

Proposed Draft CERC (Power Market) Regulations, 2020

Sl No	Regn	Existing	Comment/Proposal	PCKL Remarks
1	9 Eligibility criteria	<p>The applicant for establishing a Power Exchange shall fulfill the following criteria at the time of making application for registration of Power Exchange:</p> <p>(1) The applicant is a company limited by shares incorporated or deemed to be incorporated under the provisions of the Companies Act, 2013;</p> <p>(2) The applicant is demutualised; Explanation: For the purposes of this sub regulation, the term "demutualised" means that the ownership and management of the applicant is segregated from the trading rights, in terms of these regulations.</p> <p>(3) The main objects of the applicant company is to establish and operate a Power Exchange.</p> <p>(4) The applicant has a Net worth of minimum Rs. 50 crores as per the audited special balance sheet as on any date falling within 30 days immediately preceding the date of filing the application for grant of registration.</p> <p>(5) The Directors of the applicant satisfy the requirements relating to qualifications and are not disqualified for appointment on the Board of Directors as specified in Regulation 18 of these regulations.</p> <p>The applicant satisfies the requirements relating to the ownership as specified in Regulation 15 and governance structure as specified in Regulation 17 of the these regulations.</p>	<p>The following Clause may be added to Regulation 9</p> <p>(6) Trading Licensee or any of their Associates or grid connected entities shall not be permitted to establish Power Exchange.</p>	To avoid conflict of interest.
2	12(2) Grant and renewal of registration to Power Exchanges	The registration of a Power Exchange shall be for a period of twenty-five (25) years from the date of grant of registration unless such registration is revoked or cancelled earlier.	The registration of a Power Exchange shall be for a period of Ten (10) years from the date of grant of registration unless such registration is revoked or cancelled earlier.	25 years is long duration. Initial Registration can be a period of 10 years which may be renewed for further 10 years and so on.
3	17(5) Governance structure of Power Exchange	The Managing Director shall be a professional qualified in the fields of power sector or finance or management or information technology and hold sufficient experience.	The Managing Director shall be a professional qualified in the fields of power sector or finance or management or information technology with an experience of minimum 5 years in the field of power sector	The experience level is not clearly mentioned
4	23 Power Exchange Transaction Fee	No Power Exchange shall charge transaction fee exceeding such fee as approved by the Commission: Provided that the Power Exchanges which have been granted		The transaction Fee at present is 2 (two) paise per unit from Both Buyer as well as Seller. As the volume of energy transactions in the exchanges has increased considerably

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		registration by the Commission prior to the date of notification of these regulations shall be required to obtain approval of the transaction fee to be charged by the Power Exchange within a period of three months of the date of notification of these regulations.		over the years, Power Exchange Transaction Fee shall not be more than 1 (one) paise per unit. Further the Exchange price is in the decreasing trend and hence, the profit margin for the sellers is very less.
5	27 iii) Clearing and Settlement	The Power Exchange shall distribute at least 70% of the return earned on the initial security deposit invested in the financial year to the members of Power Exchange in proportion to initial security deposit of the member and duration for which such deposit was held with the Power Exchange, within 45 days of the last date of the financial year.	The Power Exchange shall distribute at least 90% of the return earned on the initial security deposit invested in the financial year to the members of Power Exchange in proportion to initial security deposit of the member and duration for which such deposit was held with the Power Exchange, within 45 days of the last date of the financial year.	As the deposit pertains to Members, any return earned should be returned to the Members. Hence instead of up to 70%, 90% shall be fixed.
6	2(d)	"Associate" in relation to a Power Exchange or Trader Member or Proprietary Member or Facilitator Member of a Power Exchange, as the case may be, means associate company or related party as defined in sub-sections (6) and (76) of Section 2 of the Companies Act, 2013 (18 of 2013) respectively;	"Associate" in relation to a Power Exchange or Trader Member or Proprietary Member or Facilitator Member or Market Coupling Operator entity as notified by the Commission of a Power Exchange, as the case may be, means associate company or related party as defined in sub-sections (6) and (76) of Section 2 of the Companies Act, 2013 (18 of 2013) respectively;	An entity of Marketing coupling operator shall be notified by the CERC for operation and management of the Marketing coupling. Hence, it needs to include in the definition of Associate. As the work of the Market Coupling Operator is essential for the power exchanges
7	2(j)	"Capacity Contract" means a contract where the capacity of a generating station is contracted in advance wherein the generating station is obligated to despatch contracted electricity as and when required by such buyer during the tenure of the contract and consideration by way of capacity payment is made by the buyer;	Capacity Contract" means a contract where the capacity of a generating station is contracted in advance wherein the generating station is obligated to despatch contracted electricity as and when required by such buyer during the tenure of the contract and consideration by way of payment is made by the buyer	This clause is applicable only for term ahead market and charges are payable as per the contract entered for energy dispatch. Hence, word capacity may be deleted
8	37	Market coupling means the process whereby collected bids from all the Power Exchanges are matched, after taking into account all bid types, to discover the uniform market clearing price for the Day Ahead Market or Real-time Market or any other market as notified by the Commission, subject to market splitting		The concept of Market coupling is advantageous to both buyer as well as Seller. However, it needs a clarity on a) Whether membership required on all the power exchanges b) Whether members need to bid in all the exchanges. c) Settlement of the claims
9	2(ax)	"Settlement Guarantee Fund (SGF)" means a fund created and maintained by Power Exchange and used for settlement of defaults of its members or clients of such members as stipulated in the default remedy mechanism of Power Exchange and shall comprise of any sources of funds as may be determined by the		There is no clarity on the draft Regulation regarding creation of settlement guarantee fund for settlement of the claims of its defaults members or clients

