



PUBLIC UTILITIES COMMISSION OF SRI LANKA

Electricity Transmission and Bulk Supply Licence

Granted to
Ceylon Electricity Board

Licence No: [.....]

8th October 2009

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PART I TERMS OF THE LICENCE

1. Grant of the Licence

The Public Utilities Commission of Sri Lanka (hereinafter referred to as the "**Commission**"), in exercise of the powers conferred by Section 13(1)(c)(i)(b) of the Sri Lanka Electricity Act, No. 20 of 2009 (hereinafter referred to as the "**Act**") hereby grants to the **Ceylon Electricity Board** a statutory body established under the Ceylon Electricity Board Act, No. 17 of 1969 (as amended) and having its registered office at No. 50, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 (hereinafter referred to as the "**Licensee**") a licence to transmit electricity and to procure and sell electricity in bulk during the period specified in Term 4 (hereinafter referred to as the "**Licence**"), subject to the Conditions (hereinafter referred to as the "**Conditions**") set out in Part II.

2. Modifications of the Licence

The Terms and Conditions of this Licence are subject to Modification in accordance with the Terms and Conditions contained herein or with Sections 32 or 33 of the Act.

3. Approvals

The Licensee shall obtain all the approvals required under applicable Laws, Regulations and Rules necessary to carry out the Licensed Business.

4. Term of the Licence

The Licence hereby granted shall come into force on **8th October 2009** and, unless surrendered in accordance with the provisions of Term 5 and 6 below, shall continue in full force and effect for a period of **fifteen (15) years**.

5. Revocation of the Licence

This Licence shall be revoked by the Commission in accordance with Section 20 of the Act and Condition 14 of this Licence.

6. Surrender of the Licence

This Licence may be surrendered by the Licensee with the written consent of the Commission.

7. Extension of the Licence

On or before the fourteenth (14th) anniversary of the date on which this Licence comes into force, the Licensee shall apply for an extension of this Licence in accordance with Chapter III

Part I of the Act, and such extension shall be issued subject to conditions determined by the Commission.

Sealed with the common seal of the Public Utilities Commission of Sri Lanka on 2009.

Member of Commission

Member of Commission

PART II GENERAL CONDITIONS OF THE LICENCE

Condition 1: Interpretation and construction

1. Unless the contrary intention appears:
 - (a) words and expressions used in the Conditions or the Schedule shall be construed as if they were in an enactment and the Interpretation Acts applied to them; and
 - (b) references to an enactment shall include primary and subordinate legislation and, in both cases, any Modification or re-enactment thereof after the date when this Licence comes into force.
2. Any word or expression defined in the Act for the purposes of any provision of the Act shall, unless the contrary intention appears, have the same meaning when used in the Conditions or in the Schedule.
3. In the Conditions and in the Schedule, unless otherwise specified or the context otherwise requires:

"Affiliate" in relation to the Licensee, means any Holding Company of the Licensee or any Subsidiary of the Licensee or any Subsidiary of a Holding Company of the Licensee, in each case within the meaning of the Companies Act, No 7 of 2007;

"Ancillary Services" means definition to correspond with that in Power Purchase Agreements;

"Approved" for the purposes of Conditions 5, 21, 25, 28, 29 and 30 means approved by the Commission in accordance with Section 3(1)(c) of the Act, and **"Approval"** shall have a corresponding meaning;

"Bulk Supply and Operations Business" means the Licensed Business of the Licensee as:

- (i) the single buyer of electricity generated by generation licensees;
- (ii) the supplier of electricity in bulk to Distribution Licensees for re-sale and to Bulk Supply Consumers; and
- (iii) the system operator in respect of the

Transmission System;

"Bulk Supply Consumers"	mean those consumers whose premises are connected to the Transmission System, as identified in the Schedule and which may be amended by the Licensee with the approval of the Commission from time to time;
"Distribution Licensee"	means a person licensed to distribute and supply, or distribute or supply, electricity under Section 13(1)(c)(i)(c) of the Act;
"Distribution System"	means all electric lines of a Distribution Licensee within that Distribution Licensee's authorised area (excepting lines forming part of the Transmission System and the distribution systems of other Distribution Licensees) and any other electric lines which the Distribution Licensee may, with the approval of the Commission, specify as being part of the Distribution Licensee's distribution system, and includes any electric plant, meters, transformers and switchgear of the Distribution Licensee and which is used for conveying electricity to premises;
"Electricity Undertaking"	means any person engaged in the generation, transmission, distribution or supply of electricity;
"Extra High Voltage"	means a voltage equal to or higher than 132kV;
"Financial Year"	has the meaning given to it in paragraph 1 of Condition 8;
"Generation Plant"	means any plant or apparatus used for the production of electricity;
"Generator"	means a person authorised by a licence or an exemption to generate electricity under the Act;
"Holding Company"	means a holding company within the meaning of the Companies Act, No 7 of 2007;
"Licensed Business"	means the Transmission Business and the Bulk Supply and Operations Business, taken together;

"Modification"	includes addition, omission, amendment and substitution, and cognate expressions shall be construed accordingly;
"Power Purchase Agreement"	means a contract for the provision of the whole or any part of the available capacity and/or the sale or other disposal of the whole or any part of the output of a generation unit or combination of generation units;
"PUCSL Act"	means the Public Utilities Commission of Sri Lanka Act, No. 35 of 2002;
"Related Undertaking"	means any related undertaking within the meaning of the Companies Act, No. 7 of 2007;
"Representation"	includes any objection or any other proposal made in writing;
"Subsidiary"	has the meaning given in the Companies Act, No. 7 of 2007, and "Subsidiaries" shall be defined accordingly;
"Transmission Business"	means the Licensed Business of the Licensee as owner of the Transmission System, including the planning, development, construction and maintenance of the Transmission System or any refurbishment or augmentation thereof, but excluding all system operation functions; and
"Transmission System"	means the system which is owned and operated by the Licensee and which consists (wholly or mainly) of Extra High Voltage electric lines and electric plant and which is used for conveying electricity from a Generation Plant to a substation, from one Generation Plant to another or from one substation to another, including all Extra High Voltage electric lines which are used to convey electricity to the premises of Bulk Supply Consumers (but shall not include any such lines which form part of any Distribution System).

