

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 287/MP/2018

Coram:

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

Date of Order: 31st July, 2020

In the matter of

Petition under Regulation 16 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 as amended, for grant of registration to establish and operate a Power Exchange in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999.

And

In the matter of

PRANURJA SOLUTION LIMITED.
25th Floor, P.J. Towers,
Dalal Street, Fort,
Mumbai – 400001

.....**Petitioner**

Versus

(1) INDIAN ENERGY EXCHANGE LIMITED (IEX)
Fourth Floor, TDI Centre,
Plot No - 7, Jasola,
New Delhi – 110025

(2) POWER EXCHANGE INDIA LIMITED
9th Floor, 901, Sumer Plaza,
Marol Maroshi Road, Marol Andheri (East),
Mumbai 400059, India

.....**Respondents**



Parties present:

Shri Parag Tripathi, Sr. Advocate, PSL
Shri Paritosh Goel, Advocate, PSL
Ms. Rimali Batra, Advocate, PSL
Shri Chandra Mohan Verma, PSL
Shri M. G. Ramachandran, Sr. Advocate, IEX
Ms. Ranjitha Ramachandran, Advocate, IEX
Shri Shubham Arya, Advocate, IEX
Shri Jogendra Behera, IEX
Shri Gaurav Maheshwari, IEX
Shri Sakya Singha Chaudhuri, Advocate, PXIL
Ms. Nithya Balaji, Advocate, PXIL
Shri Yasir Altaf, PXIL
Shri Shekar Rao, PXIL
Shri Anil Kale, PXIL

ORDER

1. The Petitioner, Pranurja Solutions Limited, has filed the present Petition on 7.9.2018 seeking grant of registration to the Petitioner's Company to establish and operate as a power exchange; and in the interim, during the pendency of the present Petition, grant provisional registration to the Petitioner's Company to align its structure, management, activities etc. in accordance with the Power Market Regulations, 2010.

2. The Petitioner, in its Petition, has submitted as under:

(1) Regulation 14 of the Central Electricity Regulatory Commission (Power Market) Regulations 2010 (hereinafter referred to as "Power Market Regulations 2010") provides that no power exchange shall operate without obtaining registration under the extant regulations.

(2) The Petitioner Company, Pranurja Solutions Limited, is incorporated by a consortium of PTC India Limited, BSE Investments Limited and ICICI Bank with the fully paid-up share capital of Rs.1,00,000/- and with the share holding pattern



of 49.00%, 41.10% and 9.90%, respectively. The Petition has been filed before the Hon'ble Commission for grant of registration to establish and operate a Power Exchange under Regulation 16 of the Power Market Regulations 2010.

3. The Commission heard the Petition on 08.01.2019. During the hearing, the Learned Senior Counsel for the Petitioner submitted that they have published the public notice regarding its application in terms of Regulation 16 (ii) of the Power Market Regulations 2010. In response to the public notice, Indian Energy Exchange has filed its objection and the Petitioner has filed reply to the objection. The Petitioner also submitted that it meets all the requirements of the Power Market Regulations 2010 to apply for registration and requested the Commission to admit the Petition. After hearing the Petitioner, the Commission admitted the Petition and issued ROP dated 08.01.2019 directing the Petitioner to submit its net worth and shareholding pattern in sealed cover on or before 10.2.2018.

4. On 26.04.2019, the Petitioner Company executed Share Holder Agreement (SHA) and Share Subscription Agreement (SSA) with its consortium members. Through SSA, the members infused equity share capital in the Petitioner Company aggregating to Rs.25.50 Crores. The SHA and SSA were submitted to the Commission on 30.04.2019. The Commission has observed that the shareholding pattern of the consortium members was 49.02%, 41.08% and 9.90% for PTC India Limited, BSE Investments Limited and ICICI Bank respectively.

