



No. IEX/CRO/003/16-17

16.03.2017

To,

The Secretary
The Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36, Janpath,
New Delhi- 110001

Subject: Comments on Draft Central Electricity Regulatory Commission (Cross Border Trade of Electricity), 2017

Dear Madam,

DL (cio)
This has reference to Public Notice No. 13/2/7/2015-PM/CERC dated 16.02.2017 of CERC on the subject matter, wherein the Hon'ble Commission has invited suggestions/comments on the subject matter.

25/2/2017
17-3-17
In this regard, the comments of Indian Energy Exchange Ltd (IEX) are attached as Annexure for kind consideration of the Honorable Commission.

SRO
WBL
17/3/17
Yours Sincerely,

Indranil Chatterjee
Indranil Chatterjee

Chief Risk officer

IEX Comments on Draft Central Electricity Regulatory Commission (Cross Border Trade of Electricity) Regulations, 2017

1. Definition:

Regulation 2(1) (e) provides as under:

"(e) 'Applicant' means:

.....

ii) For the purpose of grant of long-term access, medium-term open access or short-term open access the following entities located in India or a neighboring country:
A generating station including a captive generating plant, a consumer, an inter-State trading licensee, a distribution licensee."

IEX Comment: The definition of 'Applicant' should include Power Exchange also in view of the scheduling of Cross Border transactions through Exchange in TAM segment.

Regulation 2(1) (bb) provides as under:

(bb) 'Deviation' in a time-block for a seller means its total actual injection minus its total scheduled generation and for a buyer means its total actual drawal minus its total scheduled drawal and shall be calculated at the Interconnection point.

IEX Comment: The word 'generation' appearing in second line of definition of 'Deviation' should be replaced by 'injection'.

Regulation 2(1) (vv) provides as under:

"(vv) 'Pooling Station' means the sub-station where pooling of connectivity lines of generators is done for interfacing with the same or next higher voltage level network of CTU or STU or Distribution Licensee."

IEX Comment: The word 'next' appearing in second line of definition of 'Pooling Station' should be deleted.

2. Scope

Regulation 3(3) provides as under:

"(3) Any cross border trade in electricity between India and a neighboring country shall be allowed through bilateral agreements between an Indian entity and an entity of the neighboring country under the overall framework of agreements signed between the governments of the two countries."

IEX Comment: Along with bilateral agreement, cross border trade through Power Exchange should be incorporated in view of the Cross Border transactions through Exchange in TAM segment.

3. Tariff Determination

Regulation 4 provides as under:

"(1) Cross border trade of electricity through Government to Government negotiations:

Where import/ export of electricity is agreed between the Government of India and the Government of any neighboring country involving the participating entities of the two countries, the tariff for such transactions shall be determined through Government to Government negotiations, which shall be adopted by the Appropriate Commission.

Provided that in Agreements referred to in Clause 3(4) of the Regulations, the tariff so determined shall be deemed to have been adopted by the Appropriate Commission.

(2) Cross border trade of electricity through arrangements other than through Government to Government negotiations:

(a) Tariff for import of electricity by Indian entities (directly or through trading licensees) from the generating stations located outside India shall be determined under long term/ medium term/ short term agreement, through a process of competitive bidding, which shall be adopted by the Appropriate Commission under Section 63 of the Electricity Act, 2003.

Provided that in case of hydro generation projects, the tariff shall be determined by the Central Commission as per the Tariff Regulations notified from time to time, if approached by the generator through the Government of the neighbouring country and agreed by the Indian entities, including Public Utilities/ Discom(s).

(b) Tariff for export of electricity to entities of a neighboring country by Indian entities through long term/ medium term/ short term agreements may be as mutually agreed or discovered through competitive bidding, subject to payment of the charges as applicable for transmission/wheeling of electricity through the Indian grid."

