

**CENTRAL ELECTRICITY REGULATORY COMMISSION
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PRESS RELEASE

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CERC ISSUES GUIDELINES FOR SETTING UP OF POWER EXCHANGE

1. In pursuance of its statutory responsibilities of developing market for electricity, the Central Electricity Regulatory Commission (CERC) has issued guidelines for grant of permission for setting up and operation of Power Exchange. The general approach of the Commission is to allow operational freedom to the Power Exchange within an overall regulatory framework. Private entrepreneurship would be allowed to play its role. The Commission shall keep distance from governance of Power Exchange. The participation in the Power Exchange would be voluntary and no existing Power Purchase Agreements and bilateral contracts would be disturbed. The Commission seeks to encourage Power Exchange to emerge as a market based institution for providing price-discovery and price risk management to the generators, distribution licensees, traders, consumers and other stake holders.

2. The promoters shall be required to develop their own model Power Exchange and seek permission from the Commission before start of operation. The Commission has issued the following broad guidelines for developing of Power Exchange viz.:

- De-mutualized form of organisation
- Reliable, effective and impartial management
- Ring-fencing between ownership, management and participation
- Investment support from the investors including institutional investors
- Transparency in operation and decision-making
- Computerised trading and clearing system
- Efficient financial settlement and guarantee system
- Effective trade information dissemination system

3. The promoters will have the freedom to develop, manage and operate the Power Exchange according to approved rules, bye-laws and procedures. The Commission will be concerned with the following aspects while granting permission to the Power Exchange:

- Scrutiny of the Rules and bye-laws of the Power Exchange
- Assignment of transmission capacity to the Power Exchange
- Apportionment of transmission charges and losses
- Procedure for handling transmission congestion.
- Monitoring of the functioning of the Power Exchange to the extent of preventing speculation, collusion and unfair gaming.
- Adjudication of disputes between the Power Exchange and the Members

4. Any company registered under the Companies Act or a consortium of companies would be eligible for applying for setting up of the Power Exchange. The applicant would be required to have adequate knowledge and understanding of the Indian Electricity Grid Code, Open Access Issues, Availability Based Tariff, UI Mechanism, Scheduling Despatch and Energy Accounting Procedure.

5. The applicant would be required to submit the following details:
- Memorandum and Articles of Association of the company making the application.
 - In case of a consortium, it should submit formal agreement among its Members, which should dwell upon the issues critical to the setting up of the Power Exchange.
 - Details of the existing business of the applicant company.
 - Net worth as defined under the Companies Act, 1956 of the applicant as on 1st April of the financial year in which the application is made in case of the companies formed prior thereto or on the date of making application in other cases.
 - Copies of the Annual Report and/or audited accounts of the applicant for the last three years, to the extent these are applicable.
 - A project Report containing the following details:
 - (i) Constitution of the proposed Power Exchange
 - (ii) Funding sources of the proposed Power Exchange
 - (iii) Management and Administrative structure of the proposed Power Exchange
 - (iv) Infrastructural facilities available/proposed to be acquired by the Power Exchange
 - (v) Clearing and Settlement mechanism
 - (vi) R&D facilities and training programmes likely to be made available by the proposed Power Exchange
 - Rules and Bye-laws of the proposed Power Exchange

6. The salient details of the applicant, proposed trading platform and website address where the full application is accessible shall be published in all editions of at least two national daily newspapers including one economic daily newspaper within 7 days of filing application inviting public comments/objections, if any, upto a period of 30 days.

7. The Commission, after making such inquiries as may be necessary in this behalf and after obtaining further information as it may require, may grant permission for setting up of Power Exchange if it is satisfied in respect of the following : -

- The rules and the bye-laws of the proposed Power Exchange are in conformity with such conditions as may be specified by the Commission with a view to ensuring fair dealing and to protect the interest of the stakeholders;**
- The rules and the bye-laws of the proposed Power Exchange do not, in any manner, violate the provisions of the Electricity Act, 2003 and the Rules and Regulations made there-under and the provisions of Forward Contract Regulation Act, 1952;**
- The proposed Power Exchange is willing to comply with any other conditions, which the Commission may impose for the purpose of carrying out the objects of the Electricity Act, 2003;**
- It would be in the interest of development of the electricity sector and also in the public interest to grant permission to the proposed Power Exchange.**

8. Before the permission is granted, the applicant shall be required to get the company registered as a Limited company under the Companies Act, 1956 exclusively for the purpose of Power Exchange.

9. The Commission may withdraw permission granted to the Power Exchange after giving an opportunity of being heard, if it is satisfied that the functioning of the Power Exchange is in violation of the terms and conditions of permission, the bye-laws of the Power Exchange, the provisions of the Electricity Act, 2003.

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