

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 219/TD/2018**

**Coram:  
Shri P.K. Pujari, Chairperson  
Dr. M.K. Iyer, Member  
Shri I.S.Jha, Member**

**Date of Order: 8<sup>th</sup> of July, 2019**

**In the matter of**

Application for grant of inter-State trading licence in electricity.

**And**

**In the matter of**

NTPC Limited  
NTPC Bhawan, Core-7, Scope Complex,  
7 Institutional Area, Lodhi Road,  
New Delhi-110 003

..... **Petitioner**

**The following were present:**

Ms. Poorva Saigal, Advocate, NTPC  
Shri A.S.Pandey, NTPC

**ORDER**

The Petitioner, NTPC Limited, a company registered under the Companies Act, 1956 (1 of 1956) has made the present application under sub-section (1) of Section 15 of the Electricity Act, 2003 (hereinafter referred to as "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 "Trading Licence Regulations") amended from time to time, for grant of Category 'I' licence for inter-State trading in electricity in all States and Union Territories of India to

enable the execution of Ministry of New and Renewable Energy`s plan for aggressive bidding for 20000 MW for installation of solar power projects under the guidelines issued by Ministry of Power.

2. In accordance with sub-section (2) of Section 15 of the Act read with Clause (4) of Regulation 6 of the Trading Licence Regulations, notices were published by the Petitioner on 11.8.2018 in Business Standard (Lucknow edition), DNA (Delhi edition), Aaj Samaj (Delhi edition), The Assam Post (Guwahati edition), Batori Kakot (Guwahati edition), The New Indian Express (Chennai edition), Dinamani (Chennai edition), Morning India (Patna edition), Sanmarg (Patna edition), the Free Press Journal (Mumbai edition), Punya Nagari (Mumbai edition) and on 13.8.2018 in Financial Chronicle (Delhi edition). In response to the said public notices, no objections have been received.

3. In accordance with Regulation 3 (3) of the Trading Licence Regulations, a person applying for Category 'I' trading licence should have net worth of ₹50 crore, and should have maintained minimum current ratio and liquidity ratio of 1:1, as on the date of the audited balance sheet accompanying the application. Based on the Audited Balance Sheet as on 31.3.2017 and Special Audited Balance Sheet dated 31.12.2017, it was found that the Petitioner possessed the net worth and other criteria for grant of trading license as required under the Trading License Regulations. However, the Commission observed that despite the fact that the Petitioner does not meet the current ratio and liquidity ratio criteria of the Regulations, is financially sound with respect to liquidity for carrying out electricity trade. Accordingly, the Commission in exercise of power

conferred under Regulation 17 of the Trading License Regulations, relaxed the current ratio and liquidity ratio requirement in public interest in view of the policy of the Government of India for promoting renewable energy.

4. On the above considerations, the Commission vide its order dated 27.5.2019 had proposed to grant Category 'I' trading licence to the Petitioner. Relevant portion of the said order dated 27.5.2019 is extracted as under:

*“24. In order to fulfill its obligations as the “Intermediary Procurer”, NTPC has approached the Commission for grant of trading licence. We have noted earlier that NTPC has a very high networth (Rs. 93415.20 crore) as against requirement of Rs. 50 crore for grant of category-I trading licence. We have also noted that it fulfils the requirement of other provisions of the Trading Licence Regulations. The criteria that it does not meet are the Current Ratio (0.88) and Liquidity Ratio (0.74) as against requirement of ratio of 1.00 in terms of Regulation 3(3) (b) of the Trading Licence Regulations. It has been observed that out of total current liability considered for networth of Rs.4356195 lakhs, liabilities worth of Rs. 1220359 lakhs are on account of current liabilities payable for capital expenditure and Rs.706852 lakhs are on account of current maturity of long term loans. It is noted that the company undertakes project of Capital nature which are regulated by this Commission. Thus, the current liabilities includes large component of expenditure on account of capital nature as well. In case the aforesaid liabilities of capital nature are taken out, the current ratio works out to 1.45.*

