

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No.12/SM/2014

**Coram:
Shri Gireesh B.Pradhan, Chairperson
Shri A.K.Singhal, Member
Shri A.S.Bakshi, Member**

Date of Order: 12.6.2015

In the matter of

Non-compliance of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2009.

**And
In the matter of**

1. Karam Chand Thapar and Bros Ltd.
Rishmook Building, 85A Panchkuian Road,
New Delhi-110 001
2. Green Fields Power Services (P) Ltd.
101, Shri Guru Krupa, 7-1-54/C,
Anandgagh, D.K.Road,
Hyderabad
3. Gemac Engineering Services (P) Ltd.
3rd Floor, Wescare Towers, No.16
Cenotaph Road, Teynompeta,
Chennai-600 018

Respondents

ORDER

As per the Regulations 7(n) and 14 of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2009 as amended from time to time (Trading Licence



Regulations), the licensees are required to undertake trading in electricity and failure to undertake trading in electricity will render the licences liable for revocation. The Commission vide order dated 22.8.2014 had directed number of licensees including Karam Chand Thapar and Bros Ltd.(KCTBL), Green Fields Power Services (P) Ltd. (GFPSPL) and Gemac Engineering Services (P) Ltd.(GESPL) to explain the reasons for not undertaking trading in electricity.

2. The matter was heard on. 30.9.2014. Vide Record of Proceedings for the hearing dated 30.9.2014, the respondents were directed to submit their business plans. However, KCTBL, GFSPCL and GESPL did not submit their business plan. Accordingly, in our order dated 5.1.2015, we had issued notices to the said respondents to file their responses as to why their licences should not be revoked for non-compliance of the Commission's direction and for failure to undertake trading in electricity. Relevant portion of the said order is extracted as under:

“26. It is noted that Karam Chand Thapar and Bors Ltd., Gemac Engineering Services (P) Ltd., DLF Energy Private Ltd. and Green Fields Power Services (P) Ltd. have neither filed any reply to the petition nor did they participate in the proceedings before the Commission in any other manner. In accordance with the Regulation 14 of the Trading Licence Regulations, where the licensee in the opinion of the Commission, makes willful and prolonged default in doing anything required of him by or under the Act or the Rules or the Regulations, the Commission may revoke the licence after serving a notice of not less than three months. We are of the view that these four respondents have not only failed to comply with our directions but have also failed to comply with the provisions of Trading Licence Regulations. In our view, the licensees are not entitled to hold the licences when they have failed to comply with the Commission's directions and failed to undertake trading of electricity in violation of the regulations. Accordingly, we direct the said four respondents to file their responses as to why their licences should not be revoked for non-compliance of the Commission's direction and for failure to undertake trading in electricity. This order shall also be treated as notice under Regulation 14 (2) of the Trading Licence Regulations and the licence of the licensees shall be revoked after

expiry of the period of three months from the date of issue of this order after giving an opportunity of hearing to the licensees.”

3. In response, no reply was filed by KCTBL, GFSPCL and GESPL. Since the KCTBL, GFSPCL and GESPL did not submit their responses to the notice issued under Regulation 14 (c) (d) of the Trading Licence Regulations, these licensees were directed to appear before the Commission for an opportunity of hearing before taking decision on the proposal to revoke their licences.

Case of Karam Chand Thapar and Bros Ltd.

4. Karam Chand Thapar and Bros Ltd. (KCTBL) in its reply dated 9.6.2015 has submitted that the Commission`s order dated 5.1.2015 regarding show cause notice was misplaced in its office and was never brought to the notice of the management by concerned officials. As a result, the licensee could not file its reply to the notice along with the business plan and could not appear before the Commission during the hearing. KCTBL has submitted that due to drastic fall in availability of KG basin gas, imposition of cross subsidy surcharge, low overall demand, non-availability of power evacuation facility and stiff competition in the market, it was not able to undertake trading in electricity. KCTBL has submitted that with the manufacturing activities in the country reviving and prices of petroleum products coming down, the market for short term sales and purchase of electricity is likely to improve. KCBTCL is now approaching with structured approach with long terms business vision on trading in electricity business. KCTBL has submitted that in view of the huge in-house demand, existing relationship with the utilities, its manpower competence and

geographical presence, it would very soon undertake trading in electricity. KCTBL has submitted its business plan as under:

