



Shell Energy India Private Limited
(Formerly known as Hazira LNG Private Limited)

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To
Sh. Sanoj Kumar Jha
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Sub: Comments for draft "CERC (Power Market) Regulations, 2020"

Respected Sir,

Shell is one of the large diversified international energy companies in India with over 11000 staff and having presence across upstream, integrated gas and power, downstream and renewable energy. With a focus on digitalization and future-ready sustainable solutions, Shell is nurturing a vibrant ecosystem in India to accelerate energy innovations such as Shell's E4 programme for start-ups, Shell Eco-marathon and our investments in new energy companies like Cleantech Solar, Husk Power and Orb Energy. Shell Energy India (SEI) owns and operates a 5-mtpa LNG re-gasification terminal at Hazira since 2005 which not only offers competitive and reliable gas supply to the end users but has also contributed significantly in developing a gas-based economy in India.

At Shell, our ambition is to become a net-zero emissions energy business by 2050, or sooner. We aim to make electricity globally a significant business for Shell, one that could sit alongside gas, oil and chemicals. This means being involved at almost every stage of integrated power system, from generating electricity, to buying and selling it, storing it and supplying it directly to consumers. Our activities in cleaner electricity could contribute significantly to helping the world transition to a lower-carbon future.

We welcome the various steps taken by CERC and MoP in reforming and liberalizing the electricity sector over the years including the proposed draft on Power market regulations. In the long run, maximum benefits of energy affordability, reliability and decarbonization will require complete liberalization of power markets. The benefits of deep, liquid and openly traded electricity markets include not only fostering competition and driving affordable energy solutions, but also deliver secure supply while reducing emissions and offering increased choice to the consumers. We are happy to provide our comments on the draft CERC (Power Market) Regulations, 2020 in the enclosed Annexure.

Thanks and best regards,
for **Shell Energy India Private Limited**

Ashwani Dudeja
Director



ANNEXURE

Draft of Central Electricity Regulatory Commission (Power Market) Regulations, 2020

We support the proposals made in the draft of Power Market Regulations, 2020 especially with regards to introduction of market coupling mechanism which will bring in more uniformity in the price discovery across all power exchanges, introduction of new products which is critical in order to increase the volume of power traded through power exchanges and introduction of electronic platform for OTC trades bringing in more transparency to the system. Our other comments on the draft of Central Electricity Regulatory Commission (Power Market) Regulations, 2020 are as below:

1. Draft Proposal: 17 & 19. Governance structure of Power Exchange & Draft Proposal:19. Bye-laws, rules and business rules of Power Exchange and Bye-laws, rules and business rules of Power Exchange

"(1) The Power Exchange shall function according to its bye-laws, rules and business rules as approved...Provided further that such amendments shall be required to be approved by the Board of Directors of the Power Exchange."

Comments: While Shell appreciates the proposed that Power Exchange shall function according to its bye-laws, rules and business rules as approved by the Commission and in under no circumstances rules or business rules can be amended without prior commission approval, we request the Commission to consider the Power Exchanges to establish robust mechanisms and procedures to carry out stringent KYC checks on members and clients and procedures to initiate disciplinary actions (including suspension or termination) against the members which are proven to be in breach of the code of conduct. It is recommended to carry out a periodic audit on members/clients to minimize the probability of default and avoid the Power Exchanges facilitating transactions with the members/clients who could potentially be involved in activities prohibited by Law. Similarly, we advise that due regard should be given in establishing protocols in the Bye-Laws to align with the international laws, especially where the beneficial ownership traverses beyond the Indian border and trade control risks are flagged by relevant authority on a particular member.

2. Draft Proposal: 24. Trading margin and service charge

"(1) A Trader Member shall charge trading margin in accordance with the provisions of Trading License Regulations... Regional Load Despatch Centre or State Load Despatch Centre and statutory taxes."

Comments: We request Commission to consider promoting further development of competitive electricity markets and measures to deepen the physical power trading markets by deregulating the trading margins and introduction of financial derivatives trading markets to help risk mitigation and build liquidity.

3. Draft Proposal: 37 to 40. Objectives of Market Coupling

"(1) Discovery of uniform market clearing...inform the participating bidders about the results of the auction as communicated by the Market Coupling Operator"



Comments: Considering the proposal to set up an independent Market Coupling Operator and the regulatory requirement mandating the transfer of clearing and settlement function to a separate entity, we request the Commission to ensure that the multiplicity of entities involved in the Power trading shouldn't lead to increase in the effective transaction costs for the Buyers and Sellers

4. Draft Proposal: 41 to 48. OTC Platform

"OTC Platform shall operate after obtaining...Platform fails to comply with the terms and conditions of the registration or any direction of the Commission."

Comments: The new provision to enable establishment of OTC Platform is a step in the right direction to deepen the Power markets in the country. The current proposal seems to limit the role of OTC platforms only for sharing the information and providing tools for data analysis. While addressing the challenges of information asymmetry is critical to facilitate discovery of competitive prices, the Commission may consider the OTC Platforms to facilitate trading of either standardized OTC contracts or negotiated contracts under a broad framework of rules.