



एनटीपीसी विद्युत व्यापार निगम लिमिटेड  
(एनटीपीसी लिमिटेड की पूर्ण स्वामित्व वाली सहायक कम्पनी)

**NTPC Vidyut Vyapar Nigam Limited**  
(A Wholly Owned Subsidiary of NTPC Limited)

केन्द्रीय कार्यालय/Corporate Centre

To,

The Secretary  
Central Electricity Regulatory Commission,  
3<sup>rd</sup> & 4<sup>th</sup> floor, Chanderlok Building,  
36, Janpath, New delhi-110001

Sub: Comments on proposed amendment for Draft Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading license and other related matters) Regulations, 2019.

Dear Sir,

Please find enclosed 2 hard copies of Comments of NVVN on proposed amendment for Draft Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading license and other related matters) Regulations, 2019.

Thanking You.

Yours faithfully,

*K.S. Bandyopadhyay*

(K.S. Bandyopadhyay)

Chief General Manager

Encl: As above

पंजीकृत कार्यालय : एनटीपीसी भवन, स्कोप कॉम्प्लेक्स, 7, इंस्टीट्यूशनल एरिया, लोधी रोड, नई दिल्ली-110 003

कॉर्पोरेट पहचान नम्बर : U40108DL2002GOI117584 टेलीफोन नं० : 011-24368286, 24369565, फैक्स : 011-24367021, 24362009

ईमेल : contact@nvvn.co.in, वेबसाइट : www.nvvn.co.in

Registered Office : NTPC Bhawan, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi-110 003

Corporate Identification Number : U40108DL2002GOI117584 Telephone No. 011-24368286, 24369565, Fax No. : 011-24367021, 24362009

E-mail : contact@nvvn.co.in, web site : www.nvvn.co.in

**BEFORE THE CENTRAL ELECTRICITY REGULATORY  
COMMISSION, NEW DELHI**

**IN THE MATTER OF:**

NTPC Vidyut Vapar Nigam Ltd.

.....

Applicant

**Comments on proposed amendment for Draft Central Electricity  
Regulatory Commission (Procedure, Terms and Conditions for  
grant of trading license and other related matters) Regulations,  
2019.**

**No. ECO-14/06/2019-CERC- Dated: 24<sup>th</sup> July, 2019**

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 2(1)(d): Back to Back Deals: 'Back to Back deals' shall have the same meaning as is assigned to it under Power Market Regulations, 2010, as amended from time to time;

**Comments/Suggestion:**

With changing dynamics of power market (seller to buyer market), surplus availability & customer awareness about market dynamics, the definition of back to back (2010) deals need to be reviewed urgently. As in practice it is our experience that these deals are never simultaneous or even successive. In practice we find that payments from buyers in such deals are often delayed. Also trader has to issue Contract Performance Guarantee (CPG) to the buyers whereas sellers do not issue CPG. Trader provide LC to Sellers and Buyer don't issue LC to trader. Secondly LC / BG are not assignable, hence cost has to be incurred in the process. Also trader has to pay e bidding fees to PFC in DEEP Portal. Further the credit



risk for the trader is far more than the margin of 1 paisa stipulated in the regulation.

In view of above, earlier margins fixed seem to be less, Hence margin of 7 paisa may be envisaged in Back to Back deals.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 2(1)(e):  
'Banking of electricity': '**Banking of electricity**' shall mean and include exchange of electricity for electricity between two grid connected entities directly on mutually agreed terms;

**Comments/Suggestion:**

The definition of Banking appears to be reasonable.

Banking is transaction of convenience of both the parties, With increasing awareness about system operations & market operations by Discoms, & as transaction involves no financial risk except trading margin, the banking can be safely transacted by Discoms among themselves. Secondly, no re-sale of electricity is involved, So banking of electricity does not fall under the purview of trading. Hence traders can be safely kept out of banking transaction.