IEX Comment: Price determined for import/export at Power Exchange may be inserted for clarity. Accordingly following clause may be added after clause (b):

"(c) Price determined at Power Exchanges for import and export of electricity with neighbouring country."

4. Eligibility criteria for participating Applicant:

Regulation 7 provides as under:

"1) Considering that cross border trade of electricity shall involve issues of strategic, economic and national importance, only the participating entities of India and the neighboring countries who comply with the following conditions shall be eligible to participate in cross border trade of electricity after obtaining one-time approval from the Designated Authority:

(a) Import of electricity by Indian entities from Generation projects located in a neighboring country and owned or funded by Government of India or by Indian

- Public Sector Undertakings or by private companies with ownership of 51% or more by Indian entity (ies);
- (b) Import of electricity by Indian entities from projects located in a neighboring country having 100% equity participation by an Indian entity or the Government of a neighboring country or companies owned and controlled by the Government of the neighboring country or Joint Venture Company of Indian entity, Government of neighboring country or company owned or controlled by the Govt. of neighboring country.
- (c) Import of electricity by Indian entities from approved licensed traders of neighboring countries having ownership of more than 51% by Indian entity (ies), from the sources as indicated in Para (a) and (b) above.
- (d) Export of electricity by the distribution licensees / Public Sector Undertakings (PSUs) in India, if surplus capacity is available and certified by the concerned distribution licensee or the PSU, as the case may be.
- 2) Any other participating entity shall be eligible to participate in cross border trade of electricity after obtaining approval of the Designated Authority on case to case basis.
- 3) Any change in the equity pattern of the participating entities after the date of approval shall be duly intimated to the Designated Authority and fresh approval shall be obtained by the participating entities under Clauses (1) and (2) above.
- 4) Any coal based thermal power projects in India other than those owned and operated by Public Sector Undertakings shall be eligible for export of electricity to any of the neighboring countries only if surplus capacity is certified by the Designated Authority.
- 5) Ministry of Power, Govt. of India may also identify the sources from which power can be exported to any of the neighboring countries of India.”

IEX Comment: On perusal Regulations 7 on criteria of eligibility of participation in cross border electricity trade, it is submitted that for participation in cross border trade through Exchange TAM Market, separate provisions will be required to be incorporated since anonymous bidding and matching of bids cannot be controlled in the TAM segment.

1) Import by Indian Entities –

- a. Sell side: Selling Entity Located in neighbouring Country is required to seek one time approval of Designated Authority to participate in the existing Exchange TAM market in which other Indian selling entities are also participating.
- b. Buy side: All Indian entities should be allowed to buy from cross border entity in existing TAM market wherein selling entity located in neighbouring country will participate. In other words, buy side should be open and Designated Authority should give deemed approval to all eligible Indian Entities participating in TAM market of Exchange. Only Indian buying entities would be allowed to participate in the existing TAM market.

2) Export by Indian Entities:

- a. Sell Side: Indian entities desiring to export power are required to seek one time approval of Designated Authority for participating in a separate Cross Border Trade (CBT) TAM market. As per Regulation 7(1) (d), export by Discoms is allowed if surplus is available with the Discom and the availability of surplus capacity will be certified by them only. Since in this case only self-certification is required for surplus power and as such there is no other criteria for participation in cross border trade by Discom, therefore it is requested that Designated Authority should give deemed approval to all Indian Discoms participating in CBT TAM Market at Exchange. Only Indian selling entities would be allowed to participate in this CBT TAM Market. Any IPP or merchant generator desirous of selling power shall be eligible for participation in CBT TAM as per Regulation 7(4).

- b. Buy Side: Only buying entities of neighbouring Country shall be allowed to participate in CBT TAM Market at Exchange.

