

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Explanatory Memorandum for the “Draft Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) (Second Amendment) Regulations, 2013”

Explanatory Memorandum

The Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2009(hereinafter "Principal Trading Licence Regulations") was amended on 11.10.2012 through Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters)(First Amendment) Regulations, 2012 (hereinafter "Amendment Regulations"). Through the Amendment Regulations, certain information are required to be submitted by the inter-State trading licensees regarding the intra-State trading undertaken by them on the basis of the inter-State trading licences issued by this Commission. The said information is required in order to holistically consider the risk and improve on the risk monitoring of inter-State trading licensees. Further, information about intra-State transactions gives a holistic picture about the electricity market, market share of traders in intra-State market and is used as information dissemination in the reports published by the Market Monitoring Cell of the Commission. However, in certain places, the words "intra-State trading" could not be qualified with the words "on the basis of the inter-State trading licence" by inadvertence. Accordingly, it is proposed to qualify the words "intra-State trading" with the words "on the basis of the inter-State trading licence" in Regulation 9(b), 9(bc), 9(c) and 10(3) of the Principal Regulations.

2. "Open position" reporting by trading licensees was introduced through the Amendment Regulations under which the inter-State trading licensees are required to submit to the Commission the information pertaining to open position in "Form IV-I". A few trading licensees have voiced their apprehension in disclosing the information on the ground that such information is commercially sensitive. Though confidentiality of the

commercially sensitive information is protected under Section 8 (1)(d) of the RTI Act, 2005 and Regulation 66 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, the Commission has kept its option open to revisit the provision after gaining some experience with regard to the actual working of the provision relating to 'open position'. The Commission after reconsidering the position in the light of the experience gained during the past seven months has come to the conclusion that at this juncture of the power trading business, submission of information regarding open position of the inter-State trading licensees can be dispensed with. Accordingly, it has been proposed to delete Regulation 9(ba) and "Form IV-I" appended to the Principal Regulations.

3. As per clause (bc) of Regulation 9 introduced through the Amendment Regulations, an inter-State trading licensee is required to submit total annual volume transacted (in volume and Rupees) and total trading margin, etc pertaining to both inter-State and intra-State transactions. However, by inadvertence the format under which this information has to be provided has not been provided for in the Amendment Regulations. Accordingly, a new form "Form IV-K" is proposed to be inserted after "Form VI-J" of the Principal Regulations.

4. It has been observed that some inter-State trading licensees are posting the scanned images of the information on their website and in many an instance, the information displayed on the licensees' website is not clear and readable. To avoid such situations and to maintain uniformity of manner of posting the information on the website by the inter-State trading licensees, it is proposed to make it mandatory for the licensees to post information only in text converted PDF format and not images of the documents. Accordingly, a new Regulation is proposed to be introduced after Regulation 16 as under:-

"16A. Wherever the licensees are required under these regulations to post the information on their website, the licensees shall be required to post such information only in text converted PDF format, and not the images of the documents."

5. As per the Amendment Regulations, information like annual turnover, liquidity ratio, current ratio and networth information required to be submitted in the "Application for grant of licence" has been revised from three years to 'as on the date of application'. However, these changes could not be incorporated in the "Form-1" appended to the Principal Trading Licence Regulations. Accordingly, "Form-1" has been proposed to be revised.
