

**CENTRAL ELECTRICITY REGULATORY COMMISSION**  
**NEW DELHI**

**Coram: Dr. Pramod Deo, Chairperson**  
**Shri V.S.Verma, Member**  
**Shri M.Deena Dayalan, Member**

L-1/13/2010-CERC

**Date of Order: 19-11-2010**

**In the matter of:**

Approval of the Rules, Bye-Laws and Business Rules of Power Exchange India Limited in compliance with the provisions of Central Electricity Regulatory Commission (Power Market) Regulations, 2010.

**And**

**In the matter of:**

Power Exchange India Ltd., Mumbai

.....**Applicant**

**ORDER**

Regulation 14 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (hereinafter referred to as "Power Market Regulations") *inter alia* provides as under:

"14. No Power Exchange shall operate without obtaining registration under these regulations.

Provided that the Power Exchanges which have been granted approval/in-principle approval by the Commission on or prior to the date of notification of these regulations shall be deemed to be registered under these regulations subject to payment of annual registration charge.

Provided further that the Power Exchanges in operation shall realign their Bye-laws, Rules and Business Rules to make the same in conformance with these regulations and shall submit the same for approval of the Commission within three months from the date of notification of these regulations."



2. The Applicant, Power Exchange India Ltd. (“PXIL”) was accorded approval by the Commission to establish and operate a power exchange vide order dated 30.9.2008 in Petition No.21/2008. The Applicant started its operation with effect from 22.10.2008. In terms of the first proviso to Regulation 14 of Power Market Regulations, the Applicant is deemed to be registered power exchange under the said regulations. The Applicant is mandated under second proviso to Regulation 14 of Power Market Regulations to realign its Bye-laws, Rules, and Business Rules with the provisions of the said regulations and seek approval of the Commission within 3 months from the date of notification of the regulations. The Power Market Regulations were issued on 21<sup>st</sup> January, 2010. The Applicant had submitted its revised Bye-laws, Rules and Business Rules in compliance of the Power Market Regulations on 19.04.2010 and subsequently re-submitted the revised Bye-laws etc. on 03.08.2010. Affidavits dated 05.10.2010 and 10.11.2010 were filed by the Applicant mentioning the deletion and amendment of a few clauses of revised Bye-laws, Rules and Business Rules. The Applicant has further submitted that approval to the Bye-laws, Business Rules and Rules of the exchange be accorded without initiating any further hearing.

3. The Applicant has revised its Rules, Bye-Laws and Business Rules by aligning the same with the provisions of the Power Market Regulations and has submitted these documents for our approval. These documents submitted by the Applicant vide affidavits dated 3.8.2010, 5.10.2010 and 10.11.2010 have been examined from the perspective of compliance with the CERC (Power Market) Regulations, 2010 only and we have indicated our observations/directions in the **Annexure** to this order. Since the Applicant has prayed for the order without further hearing, we accord our approval to



the revised Rules, Bye-laws and Business Rules subject to incorporation of our observations/directions therein. The Applicant is directed to appropriately incorporate our directions/observations in its Rules, Bye-Laws and Business Rules and submit the same for perusal of the Commission within ten (10) days from the date of this order. If any discrepancy is noticed at that stage or if it appears that the revised Rules, Bye-Laws and Business Rules do not conform to the Power Market Regulations in any respect, the Commission shall issue such further directions as may be considered necessary to ensure compliance with the aforesaid Regulations.

4. There are certain provisions in the Power Market Regulations which are required to be complied with even without including the same in the Rules, Bye-Laws and Business Rules of the Exchange. They primarily pertain to the achievement of the capital governance structure, financial and operational requirements and information dissemination etc. These requirements shall be complied with by the Applicant within the timelines specified in the Power Market Regulations and compliance report shall be submitted for the information of the Commission.

