



नई दिल्ली
NEW DELHI

याचिका संख्या./ Petition No. 37/RC/2024

कोरम/ Coram:

श्री जिशु बरुआ, अध्यक्ष/Shri Jishnu Barua, Chairperson
श्री, रमेश बाबू व., सदस्य/ Shri Ramesh Babu. V, Member
श्री हरीश दुदानी, सदस्य / Shri Harish Dudani, Member

आदेश दिनांक/ Date of Order: 1st March, 2025

IN THE MATTER OF:

Petition under Section 66 of the Electricity Act, 2003 read with the Regulation 19(2) of the CERC (Power Market) Regulations, 2021 and Regulation 11(3) of the CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 seeking approval for certain amendments in Business Rules of Hindustan Power Exchange Ltd.

AND IN THE MATTER OF:

Hindustan Power Exchange Ltd.
25th Floor, P J Towers
Dalal Street, Mumbai - 400 001

...Petitioner

Versus

Grid Controller of India (GCIL)
(Formerly Power System Operation Corporation Ltd.)
B-9 (1st Floor), Qutab Institutional Area,
Katwaria Sarai, New Delhi -110016.

...Respondent

Parties Present: Shri Tushar Jain, Advocate, HPX
Ms. Kanika Gupta, Advocate, HPX
Shri Ramesh Sharma, Advocate, HPX
Shri Parvesh Sharma, HPX
Shri Kailash Chand Saini, GCIL
Shri Alok Mishra, GCIL
Shri Gajendra Singh, GCIL

आदेश/ ORDER

The Petitioner, Hindustan Power Exchange (HPX), filed the present Petition under section 66 of the Electricity Act, 2003, read with Regulation 19(2) of the CERC (Power Market) Regulations, 2021 (Power Market Regulations) and Regulation 11(3) of the CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 (REC Regulations, 2022) to seek approval of the Commission for certain amendments to be brought in the Business Rules of the Petitioner due to the promulgation of REC Regulations, 2022, CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022 (GNA Regulations) and CERC (Indian Electricity Grid Code) Regulations, 2023 (IEGC).

2. The Petitioner has made the following prayers:

- (i) *Admit the present petition;*
- (ii) *Approve the proposed amendments to the Business Rules of the Petitioner as set out in Annexure-1 of the present Petition;*
- (iii) *Pass such other or further order(s) or direction(s) as this Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.*

Submission by the Petitioner

3. The Petitioner submitted the following:

- (a) The Commission, vide order dated 27.06.2022 in Petition no. 159/MP/2022, approved the transaction of the Petitioner for trading in REC segments and others in terms of the provisions contained under the REC Regulations, 2010. The REC Regulations 2010 were repealed after the introduction of REC Regulations 2022. Some of the salient features of the REC Regulations 2022 are set out below:
 - a. Categorisation of RECs into Solar and Non-Solar RECs was done away with to introduce a multiplier mechanism based on the source of the renewable energy;

- b. The concept of floor and forbearance price was done away with;
 - c. In addition to trading RECs on power exchanges, RECs may also be traded now on a bilateral basis outside power exchanges.
- (b) Further, the Commission notified the GNA Regulations and the IEGC on 01.04.2023 and 29.05.2023, respectively. The newly introduced T-GNA-related provisions under both the GNA Regulations and IEGC came into effect on 01.10.2023.
- (c) Based on the feedback received from the market participants and to harmonize the Business Rules with the REC Regulations, 2022, it is imperative that the proposed amendments in the Business Rules are approved. The proposed amendments will bridge in to align the Business Rules of the Petitioner's Power Exchange, more specifically, the contract specifications for trading in RECs, with the provisions of the REC Regulations.
- (d) The changes to the REC regime introduced by the newly introduced Regulations are significant, and Regulation 11(3) of the REC Regulations, 2022, read with Regulation 19(2) of the Power Market Regulations, requires the Petitioner to approach the Commission for approval for the Business Rules concerning the trading of RECs on its power exchange.
- (e) In light of the aforesaid background and as required by Regulation 25(2) of the Power Market Regulations, the contract specifications for trading in the REC segment are as follows:
- (i) Type of Contract: Single type REC will be traded without any categorisation. However, considering the removal of the distinction between solar and non-solar RECs, the power exchange will issue a single technology-agnostic "Certificate of Purchase" to its participants for cleared RECs.
 - (ii) Eligible Entities:
 - Seller side: Generators, Distribution Licensees, Open Access Consumers having valid RECs issued by the Central Agency.
 - Buyer Side: All Obligated Entities or any other person intending to purchase RECs.
 - (iii) Price Discovery and Matching Methodology: The price discovery and matching methodology to be followed will be Double Sided Closed Bidding process, and the price discovery will be as per uniform clearing price mechanism, with no floor or forbearance price.

