

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Bhanu Bhushan, Member**
- 2. Shri R.Krishnamoorthy, Member**

Petition No. 38/2007

In the matter of

Application for grant of permission for setting up of Power Exchange.

And in the matter of

Indian Energy Exchange Limited

.....Applicant

The following were present

1. Shri V. Chary, Chairman, MCX
2. Shri J. Massey, DMD, MCX
3. Shri R.K.Mediratta, VP, MCX
4. Shri S.K.Soonee, PGCIL
5. Shri Sunil Agrawal, PGCIL
6. Shri S.R.Narasiman, PGCIL

**ORDER
(DATE OF HEARING: 10.7.2007)**

The application has been made for grant of permission for setting up of Power Exchange in terms of the guidelines issued in the order dated 6.2.2007 in Petition No. 155/2006 (Suo motu).

2. Heard the representatives of the applicant and PGCIL.
3. Representative of the applicant informed about conferences/ workshops held in various regions for creating awareness among stakeholders. He also stated about the major issues that came up during the aforesaid conferences.
4. The representative of PGCIL Shri S.K. Soonee, ED (SO, PGCIL & NRLDC) stated that there were issues regarding transmission charges, losses, congestion management, reservation of transmission capacity, role of SLDCs and fees to be paid

by the Power Exchange to RLDCs. Shri Soonee referred to the possibility that an entity may default in UI charges but may continue to trade using the Power Exchange platform. To take care of the situation, the representative of the applicant proposed that a tolerance limit for UI default might be devised in consultation with RLDCs and Members/ participants shall not be allowed trading using the Power Exchange platform if these limits are breached.

5. On the issue of proposed continuous trading during the evening hours after scheduling of closed auctions, the applicant offered not to implement the same for the present. On an enquiry about the system software security, the applicant informed that their system software was in compliance with the highest level of security and have been duly audited on this aspect. The applicant undertook to submit a certificate regarding the same.

6. Regarding adjudication of disputes between the Power Exchange and the Members, the applicant assured the Commission that the bye-laws of Power Exchange would have a proper mechanism to resolve the same. The applicant, however, requested that if there was a policy issue during operational phase, where the Exchange needed inter-face with the Commission the same might be facilitated.

7. In response to a query, the applicant stated that after receipt of permission from the Commission, the Power Exchange would become operational within a period of four to six months.

8. The applicant is directed to submit the following information through an affidavit, namely:

- (a) Copy of formal agreement between MCX and FTIL;
- (b) Certificate of incorporation of the company;

- (c) Annual accounts for last three years for M/S MCX & M/S FTIL;
- (d) Records of discussions held in the conferences organized by the applicant and its response on the issues raised by the stakeholders;
- (e) Certificate regarding audit of system software security;
- (f) Factual information in regard to recent press reports connecting MCX with income-tax related matters;
- (g) Detailed write-up to establish the following, namely:-
 - (i) De-mutualized form of organization,
 - (ii) Reliable, effective and impartial management,
 - (iii) Ring-fencing between ownership, management and participation,
 - (iv) Transparency in operation, Price discovery and decision making,

9. The applicant shall in due course develop detailed rules/by-laws in consultation with members/participants of the Power Exchange and RLDCs and get them approved by the Commission.

10. A view on further proceeding will be taken after receipt and consideration of the information called for.

Sd-/
(R.KRISHNAMOORTHY)
MEMBER

sd-/
(BHANU BHUSHAN)
MEMBER

New Delhi, Dated the 17th July, 2007