Sd/-

**(M.Deena Dayalan)**  
**Member**

Sd/-

**(V.S.Verma)**  
**Member**

Sd/-

**(Dr. Pramod Deo)**  
**Chairperson**



**Annexure  
(vide para 3 of the order)**

**Observations/directions of the Commission on the revised draft Bye-Laws, Rules and Business Rules of the Indian Energy Exchange**

Sr. No.	Page No.*	Clause No.	Observations/directions of the Commission
<b>Rules of Power Exchange of India Limited</b>			
1	3	1.4	Since the term applicable laws is already a defined term under clause 2.2, defining the same under clause 1.4 in a different manner is inapposite. Hence the clause may be replaced as under: “ These Rules shall be in addition to the provisions of the Electricity Act, 2003 (“the Act”) any regulations or order or circular issued or amended there under from time to time and shall always be read together with the Act and Applicable Law(s) whenever and wherever the context requires.”
2	11	3.8	The words “ <i>In-accordance with applicable laws and subject to the prior approval of the CERC</i> ” be added at the end of the sentence.
3	22	5.15.3	Cross reference numbers need to be corrected as these clause numbers cannot be located in the document
4	34	6.3.3(ix)	Words “ <i>Sharing of Brokerage</i> ”, appearing at the end, to be replaced with the words “ <i>sharing of member service charge</i> ”
<b>Bye-Laws of Power Exchange of India Limited</b>			
5		1.4	Since the term applicable laws is already a defined term under clause 2.2 of Rules, defining the same under clause 1.4 of Bye-Laws in a different manner is inapposite. Hence the same should be deleted.
6.	2	-	Clause number missing for clause starting with the words “ <i>Any amendments.... future</i> ”.
7	9	4.6	Client shall pay monies to ... members “ <i>other than Advisory members</i> ” needs to be added.
8	16	5.1	Trading System - The process to trade on an



			alternate trading facility in case of emergency be incorporated as required under Regulation 31 (vii) of the Power Market Regulations pertaining to Disaster Recovery site and alternate trading facility.
9	17	5.3.1	The following words be added as the exchange may have a holiday but they would still have to carry out trading for each day of the year:- “Provided that the exchange shall carry out trading for each day of the year for day ahead market” .
10	18	5.3.2	The closing of trading in any one or more or all Contracts on the ATS or any other trading system of the Exchange is to be necessarily done with the approval of the Commission. This was also held in the Commission’s Order dated 30th September, 2008. Therefore, the words “ <i>Relevant Authority</i> ” appearing in the following sentence “ <i>Provided ... relevant authority</i> ” be amended and replaced with the word “CERC” as “The term “ <i>Relevant Authority</i> ” is defined in the Rules to mean “ <i>the Board or such other authority as specified by the Board from time to time as relevant for a specified purpose.</i> ”  Furthermore, in order to remove any ambiguity with Cl. 5.3.1 the words “Notwithstanding clause 5.3.1 above”, be added at the beginning of Cl. 5.3.2.
11	18	5.3.3.	The following words be added:- “Provided that prior intimation with sufficient notice to be given to all members of any change in trading sessions timings”
12	18	5.4.1	Trading parameters relating to trading system is not clear. It should be corrected as “trading parameters relating to contracts”
13	18	5.4.2	Parameter terminology “Extent of contracts” is not clear and needs to be explained. The parameters to be specified by exchange shall be in accordance with Power Market Regulations.
14	19	5.6	In this clause, provision may be made for giving advance and sufficient notice period to the

			members in case of suspension of trading. This clause shall be modified in line with clause 5.3 as prescribed herein above.
15	19	5.7	The subject of “extension and postponement” is not clear. It needs to be clarified
16	21	5.12.2	The words “in the opinion of the exchange or” shall be deleted.
17	26	6.3.1	The words “other than the advisory members” shall be added at the end of the sentence.
18	26	6.3.5	The sentence starting with “However...” shall be replaced with “However, the Member’s responsibility other than the advisory member shall not in any way be reduced due to non-collection of margins from clients.”
19	28	7	The processes to support regulation 58(iv) of CERC (Power Market) Regulations, 2010, shall be specified.
20	32	8.2.2 a	The words “of the clearing members” to be added after the words “capital adequacy norms”.
21	32	8.2.2.b	The words “clearing limits” to replace the word “limits”.
22	34	8.7.2	The scope of the word “any other entities” to be clearly defined.
23	35	8.9	The Role of Exchange and Delivery is not clear. Delivery needs to be elaborated.
24	35	8.9.1.ii	The meaning of “Determination of contracts” is not clear. The sentence should be rephrased.
25	36	8.12	A provision be made to the effect that the ultimate client in all transactions in physical market segment on power exchange is grid connected entities.
26	38 50,51	9.14 11.9,11.12	The provisions of the regulation regarding utilization of Settlement Guarantee Fund and other monies to eliminate obligation of defaulting members be specified in line with Regulation 30 (ii) of Power Market Regulations and should be clearly mentioned.
27	48	11	Exchange contribution to settlement guarantee fund is required to be specified.
28	48	11.14	The methodology for allocation of member’s contribution or deposit to SGF among various trading segments be specified.

