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REF: KISPL/CERC/Comments/01

Dated: 20th August 2019

The Secretary

Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building
36, Janpath, Connaught Place
N Delhi 110001

Sub: Comments on Draft Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2019

Dear Sir

Kind Attention: Mr Sanoj Kumar Jha

We compliment Hon'ble CERC for progressive thinking and sincere try to bring changes in power market in near future.

However, after going through the subject mentioned draft regulations, our genuine feedback and comments for kind perusal of Hon'ble Commission are as under

1. **Category of License** – We don't find merit in adding a new category of licensee in view of proposed MBED Regulations and implementation of stricter payment security regime. The net worth requirements will get downplayed because of Discom payments getting streamlined and securitization requirements going down at trader end.

Suggestion: We suggest that Hon'ble CERC should not bring in one more category of license.

2. **Trading Margin** – We fail to understand why Hon'ble CERC is unwilling to allow Electricity Traders to act as Trader and trying to use them only for providing Financial Security. We need to realize that the deficit conditions no longer persist in Indian power market and margin capping is not necessary at all. Also we need to understand that with capped trading margin, no sane Trader will take risk and will dissuade itself from taking open position.



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Suggestion: We suggest that Hon'ble CERC should not cap trading margin and let market forces determine trading margin.

3. **Banking of Power** – We fail to understand why the Hon'ble Commission intends to disallow banking of power by electricity traders and reduce revenue streams for electricity traders.

If the Hon'ble Commission feels that some electricity traders have misused the rules and regulations and have made unrealistic profits under banking contracts in past, then Commission should get forensic audit done of all the power banking trades concluded in last 3 (three) years. If any trader is found to have abnormally profited from power banking transactions then appropriate action should be taken against them like return of excess profit made by trader to banking transaction beneficiaries, debarring these traders from banking for 5 years, etc.

Suggestion: We suggest Hon'ble Commission should not scuttle revenue streams of electricity traders by disallowing banking of power.

4. **Back to Back Contracts** – Back to back deals have been defined in Power Market Regulations 2010 as under

Back to back deals -The interstate transaction in which an Electricity Trader buys a specific quantity of power for a particular duration from one party and simultaneously sells it to another party on same terms and conditions. Such transaction does not expose the trader to any price risk. It may expose the trader to credit risk and operational risk.

Hon'ble CERC is trying to limit electricity traders trading margin to 1 paise/KWh to cover its costs including manpower, finance, logistics, license fees, etc. and also for covering Credit and Operational Risks. We would like to bring on record these costs are much more unless trading volumes are extremely high. Hon'ble Commission on one hand is limiting trading opportunities for traders and on other hand is working towards reducing their trading volumes by debarring or shifting more and more trades on power exchanges.

Suggestion: We request Hon'ble Commission to delete provisions of 1 paise/KWh trading margin on back to back contracts/deals and allow market forces to decide trading margin charged by traders?

R. Mohan



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5. **License Fees** – Hon'ble CERC over last couple of years has come out with changes in Regulations, which have not only reduced revenue streams but also reduced earnings for electricity traders drastically. Despite repeated requests on various forums, CERC has not reduced license fees.

We request CERC to consider one of the following

1. Reduce license fees by at least 90% and make it maximum Rs 4 Lacs per annum for highest category of license
2. Charge trading margin basis volume traded by trader just like power exchanges

We hope Hon'ble Commission will look into our suggestions seriously and will incorporate changes suggested by us.

Thanking you.

Yours truly

For **Knowledge Infrastructure Systems Pvt. Ltd.**

Rajesh Mahajan