

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No. 215/2010**

**Coram: Dr. Pramod Deo, Chairperson  
Shri S.Jayaraman, Member  
Shri V.S.Verma, Member**

**Date of Hearing: 18.1.2011**

**Date of Order: 12.7.2011**

**In the matter of:**

Permission to introduce renewable energy certificate contract under renewable energy segment and permission to introduce Intraday, Any-day(s) and month ahead contracts under physical market segment.

**And**

**In the matter of:**

Power Exchange of India Ltd., Mumbai

.....**Petitioner**

**The following was present:**

- 1 Shri V. V. Sharma, POSOCO
- 2 Shri Satyajit Ganguly, PXIL
- 3 Shri S. Lakshminarayanan, PXIL
- 4 Dr. K. K. Govil, PXIL

**ORDER**

The petitioner, Power Exchange of India Ltd. (PXIL) had filed this petition for approval of Renewable Energy Certificate (REC) contracts under REC market segment, and Intraday, Any-day and Month Ahead contracts under the physical market segment. The Commission in its order dated 17.9.2010 had directed that the prayer of the Petitioner to start Intraday Contract, Any-Day(s) and Month-Ahead Contract under the Physical Market Segment and related issues raised by the Petitioner would be taken up in due course.



2. The petitioner in its letter dated 12.8.2010 submitted modification to the contract specifications for Intraday and Any-day based on letter of the Commission dated 3.8.2010.

3. The petition was further heard on 18.1.2011 on the issue of Intraday, Any-day and Month Ahead contracts.

4. The petitioner in its affidavit dated 25.1.2011 has sought approval for introduction of Any-day and Intra-day contracts with the choice to use either continuous matching mechanism or discriminatory price auction matching mechanism depending upon the prevailing market scenario. The petitioner further submitted that any change in the trade matching mechanism would be intimated sufficiently in advance to the Commission and market participants. The petitioner has also sought permission to launch the Intraday and Any-day contract with discriminatory price auction matching mechanism at present and to allow change to continuous matching mechanism based on perceived change in liquidity and depth in the markets.

5. We have examined the proposal submitted by the petitioner. The rationale for allowing introduction of Intraday and Any-day contract are as under:

(a) This will provide the flexibility in operation which is in accordance with the business decision of the power exchange.

(b) The power exchanges are well equipped to decide the matching mechanism based on liquidity conditions/transaction volume in the market.



(c) The Power Market Regulations does not provide for any particular price discovery mechanism to be followed by the power exchange for contracts under Term Ahead market segment.

6. In the Annexure ID and IE of the Business Rules of PXIL pertaining to Intraday Contracts specification under Clause 12 and Any-day Contracts specification Clause No. 15 respectively, it has been provided that “the evacuation of power is subject to technical and transmission corridor constraints and force majeure conditions. Scheduling and dispatch of power shall be coordinated by PXIL with the respective RLDC/SLDC as per the relevant provisions of IEGC and the decisions of RLDCs and/or RPCs.”

7. Intraday and Any-day contracts sought to be introduced by the petitioner should be firm delivery contracts and can be rescheduled only in case of technical failure of the generator as per Clause 6.5.19 of Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010. The rescheduling provision is provided to ensure that the market design complements grid security and reliability of the power system as required under Regulation 13 of the Power Market Regulations. The petitioner has to ensure that the participants do not renege on contracts for any commercial consideration under the pretext of technical failure on the part of the generator taking advantage of the flexibility in rescheduling provided under Clauses 12 and 15 of Annexure ID and IE of the Business Rules. The market surveillance department of exchange should monitor any misuse of the rescheduling provision. A suitable provision should be included in the Business rules to check that there is no

instance of gaming by participants entering into Intraday and Any-day contracts. This provision should also be made applicable in case of weekly contracts already approved by the Commission.

8. We direct that the format for contract specifications should be standardized for all contracts in a similar market segment i.e. all term ahead contracts should have one contract specification format.

9. We allow the prayer of the petitioner for introduction of either continuous matching mechanism or discriminatory price auction matching mechanism for Intraday and Any-day contracts. To begin with, the commencement of trading on both Intraday and Any-day contracts will be with discriminatory price auction matching mechanism under **Annexure-V** of Business Rules. Any change in adoption of price discovery methodology through Discriminatory auction mechanism or Continuous trading mechanism for Intraday and Any-day contracts shall be intimated sufficiently in advance to the market participants and to the Commission. The Business rules and the contract specification are approved subject to modification undertaken as per **Annexure-I**. The petitioner is directed to submit a fresh copy of all existing as well as approved term ahead contracts after incorporating the observations as directed.

