Purchases power from the state power utility.

The society is formed through memorandum of association (MOA) and has the following key features:

- i) every household within the jurisdictional area of the society is member of the co-operative society,
- ii) at the helm of the management is the Board of Directors elected by the members of the co-operative society (one member one vote),
- iii) net profit of the co-operative are to be shared amongst the members,
- iv) co-operatives are the “licensee.”

Model – F : Electric cooperative society – operations management through contracting

This is a variant of the above model - E, keeping the formation procedure of the society unaltered. The BOD of the society may decide to run the operations of the society through an external experienced agency / organization with suitable fee structure, instead of operating the system itself with the concurrence of the

state / utility. This can be achieved through an appropriate “operations contract” with built-in performance criteria.

Deployment of efficient operation contractor (or managing agency / organization) may considerably help proper day to day operations of the electric co-operative society.

7. The Franchisee Organization

In line with the guidelines issued for “Rajiv Gandhi Grameen Vidyutikaran Yojana”, organizations like Users’ Association, Non-Government Organizations (NGOs) duly registered as societies or individual entrepreneurs may be franchisees who can adopt the above models except the model “Rural Electric Cooperative Society” (Model-E) which is necessarily for “Cooperatives” only.

8. Responsibilities, obligations and rights of Franchisee Models A, B & C :

The rights and obligations of the above mentioned Franchisee Models may be as under :

- a) Meter reading and billing to consumers as per applicable tariff.
- b) Revenue collections from the consumers as per the billing and remittance of the collected revenues to the Utility on intervals or daily as may be prescribed by the Utility.
- c) Redressal of commercial and billing complaints.
- d) Feed back on status of electrical network in the area franchised.
- e) Facilitate release of new service connections.

9. Responsibilities, obligations and rights of Franchisee – Models D, E & F :

The rights and obligations of the Franchisee will include:

- (a) Supply of electricity to all consumers within the Franchisee Area.
- (b) Increase technical efficiency of distribution system, reducing technical losses, evolve innovative solutions to improve system performance and revenue realization.
- (c) All commercial activities relating to issue of new service connections, metering, meter reading, billing, collection, realizing bad debts, disconnection, reconnections, customer complaint handing etc. within the Franchise Area.
- (d) All repairs / replacement and maintenance activities related to all equipment and infrastructure within the Franchise Area.
- (e) All manpower to run the operations and commercial activities will be provided, managed and paid for by the Franchisee without any recourse to employment by the utilities.
- f) The Franchisee shall reasonably maintain and operate the billing system database and ensure the overall integrity of the system.
- g) The Franchisee shall furnish utility with data, information and analysis to the Franchisee Contract (to be included in the final FA) and any other information as may reasonably be required by utility from time to time
- h) Ensure Franchisee Distribution System has a (99%) availability, and “adequate” quality of supply is maintained

(measurement parameters and methodology to be developed) thus put in place a Performance Monitoring System.

- i) Set up a system to respond to Consumer complaints with respect to consumer servicing (measurement parameters and methodology to be developed)
- j) As an agent of the utility, comply with all the regulatory, legal and reporting requirements that are applicable to the utility.
- k) Shall not alter the existing configuration of the network without prior approval of the State / Utility.
- l) Shall comply with the same practices, which are being following by the Utility with regard to distribution system planning and security standards and distribution system operating standards.
- m) Shall take all measures for sustainable operation of the franchisee system.

10. Duties/Responsibilities of the Utility/State Government

- a) To create proper awareness and facilitate appropriate training for the personnel to be deployed by the franchisee for its operations in association with the State Power Utility well before the completion of the project, funded under “Rajiv Gandhi Grameen Vidyutikaran Yojana”.
- b) Concept for distributing electricity through franchisee is relatively unknown to the rural population. It is, therefore, important that the whole concept be explained and idea properly presented to the intending franchisees.

- c) For effective operations of the franchisee under the existing environment of power supply system, it would be extremely necessary to operate programme for electricity education, aiming at creating electricity literacy. The objective of such activity is aimed for better utilization of available power, resorting load management as also imbibing safety norms for use of electricity, without exposure of undue danger to fauna.

11. Duties/Responsibilities and rights of Utility:

The responsibilities and rights of the Utility will include the following:

- a) The Utility will ensure non-discriminatory behaviour towards the Franchisee in case of power supply shortage.
- b) The Utility will supply adequate power, as per the load forecasts for the substation, at a predefined acceptable quality. The Utility will communicate in advance any shortfall or inability to supply the contracted power requirements of the Franchisee.
- c) The Utility will jointly meter and measure all power inflows into the substations, at the primary side as well as the secondary side of the substation (wherever applicable).
- d) The Utility will approve the capital expenditure proposals of the Franchisee.

- e) Prior to the Effective Date, Utility shall prepare an inventory of the contractual rights and obligations to be assigned to the Franchisee and include the same as part of the Franchisee Contract.
- f) Responsible for carrying out repairs / or replacement of the power transformers in the substation and upstream network.

12. Responsibility of State Government and State Electricity Regulatory Commission

- a) To make adequate arrangements for supply of electricity and to ensure no discrimination in the hours of supply between rural and urban households.
- b) To ensure that the Bulk Supply Tariff (BST) for the franchisee is determined considering the consumer mix and the prevailing consumer tariff and likely requirement of load in the area, with a view to enabling franchisee to have commercially viable operations.
- c) To ensure that the BST is arrived at in line with the above and is fully factored into the submissions of the State Utility to the State Electricity Regulatory Commission (SERC) for revenue requirement and tariff determination.
- d) To provide requisite revenue subsidies to the State Utility if it would like tariff for any category of consumers to be lower than the tariff determined by SERC in line with Electricity Act.

13. Qualification of Franchisee and selection process :

(A) Qualification of Franchisee

(a) For Models – A&B (Mainly revenue collection based)

For **NGOs and UAs**, who are actively involved during last three years in any social upliftment programme in the intended franchisee area or in the district / state with proven credibility as certified by the district officer (DM/DC)/District Electricity Committee, may qualify as franchisee. Preference may be assigned to such organizations who have experience in handling funds for developmental programmes sanctioned by the state or any other developmental funding agency at the state / central / international level and / or have ongoing operations in the franchisee area.

In the case of **individual entrepreneurs**, the individual should possess adequate financial health supported by banker's certificate, conclusively establishing possession of financial resources equivalent to at least two months' revenue collection. His application should also be endorsed by the concerned Panchayat Samiti of the franchise area.

(b) For Models – C&D (Input based and O&M Franchisee)

NGOs, Users' Association (UA) and individual entrepreneur:

Criteria as in (a) above. In addition, **such organizations and individual** should have satisfactory financial and operational capability characterized by :

- Proven achievement of completion of development programme, involving outlay of not less than annual revenue collection / projected revenue realization of franchisee area.
- Recommendation of district authorities / District Electricity Committees of the franchisee area in support of their candidature.
- Should have (or have the ability to source) at least five skilled / semi-skilled (individual) work personnel on full time basis.
- In the case of **individual entrepreneur**, he should also meet this criteria, alongwith establishing credentials for the type of business operations associated with the electrical industries for which the work force was employed.
- Clear undertaking from these organizations and individuals that they would be following and undergoing the training / capacity building programme to be organized by the State Government / State Utility.
- These organizations shall also furnish “Survey Questionnaire” and “Willingness-to-pay Questionnaire” as per prescribed format with the arrangement of their own resources, while submitting application in support of their candidature.

