

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 20/2011

Coram:

- 1. Dr. Pramod Deo, Chairperson**
- 2. Shri S.Jayaraman, Member**
- 3. Shri V.S.Verma, Member**
- 4. Shri M.Deena Dayalan, Member**

DATE OF HEARING: 31.5.2011

DATE OF ORDER: 8.6.2011

In the matter of

Application for grant of Inter-State Trading Licence to Customized Energy Solutions India Private Limited, Pune.

And in the matter of

Customized Energy Solutions India Private Limited, Pune **Applicant**

The following was present:

Shri Dhruv Dhiman, CESIPL
Shri Apoorve Bhatnagar, CESIPL

ORDER

The applicant, Customized Energy Solutions India Private Limited, a company registered under the Companies Act, 1956 has made the present application under sub-section (1) of Section 15 of the Electricity Act, 2003 (36 of 2003) (the Act) read with Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Trading licence and other related matters) Regulations, 2009 (hereinafter referred to as 'the trading licence regulations') for grant of



Category `IV` licence for inter-State trading in electricity in whole of India. The notices in accordance with sub-section (2) of Section 15 of the Act read with Clause (4) of Regulation 6 of the trading licence regulations were published by the applicant on 12.2.2011. In response to the said public notice, no objections have been received.

2. In accordance with Regulation 3 (3) of the trading licence regulations, a person applying for Category `IV` trading licence should have net worth of ₹ 1 crore, and should have maintained minimum current ratio and liquidity ratio of 1:1, consistently for three years immediately preceding the year in which the application is made or such lesser period during which the applicant has been incorporated, registered or formed. The applicant was incorporated on 21.4.2010 and had submitted the Special Balance Sheet as on 15.1.2011. Based on the details furnished by the applicant, it was established that the applicant had the required net worth, current ratio and liquidity ratio at the time of making of the application. Accordingly, the Commission came to the conclusion that the applicant ***prima-facie*** qualified for grant of licence for inter-State trading in electricity as a category `IV` electricity trader.

3. On the above considerations, the Commission vide its order dated 17.3.1011 had proposed to grant Category `IV` trading licence to the applicant. A notice under clause (a) sub-section (5) of Section



15 of the Act was published on 28.3.2011 in all editions of Times of India, Economic Times and Dainik Jagran inviting suggestions/objections to the above proposal of the Commission.

4. In response to public notice published by the Commission, Shri S.K.Bhatia (MIE) R/o 3/102, Subhash Nagar, New Delhi- 110 027 has filed objections vide its letter dated 25.5.2011 as under:

- (i) The mission of National Electricity Plan is `quality and reliable power supply at reasonable rates`. Increase in number of power trading companies, without any direct contribution in generation, transmission and distribution would increase the overhead costs, which would in turn increase the electricity charges for the consumers;
- (ii) The public notice should give fair idea about the number of trader required in various regions and the amount and percentage of electricity that will be traded in a region through these electricity traders;
- (iii) To provide the information regarding energy traded during 2010-11;
- (iv) That there is no provision in the tariff determination norms for overloading the traders costs; and

- (v) That power is already scarce and does not need marketing or advertising to increase its consumption. Power Trading cannot held in optimization use of electricity;

5. We have considered the objection of Shri. R.K. Bhatia. It is pertinent to mention that the objections do not pertain to the proposal of the Commission to grant trading licence to the applicant but is a general submission on the desirability of not having the trading licensees. In the views of the objector, traders contribute towards increase in overhead cost without any value addition. Without going into the question of desirability of having trading licenses, we intend to clarify that trading has been introduced as a distinct activity in the Electricity Act, 2003 with the safeguards of the Electricity Regulatory Commission being authorized to fix ceilings on trading margins, if necessary. Para 5.7.1 of the National Electricity Policy provides as under:-

"5.7.1 To promote market development, a part of new generating capacities, say 15% may be sold outside long-term PPAs . As the power markets develop, it would be feasible to finance projects with competitive generation costs outside the long-term power purchase agreement framework. In the coming years, a significant portion of the installed capacity of new generating stations could participate in competitive power markets. This will increase the depth of the power markets and provide alternatives for both generators and licensees/consumers and in long run would lead to reduction in tariff."

For achieving the above objective, the National Electricity Policy provides that the Central Electricity Regulatory Commission shall issue

licenses for inter-State trading in electricity. Accordingly, the Central Commission has notified the trading licence regulations for grant of inter-State trading licence and the Central Electricity Regulatory Commission (Fixation of Trading Margins) Regulations, 2010 fixing a ceiling of trading margin which a licensed trader is allowed to charge on each transactions. Thus, the Commission has been issuing the trading licenses in discharge of its statutory function under the Act and in conformity with the spirit of National Electricity policy. As regards the suggestions of the objector for giving in the public notice such details as number of traders and energy trading data, it is clarified that the said information is available in the website of the Commission, particularly monthly report of the Market Monitoring Cell of the Commission which provides the information about the inter-State trading in electricity. As already stated, the objector does not have any specific objection to the grant of the trading licence to the applicant. Therefore, proceed to consider the case of the applicant for grant of trading licence.

6. Clause (9) of Regulation 6 of the trading licence regulations provide as under:

“(9) On consideration of further objections or suggestions received and the reply of the applicant thereto, if any, the Commission may grant the licence or reject the application, for reasons to be recorded in writing if the application does not confirm to the provisions of the Act, the rules or regulations or provisions of any other law for the time being in force:

Provided that no application shall be rejected, unless the applicant has been given an opportunity of being heard."

7. On consideration of the materials on record, we are satisfied that the applicant company meets the requirements of the Act and the trading licence regulations for grant of trading licence for Category 'IV'. Accordingly, we direct that Customized Energy Solution India Private Limited be issued a Category 'IV' licence for inter-State trading in electricity in whole of India, except the State of Jammu and Kashmir.

8. The grant of trading licence to the applicant is subject to the fulfillment of the following conditions throughout the period of subsistence of the licence:

(a) The applicant shall comply with the provisions of the Act, the Rules and the Regulations, particularly, trading licence regulations, orders and directions issued by the Commission from time to time and any other law in force.

(b) The applicant shall not exceed the volume of trading authorized under the licence, but may, in exceptional circumstances, undertake trading in electricity up to the



maximum of 120 per cent of the volume of trade authorized under the licence granted to him. Where the licensee exceeds the volume of trading in a year authorized under the licence, it shall pay licence fee applicable to the higher category for that particular year:

(c) The applicant shall charge the trading margin strictly in accordance with Central Electricity Regulatory Commission (Fixation of Trading Margin) Regulations, 2009 as amended from time to time.

(d) The applicant shall continue to be governed by the qualifications and disqualifications specified in Chapter 2 of the trading licence regulations during the subsistence of licence.

(e) The applicant shall abide by the terms and conditions of licence specified in Chapter 4 of the trading licence regulations.

(f) The applicant shall have the liability to pay the license fee in accordance with the provisions of the Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2008, as amended from time to time or any of other regulations in force.

(g) Non-compliance of the provisions of the Act, rules, regulations framed by the Commission and the provisions of

trading licence regulations shall make the licence of the applicant liable for revocation.

9. Petition No. 20 of 2011 is disposed of in terms of the above.

Sd/-

(M.Deena Dayalan)
Member

Sd/-

(V.S.Verma)
Member

Sd/-

(S.Jayaraman)
Member

Sd/-

(Dr. Pramod Deo)
Chairperson

