

CENTRAL ELECTRICITY REGULATORY COMMISSION
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PRESS RELEASE

CERC PROPOSES A NEW INTER-STATE TRADING REGULATION 2008

The Electricity Act 2003 recognizes trading as a separate licensed activity. The Central Electricity Regulatory Commission promulgated inter-State trading regulations in the year 2004 and which were amended once in 2006. With the introduction of new inter-State Open Access Regulations and operationalization of power exchange, it had become necessary to align the trading regulations with these changes. Since several changes have been proposed in most of the regulations, it has been felt to go for new regulations i.e. inter-State trading regulations – 2008 rather than going for amendment to the existing regulation 2004.

2. The present definition of “inter-State trading” does not cover transactions involving import from or export to any other country for resale of electricity. In order to provide regulatory framework for such cross-border transactions through power trading, the definition of inter-State trading has been modified in the proposed regulations.

3. The Commission has so far issued about 30 inter-State trading licences for different categories. Most of the licensees are either in the category of A or in the category of F barring few in between. Hence, it is proposed to reduce number of categories from 6 to 3.

4. Net worth requirement as per the existing regulations varies from Rs.1.5 crores to Rs.20 crores depending on the category of licence. Keeping in view the current price of traded power, the net worth requirement has been increased for the revised categories ranging from Rs.5 crores to Rs.50 crores.

5. Present regulations do not contain any stipulation on liquidity requirement. One can build up net worth without liquidity. The applicant may not have sufficient liquid assets in hand to meet the payment obligations in spite of meeting net worth requirement as per the regulations. Introduction of current ratio and liquid ratio will indicate liquidity position of the applicant. Hence, additional provision has been proposed in the draft regulations towards liquidity of the licensee in addition to net worth requirement.

IMPORTANT CHANGES PROPOSED IN THE DRAFT REGULATIONS 2008

- Definition of inter-State trading has been revised to bring in cross-border trading of power within its purview.
- Net worth definition has been revised to discount the loans and advances given to the associates.
- Net worth has been increased keeping the price of traded power in view.
- New requirements of liquidity i.e. current ratio and liquidity ratio has been introduced.
- Definition of associate has been rationalized.
- Payment security mechanism has been rationalized.
- A provision is made that licensee shall not purchase electricity from the entities which are defaulting in payment of UI charges, transmission charges, charges of NLDC/RLDC/ULDC etc.

(Alok Kumar)
Secretary