(c) For Models – E&F (Co-operative based franchisee)

- The existing provision / criteria for formation of co-operative under the relevant Act, should be amended, if necessary, to meet the following:

(B) Selection process

The broad principle of selection will be competitive bidding based on the most favourable BST for the utilities subject to supply of power at previous year's level.

The following procedure may be adopted:

- a) Utility to complete survey of users as per survey questionnaire enclosed including willingness to pay. This has to be shared with bidders.
- b) Utility to notify intent to select franchisee for particular areas / tasks. Notification in local and state newspapers (at least two issues), notify District Electricity Committee, notify Zila Parishad, Panchayat Samiti and all concerned Panchayats.
- c) Interested persons / organizations should submit therein "Expression of Interest" along with their Statement of Qualifications (SoQ).
- d) Bidders shall be short listed on the basis of SoQ.
- e) Bidders shall then submit their financial proposal.
- f) Three best bidders shall be selected as
 - First successful bidder
 - Stand-by bidder.
 - Waiting bidder.

14. Tariff Determination

Tariff determination by franchisee for distribution of electricity to its consumers may be based on the following options:

Option-I

To follow the existing tariff of the Utility for various category of consumers for its own consumers and seek fixation of appropriate Bulk Supply Tariff (BST) from the State Power Utility for purchase of power keeping in view the sustainability of commercial operation of the franchisee. They have to submit representative business plan for such fixation of tariff as indicated in Appendix-III.

Option-II

Considering the affordability of the consumers as also willingness to pay price of electricity:

- a) Less than the prevailing tariff of the State Power Utility.
- b) More than the prevailing tariff of the State Power Utility.

For determining the BST for the franchisee, following need to be considered:

- a) Consumer mix of the area to be served by the franchisee.
- b) Likely quantum of load to be catered to within franchisee area.
- c) Commercial viability of the franchisee.

For ascertaining likely quantum of load, following tentative criteria may be adopted in the initial years of project operation:

Connected Load

- i) For BPL households – not exceeding 60 Watts.
- ii) For non-BPL households – not exceeding 500 Watts.
- ii) For other category of consumers like commercial, rural industries, agricultural pump sets etc., the existing usage pattern of the adjoining electrified area or pattern of the usage in the state may be followed.

For establishment of commercial viability of franchisee operation, a return not exceeding 10% may be considered after meeting all expenses.

15. Business Plan of Franchisee

To define and assess the opportunity for the franchisee, it may be necessary to prepare a business plan especially for the models described under Model – C&D which would facilitate :

- a) The nature of activity of the franchisee.
- b) How the activities would be carried out and at what cost?
- c) What shall be the price of electricity at which the franchisee is able to buy to have a viable commercial operation.
- d) Identify the potential consumers and the price of electricity that may be affordable by them.

- e) An estimation of franchisee's own cost vis-à-vis surplus it intends to keep for itself.

A representative Business Plan for carrying out franchisee operation in line with the Model – D is enclosed in Appendix-III. This may also be intended for Model – C, as also to the cooperative model.

It is also essential to have some sensitivity analysis done on the plan under varying expectations of business parameters including variant cost of electricity, as also tariff that may be charged to the consumers in situations “likely”, “optimistic” and “pessimistic”.

The most important thing is to firm up a Business Plan and as such, the concerned State Power Utility may have to apprise the principle of franchisee development for successful development of franchisee. A Business Plan for the franchisee should essentially contain:

- a. Adoption of particular type of franchisee out of the models described in para-6.
- b. Identification of potential customers.
- c. Determination of how to go about the business and buy & sell electricity at what price?
- d. Estimation of his own cost and the surplus it intends to keep for itself.

16. Franchise Agreement Format

The intended Franchise Agreement should clearly contain the detailed provisions in regard to the following:

- Whether contract protects the franchisee and the franchiser?
- Are the rights and obligations of both parties clearly stated?
- What is the legal framework within which both franchisee and franchiser have to function?
- Is the contract specific about the type and size of operation that the franchisee is expected to manage?
- Is the nature duration and extent of training to be imparted by the franchiser outlined in the contract?
- Whether the various payments to be made to the franchiser by the franchisee have been specified?
- Other fixed payments.
- Source of essential supply for proper O&M of the system.
- If interrupted supply is provided by the utility, what are the arrangements for compensation to the franchisee?
- Various MIS reports needed to be submitted to the franchiser by the franchisee.
- Duration of the franchisee contract and terms for renewal of the contract.
- Area allocated to the franchisee for the intended franchisee operation.
- Reasons for termination of the contract and its terms and conditions.
- If there is any default in the contract, what are the measures that can be permitted to rectify the situation?

- Arbitration clause.
- Whether franchisee is prevented from engaging itself in any other business activity for the duration of the contract?

Based on the above and other pertinent aspects, a draft (sample) Franchise Agreement applicable to Model – D (Operation & Maintenance Franchisee) is enclosed as Appendix-IV.

In the event the states, for some reasons, opt for franchisee Models – A&B (Revenue Collection Franchisee), such State Power Utilities / State Governments may have their own documentation procedure, specifically incorporating the nature of franchisee's responsibility for collection of revenue and the associated mode of compensation / remuneration that would be paid to them after achieving prescribed benchmark targets. However, such franchisee models may not be effective for creation of sustainable operations under the existing framework of distribution of electricity by the utilities in their rural areas.

17. Involvement of Panchayats

- (a) The Panchayati Raj machinery can also be used as the primary interface for communication and advocacy of a participatory approach towards rural distribution management.
- (b) District level Panchayat role : The Electricity Act 2003 envisages a role for [District Committees(Sec.166(5))] for coordinating and reviewing extensions of electrification in each district, review quality of supply and customer satisfaction. Representatives of district level Panchayats can play an active role in such committees, especially in the

assessment of local needs and support to local entrepreneurs for formulating village level plans. These can then be represented to the implementing agency and they have a proactive role in the decision making on rural electrification plans.

- (c) Entrustment of responsibility of Gram Panchayat for distribution of electricity by taking over distribution assets and managing them as also Panchayat, as an agency for generating power and distributing the same in their areas, is essentially “line function” which may not be the desired role of Panchayat while the Panchayat may be responsible of regulation being the third tier of governance. It would perhaps be more effective if the intermediate level Panchayats (Taluk / Panchayat Samiti, as the case may be within the jurisdiction of the proposed franchisee arrangement) should be associated with the selection of rural Panchayat and these should also be made responsible for creating avenues and for sensitization of local population, as also capacity building of those involved in the same exercises. The role of PRIs is, therefore, envisaged for overseeing the intended action of the utility for development of the franchisee and when installed, overseeing the franchisee in advisory capacity to deliver according to their responsibility.
- (d) PRIs may be closely associated with the franchisee arrangement primarily as link between the franchisee and the villagers / consumers as well as concerned state authorities.

Survey Questionnaire

Non-Electrified and Electrified Household Survey Form

- 1.1 Intended Franchisee' name :
1.2 Area of Franchisee :
1.3 Name of village with census code number :
1.4 Date of collecting information :

- 1.5 Name of the Head of the family in the household :
1.6 Village :
1.7 Block :
1.8 District:
1.9 State :

Coding [-7]= Do not apply

[-8] = No answer

[-9]= Missing value

Section 2: Socio-Economic Information

- 2.1a Name of the Head (person) of the family in the household :
Sex of the person
code:
[1]= Male
[2]= Female
- 2.1b Age of the person :
- 2.1 c Educational level of the person:
[0]= Never attended school
[1] Primary school
[2] Middle school
[3] High school
[4] College education
[5] University education
[6] Post-graduate education
- 2.2 Person's relationship to head of household, if head is not available for questionnaire
[1] Head of the household
[2] Head of Household's wife or Husband
[3] Daughter
[4] Son
[5] Daughter-in-law
[6] Son-in-law
[7] Other, specify.....
- 2.3 How many persons usually eat or sleep in the household ?
(Fill in accordingly to age)
- 2.3a Less than 6 years
- 2.3b 7-17 years
- 2.3c 18-60 years
- 2.3d 61 years and over
- 2.3e Total
- 2.4 How many persons in the household earn income?
(include all type of income earned)

Section 3: Housing Unit

3.1 Type of dwelling unit

- [1]=Wood construction
- [2]= Brick construction (bricks) concrete block
- [3]= Brick and wood construction
- [4]= Bamboo construction wall
- [5]= Other specify.....