29	62	13.8	All contracts are subject to Business Rules also. The Words “Business Rules” be added in the main heading. The internal text also to be revised as it does not cover Rules of Power Exchange.
30	62	13.9	The words “and also subject to approval of CERC” be added in the sentence after the words “..Applicable Laws,” as the type of modification mentioned under this clause can be done only subject to approval of CERC.
<b>Business Rules of Power Exchange of India Limited</b>			
31	4	1.1.4	The words “ their own account or their client’s transactions.” be added after the word “..clear” appearing in the sentence. The services specified in Regulation 26(i)( c) of Power Market Regulations be mentioned for ease of readability .
32	6 5 of affidavit dated 05.10.10	2.2.2 2.2.2	In clause related to Margins, presently from the wording it appears as if Public Financial Institutions (PFIs) are guaranteeing trades on the exchange under the Guarantee clause. PFIs are only providing guarantee to members and members are responsible for all trades executed on the exchange. The clause be modified accordingly.
33	6 5 of affidavit dated 05.10.10	2.2.4 2.2.4	In clause 2.2.4. a provision to the effect that the Members shall however be responsible for his own trades and /or trades on behalf of his clients, shall be added.
34	13	4.2.1.2	Auction trade session – The words “Day Ahead Contingency Contracts” shall be replaced by “Day Ahead Contracts” as the Section is for Day Ahead market.
35	14	4.2.1.4.3	Delivery point is the regional periphery of regional transmission system in which the grid connected entity is located as all transactions on exchange are interstate transactions. The said clause shall be modified accordingly.
36	14	4.2.1.4.4	The first sentence be replaced with “For the purpose of the contract in the Day ahead market, the trade schedule be reckoned at the periphery of the -regional transmission system

			in which the grid connected entity is located.” as approved earlier.
37	14	4.2.1.4.5	The words “CERC (Open Access in inter-state transmission) Regulations, 2008” be replaced by “CERC (Open Access in inter-state transmission), Regulations 2008 and as amended from time to time”.
38	15 25	4.2.1.4.8 4.2.3.5.9	. The Commission’s Order dated 31-8-2009 clearly stipulates that “ <i>These contracts would be for physical delivery and would be non-transferable. Financial settlement of these contracts shall not be permissible.</i> ” Accordingly the present clause shall be amended / deleted so far as it enables financial settlement of contracts.
39	46	Annexure 1A	Trading Methodology to be termed as “Double Sided closed bid auction with uniform market clearing price”.
40	51	Annexure 1A	Congestion Management Methodology to be integrated with matching rules section. It shall be made more detailed like defining upstream and downstream areas, heading of Table 2 (after market splitting ) to be corrected.
41	54	Annexure 1B, 1C	The words “Discriminatory price - Double sided auction” be added in the heading for Trading Methodology.
42	61	Annexure 1C	Margin – The words “FA limit” be removed.
43	79	Annexure III	The words “CERC” be removed from the first paragraph of the Risk Disclosure document.
44	86	Annexure V	<ul style="list-style-type: none"> <li>Matching Rules – Uniform price double sided auction section should be written with detailed rules (like done in REC section) and illustration with graphs be added.</li> </ul> Heading should be “Double Sided closed bid auction with uniform market clearing price “