However, if Hon'ble CERC recognizes banking as a trading activity & allows banking transaction thru traders then these transactions should be carried out only through transparent competitive bidding methods under short term Power transaction like DEEP Portal only. Limits on return energy ratios & trading margins should be put under bidding process.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 3(3)(a): 'Qualifications of Applicant Financial Qualifications-Capital Adequacy and Liquidity Requirements:

Sno.	Category of the trading licence	Minimum Net Worth (Rs. in crore)	Volume of electricity proposed to be traded in a financial Year
1	Category I	75.00	Above 5,000 MUs and upto 10,000 MUs
2	Category II	35.00	Not more than 5,000 MUs
3	Category III	20.00	Not more than 3,000 MUs
4	Category IV	10.00	Not more than 1,500 MUs
5	Category V	2.00	Not more than 500 MUs

**Comments/Suggestion:**

Sno.	Category of the trading licence	Minimum Net Worth (Rs. in crore)	Volume of electricity proposed to be traded in a financial Year
1	Category I	100.00	Above 5,000 MUs and upto 10,000 MUs
2	Category II	50.00	Not more than 5,000 MUs
3	Category III	30.00	Not more than 3,000 MUs
4	Category IV	15.00	Not more than 1,500 MUs
5	Category V	5.00	Not more than 500 MUs

The Minimum net-worth should be ₹1 Cr per 100 MU.

Trader cannot trade more than the volume as prescribed by the Hon'ble CERC as per section 9 clause 3 of Chapter V of draft regulation. If trader violates the above limit then penalty provisions may be fixed as deemed fit by Hon'ble CERC.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 7(c): Back to Back deals;

**Comments/Suggestion:**

With changing dynamics of power market (seller to buyer market), surplus availability & customer awareness about market dynamics, the definition of back to back (2010) deals need to be reviewed urgently. As in practice it is our experience that these deals are never simultaneous or even successive. In practice we find that payments from buyers in such deals are often delayed. Also trader has to issue EMD and Contract Performance Guarantee (CPG) to the buyers whereas sellers do not issue CPG. Trader provide LC to Sellers and Buyer don't issue LC to trader. Secondly LC / BG are not assignable, hence cost has to be incurred in the process. Also trader has to pay e bidding fees to PFC in DEEP Portal. Further the credit risk for the trader is far more that the margin of 1 paisa stipulated in the regulation.

In view of above, earlier margins fixed seems to be less, Hence margin of 7 paisa may be envisaged in Back to Back deals.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 8(1)(c): 'Trading Margin':(c) For short term contracts and contracts through power exchanges, the Trading Licensee shall charge a minimum trading margin of zero (0.0) paise/kWh and a maximum trading margin of seven (7.0) paise/kWh:

Provided that in contracts where escrow arrangement or irrevocable, unconditional and revolving letter of credit as specified in clause 10 of regulation 9 is not provided by the Trading Licensee in favour of the seller, the Trading Licensee shall not charge any trading margin exceeding one (1.0) paise/kWh.

**Comments/Suggestion:**

Presently all bilateral transactions are through DEEP Portal in which prices are discovered through transparent competitive bidding mechanism and trader competes in reverse auction. The online price optimization thru reverse auction involves not only energy price but also trading margin.

As the price including trading margin is discovered through competitive bidding process, trading margins are severely tested so any cap on trading margin under STOA transaction need not to be there.

Trader has to make Open Access payments to RLDC within three days of approval. But the same can be recovered from seller only on commencement of scheduling of power which can be as long as three months. Also, OA payment from some buyers are delayed by more than a year and they also do not pay surcharge, in these cases 7 paisa margin also doesn't cover the cost. Therefore 1 paisa capping is too low to finance the above & recover the cost.

Margin of 4 paisa appears to be reasonable in line with 4 paisa margin already approved by Hon'ble CERC for power exchange.

Further, it is submitted that unlike Trader, Exchange does not face any credit risk and there has been no instance of payment default reported by Exchange."

Also for transactions whose periods are less than one month, LC cannot be opened on time. Before opening of LC the short term contracts which are less than one month will be over. So for transaction less than upto one month the provision of LC may be waived considering the above limitations.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 8(1)(d): 'Trading Margin':(d) For long term contracts and medium term contracts, the trading margin would be decided mutually between the Trading Licensee and the seller:

Provided that in contracts where escrow arrangement or irrevocable, unconditional and revolving letter of credit as specified in clause (10) of regulation 9 is not provided by the Trading Licensee in favour of seller, then the Trading Licensee shall not charge any trading margin exceeding one (1.0) paise/kWh.