3.2 Main roofing materials of the dwelling unit

- [1]= Metal sheet roof
- [2]= Bamboo/straw fiber/leaves
- [3]= Bake brick
- [4]= Other specify.....

3.3 Is any part of the house used for business activity or commercial purposes or home industry. i.e., business owned and operated by the Head or anyother member of the household?

- [1] = Yes; [0]= No, If "No," go to Q3.5

3.4 If part of the house is used for business activity, please indicate type

- [1]= Agricultural tool repair
- [2]= Hair saloon or barber shop
- [3]= Food and beverage shop (i.e. restaurant)
- [4]= Grocery and beverage shop
- [5]= Beverage shop
- [6]= Retail store
- [7]= Making Handicraft or Handicraft shop
- [8]= Tailor/ Dress maker
- [9]= Rice mill
- [10]=Small Saw mill/ furniture factory
- [11]= Other, specify.....

3.5 Does the person own the house or is it on rent?

- [1]= Own; [0]= Rent

Section 4: Sources of Energy for lighting

What is the usual sources of energy for lighting in the house
Code: Yes=[1]; No=[0]

- 4.1 Electricity from the grid
- 4.2 Kerosene
- 4.3 Diesel
- 4.4 Electricity from private/community owned generator
- 4.5 Other specify.....

Sources of Energy for cooking and boiling & heating of water and frequency of usage

How often does the household use the following fuels for cooking?

Code: [0]= Do not use

[1]=Use some of the time

[2]=Use most of the time

[3]=Always

- 4.6 Agricultural residue including straw & stalk
- 4.7 Twigs or small tree branches
- 4.8 Scrap wood
- 4.9 Firewood
- 4.10 Charcoal
- 4.11 Sawdust
- 4.12 LPG
- 4.13 Electricity

Section 5: Electricity

- 5.0 What is the source of the household electricity connection?
- 5.1 How many years has the household had electricity?
_____ Years.
- 5.2 On the average, how much does the household pay for electricity for each billing period? _____ Rs
- 5.3 How many days do each bill cover? _____ days
- 5.4 How does the household pay the monthly electricity bill?
[1] = Pay by kWh used
[2] = Pay by number of light bulbs/tubes & appliance
[3] = Fixed monthly cost
(If answer [2] or [3] go to Q5.6a)
- 5.5 If pay by kWh used, how much does the household pay per kWh _____ Rs.
- 5.6 If pay by number of light bulbs/tubes & appliances or fixed monthly cost:
- 5.6a How many light bulbs and tubes do you have?
Bulbs/tubes
- 5.6b What is the average wattage of all light bulbs/tubes?
_____Watts
- 5.7 Does the household use electricity to cook rice?
[1] =Yes; [2]=No
- 5.8 Does the household use electricity to boil water?
[1]=Yes; [2]=No
- 5.9 Does the household use electricity for TV?
[1] = Yes; [2] = No
- 5.11 How many hours during the daytime electricity services is available _____ Hours
- 5.12 How many hours during the evening & nighttime electricity services is available _____ Hours
- 5.13 Is any of the following sources of energy used to supplement electricity for lighting?
code:(13) =yes; (0)= No
- 5.13a Kerosene lamp
- 5.13b Pressurized lamp
- 5.13c Any other source.
- 5.14 On the average, how much does the household have to spend per month to supplement electric light? _____ Rs.

Section 5.1: Electric Appliances Ownership

How many of the following appliances does the household have ?
(Enter "0" for do not have)

5.15 Rice Cooker

5.16 Electric heater for cooking

5.17 Electric kettle

5.18 Electric power drill/saw

5.19 Electric motor/pump

5.20 Fan

5.21 Ironing

5.22 Refrigerator

5.23 Television

5.24 Washing machine

5.25 Radio/tape cassette

5.26 Any other, please specify

Section 6: Use Electricity for Business and/or Productive Purposes

- 6.1 Does the household use electricity to conduct business or
[1] = Yes; [0] = No (If answer [0] go to Q7.1)
Is electricity used for lighting or anything else in the home
business/industry/agricultural activity?
- If Yes, for which of the following purposes are electric energy
sources used in the home business/industry/ agricultural activity?
- 6.2 Area lighting **to conduct business (i.e.,** lighting to
keep store/shop open in the evening, or do handicraft, etc.).
(1) = Yes; [0] = No; if "NO" go to Q6.3
- 6.2 Generally, how many hours/evening area lighting is on to conduct
business. (i.e., keep store/shop open, or do handicraft, or etc.)
- _____hours/evening
- 6.3 Lighting to **do more work** in the evening
Code: [1] = Yes; [0] = No;
- 6.4 **To power tool/motor/machine/pump/agricultural
implements** Code: [1]=Yes; [0]=No
- 6.5 **TV/Video** to entertain customers
[1] = Yes; [0] = No
- 6.6 Any other use [1] = Yes, specify
[0] = No

Section 7: Kerosene

- 7.1 During the past 12 months how often did the household use kerosene for lighting?
[0] = No, did not use; If "NO" go to Q8.1
[1] = Used sometimes
[2] = Used most of the time
[3] = Always
- 7.2 During the month that the household uses kerosene (please indicate purpose and uses in hours)
- 7.3 On the average, how much does the household spend on kerosene per month? Rs. _____
- 7.4 In general, how many liters of kerosene per day the household usually purchase and its price/litre?
(Q7.4a) Numbers of litres
(Q7.4b) Price per liter (in Rs.)
- 7.5 Generally, how many days does the kerosene from usual purchase last? _____ days
- 7.6 When the household uses kerosene, how many liters are usually used in a month?

Section 8: Non-Electric Lighting Equipment

- 8.1 How does the household use non-electric lighting equipment?
[0] = Does not use;
If "Does not use" go to Q9.1
[1] = Supplementary to electric sources
[2] = Main source of lighting
- 8.2a How many kerosene lamps does the household have? _____
lamps
(Enter "0" for none, if "NONE" go to Q8.3 a)
- 8.2b How often does the household use kerosene ?
[0] = Never;
[1] = Some of the time;
[2] = Most of the time;
[3] = Always
- 8.3a How many **pressurized kerosene lamps** does the
household have? _____ Lamps
(Enter "0" for none, if "NONE" go to Q8.4a)
- 8.3b How often does the household use Pressurized kerosene lamp?
[0] = Never; [1] = Some of the time;
[2] = Most of the time; [3] = Always
- 8.4a How many **hurricane lanterns** does the household have? _____ lamps
(Enter "0" for none, if "NONE" go to Q8.5a)
- 8.4b How often does the household use **hurricane lantern** ?
[0] = Never; (1) = Some of the time;
[2] = Most of the times [3] = Always
- 8.5a How many other non-electric lighting equipment
does the household have? Please specify
and enter the number owned
- 8.5b How often does the household use other non-electric lighting equipment?
[0] = Never; [1] = Rarely;
[2] = Sometime; [3] = Always

Section 9: Uses of energy for productive purposes

Do you use any of the following fuels or energy sources for lighting or anything else in your home business/industry/agricultural activity?

