

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 203/TD/2022

Coram:

Shri Arun Goyal, Member

Shri P.K. Singh, Member

Date of Order: 12th November, 2022

In the matter of

Application under Section 14 of the Electricity Act, 2003 read with Regulation 6 of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020 for grant of an Inter-State Trading licence.

And

In the matter of

REL Power Trading LLP
BC-109, Davidson Road, Camp,
Belagavi-590 001, Karnataka,

..... **Petitioner**

The following were present:

Ms. Shagun Srivastava, Advocate, RPTL

Ms. Mansi Agawal, Advocate, RPTL

ORDER

The Petitioner, REL Power Trading LLP, registered under the Limited Liability Partnership Act, 2008 (6 of 2009) has made the present application under Section 14 of the Electricity Act, 2003 (hereinafter referred to as "the Act") read with Regulation 6 of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Trading Licence and other related matters) Regulations, 2020 (hereinafter referred to as "the Trading Licence Regulations") amended from time to time, for grant of Category `V` trading licence for inter-State trading in electricity in Pan India.

2. Case was called out for virtual hearing on 11.10.2022. It was submitted by the learned counsel of the Petitioner that the Petitioner has complied with all requirements prescribed under the Trading Licence Regulations. The Petitioner vide Record of Proceedings for the hearing dated 11.10.2022 was directed to file on affidavit within two weeks the details of full-time professionals in the disciplines of “System Operation or Power Trading or Energy Risk Management” and “finance, commerce & accounts” and confirmation to the effect that the same are full time professionals of the Petitioner company in terms of Regulation 3 (2) of the Trading Licence Regulations.

3. The Petitioner vide its affidavit dated 19.10.2022 has submitted that in the instant Petition, the professionals fulfil criteria of qualification and experience. The Petitioner has undertaken that Mr. Shantanu Lath, who is a Chartered Accountant, by virtue of his designation i.e. being a designated partner of the Petitioner/LLP is actively involved in the day to day affairs of the Petitioner/LLP. Mr. Yesh Marwari with an Engineering Degree is working as a full time professional in the Petitioner company and will be assuming crucial roles and responsibility in the Petitioner company.

4. We have examined the documents on record. Regulation 6 of the Trading Licence Regulations provides for the procedure for grant of trading licence as under:

“6. Procedure for grant of licence

(1) Any person desirous of undertaking inter-State trading in electricity shall make an application to the Commission for grant of licence in the manner specified in Form-I appended to these regulations and such application shall be accompanied by-

(a) Such application fee as prescribed by the Central Government from time to time and shall be paid as per the procedure specified in Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012, as amended from time to time or any statutory re-enactment thereof.

(b) Copies of the annual reports in case of the persons incorporated under the Companies Act, 1956 or Companies Act, 2013 including audited accounts along with the Directors' Report, Auditors' Report, the Schedules and notes to accounts for one Year immediately preceding the Year in which the application has been made and the audited special balance sheet as on any date falling within 30 days immediately preceding the date of filing the application.

(2) The Applicant shall post complete application along with annexures and enclosures on its website so as to facilitate access to the application by any person through internet and shall keep them on the website till the disposal of the application.

(3) The Applicant shall within 7 days after making such application, publish a notice of its application, in two daily newspapers having circulation in each of the five regions in addition to those published from Delhi, including one economic daily newspaper in Form II, with the following particulars, namely:-

(4) The Applicant shall within 7 days from the date of publication of the notice as aforesaid submit to the Commission on affidavit the details of the notice published and shall also file the original complete page of the newspaper in which the notice has been published.

(5) The Applicant shall allow a period of 30 days to the public to file objections or suggestions to the notice of application published in the newspapers.

(6) The Applicant shall file its reply before the Commission within 30 days from the last date of receipt of objections or suggestions from the public.

(7) The Commission after consideration of the objections or suggestions received in response to the notice published by the Applicant and its reply may reject the application or may propose to grant licence.