Business Plan Projections for the Electricity Trading

Transaction of Electricity Trading	Year	2015-16	2016-17	2017-18	2018-19	2019-20
Short-Term-Bilateral	MU	-	-	0.2	0.7	3.6
Long Term-Bilateral	MU	-	0.4	3.2	19	57
Ex-Short Term	MU	-	-	2.2	7.2	15.5.
Total Projected Volume Trading	MU	0.0	0.4	5.6	26.9	76.1

5. We have considered the submission of KCTBL. The licensee has been regularly paying the licence fee and submitting the information as per the provisions of Trading Licence Regulations. Though the licensee did not respond earlier to the notices of the Commission which has been attributed to the misplacement of notices, the licensee has now committed on affidavit that it would start trading activities expeditiously and has submitted business plan projections for the electricity trading for the years 2015-16 to 2019-20. Considering the commitment given by the KCTBL to undertake trading in electricity, we allow KCTBL one year time from the issue of this order to comply with the provisions of Trading Licence Regulations. If KCTBL does not undertake trading within a period of one year, then its case will be processed for revocation of licence. In view of the above, notice issued to KCTBL for revocation of licence is discharged.

Case of GFPSPL and GESPL:

6. In our order dated 5.1.2015, GFPSPL and GESPL were directed to explain as to why their trading licences should not be revoked for non-compliance of the Commission’s directions and for failure to undertake trading in electricity. In

response, GFPSPL and GESPL have not filed any reply to the notice. In our order dated 23.4.2015, GFPSPL and GESPL were directed to appear before the Commission and make their submission with regard to the notice of revocation of licence. None was appeared on behalf of them. Therefore, their cases for revocation of licence are being dealt with in accordance with the Trading Licence Regulations.

7. Regulation 14A of the Trading Licence Regulations provides as under:

“14 A. Contravention by Licensee

(1) Contraventions of the provisions of the Act, Rules and Regulations framed thereunder and non-compliance of the orders of the Commission by a licensee shall be grouped under two categories such as serious contraventions and non-serious contraventions.

(2) Serious contraventions shall cover the following:

(a) Violations and non-compliance of the provisions of the Act, Rules and the Regulations specified by the Commission, particularly, Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2009, Central Electricity Regulatory Commission (Fixation of Trading Margin) Regulations, 2010, Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010, Central Electricity Regulatory Commission (Grant of Connectivity, Long term Access and Medium-term Open Access in inter-State Transmission and related matters) Regulations, 2009, Central Electricity Regulatory Commission (Open Access in inter-State Transmission) Regulations, 2008, Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012, Central Electricity Regulatory Commission (Power Market) Regulations, 2010 and as amended from time to time or any subsequent amendment thereof;

(b) Deliberate under-reporting of transaction volume in monthly reporting;

(c) Non-compliance of the orders of the Commission including the orders issued for contravention of any regulation of the Commission;

(d) any willful, repeated and persistent violation of non-serious contraventions committed by the licensee.

(e) Non-payment of the licence fees and surcharge if applicable within the due date as specified in Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012.”

8. GFPSPL and GESPL not only contravened the provisions of Regulation 7 (n) and Regulation 14 of the Trading Licence Regulations by not undertaking trading, but also have not complied with the directions of the Commission issue vide orders dated 22.8.2014, 30.9.2014, 5.1.2015 and 23.4.2015 by not responding to the notices. Therefore, these licensees have committed serious contravention in terms of Regulations 14 A (2) (c) of the Trading Licence Regulations.

9. Regulation 14C of the Trading Licence Regulations further provides for the penalty for contravention of the regulations and non-compliance with the directions of the Commission which is extracted as under:

“14 C. Penalties for Contravention and non-compliance

(1) Where the charge of serious contraventions is established against the licensee, the Commission may:

(a) direct that the licensee shall pay, by way of penalty, a sum which shall not exceed rupees one lakh for each contravention;

and /or

(b) debar the licensee, from trading in short term market or medium term market or through power exchanges for a period not exceeding one year; or

(c) suspend the licence for trading in electricity for a period not exceeding one year; or

(d) revoke the licence of the licensee; or

(e) issue such other directions or impose such other condition as the Commission may deem appropriate.”

10. The Commission is of the view that it will be appropriate to impose the penalty under Regulation 14C (1) (d) of the Trading Licence Regulations on GFPSPL and GESPL in the facts of the case for contravention of the provisions of

the regulations and non-compliance with the direction of the Commission.
Accordingly, we revoke the licences granted to GFPSPL and GESPL.

Sd/-
(A.S. Bakshi)
Member

sd/-
(A.K. Singhal)
Member

sd/-
(Gireesh B. Pradhan)
Chairperson