[1] = Yes; [0] = No; If "NO" to all 5 questions (Q3.1, Q9.2, Q9.3, Q9.4, Q9.5 go to Q14.1)

Yes

No

- 9.1 Kerosene
- 9.2 Diesel
- 9.3 Electricity from private or community owned generator
- 9.4 Electricity from the grid
- 9.5 Area lighting **to conduct business (i.e.,** lighting to keep store/shop open in the evening, or do handicraft etc.).
[1]=Yes; [0]=No; if "NO" go to Q9.7

9.6 Generally, how many hours/evening area lighting is on to conduct business. (i.e., keep store/shop open, or do handicraft, or etc.) _____ hrs/evening

9.7 Lighting to **do more work** in the evening
Code: [1] = Yes; [0] = No;

9.8 Lighting to **repair equipment/tools** used for production. Code:[1] = Yes; [0] =No

9.9 **To power tool or motor or machine refrigerator**
Code: [1] = Yes; [0] = No

9.14 TV/Video to entertain customers
[1] =Yes; [0] =No

9.15 Rice milling or Atta chakki
[1] = Yes; [0] = No

Section 10: Income

- 10.1 What was the household's **total non-agricultural** income over the past 12 months
- 10.2 What was your household's **total agricultural** income over the past 12 months

Section 11: Electrical appliance acquisition

Code: [1] = Cooker [2] = Black & White Television [3] = Fan
[4] = Washing Machine [5] = Radio [6] = iron
[7] = Electric heater for cooking [8] = Stereo [9] = Milling machine
[10] = Electric machinery and/or tools for productive purposes
[11] = Other specify,

Use the coding above for the following questions

Q11.1 **First Appliance Would Like to Acquire**

If electricity were to become available to the household use, in addition to lighting which of the above electric appliance would the household like to acquire for family/business as the **First Appliance**?

Q11.2 **Second Appliance Would Like to Acquire**

If electricity were to become available to the household use, in addition to lighting which of the above electric appliance would you the household like to acquired for the family/business as the **Second Appliance**?

Q11.3 **Third Appliance Would Like to Acquire**

If electricity were to become available to the household use, in addition to lighting which of the above electric appliance would the household like to acquire for the family/business as the Third Appliance?

Section: 12 Household Attitude Towards Electricity

The following coding to be used:

[1] =strongly agree; [2]=agree; [3] = no opinion
[4] = disagree; [5] = strongly disagree

- 12.1 It is true that electricity is the most convenient source of energy.
- 12.2 Electricity is very expensive fuel
- 12.3 Electricity will improve the family`s way of living.
- 12.4 Electricity is a very reliable source of energy for the family
- 12.5 Electricity is a clean source of energy for my family
- 12.6 Electricity can supply more lighting for my family
- 12.7 Electricity is cheaper than other fuels
- 12.8 Electricity is energy for the rich family
- 12.9 Electricity is dangerous
- 12.10 Electricity is the way of the future.
- 12.11 Electricity must be used sparingly.
- 12.12 Electricity is convenient to use.
- 12.13 Electricity is a luxury.
- 12.14 Electricity is affordable
- 12.15 Electricity improves security at night
- 12.16 Electricity is the key to have productive business _____
- 12.17 Electricity allows me to do more work in my business _____
- 12.18 Family is very happy with the source of energy that is being used for lighting _____

Section 13: Household desires to use electricity

13.1 Would the household like to have access to electricity, or would the household prefer to continue using the present energy sources?

(exclude energy for cooking)

[1] = Electricity

(If answer "ELECTRICITY" go to Q13.3

[0] = Prefer present energy sources

13.2 Please give reasons why the present energy sources is preferred?

[1] = Can't afford to pay for the costs associated
with connection and usage of electricity

[2] = Can't afford to buy electrical equipment

[3] = See no applications

[4] = Satisfied with present energy sources

[5] = Other, specify.....

13.3 Which of the following services household would like to have first, second and third? (enter the rank number (1, 2, or 3) you like to have first, second and third)

Rank

13.3a Clean water

13.3b Electricity

13.3c Irrigation

13.3d Road

Willing-to-Pay Questionnaire for Villagers

Questionnaire about the consumption and capacity of the consumer to pay for electric service

1 Village & Block	2 District.....
3 Name of consumer	
4 No. of persons living in the house	
5 Number of electric points in the house	
6 Number of electric points lit every evening	
7 Position / status of the person questioned (surveyed)	
8 What is the principal activity/occupation for the person	
i). Agriculture	
ii). Artisan's craft	
iii). Cottage industries	
iv). Commerce	
v). Cattle breeding	
vi). Professional	
vii). Other, specify	

11. Type of Construction

1	Housing	Of clay	Hard	Wooden	Metal roof	Thatch roof	Other, specify
2	Health center						
3	School						
4	Religious place						

12. Existing Lighting

	Plug	Petrol lamp	Pressure lamp	Storm lamp	Firewood	Others
Quantity						
Unit price						
Monthly cost						
Total expenditure						

Formulation of Business Plan - Sample

Name of Franchisee :

Franchisee Area :

For the year :

STEP - I

Assessment of category wise no. of consumers, connected load, maximum simultaneous demand, hours of usage and energy consumption in the area

Assessment of above parameters (category wise) by the prospective franchisee may be based on the survey to be conducted by him and the prevailing trends. The franchisee would also have to assess the increase/decrease of these parameters over the years considering the potential of the area.

Sr.No.	Category	No. of Connections	Connected Load per consumer	Total Connected Load	Maximum Simultaneous Demand	Hours of usage	Expected Sale of Energy per month	Sale of Energy per month per consumer	Total Sale of Energy per annum
			(KW)	(KW)	(KW)		(KWh)	(KWh)	(KWh)
1	2	3	4	5	6	7	8	9	10
1	Domestic	100	0.5	50	42	8	10000	100	120000
2	Commercial	10	0.5	5	4	8	1000	100	12000
3	Agriculture	20	3.66	73	61	8	14640	732	175680
4	Small Industries	5	5	25	21	8	5000	1000	60000
5	Others (Pl. specify)								
	Total	135		153	128		30640	227	367680

STEP - II**Assessment of category wise sale of energy, billing, revenue collection and input energy**

Assessment of above parameters (category wise) would be based on STEP-I above and also considering billing efficiency and collection efficiency. The franchisee would also have to assess the increase/decrease of these parameters over the years.

