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CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

NOTIFICATION

New Delhi, the 03rd February , 2016

No L-1/97/2016 . In exercise of powers conferred under sub-section(1)and clause (y) of sub-section (2) of section 178 read with Section 66 of the Electricity Act, 2003 (36 of 2003),paragraph 5.9.of the National Electricity Policy, sub-rule (4) of rule 12 and clause (b) of Rule 13 of the Energy Conservation (Energy Consumption Norms and Standards for Designated Consumers, Form, Time within which, and Manner of Preparation and Implementation of Scheme, Procedure for Issue of Energy Savings Certificate and Value of Per Metric Ton of Oil Equivalent of Energy Consumed) Rules, 2012 notified by the Ministry of Power, Government of India vide G.S.R.269(E) dated the 30th March 2012, for the development of market in energy for exchange of transferable and saleable Energy Savings Certificates and all other powers enabling it in this behalf, the CERC hereby makes the following regulations , namely

1. Short title, commencement and extent of application –

1.1 These regulations may be called the Central Electricity Regulatory Commission (Terms and Conditions for Exchange of Energy Savings Certificates) Regulations, 2016.

1.2 These regulations shall come into force from the date of their publication in the Official Gazette .

2. Definitions –

2.1 In these regulations, unless the context otherwise requires,

- a) “**Act**” means the Electricity Act, 2003(36 of 2003);
- b) ‘**Administrator**’ means the Bureau of Energy Efficiency;
- c) ‘**Bureau**’ means the Bureau of Energy Efficiency, a statutory body established by the Government of India, under sub-section (1) of Section 3 of the Energy Conservation Act, 2001 (52 of 2001)
- d) ‘**Commission**’ means the Central Electricity Regulatory Commission (CERC)referred to in sub-section (1) of section 76 of the Electricity Act, 2003;
- e) ‘**Cycle**’ means a period as specified in PAT Rules, commencing from the 1st day of April of the starting year and ending on the 31st day of March of the target year. The first Cycle would cover a period of 3 years commencing from the 1st April, 2012 and ending on the 31st March, 2015;
- f) ‘**Designated Consumer**’ means any consumer notified by the Central government under clause (e) of section 14 of the Energy Conservation Act, 2001 and for which a target is notified under the Statutory Orders issued by the Government of India from time to time ;
- g) “**EC Act**” means the Energy Conservation Act, 2001(52 of 2001);
- h) ‘**Eligible entity**’ means any designated consumer registered with Registry who has been issued or deemed to have been issued ESCerts and desire to sell or purchase such ESCerts for compliance with the energy consumption norms and standards specified under clause (g) of section 14 of the EC Act.
- i) ‘**Energy Conservation Rules**’ means the Energy Conservation (Energy Consumption Norms and Standards for Designated Consumers, Form, Time within which, and Manner of Preparation and Implementation of Scheme, Procedure for Issue of Energy Savings Certificate and Value of Per Metric

Ton of Oil Equivalent of Energy Consumed) Rules, 2012 and as amended from time to time;

- j) **‘ESCerts’** means the Energy Savings Certificates issued by the Central Government in the Ministry of Power to the designated consumer under sub-section (1) of section 14(A) of EC Act, 2001;
- k) **‘Exchange or trade of ESCerts’** means sell or purchase of ESCerts under the Perform, Achieve and Trade (PAT) scheme on Power Exchanges, and includes delivery of ESCerts.
- l) **‘Market’** means a forum / platform where buyers and sellers , buy or sell ESCerts through a Power Exchange
- m) **‘MoP’** means the Ministry of Power;
- n) **‘Power Exchange’** means the power exchange as defined in Power Market Regulations of the Commission.
- o) **‘Power Market Regulations’** means the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 and as amended from time to time ;
- p) **‘POSOCO’** means Power System Operation Corporation Limited as constituted by the Ministry of Power (Notification No. 11/20/2005-PG Dated 4th July 2008) and who is authorized to function as a **Registry for ESCerts**
- q) **‘Target Year’** means the third financial year from the starting year during which a designated consumer shall achieve compliance with the energy consumption norms and standards prescribed under clause (g) of section 14 of the EC Act;

2.2 Save as aforesaid and unless repugnant to the context of the subject matter otherwise requires, words and expressions used in these regulations and not defined, but defined in the Act or EC Act or any other regulations of this Commission or any other rules issued by the Ministry of Power, Government of

India shall have the meaning assigned to them respectively in the Act, or EC Act, or such other rule or regulation applicable to the Bureau.