5. During the second hearing of the Petition on 28.05.2019, the Petitioner submitted that it has provided the details of required net worth and shareholding pattern of the proposed Power Exchange in a sealed cover as per the directions of the Commission. The Petitioner requested the Commission to issue notice under Regulation 16(vi) of the Power Market Regulations 2010 proposing to grant the registration to establish and operate the power exchange. After considering the submission made and information provided by the Petitioner, the Commission observed that the Petitioner is yet to comply with the requirement of shareholding pattern in terms of Power Market Regulations



2010. Accordingly, the Petitioner was directed, vide ROP dated 28.05.2019, to comply with the requirement of shareholding pattern specified in Regulation 19 of the Power Market Regulations 2010 within three months and only thereafter, approach the Commission for grant of registration.

6. In compliance of the ROP dated 28.05.2019, the Petitioner has submitted that it has made substantial progress and received binding letters of commitment from interested investors to align its shareholding pattern with the Power Market Regulations 2010. The Petitioner submitted proposed shareholding pattern of Pranurja Solutions Ltd as under:

- i. PTC India Limited (25%),
- ii. BSE Investments Limited (25%),
- iii. ICICI Bank (9.90%),
- iv. Greenko Energies (5%),
- v. Kirti Telnet (5%),
- vi. Subrashi Vinimay (5%),
- vii. Jindal Power (2%),
- viii. Chamaria (3.1%),
- ix. Tollman International (5%),
- x. Varanium Capital (5%),
- xi. Lord Dholakia (5%),
- xii. Meenakshi Power (5%).

7. The Petitioner has also submitted that paid up capital of Pranurja Solutions Limited is expected to increase to Rs.50 Crores. It has further submitted that it is unable to proceed further with the expected infusion of capital and proposed subscription of shares due to pendency of present application.

8. The Petitioner has submitted that until it is granted registration under Regulation 21 of the Power Market Regulations 2010, it's status is that of an 'Applicant' not 'Power Exchange'. Since as an 'Applicant', the Petitioner fulfills all the requirements as



mentioned in Regulation 16 (i), 16(ii), 16(iii) and 16(iv) of the Power Market Regulations 2010, it has submitted that the Commission may propose to grant the registration under Section 16 (v) of the Power Market Regulations 2010. The Petitioner has further submitted that, once the registration is granted, it undertakes to comply with all the provisions of Regulation 19 of the Power Market Regulations 2010 within a reasonable time. The Petitioner has specifically affirmed that if any of the shareholders of Pranurja Solutions Limited becomes member of the proposed power exchange, then the shareholding of such member shall be limited to in accordance with the Regulation 19 of the Power Market Regulations 2010. The Petitioner cited the Petition No.139/MP/2011, wherein “in principle/conditional” approval had been accorded for setting up and operation of a power exchange by ‘National Power Exchange Limited’.

9. During the third hearing of the Petition on 21.01.2020, the Commission directed the Petitioner to implead IEX as a party and to file revised memo of parties by 30.1.2020. The Commission directed IEX to file its additional submission by 7.2.2020 with an advance copy to the Petitioner, who may file its rejoinder, if any, by 14.2.2020. In compliance with the directions of the Commission, IEX filed its submission on 06.02.2020 for which the Petitioner filed rejoinder on 14.02.2020.

10. During the fourth hearing of the Petition on 12.03.2020, the Commission directed the Petitioner to implead PXIL as a party and to file revised memo of parties by 16.3.2020. The Commission directed PXIL to file its reply/submission by 24.3.2020 with an advance copy to the Petitioner, who may file its rejoinder, if any, by 31.3.2020. In compliance with the directions of the Commission, PXIL filed its submissions on 06.04.2020 for which the Petitioner filed rejoinder on 20.04.2020.

11. The fifth hearing of the Petition was held on 11.06.2020 through video conferencing. During the hearing, IEX and PXIL submitted that they would like to make additional submissions. On hearing the parties, the Commission through its ROP dated 11.06.2020, directed the respondents to file their respective written submissions by 20.6.2020 with copy to the Petitioner who may file its response, if any, on or before



24.6.2020. IEX and PXIL filed their additional submissions on 20.06.2020 against which the Petitioner filed his response on 01.07.2020.