4. Unless otherwise specified:
 - (a) any reference to a numbered Condition is a reference to the Condition bearing that number in this Licence;
 - (b) any reference to a numbered paragraph is a reference to the paragraph bearing that number in the Condition or Schedule in which the reference occurs; and
 - (c) (without prejudice to any provision which restricts such variation, supplement or replacement) any reference to any agreement, licence (other than this Licence), code or other instrument shall include a reference to such agreement, licence, code or other instrument as varied, supplemented or replaced from time to time.
5. The heading or title of any Part, Condition, Schedule or paragraph shall not affect the construction thereof.
6. Where any obligation of the Licensee is expressed to require performance within a specified time limit, that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform within the time limit).
7. If there is any inconsistency between this Licence and the Act, the Act shall prevail to the extent of any such inconsistency. Conditions set out in the Act shall form integral part of the Licence in addition to Conditions set out herein.

Condition 2: Authorised Business Activities

1. The Licensee shall conduct the Licensed Business, other businesses for which the Commission has issued licences and may, subject to approval by the Commission and conditions which may be imposed by the Commission in granting such approval, conduct business activities that:
 - (a) use an existing competency of the Licensee; and
 - (b) are compatible and integrate with the Licensed Business.
2. Other than the Licensed Business, other businesses for which the Commission has issued licences and the business activities which have been approved by the Commission pursuant to paragraph 1, the Licensee:
 - (a) shall not engage directly or indirectly in any other business activities or voluntarily commit to any liability in relation to such other business activities; and

- (b) shall procure that each of its Subsidiaries and Related Undertakings do not engage directly or indirectly in any other business activities or voluntarily commit to any liability in relation to such business activities.
3. This Condition shall not prevent the Licensee from engaging in any business, undertaking or activity:
- (a) that is essential to the conduct of the Licensed Business or other businesses for which the Commission has issued licences or a business approved by the Commission pursuant to paragraph 1; or
 - (b) that was already conducted by the Licensee before the date on which this Licence comes into force.
4. The Commission may, upon application by the Licensee, relieve the Licensee from its obligations under this Condition in relation to any particular case to such extent and subject to such terms and conditions as the Commission may specify in writing.

Condition 3: Provision of Information to the Commission

- 1. The Licensee shall furnish to the Commission, in such manner and at such times as the Commission may require, such Information and shall procure and furnish to it such reports as the Commission may consider necessary in the light of the Conditions or as it may require for the purpose of performing the functions assigned or transferred to it by or under the Act or the PUCSL Act.
- 2. Without prejudice to the generality of paragraph 1, the Commission may call for the furnishing of accounting Information which is more extensive than, or differs from, that required to be prepared and supplied to the Commission under Condition 8.
- 3. The power of the Commission to call for Information under paragraph 1 is without prejudice to the power of the Commission to call for Information under or pursuant to any other Condition of this Licence or under or pursuant to the Act, the PUCSL Act or any other enactment.
- 4. The Licensee within one month of obtaining the Licence shall appoint a person in its organisation, who is responsible for its Licensed Business.

In this Condition:

"Information" shall include any books, documents, records, accounts, estimates, returns or reports (whether or not prepared specifically at the request of the Commission) of any description and in any format specified by the Commission.

Condition 4: Decisions, Orders, Directions and Determinations by the Commission

1. The Licensee shall comply with any decisions, orders, directions and determinations made by the Commission pursuant to the Act and the Licence.
2. Subject to the provisions of the Act, any costs associated with compliance with such decisions, orders, directions and determinations shall be the responsibility of the Licensee.
3. In order to comply with any order or direction made by the Commission in accordance with Section 38 of the Act the Licensee shall allow the Commission, any other authority or person specified in the order of the Commission under that Section such access to or control of its property as the Commission requires.

Condition 5: Development of and compliance with technical and operational codes

1. At the request of the Commission the Licensee shall, in consultation with any Electricity Undertakings the Commission consider appropriate, develop and implement, such technical and operational codes as the Commission may direct from time to time.
2. Any technical and operational codes developed pursuant to paragraph 1 shall be submitted to the Commission for Approval before they may be implemented.
3. The Licensee may propose Modifications to a code that is in force at the relevant time by notifying the Commission of its proposal in accordance with the code Modification process set out in the relevant code.
4. The Licensee shall give or send a copy of all Approved technical and operational codes (and any revisions thereto) developed and implemented by the Licensee pursuant to this Condition to:
 - (a) the Commission; and
 - (b) any person requesting the same.
5. The Licensee may make a charge for any copy of any code given or sent pursuant to paragraph 4(b) of an amount which shall not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Commission.
6. The Licensee shall comply with the provisions of any Approved technical and operational codes which are specified therein as applicable to it.
7. The Commission may, following consultation in relevant circumstances with any Electricity Undertakings as the Commission shall consider appropriate, issue directions relieving the

Licensee of its obligation under paragraph 6 in respect of such part or parts of any Approved technical and operational codes to such extent as may be specified in those directions subject to such terms and conditions as the Commission may determine.

8. The Licensee shall comply with the existing technical and operational codes in respect of all activities, until such time Commission Approved technical and operational codes are available.

Condition 6: Other agreements

1. In accordance with Section 15(2)(f) of the Act, the Licensee shall enter into any agreements with other persons it is directed to by the Commission, tariff and connection agreement with the relevant licensee.
2. The Licensee shall be required to participate in the preparation of any agreement which it has been directed to enter into by the Commission.
3. If, after a period which appears to the Commission to be reasonable for the purpose, the Licensee has failed to enter into an agreement it has been directed to by the Commission, the Commission shall, on the application of such person or the Licensee, settle any terms of the agreement in dispute between the Licensee and the person in question in such manner as appears to the Commission to be reasonable.