Sr.No.	Category	Total Sale of Energy per annum (col. 10 of (1))	Billing of energy sold considering billing efficiency @90%	Tariff (For end consumers)	Gross Revenue per annum	Collection Efficiency	Net Revenue per annum
		(KWh)	(KWh)	Rs./Kwh	(Rs)		(Rs)
1	2	3	4	5	6	7	8
1	Domestic	120000	108000	2	216000	90%	194400
2	Commercial	12000	10800	3	32400	90%	29160
3	Agriculture	175680	158112	1	158112	90%	142301
4	Small Industries	60000	54000	3.5	189000	90%	170100
5	Others (Pl. specify)						
	Total	367680	330912		595512		535961

(a) Aggregate T & D loss (In terms of % of sale of energy (Col.3 above) - 10%

(b) Required Energy input = Sale of energy + T&D loss (KWh) = 367680 + 36776.8 = 404448

STEP - III**Organisational structure and assessment of cost of O&M**

Based on manpower requirement for operations upto village level including Administration & Establishment, O & M of complete Distribution Network, Accounts & Audit, All commercial operations like billing, revenue collection etc., as the case may be depending upon the franchisee model adopted

Cost of O&M per month Rs. 5000

Cost of O&M per annum Rs. 60000

STEP - IV**Assessment of required capital investment, working capital, anticipated rate of return on investment**

Working Capital = Cost of O&M for two months Rs. 10000

Capital Investment (Security etc. to be provided to utility) = Anticipated Revenue Realisation per Month = Rs. 44663

Cost of Capital investment and working capital = Interest @9% on capital investment plus required working capital-Rs. 4920

Rate of return = 10%

STEP - V**Computation of BST for sustainable operation**

1.	Net Revenue Collection by Franchisee		535961
2.	Total expenses		
	Cost of O & M		60000
	Cost of Capital investment and working capital		4920
3.	Anticipated return on Investment	@10%	4466
4.	Net available revenue after deducting expenses and return (1-2-3)		466575
5.	Total estimated energy Input		404448
6.	Estimated bulk supply tariff (BST) = (Net available revenue as at Sr. 4 / energy input as at Sr. 5)		1.15

DRAFT FRANCHISE AGREEMENT FORMAT

This AGREEMENT entered into on this ____ day of _____ Two Thousand Six **Between** _____ having its registered office at _____ (herein after referred to as **Utility** which expression shall unless repugnant to the context or meaning thereof include its successors and permitted assigns) as party of the **First part,**

And

_____ having its registered office at _____ (herein after referred to as **Franchisee** which expression shall unless repugnant to the context or meaning thereof include its successors and permitted assigns) as party of the **Second part.**

Whereas the first party agrees that the second party may purchase and sell electricity to the ultimate consumers and also operate & maintain the electricity distribution system in a specified area within the jurisdiction of the first party, and,

Whereas the second party agrees to the above proposition of the first party.

NOW, THEREFORE, IN VIEW OF THE FOREGOING PREMISES AND IN CONSIDERATION OF THE MUTUAL COVENANTS AND CONDITIONS HEREIN SET- FORTH, BOTH PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITION OF TERMS

For the purpose of this Franchise Agreement, and all Exhibits attached hereto, the following terms, phrases, and their derivations shall have the meanings given below unless the context clearly mandates a different interpretation. Where the context so indicates, the present tense shall imply the future tense, words in plural include the singular, and words in the singular include the plural. The word "shall" is always mandatory and not merely directory. The definitions are applicable regardless of whether the term is capitalized.

- 1.1 "Annual Accounts" means the accounts of the Franchised business prepared by the Franchisee in the manner as may be prescribed by the utility.
- 1.2 "Bulk Supply" means the supply of electricity for resale thereof by the Franchisee.
- 1.3 "Consumer" means any person who is supplied with electricity for his own use by the Franchisee or the State Government / State Utility or by any other person engaged in the business of supplying electricity to the public for the time being in force and includes any person whose premises are for the time being connected for the purpose of receiving electricity.
- 1.4 "Complaint" means any written or electronic correspondence expressing dissatisfaction with the products, services, or customer service of the Franchisee.
- 1.5 "Distribution" means the supply and conveyance of electricity by means of distribution system.
- 1.6 "Distribution system" means the system of wires and associated facilities, which facilitates connection to the point of connection of the installation of the consumer.
- 1.7 "Distribution system operating standards" means the standards related to the franchisee operation of its distribution system as provided by the Utility to the Franchisee.
- 1.8 "Document" or "Records" means written or graphic materials, however produced or reproduced, or any other tangible permanent record, including records maintained by computer or other electronic or digital means, maintained by the Franchisee in the ordinary course of conducting its business.

- 1.9 "Electricity Access" means provision of adequate infrastructure that is created by the Utility for extending connections to consumers on demand, on payment of connection charges by the consumers at the rate prescribed by the Franchisee.
- 1.10 "Franchise" means the right granted by the Utility to operate and maintain the distribution system within the franchise area as embodied in this agreement for providing power supply to the consumers within the franchise area.
- 1.11 "Franchise Agreement" or "Agreement" means this contract and any amendments, exhibits or appendices hereto.
- 1.12 "Franchise Area" means the geographic area referred to in this Agreement within which any activity is allowed to the Franchisee by the Utility under this Agreement. The extent of the franchisee area shall be assigned in accordance with the relevant provisions of "Guidelines for Franchisee Development".
- 1.13 "Franchisee" means the entity authorized by the Utility to carry out franchised business within the franchise area.
- 1.14 "Franchised Business" means the Authorized business of the Franchisee for distribution of electricity in the franchise area or to any consumer or any class of consumers in an area other than the franchise area, if so authorized by the Utility by special or general permission.
- 1.15 "Gross Revenues" means all revenue derived directly or indirectly by the Franchisee.
- 1.16 "Electricity Act 2003" means application of its provisions and amendments if any thereto and /or Rules, Guidelines, Circulars, Instructions issued there under by the Government of India/ State Government.
- 1.17 "Major Incident" means an incident associated with the Distribution and Retail Supply of electricity in the Franchise Area which results in a significant interruption of service, substantial damage to equipment, or loss of life or

significant injury to human beings and shall include any other incident which the Utility expressly declares to be a major incident.

- 1.18 "Normal operating conditions" means service conditions within the control of the Franchisee. Those conditions that are not within the control of the Franchisee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions as detailed under Section 11.3.
- 1.19 "Public Rights-of-Way" means the surface, the air space above the surface, and the area below the surface of any public street, highway, lane, path, alley, sidewalk, bridge, tunnel, parkway, waterway, easement, or similar property within the franchise area, which, consistent with the purposes for which it was dedicated, may be used for the purpose of installing and maintaining the System. No reference herein to a "Public Right-of-Way" shall be deemed to be a representation or guarantee by the Utility that its interest or other right to control the use of such property is sufficient to permit its use for such purposes, and Franchisee shall be deemed to gain only those rights to use as are properly in the Utility and as the Utility may have the right and power to give.
- 1.20 "System Outage" means a electricity supply Interruption.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise

Subject to the terms and conditions of this Agreement and the Electricity Act, 2003, the Utility with the consent of the State Government (name of the state government) hereby agrees that the Franchisee may purchase and sell electricity to the ultimate consumers and also operate and maintain the electricity distribution system within the franchise area, for the purpose of providing power to the electricity consumers. For providing power to the consumers within the franchise area, this Franchise shall not grant the ownership of the infrastructure, which is provided by the Utility to facilitate the

intended franchise business. The Franchisee shall operate as an agency and in no case shall be treated as a "Licensee".

2.2 Use of Infrastructure and its ownership

The Franchisee shall be permitted to use the existing electricity infrastructure of the Utility in the geographical area assigned to it for the desired operation with the permission of the State Government and the Utility and shall not be the owner of the electricity infrastructure within the franchise area not created by it through its own resources in the course of its operation.

2.3 Duration of Franchise

The term of this Franchise, and all rights, privileges, obligations, and restrictions pertaining thereto, shall be three (3) years from the effective date of this Franchise, unless the Franchise is earlier revoked or its term shortened as provided herein.

2.4 Renewal of Franchise

At the instance of the Franchisee, Utility may consider to renew the duration for such further period or periods and on such terms and conditions as may be considered appropriate by the Utility, provided the Franchisee applies formally in writing for renewal of Franchise six months prior to the expiry of the Franchise. The Utility may at its discretion condone any delay in such application.

2.5 Effective Date

The Effective Date of this Franchise shall be (indicate date), subject to approval by the Utility (with the concurrence of the State Government) and its acceptance by the Franchisee, provided that if the Franchisee fails to accept the Franchise in writing within thirty (30) days following the communication of written approval by the Utility in this regard, it shall be deemed void.