12. The Petition was again heard on 09.07.2020 held through video conferencing. During the hearing, the power exchanges and the Petitioner have reiterated and elaborated their respective objections and responses made in the previous hearings before the Commission.

13. The key objections of the Power Exchanges and responses of the Petitioner to each of the objections have been summarized as under:

- (1) The Power Exchanges submitted that the Petitioner does not comply with the shareholding pattern as per Regulation 19 of the Power Market Regulations 2010. As per the regulation, any shareholder other than a Member of the Power Exchange can only have a maximum of 25% shareholding in the power exchange. However, in the instant case, one of the promoters, namely the PTC India Limited, is currently holding 49% of shareholding in the Petitioner's Company. As a trading licensee, PTC India Limited cannot hold more than 5% shareholding. The Power Exchanges also submitted that unless the Petitioner meets the shareholding pattern as per Regulation 19 of the Power Market Regulations 2010, the Commission should not propose to grant registration under Section 16 (v) of the Power Market Regulations 2010.

In response, the Petitioner has submitted that the procedure under Regulation 16 of the Power Market Regulations 2010 is not dependent on the requirement set out under Regulation 19 of the Power Market Regulations 2010. Regulation 19 of the Power Market Regulations 2010 is applicable only to a power exchange. At the present stage of the Petition, the Petitioner is only an applicant, and, therefore, Regulation 19 of the Power Market Regulations 2010 is not applicable to the Petitioner. As the Petitioner fulfills all the requirements as mentioned in Regulation 16 of the Power Market Regulations 2010, the Commission may

propose to grant registration to the Petitioner under Regulation 16 (v) of the Power Market Regulations 2010.

- (2) The Power Exchanges submitted that the Petitioner has failed to comply with the directions of the Commission. The Commission, vide the ROP dated 28.05.2019, had directed the Petitioner to comply with Regulation 19 of the Power Market Regulations 2010 within a period of 3 months. However, the Petitioner has not yet complied with these directions.

In response, the Petitioner has submitted that in compliance of the direction issued in the ROP dated 28.05.2019, the Petitioner has filed an affidavit dated 25.11.2019 along with the binding letters of commitment received from potential investors and shareholders to ensure compliance with the Regulation 19 of the Power Market Regulations 2010. Based on the binding letters, the Petitioner has submitted the proposed shareholding pattern of Pranurja Solutions Limited, which is in line with the Power Market regulations. The Petitioner has also submitted that in case any of the shareholder(s) of the applicant company, including PTC India Limited, becomes a member of the proposed power exchange, the shareholding of such shareholder(s) shall be limited so as to meet the regulatory requirement under Regulation 19 of the Power Market Regulations 2010. Hence, the Applicant is committed towards complete and absolute compliance with all regulations applicable for a power exchange as per the Power Market Regulations 2010. The petitioner has also submitted that it shall comply with Regulation 19 of the Power Market Regulations 2010 within a period of 8 weeks, as and when this Commission proposes to grant registration under Regulation 16 of the Power Market Regulations 2010.

- (3) The power exchanges submitted that there is a conflict of interest in the role of PTC India Limited as a trader and as a promoter shareholder in the Petitioner's power exchange. PTC India Limited is a dominant trader in the power market and could shift its trading business to the proposed power exchange, which



would be anti-competitive. Therefore, PTC India Limited should not be allowed to trade on such exchange unless its shareholding is reduced to 5%.

In response, the Petitioner has submitted that Regulation 22 of the Power Market Regulations 2010 clearly specifies the distinction between ownership and operations of the power exchange. The CEO and Managing Director of the Exchange will be responsible for day to day functioning of the Exchange and any price sensitive information would not be shared with the Directors. Thus, the PTC India Limited being a shareholder and having representation on the Board of the Exchange will not result in any conflict of interest.