Condition 7: Not Used

Condition 8: Separate accounts for the Transmission and the Bulk Supply Operations Business

1. For the purposes of this Condition, the Licensee's financial year shall be determined as follows:
 - (a) The Licensee's first financial year shall run from (and including) the date of the grant of this Licence up to (and including) the last day of the calendar year, provided that if the period between the date of the grant of this Licence and the last day of the calendar year is three calendar months or less, then the Licensee's first financial year shall run from (and including) the date of the grant of this Licence up to (and including) the last day of the next calendar year.
 - (b) Each subsequent financial year shall run from the day immediately following the last day of the preceding accounting period, up to (and including) the last day of the accounting period.
2. The remaining paragraphs of this Condition apply for the purpose of ensuring that the Licensee (and any Affiliate or Related Undertaking of the Licensee) maintains accounting and

reporting arrangements which enable separate accounts to be prepared for both the Transmission Business and the Bulk Supply and Operations Business and showing the financial affairs of both Businesses.

3. The Licensee shall, in respect of both the Transmission Business and the Bulk Supply and Operations Business separately:

(a) keep or cause to be kept such accounting records in accordance with the Ceylon Electricity Board Act, No. 17 of 1969 (as amended) and Sri Lanka Accounting Standards in respect of both the Transmission Business and the Bulk Supply and Operations Business as would be required to be kept if they were carried on by separate entity and, where appropriate, consolidated accounts for other, activities (to the extent permitted by Condition 2), so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the Transmission Business and the Bulk Supply and Operations Business are each separately identifiable in the books of the Licensee (and any Affiliate or Related Undertaking of the Licensee) from those of any other business of the Licensee (to the extent permitted by Condition 2); and

(b) prepare on a consistent basis from such accounting records in respect of:

(i) the first Financial Year and each subsequent Financial Year, accounting statements comprising a profit and loss account, a balance sheet and a cash flow statement, together with notes thereto, and showing separately, in respect of both the Transmission Business and the Bulk Supply and Operations Business and in appropriate detail any Financial Year with a value of Rs 500 million or more which the Licensee has conducted with any of its Affiliates or Related Undertakings and the amounts of any revenue, cost, asset, liability, reserve or provision, which has been either:

(1) charged from or to any other business together with a description of the basis of that charge; or

(2) determined by apportionment or allocation between the Transmission Business, the Bulk Supply and Operations Business and any other business together with a description of the basis of the apportionment or allocation; and

(c) procure, in respect of the accounting statements prepared in accordance with this Condition in respect of a Financial Year, in their opinion, those statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably

attributable to, each of the Transmission Business and the Bulk Supply and Operations Business; and

- (d) deliver to the Commission the accounting statements referred to in sub-paragraph (b)(i) & Auditor General's/Independent Auditor's reports of the said accounting statements as soon as reasonably practicable and, in any event, not later than six months after the end of the Financial Year to which they relate in the case of the accounting statements referred to in sub-paragraphs (b)(i) and (c).
4. (a) The Licensee shall not, in relation to the accounting statements in respect of a Financial Year, change the bases of charge, apportionment or allocation referred to in sub-paragraph (b)(i) of paragraph 3 from those applied in respect of the previous Financial Year, unless the Commission shall previously have issued directions for the purposes of this Condition directing the Licensee to change such bases in a manner set out in the directions or the Commission shall have given its prior written approval to the change in such bases. The Licensee shall comply with any directions issued for the purposes of this Condition.
- (b) Where, in relation to the accounting statements in respect of a Financial Year, the Licensee has changed such bases of charge, apportionment or allocation from those adopted for the immediately preceding Financial Year, the Licensee shall, if so directed in directions issued by the Commission for the purposes of this Condition, in addition to preparing accounting statements on those bases which it has adopted, prepare such accounting statements on the bases which applied in respect of the immediately preceding Financial Year.
5. Accounting statements in respect of a Financial Year prepared under sub-paragraph (b)(i) of paragraph 3 shall, so far as reasonably practicable and, unless otherwise approved by the Commission, having regard to the purposes of this Condition:
- (a) have the same content and format (in relation to both the Transmission Business and the Bulk Supply and Operations Business) as the annual accounts of the Licensee (and any Affiliate or Related Undertaking of the Licensee) and conform to the best commercial accounting practices including Sri Lanka Accounting Standards currently in force;
 - (b) state the accounting policies adopted; and
 - (c) (with the exception of the part of such statements which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively), be published with the annual accounts of the Licensee.

6. References in this Condition to costs or liabilities of, or reasonably attributable to, the Transmission Business or the Bulk Supply and Operations Business (as the case may be) shall be construed as excluding taxation and capital liabilities which do not relate principally to that Business and interest thereon; and references to any accounting statement shall be construed accordingly.

Condition 9: Prohibited activities

1. The Licensee shall not, and shall procure that any Subsidiary or Related Undertaking of the Licensee:
 - (a) install or keep installed an electric line above or below the ground, except as provided for in Section 44(2) of the Act or otherwise consented to by the Commission.

Condition 10: Prohibition of cross-subsidies

1. The Licensee shall procure that neither the Transmission Business nor the Bulk Supply and Operations Business gives any direct or indirect cross-subsidy to, nor receive any direct or indirect cross-subsidy from, each other or any other business of the Licensee or an Affiliate or Related Undertaking of the Licensee.
2. Notwithstanding provisions of above clause 9 (1), the Commission may grant approval to operate a differential bulk supply tariff system to the Licensee in order to maintain a uniform consumer tariff system, if such uniform tariff system is necessitated by the government policy.

Condition 11: Payment of levy

1. The Licensee shall pay to the Commission any amounts specified in, or determined under, a Levy Order, in accordance with the provisions of such Levy Order.
2. The levy referred to in paragraph 1 for any year shall be paid by the Licensee to the Commission before the 30th day of June in that year, except in the case where the first issuance of this Licence occurs after 30 June of the relevant year, in which case, the levy shall be paid by the Licensee to the Commission within 30 days of such first issue date.
3. Without prejudice to the other powers of the Commission under this Licence or the Act, where the Licensee fails to pay the levy in accordance with paragraphs 1 and 2 above the Commission shall take action in accordance with Section 46 of the Act.
4. In this Condition:

"Levy Order" means an order made by the Commission under Section 46(1) of the Act.