- (iv) Timelines, including the commencement of bidding and duration of bidding session: The timeline for the bidding session shall be 1300 hrs to 1500 hrs on the second (2nd) and last Wednesday of each month or as specified from time to time.
 - (v) Delivery mechanism and delivery duration: As specified by the Respondent from time to time, including by way of “Procedure for implementation of REC Mechanism” issued by Respondent. Further, the cleared buyers will be issued a technology-agnostic “Certificate of Purchase” for the cleared RECs.
 - (vi) Risk management mechanism, including margining and final price settlement mechanism, will be as per the existing practice.
- (f) In view of the aforesaid, the Petitioner requested the Commission to approve the proposed amendments to their Business Rules.

Hearing held on date 17.05.2024:

4. During the course of the hearing, the Commission admitted the Petition and directed the Petitioner to file the details on an affidavit stating the reason for the delay in approaching the Commission for approval of the Business Rule’s modifications and to submit details of the total number of REC traded after the introduction of REC Regulations, 2022.

Hearing held on date 08.08.2024

5. During the course of the hearing, the counsel of Petitioner informed the Commission that in accordance with the Commission's direction in the record of proceedings (ROP) dated 17.5.2024, they submitted the details both physically at the registry and via email in soft copy addressing the delay in seeking approval for Business Rule’s modifications, along with details on REC traded. The counsel clarified that the affidavit was submitted both physically at the registry and via email in soft copy. The Commission directed the Petitioner to upload the compliance affidavit on its e-filing portal within two days. Following these submissions, the matter was reserved for order.

Reply by the Petitioner, Hindustan Power Exchange Ltd., on date 12.08.2024

6. The Petitioner submitted the following:
- (I) Reason for the delay in approaching the Commission for approval of the Business Rule’s modifications
 - (a) After the REC Regulations 2022 were notified on 09.05.2022, the Indian Wind Power Association filed a petition challenging the regulations. The Delhi High Court initially

dismissed the petition, but the regulations were later challenged again on 14.11.2022 after the REC Regulations were published in the Gazette of India which were made effective from 05.12.2022. The Delhi High Court granted a stay on the trading of RECs issued before 31.10.2022 applicable for all the power exchanges; thereafter the stay was vacated vide order dated 11.05.2023. However, the said petition was pending adjudication before the Court. The legal uncertainty and ongoing adjudication led to a lack of clarity for the Petitioner.

- (b) In Petition No. 375/MP/2022, which was filed by IEX, the Commission issued directions in ROP on 19.01.2023 for cognizance of the issues related to observations on increasing the frequency of REC trading sessions in a month and for reaching a consensus on methodology to be followed across Power Exchanges for allocation of RECs among buyers. Pursuant to the directions of the Commission leading to discussions between Power Exchanges and the Central Agency (NLDC) on 02.02.2023. HPX awaited further clarity on the situation.
- (c) The T-GNA provisions under the GNA Regulations became effective on 01.10.2023, necessitating changes to HPX's business rules along with the changes introduced by the REC Regulations. It was only after coming into effect of the T-GNA Regulations that the petitions filed by IEX and PXIL for approval of changes to be brought in their respective business rules in terms of the REC Regulations were approved by the Commission vide order dated 08.10.2023. Consequently, HPX waited to file its own petition until these approvals were granted, ultimately submitting it in the first week of January 2024.

(II) Details of the total number of REC traded after the introduction of REC Regulations, 2022: The Petitioner submitted that the total number of REC traded after the introduction of REC Regulations, 2022, i.e., from December 2022 till May 2024, by the Petitioner is 282971.

Analysis and Decision

- 7. We have heard the learned counsels of parties and have carefully perused the records.
- 8. The Petitioner, Hindustan Power Exchange Ltd. (HPX) has filed the present petition under section 66 of the Electricity Act, 2003 read with Regulation 19(2) of the CERC (Power Market) Regulations, 2021 and Regulation 11(3) of the REC Regulations, 2022 to seek approval from the Commission for amendments to their Business Rules due to the introduction of REC Regulations 2022, GNA Regulations and IEGC 2023. With the

introduction of the REC Regulations 2022, significant changes were brought about, which include inter alia the removal of categorization into solar and non-solar RECs, elimination of floor and forbearance prices, and allowance for bilateral trading of RECs. Key amendments in the Business rule of HPX include the introduction of a single type of REC without categorization, eligibility for various sellers and buyers, and a Double-Sided Closed Bidding process for price discovery without floor prices. Trading sessions are scheduled from 1300 to 1500 hours on the second and last Wednesday of each month. Additionally, there is a specified delivery mechanism for issuing technology-agnostic certificates and adherence to existing risk management practices. The Petitioner seeks the Commission's approval for these proposed changes to their Business Rules.