Above proposed arrangement ensures following:

- 1) A new TAM segment is proposed for Export Cross border transactions – CBT TAM Market.
- 2) Entities of neighbouring Countries participating at Exchange would not be able to trade with each other as sell side and buy side from neighbouring Country has been proposed to come in different TAM markets.
- 3) Proposed arrangement would ensure that always at least one entity is participating from India in each cross border transaction at Exchange.
- 4) For bringing liquidity, it is essential that Designated Authority should give deemed approval to Discoms for export and import of power with neighbouring countries for participating at Exchange. It is also necessary that Designated Authority should also give deemed approval to all eligible Indian Entities for buying in existing TAM market in which foreign selling entities are proposed to participate. This proposition is equitable as there may not be any feasible ground to discriminate between Indian entities consuming imported power and also given the fact that the source of such power has been approved by Designated Authority.
- 5) Proposed arrangement would ensure strategic, economic and national interest of India.

IEX Comment : Regulation 7(2) provides for any other entity may participate in cross border trade of electricity after obtaining approval of Designated Authority on case to case basis however there is no frequency of such approval is mentioned as mentioned in Regulation 7(1) as 'one-time'. Therefore, it is suggested that in case of Regulation 7(2) there should be one time approval of Designated Authority for participation of any other entity in cross border transaction.

5. Trade through Indian Power Exchanges:

Regulation 8(2) provides as under:

"(2) Any other Participating Entity as specified in Regulation 7(2) shall be eligible to participate in the Indian Power Exchange(s) through the trading licensees in accordance with the CERC (Power Market) Regulations, 2010."

IEX Comment: Participating Entity as specified in Regulation 7(2) could be Proprietary Member of the Exchange who can trade on its own and not required to trade through any trading licensee. Therefore, the intent of restriction of trading through trading licensees is for entities of neighbouring Country. Accordingly, Regulation 8(2) may be modified as follows:

"(2) Any other Participating Entity from neighbouring country as specified in Regulation 7(2) shall be eligible to participate in the Indian Power Exchange(s) through the trading licensees in accordance with the CERC (Power Market) Regulations, 2010."

Regulation 8(3) provides as under:

"(3) The quantum of electricity that can be traded under cross border trade of electricity in Indian Power Exchange(s) shall be as prescribed from time to time by the Designated Authority."

IEX Comment: The words "country wise" should be added before "quantum of electricity" for better clarity. Further, it may also be clarified that the NLDC shall be responsible to ensure that the quantum prescribed by Designated Authority is not breached at the time of approval of application for scheduling, since in the multiple TAM market scenario it would not be feasible for Exchange to check the breach of prescribed quantum by Designated Authority.

6. Institutional Framework:

Regulation 6(2)(b) provides as under:

"(b) Settlement Nodal Agency (SNA) shall be responsible for settling all charges pertaining to grid operations including operating charges, charges for deviation and other charges related to transactions with a particular neighboring country in the course of cross border trade of electricity. The SNA shall be a member of the deviation pool, reactive energy pool and other regulatory pools for payment and settlement of the corresponding charges in the pool accounts of the region having connectivity with any neighboring country. The neighboring country may also nominate/authorize an agency for such purpose. Ministry of Power, Government of India shall notify SNAs for each neighboring country."

IEX Comment: Hon'ble Commission may clarify that SNA notified by MoP, GoI is for India only. Its counterparty in respective neighboring country will be notified by Government of respective country. Moreover, role of SNA and trader, wherever applicable, should be clarified regarding scheduling of Power.

7. Scheduling:

Regulation 27(1) provides as under:

"(1) The selling entity/ buying entity shall inform their requisitions to the Settlement Nodal Agency in accordance with the procedure specified as per Part - 6 on Scheduling and Despatch Code of Grid Code.

(2) Settlement Nodal Agency shall co-ordinate with System Operators of respective countries for scheduling of cross border transactions and revisions during the day of operation."

IEX Comment: Hon'ble Commission may kindly clarify that the procedure for scheduling specified in Regulation 27 is applicable for LTA/MTOA transactions and with regard to scheduling of STOA transactions, NLDC shall schedule transactions in accordance with CERC Short term Open Access Regulations.