Condition 12: Assignment of the Licence and transfer of the Licensed Business

1. The Licensee shall not, without the prior written consent of the Commission and of the Minister, assign this Licence either in whole or in part.
2. The Licensee shall not, without the prior written consent of the Commission, transfer to another person (the "**Transferee**") all or any part of the Licensed Business.
3. Any consent of the Commission to any assignment of this Licence or transfer of the Licensed Business shall be subject to the Commission being satisfied that the assignee or Transferee, as the case may be, will have the technical and financial capability to comply with the Conditions of this Licence and, in the case of a transfer only, the Transferee being granted a transmission licence, and may be subject to compliance by the assignee or Transferee, as the case may be, with any other matters determined by the Commission to be necessary, including the Modification of this Licence in accordance with the Act where deemed necessary by the Commission.
4. Nothing in this Condition shall prevent the Licensee transferring the Licensed Business to an assignee where the Commission and of the Minister has consented to such assignment, provided that such transfer is effected as soon as practicable after such consent has been given.

Condition 13: Not Used

Condition 14: Revocation of Licence

1. The Commission may revoke this Licence in accordance with Section 20 of the Act in the following circumstances:
 - (a) if the Licensee agrees in writing with the Commission that this Licence should be revoked;
 - (b) if any amount payable under a Levy Order (as defined in Condition 11 above) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Commission has given the Licensee notice in writing that the payment is overdue; provided that no such notice shall be given earlier than the 16th day after the day on which the amount payable became due;
 - (c) if the Licensee fails to comply with an enforcement order issued by the Commission under Section 34 of the Act within 60 days from the date of its issue or such longer period as the Commission may specify in the enforcement order;

- (d) if it is found that the issue of this Licence had been based on information provided by the Licensee which is materially inaccurate or incorrect.

Condition 15: Environment

1. The Licensee shall comply with all applicable Environmental Laws in Sri Lanka, subject to any exemptions or grace periods which may be granted to the Licensee under such Environmental Laws for compliance.
2. The Licensee shall, not later than such date as the Commission may specify and in consultation with the Commission, prepare and, from time to time, modify a written policy setting out the manner in which the Licensee proposes to comply with its duties and obligations under all applicable Environmental Laws.
3. The Licensee shall report annually to the Commission on its environmental performance in such form and at such times as the Commission may specify.
4. For the purposes of this Licence, "**Environmental Laws**" means those laws which are, from time to time, in force whose purpose is the protection of the environment, including the protection of human health, flora, fauna and the eco-systems on which they depend and, for the avoidance of doubt, shall include, but shall not be limited to, the National Environment Act, No 47 of 1980 and all relevant legislation relating to the assessment of environmental impacts and the protection of air, land and water.

Condition 16: Health and safety

1. The Licensee shall take all reasonable steps to protect persons, plant, property and equipment from injury and damage that may be caused by the Licensee when carrying out the Licensed Business, including preparing a safety and technical management plan as set out in paragraph 2 below.
2. The Licensee shall:
 - (a) not later than such date as the Commission may specify and in consultation with the Commission, prepare a safety and technical management plan and submit the plan to the Commission for approval;
 - (b) annually review, and if necessary update, the plan to ensure its efficient operation, and submit the updated plan to the Commission for approval;
 - (c) comply with the plan (as updated from time to time) as approved by the Commission;
 - (d) not amend the plan without the approval of the Commission;

- (e) ensure that an annual audit of its compliance with its obligations under the plan is conducted by an independent expert approved by the Commission and in accordance with the plan;
- (f) compile health and safety statistics and indices specified by the Commission; and
- (g) promptly report the results of those audits, statistics and indices to the Commission

Condition 17: Insurance

1. The Licensee shall adopt and implement reasonable and prudent policies in relation to the management and insurance of risks associated with the Licensed Business.

Condition 18: Disposal of Relevant Assets

1. Except in relation to an assignment or a transfer permitted under Condition 12, the Licensee shall not Dispose of any Relevant Asset otherwise than in accordance with the following paragraphs of this Condition.
2. The Licensee shall give to the Commission not less than two months' prior written notice of its intention to Dispose of any Relevant Asset, together with such further information as the Commission may request relating to such asset or the circumstances of such intended Disposal or to the intention of the person proposing to acquire such asset. The Licensee may Dispose of any Relevant Asset as is specified in any notice given hereunder in circumstances where:
 - (a) the Commission confirms in writing that it consents to such Disposal (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the Relevant Asset is proposed to be Disposed of such conditions as the Commission may specify); or
 - (b) the Commission does not inform the Licensee in writing of any objection to such Disposal within the two months notice period.
3. Notwithstanding paragraphs 1 and 2, the Licensee may Dispose of any Relevant Asset:
 - (a) where the Commission has issued directions for the purposes of this Condition containing a general consent (whether or not subject to conditions) to:
 - (i) transactions of a specified description; and/or
 - (ii) the Disposal of Relevant Assets of a specified description;

- (b) where the Disposal is in respect of retired or decommissioned Relevant Assets, or Relevant Assets which have been replaced by the Licensee; or
- (c) where the Disposal in question is required by or under any enactment or subordinate legislation.

4. In this Condition:

"Disposal" includes any sale, gift, lease, licence, loan, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party, and **"Dispose"** shall be construed accordingly;

"Relevant Asset" means any electric line or electric plant for the time being forming part of the Transmission System, any control centre for use in conjunction therewith and any legal or beneficial interest in land upon which any of the foregoing is situated.

Condition 19: Economic purchasing of goods, assets and services

1. In contracting or arranging for the provision of goods, assets and services required to enable the Licensee to carry out the Licensed Business, the Licensee shall purchase or otherwise acquire such goods, assets and services on the most economically advantageous terms, having regard to the quality and nature of the goods, assets and services required to enable it to discharge its obligations under the Act and this Licence and to the diversity, number and reliability of such goods, assets and services at that time available for purchase or other acquisition.
2. Any contract or arrangement which the Licensee enters into for the purchase of goods, assets and services from an Affiliate or a Related Undertaking of the Licensee shall be on the basis of terms and conditions, including as to price, which:
 - (a) prevail in the market in respect of such goods, assets and services; and
 - (b) are not affected by any extra-contractual commercial relationship between the parties.
3. Without prejudice to the general powers of the Commission to investigate or to impose sanctions with respect to any breach of this Condition, the Licensee shall not be required to submit for approval by the Commission its purchasing arrangements.

