

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Suo Motu Petition No.70/ 2011

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

Date of Order: 22.5.2012

In the matter of:

Audit of Trading Software Algorithm Used for Price Discovery by Power Exchanges

And

In the matter of:

Indian Energy Exchange, New Delhi
Power Exchange of India Limited, Mumbai

... **Respondents**

ORDER

The Commission in its order dated 11.3.2011 in Suo Motu Petition No.70/2011 had decided to get the “Trading Software Algorithm used for Price Discovery” by Power Exchanges registered with the Commission and currently in operation, audited by a competent Audit Firm in compliance with clause (v) of Regulation 31 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (hereinafter called “Power Market Regulations”). Subsequently, M/s Poyry Management Consulting, Norway was appointed as the audit firm for undertaking the audit of software algorithm of the power exchanges. This was communicated to all concerned through order dated 15.09.2011.

2. The scope of the Audit included day ahead, term ahead and Renewable Energy Certificates Market. The relevant portion of the order dated 11.03.2011 is extracted below :

“(c) The audit will encompass the Day Ahead, Term Ahead (including day ahead contingency, daily, intra-day and week ahead) and Renewable Energy Certificates (REC) markets.”

3. There have been certain developments in the meantime. The market structure of the day ahead market has been modified under the direction of this Commission. The bidding in day ahead market has been modified from one hour time block to fifteen minutes time block effective from 1st April 2012. In view of this, the scope of the audit has changed. Another constraint which has arisen in the changed circumstance is that the historical data to be audited now is available for very brief period. Since the audit needs to be undertaken on the present version of trading systems of the two power exchanges which handle fifteen minute bidding and the fact that fifteen minute bidding has commenced as recently as 1st April ,2012 very limited data is available especially from the point of view of covering different market conditions and scenarios. Hence, the thoroughness of the audit may not be achieved in case the present audit is continued.

4. In the light of the above developments and to keep the audit process robust, exhaustive and relevant in the changed day ahead market structure, the Commission has decided to defer the IT Audit on Power Exchanges and accordingly cancel the audit initiated vide orders dated 11.3.2011 and 15.9.2011. The audit process will be initiated in accordance with Regulation 31(v) of Power Market Regulations at an appropriate time in future.

5. The Commission also directs the Secretary to intimate M/s Poyry Consulting (Norway) of the above development and terminate the assignment as per the terms and conditions of the contract with the firm.

Sd/-
(M. Deena Dayalan)
Member

sd/-
(V.S. Verma)
Member

sd/-
(S.Jayaraman)
Member

sd/-
(Dr. Pramod Deo)
Chairperson