2.6 Purchase of Power from the Utility

In the event, operations of Franchisee involves purchase of electricity from the Utility by the Franchisee, the price of the electricity (BST – in accordance with the provisions under para 9 of the Office Memorandum No.44/19/2004-D(RE) dated 18th March, 2005 on the subject, Rajiv Gandhi Grameen Vidyutikaran Yojana – Scheme of Rural Electricity Infrastructure and Household Electrification, issued by MOP, GOI) and also modalities for payment of the same, as applicable for BST, shall be embodied under a separate supplementary agreement and such separate agreement shall be part and parcel of this Agreement, unless indicated otherwise in the separate agreement.

2.7 Effect of Acceptance

By accepting the Franchise and executing this Franchise Agreement, the Franchisee:

- (A) accepts and agrees to comply with each applicable provision of this Agreement and, subject to relevant provisions of the Electricity Act, 2003;
- (B) agrees that it would not oppose intervention by the Utility in the interest of effective power supply system in the franchise area.

2.8 Directions

The Franchisee shall comply with the Regulations, Orders and Directions issued by the Utility from time to time and shall also act, at all times, in accordance with the terms and conditions of this Agreement, except where the Franchisee obtains the prior written approval of the Utility for any deviation therefrom.

- 2.9 It is the intent of both the parties that each party shall enjoy all rights and be subject to all obligations of this Franchise Agreement for the entire term of the Franchise and to the extent any provisions have continuing effect, after its expiration.

3. ACTIVITIES OF THE FRANCHISEE

3.1 The Franchisee shall not, without the general or special approval of the Utility:

- (a) purchase or otherwise acquire electricity for distribution except in accordance with this Agreement and on the tariffs and terms and conditions as may be approved by the Utility; or
- (b) undertake any transaction to acquire, by purchase or takeover or otherwise, the utility of any other Supplier; or
- (c) merge with any other entity; or
- (d) transfer – by sale, lease, exchange or otherwise – the infrastructure assets of the Utility, either in whole or any part thereof; or
- (e) enter into any agreement or arrangement with any other person to get any part of the franchised business undertaken (with the exception of Co-operative),

Provided that any such agreement or arrangement shall be subject to the terms and conditions of this Agreement including such other terms and conditions that may be imposed by the Utility ;

Further provided that the Franchisee shall continue to have the overall responsibility for the due performance, by such other person and a breach of any of the terms and conditions of this Agreement by such other person shall be deemed to be a breach by the Franchisee.

3.2 Within the existing provisions of Electricity Act, 2003, the Franchisee, with the concurrence of the Utility, may generate electricity for distribution to facilitate quality and reliable power supply within the franchise area.

3.3 The Franchisee, with prior concurrence of the Utility / State Government, may engage in any other business within the franchise area, provided the same is intended to provide amenities like Cable TV, Internet etc., subject to approval /license as may be required from the relevant authority under the applicable laws, to the rural areas so as to produce synergy for initiating economic

activities with effective reduction in the cost of such services to make the services affordable to the rural electricity consumers provided:

- (A) that the franchised business and the conduct thereof by the Franchisee is not prejudiced and / or adversely affected in any manner;
- (B) that the Franchisee shall maintain separate accounts for each such business undertaking and ensure that franchised business neither subsidizes in any way such business undertaking nor encumbers its assets in any way to support such business;
- (C) that the Franchisee shall always comply with the guidelines that the Utility may specify in this regard.

4. TECHNICAL CONDITIONS

4.1 Power Procurement Procedure

The Franchisee shall in all circumstances purchase electrical energy at the Bulk Supply Tariff (BST) as determined by the Utility with the concurrence of the State Government / State Electricity Regulatory Commission (SERC) and at the location as may be mutually agreed upon between the Utility and Franchisee.

4.2 Load Forecast

The Franchisee shall on an annual basis:

- (A) forecast the demand for electricity within the Area of Supply in each of the succeeding three years;
- (B) prepare and submit such forecasts to the Utility / SERC in accordance with the guidelines issued by the SERC from time to time and also suggest plan to meet the demand growth of the franchise area.

4.3 Compliance with Standards

- (A) The Franchisee shall take all reasonable steps to ensure that all Consumers within the franchise area receive a safe, economical and reliable supply of electricity as defined in the Standards specified by the concerned SERC.
- (B) The Franchisee shall plan and operate the Distribution System to ensure that, subject to the availability of adequate power of appropriate quality, the Distribution System is capable of providing Consumers with a safe, reliable and efficient Supply of electricity.
- (C) The State Government and State Power Utility shall undertake that adequate arrangements for supply of electricity shall be by them and there shall not be any discrimination in the hours of supply of in the franchise area (also amongst the different franchise areas under the same Utility) and in the areas served by the Utility itself, keeping in view of the relevant provisions of the Government of India's "Rajiv Gandhi Grameen Vidyutikaran Yojana" – Scheme for Rural Electricity Infrastructure & Household Electrification".

4.4 Security Standards, Distribution System Operating Standards, Overall Performance Standards

- (A) The Franchisee shall comply with the same practices which had been followed by the utility with such modifications as may be permitted by the Utility with regard to Security Standards and Distribution System Operating Standards until the Security Standards and Distribution System Operating Standards proposed by the Franchisee are approved by the Utility.
- (B) If the Franchisee fails to meet the Standards specified by the Utility, without prejudice to any penalty that may be imposed or prosecution initiated, the Franchisee shall be liable to pay such compensation to the person affected as may be determined by the Utility, after allowing the Franchisee a reasonable opportunity of being heard.

- (C) The Franchisee shall, within 3 months of the end of each financial year, submit to the Utility a report indicating the performance of the Franchisee's distribution system during the previous financial year with reference to the Standards specified by the Utility, as also the number of cases in which compensation was awarded and the aggregate amount of such compensation. The Franchisee shall, if required by the Utility, publish a summary of the report in a manner approved by the Utility.
- (D) The Franchisee shall conduct its franchised business in the manner which it considers to be best calculated to achieve the Overall Performance Standards in connection with provision of Supply services and the promotion of the efficient use of electricity by Consumers, as may be prescribed by the Utility pursuant to the Electricity Act, 2003.

4.5 Consumer Service

(A) Electricity Supply Code

The Franchisee shall

- (i) comply with the Electricity Supply Code as approved by the relevant SERC.
- (ii) bring to the notice of the Consumers the existence of the Supply Code (and conditions of supply), including its substantive revision and their right to inspect or obtain a copy in its latest form;
- (iii) make available a copy of the Code (and conditions of supply) revised from time to time, for inspection by the public during normal working hours; and
- (iv) provide free of charge a copy of the Code (and conditions of supply) as revised from time to time to each new Consumer and to any other person who requests it at a price not exceeding the cost of duplicating it.

(B) Consumer Complaint Handling Procedure

The Franchisee shall comply with the Complaint Handling Procedure approved by the Utility / SERC. The Franchisee shall:

- (i) make available, on demand, a copy of the Complaint Handling Procedure, revised from time to time, for inspection by the public at each of the relevant premises during normal working hours; and
- (ii) provide free of charge a copy of the Procedure revised from time to time to each new Consumer, and to any other person who requests for it at a price not exceeding the cost of duplicating it.

