

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 266/TD/2021

Subject : Application for down gradation of trading licence under Regulations 9(4) and 15(3)(a) of the of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020.

Date of Hearing : 21.1.2022

Coram : Shri I. S. Jha, Member
Shri Arun Goyal, Member
Shri P. K. Singh, Member

Petitioner : National Energy Trading and Services Limited (NETSL)

Parties Present : Shri Deepak Khurana, Advocate, NETSL
Shri Ashwini Kumar Tak, Advocate, NETSL
Shri Vidya Bhushan, NETSL

Record of Proceedings

Case was called out for virtual hearing.

2. Learned counsel for the Petitioner submitted that the present application has been filed seeking down-gradation of inter-State trading licence from Category-I to Category-III under Regulations 9(4) and 15(3)(a) of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020 ('Trading Licence Regulations, 2020'). Learned counsel mainly submitted the following:

(a) The Petitioner had filed Petition No. 42/TD/2021 on the similar subject matter, which was rejected by the Commission vide its order dated 23.6.2021 on the ground that net worth of the Petitioner was reflected in negative and vide the said order, the Commission directed for issuance of show cause notice for initiating appropriate proceedings against the Petitioner for not maintaining the requisite net worth.

(b) Accordingly, suo-motu proceedings bearing No. 8/SM/2021 were initiated against the Petitioner for non-fulfilment of requisite net worth criteria in terms of Trading Licence Regulations, 2020 and the Petitioner was directed to file its response as to why penal provisions should not be invoked against it. The Petitioner vide its affidavit dated 6.8.2021 filed its response explaining that Lanco Solar Energy Private Limited ('LSEPL'), in which the Petitioner had invested Rs. 9,961 lakh, was inadvertently shown as a fellow subsidiary.

(c) Taking note of the Petitioner's reply, the Commission disposed of the aforesaid suo-motu proceedings vide order dated 3.11.2021 giving liberty to file fresh Petition within 15 days from the date of the order for downgrading its trading licence from Category-I to Category-III. In the said order, the

Commission directed the Petitioner to submit, while filing the fresh petition, the status of its investment of Rs. 9,961 lakh made in LSEPL along with 'clear net worth' free from all disputes and encumbrances. Accordingly, the present application has been filed by the Petitioner for down-gradation of inter-State trading licence. The Petitioner is compliant with the net worth, current ratio and liquidity ratio requirements for Category-III trading licence as per Trading Licence Regulations, 2020.

(e) As regards the status of investment of Rs. 9,961 lakh made in LSEPL, it has not undergone any change on account of Corporate Insolvency Resolution Process ('CIRP') of LSEPL, which is currently pending before the National Company Law Tribunal and that the Petitioner has a clear net worth free from all encumbrance and disputes. Mere pendency of CIRP of LSEPL, does not alter the legal status of the Petitioner's investment in LSEPL or create encumbrance/ dispute on its net worth.

(f) As per Regulation 9(20) of the Trading Licence Regulations, 2020, the licensee is under obligation to report to the Commission any change in the net worth which makes it ineligible to continue with the category for which the trading licence has been granted. Hence, while down-grading the category of its trading licence, the Commission may put an obligation on the Petitioner to report any change in the status of its investment in LSEPL after the outcome of CIRP.

5. After hearing the learned counsel for the Petitioner, the Commission reserved the matter for order.

By order of the Commission
Sd/-

(T.D. Pant)
Joint Chief (Law)