Condition 20: Compliance with standards of performance

1. The Licensee shall comply with all standards of performance in connection with the Licensed Business as may be determined by the Commission by regulation or otherwise pursuant to Sections 40, 41 and 42 of the Act.

Condition 21: Non-discrimination

1. The Licensee shall not unduly discriminate in the provision of services comprised within the Licensed Business to persons similarly situated.

Condition 22: Dispute resolution

1. The Licensee shall:
 - (a) in respect of a dispute between itself and a tariff customer arising under sections 25 to 30, or Schedules 1,2 or 3, of the Act which it is unable to resolve - refer the dispute to the Commission for resolution in accordance with the rules made by the Commission under the PUCSL Act;
 - (b) in respect of a dispute (other than a dispute referred to in paragraph 1(a) above) between itself and (i) a tariff customer, (ii) another licensee, or (iii) any other affected party which it is unable to resolve, in accordance with the rules made by the Commission under the PUCSL Act refer the dispute to the Commission for resolution in accordance with such rules or, where directed to do so by the Commission refer the dispute to court or arbitration body in accordance with the Arbitration Act, No.11 of 1995.

Condition 23: Connection to the Transmission System - requirement to offer terms

1. The Licensee shall, subject to paragraphs 3 and 4:
 - (a) offer to enter into an agreement to provide a connection to the Transmission System with any Electricity Undertaking or Bulk Supply Consumer who has made an application for connection to the Transmission System; and
 - (b) offer to enter into an agreement for the Modification of a connection to the Transmission System with any Electricity Undertaking or Bulk Supply Consumer who has made an application for Modification of a connection to the Transmission System.
2. The Licensee shall, subject to paragraphs 3 and 4, offer terms for an agreement in accordance with paragraph 1 as soon as practicable and, in any event, not more than 2

weeks after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purposes of formulating the terms of its offer.

3. The Licensee shall not be obliged pursuant to this Condition to offer to enter into any agreement, by reason of the capacity of the Transmission System and the use made or reasonably expected to be made of it, the Licensee would be required to expand or reinforce the capacity of the Transmission System and where it would not, having regard to all the circumstances, be in the public interest for the Licensee to undertake such expansion or reinforcement.
4. The Licensee shall not enter into any agreement with any Electricity Undertaking if to do so would be likely to involve the Licensee:
 - (a) in breach of any approved technical or operational codes; or
 - (b) in breach of the Act or any regulations made under the Act; or
 - (c) in breach of any enactment relating to safety or standards applicable to the Transmission System; or
 - (d) in breach of any other Conditions imposed by the Commission.
5. Where the Licensee refuses to enter into an agreement with any Electricity Undertaking in accordance with paragraphs 3 and 4, the Licensee shall as soon as practicable and, in any event, not more than 2 weeks after receipt by the Licensee of an application from that Electricity Undertaking, notify that Electricity Undertaking of the refusal, specifying the reasons for refusal.

Condition 24: Connection to the Transmission System - functions of the Commission

1. If, after a period which appears to the Commission to be reasonable for the purpose, the Licensee has failed to enter into an agreement with any Electricity Undertaking entitled or claiming to be entitled thereto pursuant to an application in accordance with Condition 21, the Commission shall, on the application of such Electricity Undertaking or the Licensee, settle any terms of the agreement in dispute between the Licensee and the Electricity Undertaking in question in such manner as appears to the Commission to be reasonable.
2. If the Electricity Undertaking wishes to proceed on the basis of the agreement as settled by the Commission, the Licensee shall forthwith enter into and implement such agreement in accordance with its terms.
3. If either party to an agreement for connection to, or Modification of a connection to, the Transmission System entered into pursuant to Condition 21 or this Condition proposes to vary

the contractual terms of such agreement in any manner provided for under such agreement, the Commission shall, at the request of the Licensee or the other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Commission to be reasonable.

Condition 25: Basis of charges for connection to and use of the Transmission System

1. The Licensee shall, as soon as practicable and, in any event, not later than such date as the Commission may specify in writing, prepare and submit to the Commission, for the Commission's Approval, a statement setting out the basis upon which:
 - (a) the charges for connection to the Transmission System, and requests for security in respect of that connection; and
 - (b) Tariff related to use of the Transmission System by the Distribution Licensee,will be made.
2. The charges referred to in paragraph 1 (b) above shall take account of the assets employed on behalf of the system user and the impact of system losses on the transfer of energy through the system.
3. The Licensee may periodically revise the information set out in and, with the Approval of the Commission, alter the form of the statement prepared in accordance with paragraph 1 and shall, at least once in every year this Licence is in force, revise such statement in order that the information set out in the statement shall continue to be accurate in all material aspects.
4. The Licensee shall send a copy of the statement prepared in accordance with paragraph 1 and of each revision of such statement in accordance with paragraph 2 to the Commission. Each such revision shall be considered by the Commission and shall not become effective until Approved by the Commission.
5. The Licensee shall give or send a copy of the statement prepared in accordance with paragraph 1 or (as the case may be) of the latest revision of such statement in accordance with paragraph 2 Approved by the Commission pursuant to such paragraph to any Electricity Undertaking who requests a copy of such statement.
6. The Licensee may make a charge for any statement given or sent pursuant to paragraph 3 of an amount reflecting the Licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Commission from time to time for the purposes of this Condition.

Condition 26: Provision of information to Distribution Licensees

1. The Licensee shall furnish to Distribution Licensees or Bulk Supply Consumers, in such manner and at such times as may be reasonably required, such information as may be reasonably required by the Distribution Licensee or a Bulk Supply Consumer in order to ensure the secure and efficient operation, co-ordinated development and inter-operability of the Total System.
2. The Licensee shall advise the Distribution Licensees and Bulk Supply Consumers of the quality of supply, in terms of voltage frequency and availability that may be expected in normal circumstances.
3. In this Condition:

"**Total System**" means the Transmission System and the Distribution Systems of all Distribution Licensees, taken together.