(C) Consumer's Right to Information

The Franchisee, on request of the consumer, to the extent that is reasonably available to the Franchisee, shall provide:

- (i) information on all services provided by the Franchisee including information on the charges, which may be available to the consumers
- (ii) information on meter readings for the electricity services provided to the consumer premises by the Franchisee ; and
- (iii) information on the status of the consumer's account with the Franchisee;

(D) Consumer Rights-Discrimination Prohibited

- (i) Franchisee shall comply at all times with all applicable laws, rules, and regulations, including the terms of the Franchise relating to non-discrimination except as provided under the relevant guidelines of the Ministry of Power, Government of India for implementation of "Rajiv Gandhi Grameen Vidyutikaran Yojana".

- (ii) All Franchisee rates and charges shall be published and non-discriminatory. Except as provided above, Franchisee shall establish similar rates and charges for all Consumers receiving similar services, regardless of race, colour, religion, age, sex, marital or economic status, sexual orientation and creed.

4.6 Provision Of Information To The Utility

- (A) The Franchisee shall furnish to the Utility without any delay such information, documents and details related to the Agreement Business or any Other Business of the Franchisee, as the Utility may require for its own purposes.
- (B) The Utility may, at anytime during the subsistence of this Agreement, authorize any Person(s) to inspect, verify and audit the performance, records and accounts of the Franchisee and the Franchisee shall be obliged to extend all cooperation, assistance and facilities, as may be required, to such authorized Person(s).
- (C) The Franchisee shall notify the Utility of any Major Incident affecting any part of the Distribution System that has occurred and shall at the earliest possible and in any event, by no later than 15 days or such period as may be extended by the Utility from the date of such Major Incident. The Franchisee shall also submit a report to the Utility giving full details of the facts within the knowledge of the Franchisee regarding the incident and its cause.
- (D) The decision of the Utility as to what is a Major Incident shall be final.
- (E) The Utility at its own discretion may require the submission of a report on any incident or incidents to be prepared by an independent Person at the expense of the Franchisee to be included as an expense in the determination of aggregate revenues made in accordance with Section 5 of this Agreement.

4.7 Obligation To Connect Consumers

(A) Subject to the other provisions of this Agreement, the Franchisee shall have the following obligations:

(i) Subject to the provisions of Electricity Act, 2003, the Franchisee shall, on the application of the owner or occupier of any premises within the franchise area, give supply of electricity to such premises within one month of the Application requiring such supply.

(ii) It shall be the duty of the Franchisee to provide, if required, requisite accessories or electric plant or electric line for giving electric supply to the premises specified in sub-clause (i) above,

Provided that no person shall be entitled to demand, or to continue to receive, from the Franchisee a supply of electricity unless he has agreed to pay to the Franchisee such price as may be determined by the Utility for the portion beyond the point of electricity access as defined under Section 1.9, except for the connections to the Below Poverty Line (BPL) households, which shall be effected free of cost as per prescribed norms.

(iii) Subject to the provisions of the Electricity Act, 2003 and such conditions as may be specified by the Utility under section 4.5 of this Agreement, the Franchisee may refuse to supply, or may disconnect the supply of electricity to any premises.

4.8 Obligation To Supply And Power Supply Planning Standards

(A) The Franchisee shall take all necessary steps to ensure that all Consumers connected to the Franchisee's Distribution System receive a safe, economical and reliable Supply of electricity as provided in the performance standards referred to in this Agreement, the Consumer Rights Statement and the Complaint Handling Procedures, except where:

- (i) the Franchisee discontinues Supply to certain Consumers under the relevant provisions of the Electricity Laws for the reason of neglect or refusal to pay the charges due from the Consumer to the Franchisee or in accordance with the Regulations contemplated under Section 4.5; or
 - (ii) the Franchisee regulates the Supply to Consumers as may be directed by the Utility.

- (B) The Franchisee shall submit, within 120 days of this Agreement becoming effective, a detailed survey plan of the franchise area clearly indicating:
 - (i) Electrified Area, involving all electrified villages with their habitations/hamlets,
 - (ii) Partially Electrified Area, involving all electrified and un-electrified villages with their habitations/hamlets,
 - (iii) Un-Electrified Area, involving all un-electrified villages with their habitations/hamlets,

- (C) Any deviation in this regard, from the information submitted by the Utility as required under Section 12 of this Agreement, shall be pointed out by the Franchisee within 15 days after submission of the survey plan.

5. TARIFF AND EXPECTED REVENUE REALIZATION CALCULATION

5.1 Tariff

The Franchisee shall establish a tariff acceptable to the consumers of franchise area and also in accordance with the options for tariff fixation described in the franchisee guidelines and / or determined by the Utility with the concurrence of the State Government within the overall provisions of the office Memorandum No.44/19/2004-D(RE) dated 18th March, 2005 issued by Ministry of Power for implementation of the scheme “Rajiv Gandhi Grameen Vidyutikaran Yojana”.

5.2 Expected Revenue Realization Calculation

In each financial year, not later than 30th November, the Franchisee shall prepare and submit to the Utility its business plan (in accordance with the Guidelines for Franchisee Development) for the succeeding financial year.

5.3 Provision of Subsidy

The Franchisee shall not receive or give any subsidy or subvention to any person or from any other business of the Franchisee (if permitted under this Agreement).

5.4 Powers Of The Franchisee For Revenue Realization, Meter Tampering etc.

Subject to the provision of the Electricity Laws and the Rules framed there under and the applicable Regulations, the Franchisee shall have the power and authority, on behalf of the Utility, to take appropriate actions for :

- (i) Metering at the point of supply of electricity;
- (ii) Revenue realization;
- (iii) Prosecution for theft – of power; equipment or appliance;
- (iv) Prevention of meter tampering;
- (v) Prevention of diversion of electricity, and
- (vi) Prevention of the unauthorized use of electricity;
- (vii) Damage to public property; and
- (viii) All such similar matters affecting electricity distribution.

6. INDEMNIFICATION, INSURANCE & SECURITY

6.1 Indemnification (to be applicable for Franchisee assigned with the responsibility of O&M distribution system).

Franchisee shall indemnify, defend and hold the Utility, its officers, agents and employees, harmless from any claim for injury, damage, loss, liability, cost or expense arising in whole or in part from, incident to or connected with any act or omission of the Franchisee, including without limitation any construction, excavation, operation, maintenance, reconstruction or any other act done under this Franchise, by or for Franchisee or their employees, and including any neglect or omission of Franchisee to keep its system in a safe condition.

6.2 Insurance

- (A) The Franchisee shall maintain in full force and effect, at its own cost and expense, during the term of the Franchise, the insurance for the value as may be indicated by the Utility based on the depreciated cost of the electrical infrastructure in accordance with Section 12.4 (schedule-2) of this Agreement.
- (B) Such insurance shall be non-cancelable except upon thirty (30) days prior written notice to the Utility. If the insurance is canceled or materially altered so as to be out of compliance with the requirements of this section within the term of this Franchise, Franchisee shall provide a replacement policy. Franchisee shall maintain continuous uninterrupted insurance coverage, in at least the amounts required, for the duration of this Franchise.

6.3 Security

The duration of the security may be for the full “period” of Franchise or may be annual with the provision for its renewal / revalidation with the concurrence of the Utility.

- (A) Electrified Area: The Franchisee shall furnish to the Utility a security in the form of Bank Guarantee or any other guarantee legally and financially acceptable to the Utility or a combination of the two for an amount of _____. The amount should be equal to at least one month’s revenue realization - averaged over a period of preceding six months collection - from all the existing consumers of the franchise area as collected by the Utility.
- (B) Un-electrified Area: The security shall be based on the revenue projections as indicated in the business plan of the Franchisee computed on monthly basis over the franchise period of three years.

- (C) Combination of Electrified and Un-electrified Areas: For the security purposes, the total amount shall be computed considering aggregation of the monthly revenue realization / projections arrived at by following the procedure as indicated in (A) and (B) above.

