

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. SM/007/2015**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson**

**Shri A. K. Singhal, Member**

**Shri A. S. Bakshi, Member**

**Date of Order: 29.4.2015**

**In the matter of:**

Review of Power Exchanges

**And**

**In the matter of:**

- 1) Indian Energy Exchange, New Delhi
- 2) Power Exchange of India Limited, Mumbai

..... Respondents

**ORDER**

In exercise of powers conferred under Section 66 read with Section 178 (2) (y) of the Electricity Act, 2003 (36 of 2003) and paragraph 5.7.1 (f) of the National Electricity Policy, the Commission has notified the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (hereinafter called "Power Market Regulations") which came into force with effect from 21.1.2010.

2. Regulation 10 of the Power Market Regulations provides, inter alia, the objectives of the power exchanges as under:-

"10. A Power Exchange shall function with the following objectives:-

- (i) Ensure fair, neutral, efficient and robust price discovery.
- (ii) Provide extensive and quick price dissemination.
- (iii) Design standardised contracts and work towards increasing liquidity in such contracts."

3. Power Exchanges undertake various functions as detailed under Regulation 24 of Power Market Regulations. Power Exchanges have nationwide operations with over 3000 participants and handle large financial transactions involving trading in electricity, interact with multiple stakeholders like banks, generators, discoms etc. Therefore, it is important that the power exchanges remain robust, neutral and transparent at all times in their management and operation and inspire confidence of market participants.

4. Regulation 55 (ii) of the Power Market Regulations empowers the Commission to direct any person to investigate into the affairs of any Electricity Trader or Exchange or Member of Exchange including his books of accounts, and to report to the Commission. After considering the report, the Commission may issue such directions, as may be considered appropriate.

5. The Commission granted permission to Indian Energy Exchange and Power Exchange of India Ltd vide orders dated 31.8.2007 in Petition No. 38/2007 and 27.5.2008 in Petition No. 21/2008 respectively to set up, maintain and operate the Power Exchanges. In pursuance to the permission granted, IEX and PXIL have started operation with effect from 27.6.2008 and 22.10.2008 respectively. The Power Exchanges are in operation from more than 5 years and no review of their functioning has been undertaken so far. The Commission is of the considered view that a comprehensive review of the IEX and PXIL is necessary in order to ascertain that the affairs of the Power Exchanges are carried on in compliance with the provisions of the Power Market Regulations.

6. In this direction, the Commission had invited bids for Review of Power Exchanges vide Terms of Reference (ToR) dated 9.1.2015 ([http://www.cercind.gov.in/2015/tender/TOR\\_901.pdf](http://www.cercind.gov.in/2015/tender/TOR_901.pdf).) Based on the bids, two agencies (hereinafter “designated agency”) have been selected and issued Lol as per the details given below:-

(a) M/s Deloitte Touche Tohmatsu India Pvt. Ltd., Gurgaon for review of Indian Energy Exchange Ltd.

(b) M/s KPMG Advisory Services Pvt. Ltd., Gurgaon for review of Power Exchange India Ltd.

7. The scope of work of the review of the Power Exchanges has been delineated in paragraph 5 of the ToR. The Power Exchanges are directed to nominate a Nodal Officer each who shall co-ordinate with the respective designated agency for the purpose of review of the functioning of the power exchange. The name of the officer so nominated shall be intimated to the Commission within one week from the date of the order.

8. The designated agencies shall abide by the deliverables and duration of the assignment as detailed in paragraph 7 of the ToR.

9. In order to ensure that the review of the functioning of the Power Exchanges is carried out by the designated agencies in a smooth and well co-ordinated manner, the power exchanges shall be required to extend all co-operation as required under Regulation 55 (iii) of the Power Market Regulations. The said regulation is reproduced hereunder:-

“It shall be the duty of every manager, managing director or other officer of the Electricity Trader or Exchange or Member of Exchange, as the case may be, to produce before the Investigating Authority directed to make the investigation under sub-regulation (ii), all such books of account, registers and other documents in his custody or power and to furnish him with any statement and information relating to the affairs of the Electricity Trader or Exchange or Member of Exchange, as the case may be, as the said Investigating Authority may require of him within such time as the said Investigating Authority may direct.”

10. The Power Exchanges are also directed to provide the designated agencies adequate space in their premises for conduct of review. It is further directed that the designated agencies shall maintain complete confidentiality during the process of review and submit the report as per the timeline given in the ToR.

**sd/-**  
**(A. S. Bakshi)**  
**Member**

**sd/-**  
**(A. K. Singhal)**  
**Member**

**sd/-**  
**(Gireesh B. Pradhan)**  
**Chairperson**