Condition 27: Confidential information

1. The Licensee shall take reasonable measures to ensure that all information received by it relating to the Licensed Business:
 - (a) is kept confidential by the Licensee except as otherwise permitted by the Commission, this Licence or any approved code of practice, and that access to such confidential information is provided only, and as is necessary for the due performance of their lawful functions, to directors, officers and employees of the Licensee, or to an agent of the Licensee that has agreed in writing to observe this requirement of confidentiality;
 - (b) is not used by the Licensee for any purpose other than that for which it was provided or for a purpose permitted by this Licence or an approved code of practice; and
 - (c) is not used by the Licensee for any commercial advantage in the provision of any service other than a service comprised in the Licensed Business.

Condition 28: Development of the Transmission System

1. The Licensee shall, not later than such date as the Commission may specify in writing, and thereafter whenever requested to do so by the Commission, draw up and submit to the Commission for its Approval a Business Plan for five (5) years. This Business Plan shall contain annual load growth, investment plan for system expansion, projected performance levels, cost reduction plan and projected financial position.

2. The Licensee shall implement the Approved Business Plan and, annually revise the plan and submit for Approval of the Commission.
3. The Licensee shall be responsible for operating, planning, maintaining and developing the Transmission System in accordance with any such standard of planning and operation Approved by the Commission, as the Licensee may, following consultation with any Electricity Undertaking liable to be materially affected thereby and such other Electricity Undertakings as the Commission shall consider appropriate.
4. The Licensee shall, not later than such date as the Commission may specify in writing, and thereafter whenever requested to do so by the Commission, draw up and submit to the Commission for its Approval a statement setting out criteria by which the performance of the Licensee in maintaining Transmission System security and availability and quality of service may be measured.
5. The statement referred to in paragraph 4 shall include the level of energy losses in the Transmission System and costs incurred by the Licensee in reducing these.
6. The Licensee shall, within 2 months after the end of each Financial Year, submit to the Commission a report providing details of the performance of the Licensee during the previous Financial Year against the criteria referred to in paragraph 4.

Condition 29: System capacity

1. The Licensee shall, on an annual basis, prepare a statement for Approval of the Commission, showing, in respect of each of the succeeding five (5) Financial Years, circuit capacity, forecast power flows and loading on each part of the Transmission System and system losses for each transmission node and transient stability analysis, including:
 - (a) information on the status of transmission capacity and the anticipated future requirements of transmission capacity in terms of levels of demand and losses;
 - (b) network expansion plans in respect of next two (5) years and implementation strategy inclusive of investment and resource requirements;
 - (c) information on the status of generation capacity and details of the Generators expected to be available to meet future demand;
 - (d) a commentary prepared by the Licensee indicating the Licensee's views as to those parts of the Transmission System most suited to new connections; and
 - (e) such other matters as shall be specified in directions issued by the Commission from time to time for the purposes of this Condition;

provided that the Commission may, upon application of the Licensee, relieve the Licensee from the obligation to prepare any such statement in respect of any period and any part or parts of the Transmission System specified in directions issued to the Licensee by the Commission from time to time for the purposes of this Condition.

2. The Licensee may periodically revise the information set out in and, with the Approval of the Commission, alter the form of the statement prepared in accordance with paragraph 1 and shall at least once in every year this Licence is in force, revise such statement in order that the information set out in the statement shall continue to be accurate in all material respects.
3. The Licensee shall send a copy of the statement prepared in accordance with paragraph 1 and of each revision of such statement in accordance with paragraph 2 to the Commission. Each such revision shall be considered by the Commission and shall not become effective until Approved by the Commission.
4. Upon Approval of the Commission the Licensee shall give or send a copy of the statement prepared in accordance with paragraph 1 or (as the case may be) of the latest revision of such statement in accordance with paragraph 2 Approved by the Commission pursuant to such paragraph to any person who requests a copy of such statement.
5. The Licensee may make a charge for any statement given or sent pursuant to paragraph 4 of an amount reflecting the Licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Commission from time to time for the purposes of this Condition.

Condition 30: Central Despatch and merit order

1. The Licensee shall jointly and severally as one of the Licensees ensure that the Licensees will together provide for and maintain a co-ordinated, efficient and economical system of electricity generation, transmission and distribution and supply within Sri Lanka at all times.
2. The Licensee shall schedule and issue direct instructions for the despatch in accordance with paragraphs 3, 4, 5 and 6 of all Available generation units of each Generator in Sri Lanka which:
 - (a) are required to be subject to such scheduling and despatch instructions under the terms of the Licence or exemption of the Generator, as the case may be; or
 - (b) are agreed by any such Generator to be subject to such scheduling and despatch instructions.
3. (a) The Licensee shall develop a methodology Approved by the Commission for determination of a merit order for dispatching of generation units

- (b) The Licensee shall operate merit order based on the Approved methodology, on daily basis or any other basis as directed by the Commission, for despatch of generation units subject to Central Despatch.
4. The Licensee shall schedule and issue direct instructions for the despatch of generation units subject to Central Despatch:
- (a) in order to comply with its obligations under Condition 29;
 - (b) in accordance with any Approved technical and operational codes; and
 - (c) thereafter, taking account of the factors referred to in paragraph 4 as will in aggregate be sufficient to match at all times (to the extent possible having regard to the Availability of generation units demand forecast taking account of information provided by Electricity Undertakings, together with an appropriate margin of reserve.
5. The factors referred to in paragraph 4 include:
- (a) forecast demand;
 - (b) constraints from time to time imposed on the Transmission System or any part or parts thereof;
 - (c) the dynamic operating characteristics of Available generation units;
 - (d) water release constraints;
 - (e) transmission losses;
 - (f) any Approved operating security standard; and
 - (g) other matters provided for in any Approved technical and operational codes.
6. Having regard to information provided to it by Electricity Undertakings (including as to forecast levels of electricity demand and Availability of generation capacity) and to the requirements of any Approved system security standards, the Licensee shall undertake operational planning:
- (a) for the matching of generation output (including a reserve of generation to provide a security margin of generation Availability) with forecast demand after taking into account inter alia:
 - (i) unavailability of generation units;