(8) When the Commission proposes to grant licence, it shall publish a notice of its proposal in two daily newspapers, as the Commission may consider appropriate, stating the name and address of the person to whom it proposes to issue the licence and with such other details as the Commission considers appropriate, to invite further objections or suggestions to its proposal."

5. The Petitioner has submitted the application as per Form-I and paid the requisite fees.

6. The Petitioner has uploaded the application for grant of trading licence on its website in terms of Clause (3) of Regulation 6 of the Trading Licence Regulations and further placed on record the relevant copies of the newspapers in original in which

notice of its application has been issued. The notices under Sub-section (2) of Section 15 of the Act read with Clause (4) of Regulation 6 of the Trading Licence Regulations have been published by the Petitioner on 21.7.2022 in Financial Express (Ahmedabad, Chandigarh, Chennai, Delhi, Hyderabad, Kochi, Kolkata, Lucknow, Mumbai and Bangalore editions) and Business Standard (Mumbai, Chennai, Kolkata, Bangalore, Guwahati, Bhopal, Chandigarh, Hyderabad, Kochi, Lucknow and Pune editions). No objection has been said to be received in response to the public notices.

7. The Petitioner has been said to be incorporated under the Limited Liability Partnership Act, 2008 on 25.4.2022. Proviso to Clause (1) of Regulation 3 of the Trading Licence Regulations provides that the Petitioner company should have been authorized to undertake trading in electricity by its LLP Agreement. We note that trading in electricity is covered under Main Objects of the LLP Agreement of the Petitioner. Paragraph 6 of the Objects of the LLP Agreement reads as under:

"6. (a) To carry on in India or elsewhere the business of power trading.

(b) To carry on in India or elsewhere the business to generate,, receive, produce, improve, buy, sell, resell, trade, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, trader, representative, consultant, collaborator or otherwise to deal in electric power, in all its branches at such place or places as may be permitted by appropriate authorities by establishment of bagasse based power plants, thermal power plants, hydal power plants, atomic power plants, wind power plants, solar power plants, rooftop solar power plants, ground mount solar powe3r plants, solar power parks, nuclear power plants and any other power plants based on any source of energy as may be developed or invented in future."

8. In view of the above, we find that the Petitioner fulfills the requirements specified in Clause (1) of Regulation 3 of the Trading Licence Regulations.

9. The Petitioner has submitted that it is not engaged in the business of transmission of electricity and does not hold a transmission licence. The Petitioner

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

10. In accordance with Clause (3) of Regulation 3 of the Trading Licence Regulations, a person applying for Category `V` trading licence should have net worth of Rs. two crore and should have maintained minimum current ratio and liquidity ratio of 1:1, as on date of audited balance sheet accompanying the application. As per Clause (1)(b) of Regulation 6 of the Trading Licence Regulations, the Petitioner is required to submit special balance sheet as on any date falling within 30 days immediately preceding the date of making the application. The Petitioner has submitted audited special balance sheet as on 30.06.2022

11. Based on the special audited balance sheet as on 30.6.2022, net worth, current ratio and liquidity ratio have been worked out as under:

(Rs. in lakh)	
Net worth computation	As per Special Audited Balance Sheet as on 30.6.2022
Particulars	
A) Paid up equity capital (1)	210.00
B) Reserves and Surplus	
B.1. Capital Reserves	0.00
B.2. Capital Redemption Reserve	0.00
B.3. Debenture Redemption Reserve	0.00
B.4. Revaluation Reserve	0.00
B.5. Share Options Outstanding Account & Reserves other than free reserves	0.00
B.6. Securities Premium Reserve	0.00
B.7. Surplus (P and L Account)	(0.27)
B.8. Other Free Reserves (i.e. general reserve and	0.00

cash flow reserve)	
Free Reserves & Surplus considered for net worth (2) (B6+B7+B8)	(0.27)
C) Loans and Advances given to associates (3)	0.00
D) Deferred expenditure (including Misc. Expenses) not written off (4)	0.00
Net Worth (1+2-3-4)	209.73