7. **AUDIT AND ACCOUNTS**

7.1 Audit

The Utility reserves the right to conduct audits relating to matters arising under this Franchise or to retain an independent Certified Public Accountant to conduct such audits, in accordance with generally accepted accounting principles. In the event an audit results in a determination that Franchisee has underpaid any amount to the Utility in accordance with the agreement, Franchisee shall pay the underpaid amount and vice-versa.

7.2 Accounts

- (A) The financial year of the Franchisee shall run from the first of April to the following thirty-first of March.
- (B) The Franchisee shall, in respect of the Franchised Business:
- (i) keep such accounting records as would be required to be kept in respect of each such business so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to the Franchised Business are separately identifiable in the books of the Franchisee, from those of Other Business in which the Franchisee may be engaged;
 - (ii) prepare on a consistent basis from such accounting records and deliver to the Utility:
 - (a) the Accounting Statements;
 - (b) in respect of the first six months of each financial year, an interim un-audited profit and loss account, cash flow statement, funds flow statement and provisional balance sheet;

- (c) in respect of the Accounting Statements prepared in accordance with this Section, an Auditor's report for each financial year stating whether in their opinion, these statements have been properly prepared in accordance with this Section and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to such businesses to which the statements relate; and
 - (d) a copy of each interim un-audited profit and loss account not later than three months after the end of the period to which it relates, and copies of the Accounting Statements and Auditor's report not later than nine months after the end of the financial year to which they relate.
- (C) Accounting Statements under Section 7.2(B) shall be prepared in accordance with generally accepted Indian accounting standards and / or as may be prescribed by the Utility.
- (D) References in this Section to costs or liabilities of, or reasonably attributable to the franchised business shall be construed as excluding taxation, and capital liabilities which do not relate principally to such business and interest thereon.
- (E) The Utility may, from such time it considers appropriate, require the Franchisee to comply with the provisions of this Section 7.2(A) to 7.2(D) above treating the distribution business of the Franchisee as separate and distinct businesses.
- (F) Notwithstanding anything contained in this Section, whenever deemed fit, the Utility may require the submission of a report prepared by an independent Auditor at the expense of the Franchisee to be included as an expense in the determination of aggregate revenues made in accordance with Section 5 of this Agreement.

8. **RECORDS**

Franchisee shall maintain Records of its operations that are open and accessible to the Utility. The Utility shall have the right to inspect such Records of the Franchisee as are reasonably necessary.

9. **REMEDIES FOR NON-COMPLIANCE**

9.1 Termination.

(A) In the event of a material breach of this Franchise by the Franchisee, the Utility may, without limitation, exercise all rights and remedies provided for herein or otherwise available under the law, including termination of the Franchise. Without limitation, the following shall constitute material breaches of this Franchise:

- (i) The Franchisee's failure or refusal to pay any required amount payable to the Utility.
- (ii) Gross failure by Franchisee to provide required services desired under this agreement. For such purpose, the decision of the State Government shall be final.
- (iii) Failure to indemnify the Utility and hold it harmless as required under Section 6.

(B) In the event the Utility intends to terminate this Franchise pursuant to the previous subsection, the Utility shall provide a written notice to cure, identifying the nature of the breach with reasonable specificity, and advising Franchisee of the Utility's intent to terminate the Franchise.

(C) Any termination of this Franchise shall be by a written order issued by the Utility; provided, however, before any such recourse is adopted, the Franchisee must be provided an opportunity to be heard by the Utility

and the State Government regarding such proposed action before any such action is taken.

10. RIGHTS-OF-WAY

10.1 Restoration of Property.

Whenever Franchisee disturbs the surface of any Public Right-of -Way for any purpose, the Franchisee shall be responsible for restoration of such Public Right- of-Way and its surface within the area affected or otherwise damaged to at least a comparable or better condition as it was in prior to its disturbance by Franchisee. Such restoration shall be undertaken as quickly as possible at the Franchisee's own cost.

10.2 Maintenance and Workmanship

(A) The Franchisee shall carry out its operations as also maintenance of the infrastructure (if covered under its obligations) in such manner so as not to interfere with other public property or relevant public agencies and in accordance with the procedures of the Utility.

(B) Franchisee shall also carry out its operations in the manner so as to prevent injury to any person within the Utility. All safety practices required by law shall be used during the operations of the Franchisee.

11. OTHER PROVISIONS

11.1 Compliance With Laws

Subject to Section 2.9, the Franchisee shall comply with all applicable central / state laws and abide by the rules and regulations adopted or established pursuant to the Utility's lawful authority.

11.2 Dispute Resolution

- (A) Any dispute between the Franchisee and the Utility arising out of / or in connection with this Agreement shall be first tried to be settled through mutual negotiation.
- (B) In the event of such differences or disputes between the Franchisee and the Utility not settled through mutual negotiations within thirty days of such dispute, the matter shall be referred individually (or jointly) to the State Government for a decision.
- (C) The Franchisee and the Utility shall undertake to carry out any decision relating to such dispute without delay.

11.3 Force Majeure

Neither party shall be responsible or liable for or deemed in breach hereof because of any delay or failure in the performance of its obligations hereunder (except for obligations to pay money due prior to occurrence of force majeure events under this Agreement) or failure to meet milestone dates due to any event or circumstance (a force majeure event) beyond the reasonable control of the party experiencing such delay or failure, including the occurrence of the following:

- (a) Acts of God;
- (b) Typhoons, floods, lightening, cyclones, Hurricanes, draught, famine, epidemic, or other natural calamities;
- (c) Acts of war or Civil unrest;
- (d) Any requirement, action or omission to act pursuant to any judgment or order of any court or judicial authority;
- (e) Earthquakes, explosions.

11.4 Terms As To Suspension And Revocation

It is a condition of this Agreement that the Franchisee shall comply with all the Regulations, codes and standards and also orders and directions of the Utility. When the Utility expressly states that an order subjects the Franchisee to such compliance, failure to comply with that order will render this Agreement liable to revocation without prejudice to the Utility's right to revoke this Agreement on any other applicable grounds.

11.5 Severability

If any Section, provision or clause of this Franchise is held by a court of competent jurisdiction to be invalid or unenforceable, or is pre-empted by central or state laws or regulations, the remainder of this Franchise shall not be affected, except as is otherwise provided in this Franchise.

11.6 Training to be provided by the Utility

- (A) The Utility shall create a cell in the organization for the development of the franchisee concept, which shall be a step towards providing a sustainable system for supplying power to rural areas of the country.
- (B) The Utility shall make all necessary arrangements so as to ensure creation of proper awareness and appropriate training facilities for the personnel to be deployed by the Franchisee for its operations, especially on the following aspects, amongst others;
 - (i) Technical Standards with O & M manuals,
 - (ii) Safety standards and Electricity Literacy,
 - (iii) Accounting Procedures.

12. DOCUMENTS TO BE PROVIDED BY THE UTILITY TO FRANCHISEE

12.1 Security Standards

12.2 Distribution System Operating Standards

12.3 Guidelines for Accounting Procedure

12.4 Utility shall also provide the details of the franchisee area and the existing status of electrical infrastructure within the franchise area as per Schedule-1 and Schedule-2, which shall form part and parcel of this Agreement.

(A) Schedule 1

Detail description of the franchise area, indicating village-wise list of different category of existing consumers with name of the concerned Panchayat Institution(s).

(B) Schedule 2

Detail description of the existing infrastructure of the Utility located in the franchise area with geographical map and existing electrical network inlaid, quantities and depreciated cost, which the Franchisee has been authorised to operate for carrying out the franchised business.