- (ii) constraints from time to time imposed by technical limitations on the Transmission System or any part or parts thereof; and
 - (iii) electricity delivered to the Transmission System from generation units not subject to Central Despatch; and
 - (b) consistently with sub-paragraph (a) above, in accordance with any Approved technical and operational codes, for the release of parts of the Transmission System for maintenance, repair, extension or reinforcement.
7. The Licensee shall maintain for a minimum period of three (3) years such records of:
- (a) generation units Available or declared as Available;
 - (b) generation units scheduled for despatch or despatched;
 - (c) Ancillary Services called for by the Licensee and provided;
 - (d) kilowatt hours of electricity taken from the Transmission System by any Electricity Undertaking.
8. The Commission may, on the application of the Licensee and after consultation with each Electricity Undertaking liable to be materially affected thereby and with such other Electricity Undertaking as it shall consider appropriate, relieve the Licensee from its obligations under paragraph 6 to the extent specified in directions which it shall from time to time issue to the Licensee for the purposes of this Condition.
9. The Licensee shall provide to the Commission such information as the Commission shall request concerning the Central Despatch and merit order system or any aspect of its operation.
10. The Licensee shall obtain prior Approval of the Commission for every scheduled interruption of electricity supply throughout the Island/ or major part of the Island irrespective of the cause of the same, other than the interruptions necessary due to maintenance in respect of which prior notice is given to the general public. The Licensee shall also prepare a report on any event that resulted in unplanned interruption of electricity supply throughout the Island/ or major part of the Island including causes for the same, and submit to the Commission, within one month of such event or within a period Approved by the Commission.
11. The Licensee shall, each year, engage an independent auditor, who must be Approved by the Commission, to undertake an audit of the Licensee's operational planning and despatch procedures in accordance with audit guidelines issued by the Commission.

12. The Licensee shall promptly provide to the Commission the results of any audits carried out in accordance with paragraph 11.

13. In this Condition:

"Available" in relation to any generation unit means a generation unit which is available for despatch in accordance with any Power Purchase Agreement and any Approved technical and operational codes, and **"Availability"** shall be construed accordingly;

"Central Despatch" means the process of scheduling and issuing direct instructions by the Licensee referred to in paragraph 2.

Condition 31: Economic purchasing of electricity and Ancillary Services

1. The Licensee shall enter into Power Purchase Agreements in order to purchase electricity from Generators or purchase electricity under the generation licence issued to the Licensee based on the transfer tariff rates determined under such generation licence in accordance with the methodology approved by the Commission.
2. The Licensee shall contract for electricity and Ancillary Services for appropriate periods at the optimum terms reasonably obtainable having regard to the sources Available.
3. In determining the effective price at which electricity and Ancillary Services are contracted for by the Licensee, regard shall be made to any payments made or received or to be made or received for the grant of or pursuant to any Power Purchase Agreement
4. In the discharge of its obligations under paragraph 1 above, the Licensee may additionally have regard to any considerations liable to affect its ability to discharge its obligations under this Licence in the future, including the future security, reliability and diversity of sources of electricity Available for purchase.
5. In respect of any 28 day period, the Licensee shall publish on the Licensee's website a statement showing:
 - (a) the Relevant Prices (showing separately, if applicable; prices for start up, no-load heat and incremental heat rates) of each Generation Plant Available to the Licensee in terms of or pursuant to a Power Purchase Agreement in each period for which prices are so Available over the preceding 28 days for dispatch; and

- (b) declared (and, where different, actual) Availability of Generation Plant Available from or offered by any Generator on the terms of or pursuant to a Power Purchase Agreement which the Licensee is party to for dispatch over the preceding 28 days;

to the extent that the Commission shall specify in directions issued from time to time to the Licensee for the purposes of this Condition, having taken into consideration any Representations made to the Commission by the Licensee and Generators, and in accordance with any conditions contained in such directions.

- 6. The Licensee may make a charge for the information given or sent pursuant to paragraph 4 of an amount which shall not exceed the maximum amount specified in directions issued from time to time by the Commission for the purposes of this Condition.
- 7. In this Condition:

"Available" in relation to any generation unit means a generation unit which is available for despatch in accordance with any Power Purchase Agreement and any approved technical and operational codes, and **"Availability"** shall be construed accordingly;

"Relevant Price" means the price at which the Licensee is able to procure (or the prices that are offered for) the generation and delivery of electricity into the Transmission System in respect of any relevant period.

Condition 32: Bulk supply tariff

- 1. The Licensee shall not later than such date as the Commission shall specify in directions issued to the Licensee for the purposes of this Condition, draw up a bulk supply tariff for sales of electricity to Distribution Licensees and Bulk Supply Consumers.
- 2. Without prejudice to Condition 31, the bulk supply tariff shall:
 - (a) be in a form approved by the Commission;
 - (b) contain such detail as shall be necessary to enable any Distribution Licensee or Bulk Supply Consumer to make a reasonable estimate of the charges to which it would become liable for purchases of electricity;
 - (c) differentiate between the charges for Distribution Licensees and Bulk Supply Consumers on the basis of factors including:

- (i) load factor;
 - (ii) requirement to contribute to Ancillary Services.
- (d) be set in accordance with a methodology approved by the Commission so as to reflect the costs of the Licensee in providing electricity at specified times of the year, days of the week and times of the day and permit the Licensee to recover all reasonable costs incurred in carrying out the activities authorised by this Licence on an efficient basis; and
- (e) without prejudice to the foregoing generality:
- (i) Separately identify the relevant cost components of all reasonable costs as applicable to the Licensee
 - (ii) separately identify:
 - a) the component of the tariff related to electricity generation;
 - b) the component of the tariff relating to the use of the Licensee's Transmission System; and
 - c) the component of the tariff relating to supply of electricity;
 - (iii) include a schedule of adjustment factors (depending on the voltage at which the connection is made) to be made in respect of transmission losses; and
 - (iv) define the quality of supply to be provided in terms of voltage and frequency.
3. Licensee shall obtain approval for the bulk supply tariff from the Commission.
4. The Licensee shall give or send a copy of the bulk supply tariff (as from time to time revised) to the Commission not later than 14 days before it is to be made available to any other person.
5. The Licensee shall (subject to paragraph 6) give or send a copy of the bulk supply tariff (as from time to time revised) to any person requesting the same.
6. The Licensee may make a charge for any copy of the bulk supply tariff (as from time to time revised) given or sent pursuant to paragraph 5 of an amount which will not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Commission.
7. The Licensee shall publish the bulk supply tariff as directed by the Commission.