10. The Petition is disposed of in terms of the above.

Sd/-

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

Sd/-

**(S.Jayaraman)**  
Member

Sd/-

**(Dr. Pramod Deo)**  
Chairperson



**Directions of the Commission on the draft Business Rules submitted on 27<sup>th</sup> July 2010, letter submitted with modified contract specification on 12<sup>th</sup> August 2010 and Affidavit on change in price discovery methodology submitted on 27<sup>th</sup> January 2011.**

S. No.	Page No.	Clause No./Contract Specification	Observations/directions of the Commission
<b>Business Rules of Power Exchange of India Limited- Intraday Contracts</b>			
1	31	Contracts Specification submitted with PXIL/SPD/12082010/01	Please add "type of contract" head in the contract specification– as done in contract specification for Any day contracts.
2	31	4.2.4.4.14 Settlement price of contract specification submitted with PXIL/SPD/12082010/01	The price discovery methodology to be followed for Intraday contract be specified with reference to sub section of discriminatory price auction matching mechanism Annexure V. (Annexure V as mentioned in contract specification under settlement prices head has 3 different methodologies.)
3	31	Point 4 under Contracts specification submitted on 27 <sup>th</sup> July 2010	Settlement - It appears due to the placement of the settlement clause under contract specification that multiple settlements are allowed in the same contract. A contract specification means specification for one contract. It seems that this clause pertains to overall settlement mechanism for intraday contracts and hence should be in the prelude section.
4		4.2.4.2 Business Rules submitted on 27 <sup>th</sup> July 2010	Please explain if there is any difference between Auction trade session (4.2.4.2) and Auction timings used in contract specification. Similar terminologies will be preferred to avoid confusion.
5	35	4.2.4.4.8 Business Rules submitted on 27 <sup>th</sup> July 2010	Contractual Liability - Please add "by seller" after ".....only through physical delivery".
6	38	Contract specification submitted with PXIL/SPD/12082010/01	Auction Timings – Please define Day D.

7	38	Contract specification submitted with PXIL/SPD/12082010/01	Minimum volume quotation step - 0.01Mw/ 10 kw. Please use "or" instead of "/".
8	31	Contract specification submitted with PXIL/SPD/12082010/01	Trading methodology-It is observed that in various contracts, different terms have been used. Presently in Intraday contract "anonymous, continuous bidding" has been used, in Any day contracts "anonymous, double sided bidding by buyers and seller" has been used. In earlier approved day ahead contingency and weekly contracts, "discriminatory price-double sided auction" term has been used. Same terms should be used in all term ahead contracts in case they have same trading methodology.
9	31	Contract specification submitted with PXIL/SPD/12082010/01	Contracts Specification-All terminologies used in the left column of the contract specifications should be defined in the 'prelude' section to the contracts specification and only the parameters should be specified right column of the contract specification.
<b>Business Rules of Power Exchange of India Limited- Any Day Contracts</b>			
10	47	4.2.5.5.15 Business Rules submitted on 27 July 2010/ Settlement price of contracts specification with PXIL/SPD/12082010/01	Settlement price-The price discovery methodology to be followed for Any day contract be specified with reference to sub section of discriminatory price auction matching mechanism in Annexure V. (Annexure V as mentioned in contract specification under settlement prices head has 3 different methodologies).
11	33	Contract specification submitted with PXIL/SPD/12082010/01	Auction timings need to be specified. It can then be said that it will be notified from time to time in the later section. The contract specification has to be specific.
12	48	3 under contracts specification submitted on 27 <sup>th</sup> July 2010	Please explain "full Margin" terminology. If the margin is defined as 10% of contract value, full margin will mean 10% of contract value and not



			100% contract value. Is that the intent?
13	49	5 under contracts specification submitted on 27 <sup>th</sup> July 2010	Settlement- same point as Intraday.
14	48	2 Under contract specification submitted on 27 <sup>th</sup> July 2010	Trading Slot-is not an intuitive nomenclature as the details in the table appear to be different types of contracts based on time of delivery and not related to do with the trading window. A more suitable nomenclature may be used like Delivery Slot or contracted hours.
15	53	20.b Under contract specification submitted on 27 <sup>th</sup> July 2010	Termination of agreement– An Any day contract at the maximum can be for RTC for one day delivery period. Please explain how “sellers’ defaults consistently for 2 days clause” is relevant. It may need to be modified suitably.
16	33	Contract Specification submitted with PXIL/SPD/12082010/01	Minimum volume quotation step-0.01Mw/ 10 kW. Please use “or” instead of “/”.
17	-	General Comment	Any other similar points as mentioned in Intraday contracts needs to be addressed in any day contracts also.
18	-	General Comment	Also the terms used left column of the contract specification should be similar and should be defined in the prelude to the contract specification e.g.–Settlement price and trading methodology.