

PRESS RELEASE

18th December, 2008

**CERC's order regarding the measures for restricting
the prices of electricity in short-term market**

The Commission has given its order on 17th December, 2008 in the matter of restricting the prices of electricity in short-term market. The staff of the Commission had published a Staff Paper suggesting some measures to control the situation of steep increase in the prices of electricity in short-term. The Commission held a public hearing on 29th September, 2008 wherein about 70 stakeholders participated and 25 organizations/persons made oral submissions. After considering the relevant aspects involved in the matter and views of the stakeholders, the Commission has ruled the following:

- (1) The Commission is empowered to fix price caps for inter-state sale of electricity to a electricity trader and by one licensee to another licensee, whether distribution licensee or electricity trader.
- (2) Invoking the statutory powers of fixing caps would depend on overall circumstances and all relevant factors.
- (3) The purpose of imposition of price cap would not be met without addressing the other crucial aspects such as review of UI mechanism and absence of mechanism to regulate price of sale of free power by State Governments.
- (4) The Commission would advise the Ministry of Power to devise an appropriate statutory mechanism for regulation of price of sale of free power from hydro stations by the State Governments to the distribution licensees of other States or trading licensees.

(5) The staff of the Commission has been directed to take up a thorough study on the concept of UI and the movement of actual UI prices and its impact on price of electricity being sold in short-term.

(6) The open access regulations be amended for reducing the period of advance notice for revising the schedule from 5 days to 2 days.

The Commission has also criticized the approach of blocking the open access on some pretext or the other as being followed in some States and thereby not allowing available power to be used by somebody else in the present situation of shortages. It has also recognized that the State Government and the State utilities need to take urgent steps for fresh generation capacity addition to overcome the present situation of deficit power supply as the problem of high cost of traded power, to large extent, is the result of this situation along with the preparedness of the buyers to pay high rates.

It has also suggested that the State Commissions may impose limit on the price at which their State utilities may procure short-term power taking into account the relevant factors and implications.

The full order of the Commission is available on its website www.cercind.gov.in.

Sd/-

(Alok Kumar)
Secretary