

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 15/SM/2020**

**Coram:  
Shri P. K. Pujari, Chairperson  
Shri. I.S. Jha, Member  
Shri. Arun Goyal, Member**

**Date of Order: August 17, 2020**

**In the matter of**

Extension of time for submission of Audited Special Balance Sheet required under the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for Grant of trading License and other related matters) Regulations, 2020 to support the compliance of Net Worth requirement by inter-State trading licensees.

**ORDER**

The Commission, vide notification dated 31.01.2020, published the CERC (Procedure, Terms and Conditions for Grant of trading licence and other related matters) Regulations, 2020 (hereinafter referred to as "Trading Licence Regulations 2020"). In terms of clause (1) of Regulation 21 of the Trading License Regulations 2020, the existing inter-State trading Licensees are required to meet the Net Worth, Current Ratio and Liquidity Ratio criteria as specified in clause (2) of Regulation 9 and submit an audited special balance sheet within a period of six months from the date of commencement of the Trading License Regulations 2020 to support the compliance of Net Worth requirement.



2. In the above context, some relevant provisions of Regulation 3, Regulation 9 and Regulation 21 of the Trading Licence Regulations 2020 are as under:

2.1. Regulation 3(3) provides as under:

“3. Qualifications of Applicant

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**(3) Financial Qualifications-Capital Adequacy and Liquidity Requirements**

*(a) Considering the volume of inter-State and intra-State trading proposed to be undertaken by the Applicant on the basis of the inter-State trading licence, the minimum Net Worth of the Applicant on the date of application, as per audited special balance sheet accompanying the application, shall not be less than the amount specified hereunder:*

<b>S.No.</b>	<b>Category of the trading licence</b>	<b>Minimum Net Worth (Rs. in Crore)</b>	<b>Volume of electricity proposed to be traded in a financial year</b>
1	Category I	50.00	Above 7,000 Mus
2	Category II	35.00	Not more than 7,000 MUs
3	Category III	20.00	Not more than 4,000 MUs
4	Category IV	10.00	Not more than 2,000 MUs
5	Category V	2.00	Not more than 500 Mus

*Provided that for Category I Trading Licensee, if the annual volume of electricity proposed to be traded exceeds 10,000 MUs, the Trading Licensee shall have a minimum net worth of Rs. 75 Crores:*

*Provided further that volume of electricity traded shall include inter-State and intra-State transactions under long term and short term contracts, including transactions undertaken through power exchanges, banking and Cross Border Trade.*

*(b) The Applicant shall have Net Worth as per clause (a) above and have a minimum Current Ratio of 1:1 and a minimum Liquidity Ratio of 1:1:*

*Provided that the Net Worth, Current Ratio and Liquidity Ratio specified in this regulation shall be computed on the basis of the audited special balance sheet prepared in accordance with the financial reporting framework prescribed under the Companies Act, 2013.”*

2.2. Regulation 9(2) provides as under:



## **“9. Obligations of the Trading Licensee**

*The Trading Licensee shall be subject to the following obligations, namely:-*

(1) ----

(2) *The Trading Licensee shall maintain the Net Worth in accordance with Regulation 3 of these regulations at all times and shall maintain Current Ratio of 1:1 and Liquidity Ratio of 1:1 at the end of every financial year.*

*Provided that if the current ratio or the liquidity ratio at the end of the financial year is less than 1:1, then the Trading Licensee shall be required to maintain additional Net Worth of 100% of the Net Worth stipulated for the respective category of trading licence.”*

2.3. Regulation 21 provides as under:

### **“21. Additional provisions in respect of Existing Licensees**

*(1) The Existing Licensees shall meet the Net Worth, Current Ratio and Liquidity Ratio criteria specified in clause (2) of Regulation 9 and submit an audited special balance sheet within a period of six months from the date of commencement of these regulations to support the compliance of Net Worth requirement:*

*Provided that in case the Existing Licensee fails to comply with the above, the Existing Licensee shall submit an application for category change within six months from the date of commencement of these regulations.*

*(2) The Existing Licensees shall charge trading margin in accordance with Regulation 8.*

*(3) The Existing Licensees shall pay the licence fee as may be specified by the Commission from time to time:*

*Provided that the licence fee when revised, shall be payable by the Existing Licensees on pro rata basis from the date of such revision till the end of the Year.”*

3. Thus, in terms of Regulation 21(1) above, the existing inter-State trading licensees shall meet the Net Worth, Current Ratio and Liquidity Ratio criteria specified in clause (2) of Regulation 9 and submit an audited special balance sheet within a period of six months from the date of commencement of Trading Licence Regulations 2020 to support the compliance of Net Worth requirement.



4. Refex Energy Ltd, Manikaran Power Ltd and Instinct Infra & Power Ltd are inter-State trading licensees that have been granted licence for inter-State trading of electricity under Section 14 of the Electricity Act, 2003 by the Commission as per provisions of the CERC (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2009. These inter-State trading licensees have sought extension of time for submission of Audited Special Balance Sheet in compliance with Net Worth requirement as per the Trading Licence Regulations 2020.

5. They have submitted that due to the outbreak of COVID-19 pandemic and continued lockdown in the country, their business operations have been impacted immensely and as a result they have not been able to prepare the Special Balance Sheet. They have further submitted that they are facing difficulties in collecting the documents/ information required for finalising their accounts for the last financial year. In this backdrop, Refex Energy Ltd (vide its letter dated 27.07.2020) and Instinct Infra & Power Ltd. (vide its letter dated 31.07.2020) have sought extension of three months and Manikaran Power Ltd (vide its letter dated 27.07.2020) sought extension of 15 days beyond the time permissible under the Trading Licence Regulations, 2020 for preparing the Special Balance Sheet and submitting the same to the Commission as required under the Trading License Regulations 2020.

6. Keeping in view the unprecedented situation existing in the country due to COVID-19 pandemic and the difficulties being faced by the existing inter-State trading licensees in submitting Special Balance Sheet to comply with the



requirement of Regulation 21 of the Trading License Regulations 2020, we find it necessary to grant more time to the inter-State trading licensees to comply with provisions of this Regulation.

7. Regulation 23 of the Trading License Regulations 2020 provides as under:

*“23. Power to relax: The Commission may in appropriate cases and for reasons to be recorded in writing relax any of the provisions of these regulations.”*

8. In view of our observations at paragraph 6 above, in exercise of the power under Regulation 23 of the Trading Licence Regulations 2020, we relax the provisions of Regulation 21(1) of the Trading Licence Regulations 2020 and grant time till 31.10.2020 to all the inter-State trading licensees that have been granted licence for inter-State trading of electricity under Section 14 of the Act by the Commission as per provisions of the CERC (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2009 to submit the audited Special Balance Sheet to support the compliance of Net Worth requirement.

9. Petition No. 15/SM/2020 is disposed of in terms of the above.

Sd/-  
**(Arun Goyal)**  
Member

Sd/-  
**(I.S. Jha)**  
Member

Sd/-  
**(P.K. Pujari)**  
Chairperson