8. The Licensee shall not, in setting the bulk supply tariff, restrict, distort or prevent competition in the generation, distribution or supply of electricity.
9. The Commission may give to the Licensee directions requiring the Licensee to alter the form of the bulk supply tariff in such manner as shall be specified in the directions, or so as to attain such objectives as may be specified in the directions and the Licensee shall forthwith comply with any such directions.
10. Condition 22 shall have effect in relation to the settlement by the Commission of certain disputes between the Licensee and any person entitled or claiming to be entitled to purchase electricity at the bulk supply tariff.
11. The Commission may prescribe a procedure for review of the bulk supply tariff.

Condition 33: Power Sales Agreement

1. Subject to condition 10(2), in the provision of electricity to Distribution Licensees and Bulk Supply Consumers at the bulk supply tariff, the Licensee shall not discriminate as between any Distribution Licensees or class or classes of Distribution Licensees, or any Bulk Supply Consumers or class or classes of Bulk Supply Consumer.
2. The Licensee shall (subject to paragraph 4 and Condition 21) offer to enter into an agreement with any Distribution Licensee or person seeking to become a Distribution Licensee, or Bulk Supply Consumer or person seeking to become a Bulk Supply Consumer, who requests the Licensee to provide bulk supplies or sales of electricity, such offer to make provision for the charges to be made in respect of such bulk supplies or sales of electricity, such charges to be presented in such a way as to be referable to the bulk supply tariff or any revision of the bulk supply tariff.
3. The Licensee shall offer terms for agreements in accordance with paragraph 2 as soon as practicable and (save where the Commission consents to a longer period) in any event not more than 2 weeks after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer.
4. The Licensee shall not be obliged pursuant to this Condition to offer to enter or to enter into any agreement if to do so would involve the Licensee:
 - (a) in breach of its duties under the Act; or
 - (b) in breach of any regulations made under the Act or of any other enactment relating to safety or standards applicable in respect of the Licensed Business; or

- (c) in breach of any Conditions of this Licence; or
 - (d) in breach of any approved technical and operational codes.
5. The Licensee's obligation to enter into an agreement pursuant to this Condition may be satisfied by the inclusion of appropriate clauses in a connection agreement entered into pursuant to Condition 23.

Condition 34: Procurement of new Generation Plant

1. In accordance with the provisions of Section 43 of the Act and paragraphs 2 and such guidelines related to procurement as prescribed by regulations, the Licensee shall prepare and implement a competitive tendering procedure for the procurement of new Generation Plants or the Extension of existing Generation Plants, which procedure shall be submitted to the Commission for approval.
2. The competitive tendering procedure referred to in paragraph 1 shall be based on factors including the need:
 - (a) to minimise the cost of electricity for consumers in the medium to long term;
 - (b) to meet commitments under existing Power Purchase Agreements;
 - (c) to maintain transmission security and contain network losses, andany such other factors as the Commission may from time to time decide.
3. The Licensee shall be responsible for procuring new Generation Plants or Extending existing Generation Plants in accordance with the approved procedure in order to ensure that there is sufficient generation capacity available to meet the forecast demand.
4. The Licensee shall amend or revise the competitive tendering procedure as directed by the Commission from time to time.
5. The Licensee shall not make any changes or revisions to the competitive tendering procedure approved by the Commission without the prior approval of the Commission.
6. The Licensee shall only procure new Generation Plant s or Extend existing Generation Plant s in accordance with the competitive tendering procedure approved by the Commission under paragraph 1.

8 In this Condition:

"Extension" means the construction of new plant or apparatus for the production of electricity within or attached to an existing Generation Plant and does not include repowering or upgrading existing Generation Plants, and **"Extend"** shall be defined accordingly.

Condition 35: Notices

1. All notices and other communications given or made under this Licence shall be in writing.
2. Any such notice or other communication shall be addressed as provided in paragraph 3 and, if so addressed, shall be deemed to have been duly given or made as follows:
 - i) if mailed by certified or registered mail, ten (10) Business Days after mailing;
 - ii) if sent for overnight delivery with fee prepaid, six (6) Business Days after delivery to a recognised overnight express carrier;
 - iii) if sent via facsimile, upon dispatch with receipt of confirmation of transmittal, or
 - iv) If sent by personal delivery, upon delivery at the address of the Commission or Licensee.

Provided that, if, in accordance with the above provisions, any such notice or other communication would otherwise be deemed to be given or made outside working hours, such notice or other communication shall be deemed to be given or made at the start of the next period of working hours.

3. The relevant addressee, address and facsimile number of the Commission and Licensee for the purpose of this Licence, are:

<p>Commission</p> <p>Director General Public Utilities Commission of Sri Lanka Level 06, BOC Merchant Tower #28, St. Michael's Road Colombo 03.</p> <p>Tel: (011) 2392607/8 Fax: (011) 2392641</p>
<p>Licensee</p> <p>Ms. Bhadra Jayaweera General Manager Ceylon Electricity Board 50, Sir Chittampalam A Gardiner Mawatha Colombo 02.</p> <p>Tel: (011) 2320953, (011) 2324471-8 Fax: (011) 2323935</p>

4. The Licensee shall notify the Commission of any change of the address provided in paragraph 3, within fourteen (14) days of such change.

Schedule - Bulk Supply Consumer(s)

#	Name of Consumer	Location
01	[name]	[village, DS division, District]