**Comments/Suggestion:**

Presently all bilateral transactions are through DEEP Portal in Trading margin for long term should not be included in trading margin regulations, As long term & medium term contracts are

87

passing through regulatory scrutiny before the signing, they should be left out of trading margin regulations.

Secondly long term & medium term contracts have some inherent risk therefore 1.0 paisa margin may not cover the cost.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 8(1)(e): 'Trading Margin':(e) In case of Back to Back deals, the Trading Licensee shall charge a minimum trading margin of zero (0.0) paise/kWh and a maximum trading margin of one (1.0) paise/kWh.

**Comments/Suggestion:**

Deals for trading of power cannot be established as Back to back deals in true sense, since Buyer opens LC in favour of trader, take CPG and trader opens separate LC for Generator, implying inherent costs to both sides. Secondly contracts have different delivery points & sometimes with different payment cycles and therefore traders have to bear the fluctuations of transmission losses and other charges. Therefore trading margin of 7.0 paisa/kWh may be envisaged instead of 1.0 paisa/kWh

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause





8(1)(f): 'Trading Margin':(e) For Cross Border Trade of Electricity, the trading margin would be decided mutually between the Trading Licensee and the seller.

**Comments/Suggestion:**

Cross Border electricity transactions are one of the important strategic component of Bilateral relationship between the countries. So it should be kept on a separate footing from the domestic trading limitations. Hence the proposed draft regulation of Hon'ble CERC is perfectly alright.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 9(10), 'Obligations of the Trading Licensee' The Trading Licensee shall make payment of dues upon the agreed due date to the seller for purchase of the agreed quantum of electricity through an escrow arrangement or irrevocable, unconditional and revolving letter of credit in favour of seller. Such escrow arrangement or irrevocable, unconditional and revolving letter of credit in favour of seller shall be equivalent to:(a) two point one (2.1) times the average monthly bill amount (estimated average of monthly billing amounts for three months or actual monthly billing amount for preceding three months as the case may be) with a validity of one year for long term contracts;

**Comments/Suggestion:**

For transactions whose periods are less than one month, LC cannot be opened on time. Before opening of LC the short term

contracts which are less than one month will be over. So for transaction less than upto one month the provision of LC may be waived considering the above limitations

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 9(23): In the event Trading Licensee has entered into a contract for sale of power with a buying entity for a particular period, then the Trading Licensee shall not enter into any contract for sale of same power with any other entity for such period except with the prior consent of the buying entity.

**Comments/Suggestion:**

If the quantum of power required is revised by the Buyer then the trader may be allowed to trade the unrequisioned power with third parties.

**Proposed amendment:**

In the Notification (Draft) No. ECO-14/06/2019-CERC at clause 9(24): 'Obligations of the Trading Licensee': Trading Licensee shall not engage in Banking of electricity.

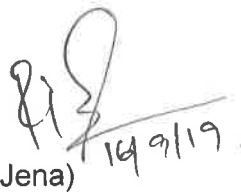
**Comments/Suggestion:**

~~Banking is transaction of convenience of both the parties, with~~

Banking is transaction of convenience of both the parties, with increasing awareness about system operations & market operations by Discoms, & as transaction involves no financial risk except trading margin, the banking can be safely transacted by

Discoms among themselves. Secondly, no re-sale of electricity is involved, so, banking of electricity does not fall under the purview of trading. Hence traders can be safely kept out of banking transaction

However, if Hon'ble CERC recognizes banking as a trading activity & allows banking transaction through traders then these transactions should be carried out only through transparent competitive bidding methods under short term Power transaction like DEEP Portal only. Limits on return ratios & trading margins should be the component in the competitive bidding.

  
(P.K Jena) 14/9/19

AGM – BD, NVVN,

New Delhi  
Dated- 16<sup>th</sup> Sep 2019

Core-5, 1<sup>st</sup> Floor, Scope Complex,  
Lodhi Road, New Delhi- 110003  
Email – anuraggupta@ntpc.co.in