(4) The Petitioner has submitted that the Commission, in the past, in the Petition No. 139/MP/2011 had granted conditional approvals. The Petitioner has further submitted that the Commission, in its order dated 24.4.2019 in Petition No.302/MP/2018, has granted further extension of time to PXIL to comply with the net worth criterion as per the Power Market Regulations 2010, by relaxing Regulation 19(1) of the Power Market Regulations 2010, thereby allowing the maximum shareholding of each of the promoter shareholders to be increased from 25% to 35% for a period of two years.

(5) The Petitioner has prayed the Commission to consider all its submissions and propose to grant registration to the applicant company under Regulation 16 (v) of the Power Market Regulations 2010 and thereby initiate the process of publishing a notice of its proposal under Regulation 16 (vi) of the Power Market Regulations 2010.

Analysis and Decision

14. The Petitioner, as an applicant, has filed an Application to establish and operate a Power Exchange under Regulation 16 of Power Market Regulations, 2010.



15. The Commission notes that the Petitioner has complied with the requirements as per Regulation 16 (i), 16(ii) and 16(iii) of the Power Market Regulations 2010. As required under Regulation 16 (iv) of the Power Market Regulations 2010, the Petitioner has filed its reply to the objections or suggestions received in response to its public notice. The Petitioner has also met the net worth requirement of Rs.25 Crore as per Regulation 18(i) of the Power Market Regulations 2010.

16. However, the Commission notes that the Petitioner is yet to comply with the shareholding pattern as required under Regulation 19 of the Power Market Regulations 2010. The Petitioner, in its affidavit, has submitted that it will comply with Regulation 19 of the Power Market Regulations 2010 within a period of 8 weeks, as and when the Commission proposes to grant registration under Regulation 16 of the Power Market Regulations 2010.

17. After considering the objections or suggestions received in response to the public notice issued by the Petitioner and the reply to the objections or suggestions filed by the Petitioner, the Commission is prima facie satisfied that the Petitioner Pranurja Solutions Limited meets the requirements of the Power Market Regulations 2010 for grant of registration, subject to fulfilment of the share holding pattern under Regulation 19 of the Power Market Regulations 2010. The Commission notes that the Petitioner, in its affidavit, has submitted that it will comply with Regulation 19 of the Power Market Regulations 2010 within a period of 8 weeks, as and when the Commission proposes to grant registration under Regulation 16 of the Power Market Regulations 2010. The Commission further notes that under Regulation 16(v) of the Power Market Regulations 2010, the Commission may propose to grant registration and under Regulation 16(vi) of the Power Market Regulations 2010, if the Commission so proposes to grant registration, it shall publish a notice of its proposal to invite further objections or suggestions to its proposal. The Commission is of the view that without the details required under Regulation 19 of the Power Market Regulations 2010, such a proposal of the Commission would be incomplete and inviting further objections or suggestions to such an incomplete proposal would not be fair to the stakeholders. Considering the



above facts, the Commission, exercising its inherent power under Regulation 63 of the Power Market Regulations 2010, decides that further action under Regulation 16(v) and Regulation 16(vi) of the Power Market Regulations 2010 can be taken by the Commission only after the Petitioner meets the requirements of Regulation 19 of the Power Market Regulations 2010. Accordingly, the Petitioner is directed to comply with the requirements of Regulation 19 of the Power Market Regulations 2010 within a period of 8 weeks from the date of issue of this order, as per the undertaking given by the Petitioner vide its affidavit dated 25.11.2019. Only on compliance of the requirements of Regulation 19 of the Power Market Regulations 2010 by the Petitioner, the Commission will take further necessary action for grant of registration or otherwise in accordance with the Power Market Regulations 2010.

Sd/-
(Arun Goyal)
Member

Sd/-
(I. S. Jha)
Member

Sd/-
(P. K. Pujari)
Chairperson