*25. NTPC is a Maharatna CPSE (Central Public Sector Enterprise) as notified by the Department of Public Enterprises, Government of India. The criteria for grant of such status are that the company should already have Navratna status; it should be listed on the Indian stock exchange with minimum prescribed public shareholding under SEBI regulations; it should have an average annual turnover of more than Rs. 25,000 crore during the last 3 years; its average annual net worth should be more than Rs. 15,000 crore during the last 3 years; it should have an average annual net profit after tax of more than Rs. 5,000 crore during the last 3 years; and the entity should have significant global presence/ international operations. Thus we note that by virtue of being granted the Maharatna status, it is implicit that NTPC has a very strong balance sheet and has trust of shareholders. The creditworthiness of NTPC has also been recognized by various credit rating agencies.*

*26. In order to achieve the required target of addition on RE over next few years, the “Guidelines for Tariff Based Competitive Bidding Process for Procurement of*

*Power from Grid Connected Solar PV Power Projects” issued by MNRE has assigned a very crucial role to the Intermediary Procure. Achievement of targets would be possible when the Intermediary Procurer is creditworthy and has trust of developer as well as procurer. NTPC has been designated as the Nodal Agency for this purpose and has applied for grant to trading licence to carry out its responsibilities.*

*27. In light of the above, we are of the view that in case of NTPC, despite the fact that it does not meet the current ratio and liquidity ratio criteria of the Regulations, is financially sound with respect to liquidity for carrying out electricity trade. NTPC meets other criteria for grant of trading license as required under the Trading License Regulations. Keeping in view the facts and circumstances of the case, we, in exercise of power conferred under Regulation 17 of the Trading License Regulations, relax the current ratio and liquidity ratio requirement in public interest in view of the policy of the Government of India for promoting renewable energy as detailed in para 22 above. Accordingly, the Commission proposes to grant Category-I trading license to the Petitioner. We direct that a notice under clause (a) of sub-section (5) of Section 15 of the Act be issued for inviting further suggestions or objections to the proposal of the Commission.”*

5. Notice under clause (a) sub-section (5) of Section 15 of the Act was published on 13.6.2019 in all editions of Hindustan (Hindi) and Indian Express inviting suggestions/objections to the above proposal of the Commission. No suggestions or objections have been received in response to the notice issued by the Commission.

6. The Petitioner has submitted that during the subsistence of the trading licence if granted by the Commission, it shall not apply for any transmission licence before any concerned authority without surrendering the trading licence granted to it.

7. Clause (9) of Regulation 6 of the Trading Licence Regulations provides 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.”*

8. On consideration of the materials on record and our finding in order dated 27.5.2019, we direct that NTPC Limited be issued a Category 'I' licence for inter-State trading in electricity in whole of India.

9. The grant of trading licence to the Petitioner (hereinafter referred to as “licensee”) is subject to the fulfillment of the following conditions throughout the period of subsistence of the licence:

(a) The licensee shall comply with the provisions of the Act, the Rules and the Regulations, particularly, Trading Licence Regulations, as amended from time to time and any other law in force;

(b) The licensee shall comply with orders and directions issued by the Commission from time to time;

(c) The licensee shall continue to be governed by the qualifications and disqualifications specified in Chapter 2 of the Trading Licence Regulations during the subsistence of licence, as amended from time to time;

(d) The licensee shall continue to abide by the terms and conditions of licence specified in Chapter 4 of the Trading Licence Regulations, as amended from time to time;

(e) The licensee shall regularly pay the annual licence fee in accordance with the provisions of the Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012, as amended from time to time or any subsequent enactment thereof;

(f) The licensee shall not trade electricity generated by it on the basis of the licence granted to it;

(g) The licensee can purchase and sale power involving other entities.

(h) The licensee shall maintain separate accounts for trading activity by treating it as a separate cost centre;

(i) The licensee 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;

(j) 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 Petitioner liable for revocation; and

(k) If the licensee fails to undertake trading in electricity within one year from the date of grant of licence, the licence shall be liable for revocation in accordance with the provisions of the Act and Trading Licence Regulations.

10. The Petition No. 219/TD/2018 is disposed of in terms of the above.

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

**sd/-  
(Dr. M.K. Iyer)  
Member**

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