

CENTRAL ELECTRICITY REGULATORY COMMISSION

Record of Proceedings

PETITION NO. 120/2008

Sub: Petition for seeking permission to introduce additional contracts.

.Date of hearing : 16.6.2009

Coram : Dr. Pramod Deo, Chairperson
Shri R.Krishnamoorthy, Member
Shri S.Jayaraman, Member
Shri V.S.Verma, Member

Petitioner : Indian Energy Exchange Ltd.New Delhi

Parties present : Shri M.G.Ramachandran, Advocate,
Shri Rajesh Mendiratta, IEXL
Shri Akhilesh Awasthy, IEXL
Shri Jayant Deo, IEXL
Shri Bikram Singh, IEXL

Matching mechanism to be proposed by the petitioner for closed/open auction or continuous trading in the power exchange

The representative of the petitioner explained the out of three matching mechanisms, since, in India the distribution licensees were mostly Government owned, it was felt that closed auction would give better results because distribution companies would like to give their bid and leave it to the market to decide the price. Since the price as determined by the market was the same for all bidders, they would not have any audit problem, which is possible in case of continuous trading. He stated that in closed auction, as the price quoted by other participants was not known, there would be pressure on all the participants to give the most competitive price. The buyer would give their best limit price and seller would give their lowest price to get selected. The market determined price would be common for all participants. In continuous trading, the only benefit is possibility of modification of the bid after viewing the trend of market prices on the screen. The representative of the petitioner stated that the petitioner was proposing a combination of closed auction followed by continuous trading. Initially all participants would bid under the closed auction mechanism followed by continuous trading for any residual quantum of power.

Fixation of higher matching price when the seller was willing to sell at a lower price

The representative of the petitioner stated that during their experience of exchange operation in last eleven months, it was found that prices had gone very high during shortage period and they also went down to as low as 13 paise per unit during surplus periods. So, basically demand and supply forces were determining the price, he stated. The representative of the petitioner explained that the market clearing price would be in between the prices quoted by the buyer and seller. The buyers would get either the quoted price or lower than the quoted price and sellers would get either the quoted price or higher than their quoted price. So the benefits would get divided between seller and buyer both.

International experience of the methodology proposed

The representative of the petitioner stated that in the day-ahead market, almost all power exchanges use the methodology being considered by the petitioner. As regard the term-ahead market, the representative of the petitioner submitted that it would collect the literature and submit before the Commission. The representative of the petitioner stated that he was proposing continuous trading mechanism for intra-day and day-ahead contingency only.

Difference, if any, between the auction mechanism chosen for term-ahead market and day market

The representative of the petitioner stated that they would collect literature on the subject and submit the same before the Commission. It was explained that in Nord Pool there does not exist any term-ahead market for physical delivery and the power exchange forming used only for futures market, which is a financial market. For physical delivery only day ahead market is operated. Out of 26 markets in Europe, 20 markets and PJM in US follow this matching mechanism for day-ahead market, the Commission was informed. The representative of the petitioner stated that Nord Pool earlier introduced term-ahead physical market, but due to less liquidity, it had to be discontinued. Finally all the markets were using day-ahead market for physical delivery.

Closeness of the mechanism proposed to the practices of matching mechanism prevailing in other power exchanges across the world and the necessary details of such practices, being followed at other power exchanges.

Any improvements carried out over the mechanism being used at other power exchanges, keeping the Indian electricity market in mind, with the necessary details thereof.

Historical development of power exchanges in other country, as regards bilateral market.

The Commission directed the petitioner to submit statistical data and literature on matching mechanism in other countries and historical development of the power exchanges in other countries.

Consent of the members of the power exchange on matching mechanism proposed with necessary details thereof.

The representative of the petitioner informed that this uniform market price method was preferred by the members and advisory council. This mechanism suited all participants, he claimed. The petitioner was asked to submit details of feedback from the members on the proposed mechanism.

Benefits accrued in allowing bilateral transactions through the power exchanges

The petitioner responded that in the present bilateral market, each transaction was separately decided and there was no common market clearing price. The power Exchange would provide common platform for most buyers and sellers and the price would be the market determined price. One to one pair was matched at the exchange and then scheduling of transaction was done at RLDC. The exchange helps in discovery of a common price which gives signal to capacity addition and demand side management.

Submission of more than one bid/offer under one contract and specifically bring it out in the matching rules

The representative of the petitioner clarified that It was possible to have more than one bid from one seller/bidder. While in day-ahead market, portfolio bidding was allowed where in single order multiple combinations of price and quantity could be given, in term-ahead market, in one order, only one single price and quantity pair was allowed. Separate exclusive orders needed to be given for another price and quantity. The petitioner was asked to make this clear in its bye-rules.

Contradiction in quantity variation of 20% allowed to Open Access bilateral transaction where 100% quantity variation is allowed.

The representative of the petitioner stated that the condition of only 20% quantity variation could be removed.

Modification or cancellation of contract by buyer or seller, like in the case of a normal bilateral transaction.

The representative of the petitioner stated the reasons for the flexibility proposed. They are offering standard term-ahead products and it will require market experience to fine tune these products to serve the market better. The basic skeleton of contract would remain the same, only minor changes may be required. The petitioner was asked to identify the trading parameters and the range, if any, in which the flexibility is required by the exchange with respect to modification of these parameters and submit the rationale for the same. The representative of the petitioner stated that flexibility issue raised by them may be deferred for the time being.

Any provision in the matching mechanism where the seller can prescribe that he wants to sell only a minimum quantum of power.

The representative of the petitioner stated that there was provision to do so by defining type of orders like whether order type was 'All or none' or order type was 'fill or kill.'

Discussion with RLDCs with regard to scheduling

The representative of the petitioner stated that the discussion with RLDCs was held in this regard and Gist of discussion would be submitted before the Commission.

2. The Commission directed the petitioner to place on record the information/details, on all the issues raised and takes note of, above, duly supported on affidavit, latest by 15.7.2009.

3. Subject to above, Commission reserved its order.

Sd/-
(K.S.Dhingra)
Chief (Law)