3. Objective

3.1 The objective of these regulations is to define a framework for exchange of Energy Savings Certificate on Power Exchanges

4. Scope –

4.1 These regulations shall be applicable to ESCerts offered for transaction on Power Exchange(s) including contracts in ESCerts as approved by the Commission in accordance with the provisions of Power Market Regulations.

5. Registry –

For the purpose of these Regulations, POSOCO shall function as Registry for trading /exchange of ESCerts and shall establish the necessary framework for this purpose .

6. The Commission shall

- a) approve the procedure(s) for interface activities between Power Exchanges and Registry, Administrator and Registry, and Registry and Designated Consumer(s) in pursuance of the Energy Conservation Rules ;
- b) monitor the operations and performance of Power Exchanges with regard to exchange of ESCerts ;
- c) issue directions to the Bureau in regard to the discharge of its functions related to exchange of ESCerts.

7. Functions of Administrator –

7.1 For the purpose of exchange of ESCerts issued under the EC Act, the Bureau shall act as the Administrator and subject to provisions of these regulations, it shall-

- (a) define procedure(s) for interface activities between Power Exchanges and Registry, Administrator and Registry, and Registry and Designated Consumer(s) in pursuance of the Energy Conservation Rules with the approval of the Commission;
- (b) provide assistance to the Commission in the matters involving exchange of ESCerts on Power Exchanges.
- (c) disseminate relevant market information to all stakeholders
- (d) discharge such other functions as may be assigned under these Regulations
- (e) ensure that exchange in ESCerts takes place in a transparent manner
- (f) issue a detailed procedure with the approval of Commission for registration of eligible entities, exchange, transfer, banking, extinguishment of ESCerts and other residual matters ;
- (g) shall coordinate with the Power Exchanges and Registry for smooth interface for Exchange of ESCerts

8. Category of Certificates –

8.1 ESCerts shall be denominated and have validity as specified in the Energy Conservation Rules.

8.2. Contract in ESCerts for offer on Power Exchanges shall be categorized by the Bureau based on year of issue and cycle having regard to market needs , with the approval of the Commission.

8.3. The Commission may, on an application made in this behalf, permit any Power Exchange to introduce such category of ESCerts in accordance with Power Market Regulations .

9. Eligible Entity

9.1 Any category of ESCerts contracts shall be introduced for exchange in Power Exchanges only with the prior approval of the Commission

9.2. The following entities shall be eligible for exchange in ESCerts on Power Exchanges, namely,-

- (a) Designated Consumers who shall be issued ESCerts in electronic form in a cycle period for achieving specific energy consumption less than the energy consumption norms and standards notified by the Central Government for the cycle period, under Energy Conservation Rules, and subsequent cycles, who have held such certificates in Registry accounts;
- (b) Designated Consumers having Registry accounts whose specific energy consumption are more than the prescribed energy consumption norms and standards specified for a cycle period as aforesaid in clause (a) and subsequent cycles and who wish to comply with the prescribed energy consumption norms and standards using ESCerts in lieu of implementing energy conservation and energy efficiency improvement measures , shall be entitled to purchase the ESCerts to meet compliance with the norms and standards prescribed under clause (g) of section 14 of the EC Act;
- (c) New products may be introduced in consultation with the Bureau and prior approval of the Commission.

- (d) Any other eligible entity, as permitted in the EC Act and on subsequent intimation by the Bureau to the Commission, shall be allowed to enlist for participating in exchange of ESCerts on Power Exchanges by the Commission, from time to time.