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		Power Exchange with prior approval of the Commission		
10	Part-3, Clause 5 (30)	Term Ahead Contracts (a) Price discovery: The bidding mechanism and price discovery mechanism shall be as approved by the Commission based on the proposal of the Power Exchange.	Term Ahead Contracts (a) Price discovery: The bidding mechanism and price discovery mechanism shall be as approved by the Commission based on the proposal of the Power Exchange or Market Coupling Operator as and when notified by the Commission	Market Coupling Operator may match all bids from all the Power exchange after taking into account all bids for the term head contracts also.
11	7 (2)(iii)	Grant of Connectivity Regulations for: (a) Long-term access; (b) Medium-term open access		Presently long term and medium term open access are obtained by the generator from the CTU and scheduling has been done by RLDC. Under this clause, the role of power exchanges is not defined
12	19(g)	Trading margin for a Trader Member and service charge for a Facilitator Member		Trading margin and service charges shall not be more than the transaction fee specified in the Power Market Regulation, 2020
13	22(4)	A Power Exchange shall stipulate criteria for membership to the Power Exchange including Net worth, minimum base capital, security deposit requirement and liquid asset requirement.	Applicable for new member	Members were already obtained membership in Power exchanges. Hence, the criteria specified in the Regulation including networth, minimum base capital, and liquid asset requirement are only applicable for new members
14	28(5)	The Commission may audit or appoint an agency to audit the software applications used by the Power Exchanges for price discovery and market splitting on a random basis. The Power Exchanges shall provide to the Commission results of test cases and scenarios given by the Commission	The Commission may audit or appoint an agency to audit the software applications used by the Power Exchanges or Market Coupling Operator for price discovery and market splitting on a random of basis. The Power Exchanges shall provide to the Commission results of test cases and scenarios given by the Commission	Market Coupling Operator to be added
15	34(2)	Any claims pertaining to pending arbitration cases, arbitration awards, liabilities or claims of contingent nature and unresolved investors complaints or grievances lying with the Power Exchange would be settled by the Power Exchange.	Any claims pertaining to pending arbitration cases, arbitration awards, liabilities or claims of contingent nature and unresolved investors complaints or grievances lying with the Power Exchange would be settled by the Power Exchange before closure of the Power exchange	Amount to be settled before closure of Power exchange
16	5 Contracts transacted on Power Exchanges		In addition to existing contracts, Intra State contract and Green Energy Contract may be implemented. In Intra State contract , DISCOMs being the single Seller and Buyers are the embedded HT consumers of the State. Surplus energy and	The Renewable rich States are facing difficulties in managing the grid as the grid operations are becoming more complex day by day because of intermittence and variability of renewables. For example in Karnataka the total installed capacity is about 30,000 MW, 12,000 MW is currently contributed by Solar

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			<p>Renewable energy (for meeting the renewable power obligations) can be traded by the DISCOMs to their HT Consumers. Each HT consumer may be provided with standing NOC for trading power in this segment. If there are any arrears during that period, the NOC will be invalid.</p> <p>The Green Energy contract, may be implemented wherein surplus RE energy can be sold to the entities requiring to meet their RPO obligations which provides for selling green energy at premium.</p>	<p>/ Non Solar sources, which account for a significant share of 40 percent.</p> <p>Further each State has specific challenges associated with the load profile. Many States (including Karnataka) experiences peak demand in morning and evening as domestic consumers forms the majority of the sates consumer base while the rest is accounted for by agriculture and industry. The state has many industrial consumers, procuring power under open access. Due to large, solar capacity power is surplus during daytime. This leads to challenges in frequency and availability management.</p> <p>CERC has tried to address these challenges through various regulations including the recent Real Time Market.</p> <p>Intra State contracts can be utilized for grid balancing and to extend the cheaper power benefits to state owned consumers.</p> <p>A HT consumer when purchase power through open access needs to pay for energy charges, ISTS transmission charges and Losses apart from State Charges as they are embedded in State transmission system. When the same HT consumer purchase power from Intra State Contracts, ISTS transmission charges and Losses are not levied. This would provide for selling surplus power by State DISCOMs to open access consumers. This would give another opportunity to sell DISCOMs power to open access consumer at competitive rate due to elimination of ISTS transmission charges and Losses.</p>