

CENTRAL ELECTRICITY REGULATORY COMMISSION
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PRESS RELEASE

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CERC initiates consultations for power market regulations

To fulfill the mandate of Electricity Act, CERC has started the exercise of framing power market regulations. This was the topic for discussions in the meeting of the Central Advisory Committee of the Commission held on 6th July, 2009. The meeting was attended by eminent experts of power sector and the important stakeholders such as trading companies, power exchanges, consumer organizations.

Dr. Pramod Deo, Chairperson, CERC said that the Commission had set a target of coming out with trading regulations within next few months and would be undertaking several consultations before finalizing the same. The endeavour would be to ensure orderly development of power markets in India with the objectives of mobilizing new investments and promoting competition.

The Committee generally supported the introduction of term ahead contracts (weekly/monthly) but along with more intensive monitoring, stringent disclosure norm and tighter grid discipline. It was also suggested that capacity contracts (as against the currently available energy contracts) need to be made available for longer duration keeping in view the demand uncertainties and attendant payment margin risks.

The meeting was unanimous in suggesting introduction of intraday contracts which would enable sale and purchase of power on the day of operation itself. This would facilitate better load management. The system operator assured full cooperation in this regard.

All the members of the Committee favoured further tightening of UI (Unscheduled Interchange) mechanism in order to bring more liquidity in the power markets and inculcate better grid discipline among the constituents. It was also suggested that the utilities indulging in persistent overdrawl needed to be punished and debarred from further participating in the markets.

The role of trading licensees vis-à-vis power exchanges was also deliberated in detail. There was consensus that trading licensees should also take up the role of standalone power suppliers to the open access consumers and if need be, the regulatory framework should be modified to provide for aggregation both of sellers as well as of buyers. This would mean that trading contracts need not be on one to one basis and the trading licensees would have freedom to aggregate the generators as well as consumers.

Another major issue raised was the need of providing level playing field between the trading licenses and the intermediaries participating on power exchanges. It was suggested that Commission may come out with appropriate regulations to ensure that the intermediaries on power exchanges have adequate financial and technical strengths.

Sd/-

(Alok Kumar)
Secretary