

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No.95/RC/2014

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri A.K. Singhal, Member

Shri A.S. Bakshi, Member

Dr. M.K. Iyer, Member

Date of Order: 11.8.2016

In the matter of

Regulatory Compliance Application in compliance of Regulation 7(2) and 24 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010.

And

In the matter of

Indian Energy Exchange Ltd.
Unit No. 3,4,5&6 Fourth Floor,
Plot No. 7, TDI Centre,
District Centre, Jasola
New Delhi-110025

...Petitioner

ORDER

Indian Energy Exchange Limited (IEX) has filed the present petition seeking revision of its Business Rules under Regulation 7(2) and 24 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (hereinafter referred to as "Power Market Regulations"). The petitioner has prayed for approval of revised Business Rules and contract specifications. The petitioner has made additional submissions vide affidavits dated 6.6.2014 and 27.6.2014.

2. As per Regulation 24 of the Power Market Regulations an Exchange is required to function as per the Byelaws and Rules approved by the Commission. The said Regulation further provides for amendment of the Byelaws and Rules with the prior approval of the Commission. Further, the Power Exchange is required to submit the details of contract specifications as per Regulation 7 of the Power Market Regulations and modifications, if any, to the said contract specifications would require approval of the Commission.

3. The petitioner has proposed the following amendments or modifications to its Business Rules:

(I) Amendments related to streamlining operations and strengthening risk management practices:-

(a) Requirement of a new provision related to client account for Trader and Professional Members;

(b) Requirement of amendment in the provision related to real-time transmission curtailment in the event of contingency;

(c) Modification in the definition of grid connected client to enable trade with neighboring countries;

(d) Change in pay-out timeline for the DAM; and

(e) Removal of State specific conditions in the DAM contract description.

(II) Amendments related to strengthening Member/Client Transactions:-

(a) Members and clients to transact only through cheque/demand draft and net-banking;

(b) Aligning member service charge in accordance with the Commissions Regulations;

(c) Members to nominate Compliance Officer for all Exchange related transactions and maintain a Complaint Register; and

(d) Clarity with respect to dealings with the Subordinate Service Providers associated with the Members.

(III) Amendments related to Term Ahead Market (TAM):-

(a) Change in contract specifications:- A few States have imposed limitations on sellers, e.g. due to Section 11 implementation in Tamil Nadu, the sellers from the State are unable to participate in TAM contracts because of the regional nature of such contracts. Flexibility in TAM contract specifications can enable sellers and buyers from such States to participate in TAM on the Exchange. By allowing flexibility in terms of restricting bidding area of buyers and sellers, the Exchange may be permitted within the proposed broad contract specifications wherein only buyers of Tamil Nadu will be able to participate while the seller could be from any State/region. This will ensure power generated in Tamil Nadu is confined within the State as per the requirement under Section 11, and at the same time maintaining the inter-State nature of the Term-ahead contracts. The Exchange will ensure that in any point of time the contract specified by the Exchange shall not dilute its inter-State nature;

(b) Aligning contracts in TAM to 15-minutes time block:-In accordance with the prevailing practice of delivery / scheduling by the RLDC on 15 minute time block basis as per procedure of scheduling of bilateral transaction, approval of the Commission is required to align specifications of TAM contracts on the same basis to 15 minute contracts. This amendment is being proposed to also facilitate contracts with any hour/time block of a combination thereof. The petitioner may be permitted to introduce such contracts within TAM segment in future with due approval of the Commission;

(c) Intra-day Contracts: Amendment in contract specification:-Presently intra-day contracts are available for trading from 14:00 to 24:00 Hrs. In future, there may be a need to make intra-day market available to the buyers and sellers for larger time duration. Therefore, rather than a fixed trading calendar, intra-day contracts trading calendar will be issued by the Exchange from time to time. This proposal is in line with the Commission's order dated 31.8.2009 in Petition No. 120/2008; and

(d) Daily Contracts: Amendment in contract specification:-Presently, under Daily contracts, trading on rolling seven (7) days basis is being undertaken with delivery/scheduling on T+4 basis. Modification in the contract is required to facilitate delivery/scheduling even on T+2 and T+3 basis. Ten Daily Contracts would be available on rolling basis for each trading day.

4. The Commission vide Interim Order dated 25.3.2015 directed the petitioner to upload the Business Rules along with proposed modifications and reasons for the modifications on its website and invite comments from stakeholders, particularly its members, clients, system operators and the other exchange. The petitioner was directed to submit the comments received on the proposed amendment along with own comments/suggestions thereon. The petitioner vide affidavit dated 6.5.2015 has submitted its response to the comments received from Power Exchange India Limited (PXIL) and NTPC Vidyut Vyapar Nigam Ltd (NVVN).

5. Meanwhile, the Commission vide order dated 15.7.2015 in Petition No. 138/RC/2015 approved the changes pertaining to extending the timelines of the Day Ahead Contingency and Intra Day Markets. Some of the amendments to the Business Rules sought in the present petition have been taken care of vide order dated 15.7.2015.

6. Subsequently, the Commission appointed consultant, M/s Deloitte to review the functioning of the IEX. M/s Deloitte has submitted its report. The Commission after deliberation of the report vide order dated 10.6.2016 in Petition No. 7/SM/2015 observed as under:

“We have noticed that the Reports have brought out certain major violations of the provisions of the Power Market Regulations. In certain cases, transparency has been compromised. We direct the staff of the Commission to seek explanation from Power Exchanges for violation of the provisions of Power Market Regulations as brought out in the reports and corrective action to be taken. The same needs to be submitted with the approval of Audit Committee and adoption by the Board of Directors.”

7. Corrective action to be taken for violation of the provisions of the Power

Market Regulations may necessitate amendment to the Bye laws and Business Rules of the IEX. We are of the view that instead of piecemeal approval of the Bye Laws and Business Rules, IEX should file a consolidated petition for amendment of its Bye Laws and Business Rules by taking into account these changes necessitated in the light of the observations of Deloitte in its report and after seeking the comments of the stakeholders on the proposed draft amendment.

8. The present petition is disposed with directions to the petitioner to approach the Commission with a consolidated proposal for amendment of Bye Laws and Business Rules.

Sd/-
(Dr. M.K.Iyer)
Member

sd/-
(A.S. Bakshi)
Member

sd/-
(A. K. Singhal)
Member

sd/-
(Gireesh B. Pradhan)
Chairperson