12. The net worth of the Petitioner is further represented by the following:

	(Rs. in lakh)
Net worth (Asset approach), Current Ratio & Liquidity Ratio computation	As per Special Audited Balance Sheet as on 30.6.2022
A) Non-current Assets	
A.1 Net block of Tangible Asset	0.00
A.2 Net Block of Intangible Asset	0.00
A.3 Capital work in progress	0.00
A.4 Intangible Assets under development	0.00
A.5 Non-Current investments	0.00
A.6 Deferred Tax Assets	0.09
A.7 Long-term loans and advances	0.00
A.7.1 Less: Loans & Advances given to Associates included in above	0.00
A.7.2 Net Long-Term Loans & Advances (A.7 - A.7.1)	0.00
A.8 Other non-current asset (Right of use assets, capital advances and prepaid expenses, etc.)	0.00
A.9 Deferred expenditure (including Misc. Expenses) not written off (Not considered for net worth computation)	0.00
Total Non-Current Assets	0.00
Total Non-Current Assets considered for net worth (1)	0.09
B. Non-Current Liabilities, Preferential Share & Share Application money and Reserves other than free reserves	
B.1 Share application money pending allotment	0.00
B.2 Preference Share Capital	0.00
B.3 Long term Borrowings	0.00
B.4 Deferred tax Liabilities	0.00
B.5 Other Long Term Liabilities	0.00
B.6 Long Term provisions	0.00

B.7 Reserves other than free reserves	0.00
Total Non-Current Liabilities, Reserves other than free reserves considered for Net worth (2)	0.00
C. Current Assets	
C.1. Current Investments	0.00
C.2. Inventories	0.00
C.3. Trade Receivables	0.00
C.4. Cash and cash equivalents	209.99
C.5 Short Term Loans & Advances	0.00
C.5.1 Less: Loans and Advances given to associates	0.00
C.5.2 Net Short-Term Loan and Advances (C.5 - C.5.1)	0.00
C.6 Other current assets	0.00
C.7 Deferred Expenditure	0.00
Total Current Assets	209.99
Total Current Asset considered for Net worth (3)	209.99
D. Current Liabilities	
D.1. Short-term Borrowings	0.00
D.2. Trade payables	0.00
D.3. Other Current liabilities	0.35
D.4. Short-term provisions	0.00
Total Current Liabilities considered for Net worth (4)	0.35
Net worth ((1-2)+(3-4))	209.73

13. Based on the above, the net worth, current ratio and liquidity ratio work out as under:

Sr. No.	Particulars	As per Audited special balance sheet as on 30.6.2022
1	Net worth (Rs. in lakh)	209.73
2	Current ratio	606.00
3	Liquidity ratio	606.00

14. Based on the submitted audited special balance sheet, the Petitioner meets the net worth requirements and current ratio & liquidity ratio requirements as specified in Clause (3) of Regulation 3 of the Trading Licence Regulations for grant of Category `V` trading Licence.

15. In accordance with Clause (2) of Regulation 3 of the Trading Licence Regulations, the Petitioner company should have at least one full-time professional having qualifications and experience in power system operation and commercial aspects of power transfer and finance, commerce and accounts. As per information submitted by the Petitioner, it fulfils the requirements of Clause (2) of Regulation 3 of the Trading Licence Regulations.

16. On consideration of the above facts, after a preliminary examination, we find that the Petitioner meets the requirements as specified in the Trading Licence Regulations for grant of Category `V` trading licence. In view thereof, the Commission proposes to grant Category `V` trading licence to the Petitioner. We direct that a notice under Clause (a) of Sub-section (5) of Section 15 of the Act be issued inviting further suggestions or objections to the proposal of the Commission.

17. The Petition shall be listed for hearing on 8.12.2022.

Sd/-
(P.K. Singh)
Member

sd/-
(Arun Goyal)
Member