9. In accordance with Regulation 11(2) of the REC Regulations, 2022, it is stipulated that the Certificates shall be exchanged through power exchanges or via electricity traders, adhering to the periodicity as may be prescribed by the Grid Controller of India, as outlined in the Detailed Procedure. It is hereby acknowledged that the Grid Controller of India, in collaboration with the power exchanges, has resolved that the frequency of trading sessions for the Renewable Energy Certificate (REC) contracts at the power exchanges shall be conducted on the second and the last Wednesday of each month.
10. We note that the CERC REC Regulations 2022 have brought about changes in the REC framework, which necessitate a revision in the Bye-Laws, Rules & Business rules of the power exchanges. Regulation 11(3) of the CERC REC Regulations, 2022 provides as under:

“The Power Exchange(s) shall seek approval of the Commission, as may be required under the Central Electricity Regulatory Commission (Power Market) Regulations, 2021, to the respective Bylaws and Rules for exchange of Certificates in the Power Exchange(s).”

11. We also note that Regulation 25 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 (PMR 2021) provides for “Approval or Suspension of Contracts by the Commission”. Regulation 25 provides as under:

“25. Approval or Suspension of Contracts by the Commission

(1) The Commission may, on its own or on an application made in this behalf, permit any Power Exchange to introduce new contracts as specified in clause (1) of Regulation 4 of these regulations:

.....

.....

(2) Any Power Exchange seeking permission to introduce a new contract under clause (1) of this Regulation, shall submit to the Commission complete and detailed contract specifications including the following:

- (i) Type of contract;*
- (ii) Price discovery and matching methodology proposed*
- (iii) Timelines, including commencement of bidding and duration of bidding session till delivery commences;*
- (iv) Delivery mechanism and delivery duration i.e. whether delivery is for intraday, daily, weekly, monthly, seasonal, yearly or beyond;*
- (ii) Risk management mechanism including margining and final price settlement mechanism;*
-”

12. It has been brought to the notice of the Commission that the Petitioner has been providing the Renewable Energy Certificates (RECs) on its platform from November 8, 2023 which is prior to the filing of the present petition for the Commission's approval. The Petitioner has also been holding trading sessions for RECs every month. It is important to take note of the fact that the Commission, in its Order dated October 8, 2023, in Petition Nos. 375/MP/2022 and 379/MP/2022 granted approval to the Indian Energy Exchange (IEX) and the Power Exchange India Limited (PXIL) for the purpose of conducting trading sessions of REC contracts at the power exchanges on the second and last Wednesday of each following month. The Petitioner should also have approached the Commission in time for approval, as was done by the other two power exchanges.

13. The reasons articulated by the Petitioner for the delay in securing the Commission's approval of the modifications in the Business Rules are not convincing. The Petitioner possessed knowledge of the directives issued by the Commission in Petition No. 375/MP/2022, which emphasised the necessity of achieving a consensus among the Power Exchanges. Notwithstanding this awareness, the Petitioner opted to defer action for additional clarification instead of taking the initiative to implement the necessary adjustments. Moreover, notwithstanding the implementation of the T-GNA provisions pursuant to the GNA Regulations as of October 1, 2023, and the subsequent authorisations issued for other power exchanges, the Petitioner's choice to postpone its filing until January 2024 reflects a lack of promptness and due diligence in complying with the procedural mandates.

14. However, in order that the stakeholders who participated in the REC trade in the Petitioner's exchange platform are not adversely affected, the Commission grants a one-time relaxation to the Petitioner and condones the delay in filing the petition. However, the Commission warns the Petitioner against any such procedural lapse in the future. The Petitioner is directed to align its Business Rules, Rules and Bye-Laws according to

approvals granted in this Order and as per the detailed procedure and submit the same to the Commission. The Petitioner is also directed to upload the revised Business Rules, Rules, and Bye-Laws on their websites. The trade specifications should be notified to the market participants well in advance with the help of circulars. Needless to mention, if any discrepancy is noticed or if it appears that the revised Business Rules do not conform to the Regulations and/or to this Order in any respect, necessary directions may be issued for such compliance.

15. The Petition No. 37/RC/2024 is disposed of in terms of the above.

Sd/-
(श्री हरीश दुदानी)
सदस्य

Sd/-
(श्री, रमेश बाबू व.)
सदस्य

Sd/-
(श्री जिशु बरुआ)
अध्यक्ष