9.3 Power Exchanges shall permit only the Eligible Entities to either place buy or sell bids subject to confirmation of availability of ESCerts by the Registry during the exchange session.

10. Dealing in the Certificates –

10.1 The Certificate issued to eligible entities by the Government on the recommendation of the Bureau may be placed for dealing in any of the Power Exchanges by the ESCerts holder, and such ESCerts shall be available for dealing in accordance with the rules and byelaws of such Power Exchanges.

10.2 The frequency of exchange of ESCerts, through Power Exchanges, shall be on monthly basis or in such periodicity for all registered and eligible entities as per the procedure approved by the Commission.

10.3 Power Exchanges shall obtain prior approval of the Commission, on the rules and byelaws including the eligibility criteria, exchange process, ESCert price discovery mechanism and process of interaction between exchange and Registry which *inter-alia* shall include the following -

- (a) all eligible entities who intend to participate in the exchange of ESCerts on Power Exchange shall register themselves with the Registry and the Power Exchange;
- (b) such eligible entities shall exchange either directly on a Power Exchange or through a Member of a Power Exchange as per the rules and procedures of respective Power Exchange. ;

10.4 In any exchange session, an eligible entity shall not place sale bids in excess of total ESCerts held in its Registry Account.

10.5 For restricting excess sale of ESCerts in any exchange session, by any eligible entity on Power Exchanges, the Registry shall cross-check the cumulative sale bids placed on Power Exchanges with availability of ESCerts in respective Registry account(s) and in case breach of this sub-regulation is noticed, the Registry shall intimate the Power Exchanges to treat such eligible entities as defaulter and any bid submitted by such eligible entity shall not be considered by the Power Exchange for the purpose of price discovery. The bids submitted by such bidders shall become void and ineffective if the total bids submitted by eligible entity on both the Power Exchanges are more than the available ESCerts in the Registry account.

10.6 Eligible entities with more than three cases of default specified in sub-regulation (10.5) in a cycle shall be barred from exchange of ESCerts for next 6 months:

10.7. The Power Exchanges, on receipt of confirmation report shall-

- (a) aggregate all the buy bids and the confirmed sell bids and determine the market clearing price and the market clearing volume and the exchange results shall be published to the Members through the exchange terminals;
- (b) send reports for exchange confirmation and financial obligation, invoices including financial settlement i.e. pay-in and pay-out shall be generated by the Power Exchanges for the executed exchange and shall be sent to respective members;
- (c) On successful exchange on Power Exchange, the Registry Accounts of the Eligible entities shall be updated whereby the sellers' accounts shall be debited and the buyers' accounts shall be credited.
- (d) The matching mechanism on Power Exchanges for ESCerts exchange shall be closed bid double-sided auction.

11.Pricing of Certificate –

11.1 The denomination of one ESCert as mentioned in the Energy Conservation Rules shall be equal to energy consumed in terms of metric Ton of Oil Equivalent (toe).

11.2 The market price of ESCert shall be as discovered through the process of bidding at the respective Power Exchange.

12.Fees and Charges –

12.1 The Commission in consultation with the Bureau may from time to time determine, by order, the fees and charges payable by the Eligible entities to the Registry for the purpose of meeting the cost and expense towards the management of Registry and software platform.

13.Market Oversight –

13.1 The Commission may, in consultation with the Bureau, exercise market oversight over ESCerts on Power Exchanges in accordance with Power Market Regulations .

14.Power to Relax –

14.1 The Commission, may by general or special order, for reasons to be recorded in writing, and after giving an opportunity of hearing ,to the parties likely to be affected by grant of relaxation , may relax any of the provisions of these regulations on its own motion or on an application made before it by an interested person.

15. Power to issue directions –

15.1. If any difficulty arises in giving effect to these Regulations, the Commission may on its own motion or on an application filed by any affected party, issue such directions as may be considered necessary in furtherance of the objective and purpose of the Regulations .

(Shubha Sarma)
Secretary

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