

Ref: REL/CERC/2020-21/DEL/0001

Date: 13.08.2020

To,  
Secretary,  
Central Electricity Regulatory Commission,  
3 rd & 4 th Floor, Chanderlok Building,  
36, Janpath, New Delhi- 110001,

Ref: - 1. CERC license No. 82/TradingLicense/2018/CERC (Refex Energy Ltd – Category – I)  
2. CERC Notification no. L-1/257/2020/CERC dt. 17.07.2020

**Sub: Submission of Comments by Refex Energy Ltd. on “Draft Central Electricity Regulatory Commission (Power Market) Regulations, 2020”.**

Respected Sir,

This is in reference to the draft regulation published by Hon’ble Commission “CERC (Power Market) Regulations, 2020” dated 18.07.20 as referred above. Wherein, all stakeholders are required to submit their comments / objections / modifications desired, on or before 07<sup>th</sup> Aug’ 20.

We would like to submit the Hon’ble commission that within the limited time for submission of comments, it had been difficult for submission of comments sincerely, as the Hon’ble commission must be aware about the present difficult condition the whole world is going through and due to which , the availability of certain individuals and resources have become a limiting parameter. Though, we had tried our best to submit comments in this constraint situation.

Also, if this commission permits, we shall also like to present ourselves during the public hearing of the said regulation. Also, we request this Hon’ble Commission, to extend the time for submission of commission by 30 days for submitting more detailed comments on each aspects of the regulation proposed.

We herewith enclose our comments as per Annexure A along with this letter. We shall always be thankful for the kind consideration of Hon’ble Commission in supporting Trading Licensee, who is already in difficulty due to current situation.

Thanking You,  
Yours Sincerely,  
For Refex Energy Ltd.



**Tannmay Pramanik**  
(Head – Business Development)

Sl. No.	Draft Regulation 2020	Principal Regulation 2010	Added / Deleted / Modified in Draft Regulation	Remarks	Comments
	<b>Section 2 Definition and Interpretation</b>	<b>Section 2 Definition and Interpretation</b>			
1	(b) Ancillary Services		Added		No Comments
2	(c) Ancillary Services Contract		Added		No Comments
3	(d) Associate		Added		No Comments
4		2(b) Annual Turnover	Deleted		No Comments
5	(f) Bid		Added		No Comments
6	(g) Bid Type		Added		No Comments
7	(j) Capacity Contract	4 (iiv)	Modified		No Comments
8	(k) Circular Trading		Added		No Comments
9		2 (g) Clearing Corporation	Deleted	Removed the section from earlier regulation and included majority in settlement and clearing part	No Comments
10		2 (j) Credit Risk	Deleted		No Comments
11	(z) Insider		Added		No Comments
12	(aa) Insider Trading		Added		No Comments

13	(af) Market Coupling		Added		Market coupling may be implemented at a later stages as coupling the market will make various exchange platform operator redundant for the participants in the said exchange and hence, any efforts in developing the exchange by the said exchange will be of no use, considering single clearing. Thus, any power exchange developing a new product will not get traded by other and in such scenario the business development efforts and other technical efforts made by one exchange will have no impact and thus, the development of the market would not happen. Hence, the market must be left the way it's operating at present.
14	(ag) Market Coupling Operator		Added		No Comments
15	(ah) Market Manipulation		Added		No Comments
16	(bf) Unpublished price sensitive Information		Added		No Comments
17	<b>Section 5 Contracts transacted on Power Exchange</b>	<b>Section 11 (Principles of Market and Market Design)</b>	Added	Added details for Intraday Contracts, Contingency Contracts and Term Ahead Contracts, which were clubbed together in one in earlier regulation	No Comments
18	<b>Section 7 Contracts transacted in the OTC Market</b>	<b>Section 11 &amp; Section 32</b>	Modified	Detailed contracts being defined and included with type of scheduling for the same.	OTC markets are nothing other than Bilateral agreement and thus, putting them here would not be necessary, as under electricity act 2003, under section 62 & 63, the Act already states the mechanism of competitive bidding and MOU as the methods for purchase and sale of power by licensee. Thus, bringing the same here will not serve the purpose, unless and until, the contract which are being traded are standardise and exchange platform



					shall be responsible for the settlement of the same, either physically or in terms of monetary. Thus, mere bringing the same on the platform will create duplicity of the sale w.r.t., power.
19	<b>Section 9 Eligibility Criteria</b>	<b>Section 15</b>	Modified	Removed the criteria of creating SPV and also included networth criteria of 50 Cr. Added few more criteria being mentioned elsewhere in earlier regulation	No Comments
20	<b>Section 10 List of Documents</b>	<b>Section 17</b>	Modified	Same with addition of disclosing Board of Directors also, which was earlier not required at the initial stage and only management structure was to be provided	No Comments
21	<b>Section 13 Registration Charge</b>	<b>Section 23</b>	Modified	Charges are not mentioned and only indicated that, it shall be as per separate order of payment of fees regulation. Whereas, in earlier regulation, there was slab as per total transacted volume on exchange.	No Comments
22	<b>Section 14 Net worth</b>	<b>Section 18 (i)</b>	Modified	Increased to Rs. 50 Cr.	No Comments
23	<b>Section 17 Governance Structure of Power Exchange</b>	<b>Section 22</b>	Modified	Increased the parameters of governance and higher accountability being put on senior management, like, Director, MD, CEO, and Independent Directors in line with latest Companies Act. Including diversified personnel at BOD a must and higher degree of educational & experience desired	No Comments

24	<b>Section 18 Qualifications and Disqualification for appointment as Director on the Board of Power Exchange</b>	<b>Section 22</b>	Modified	Earlier only qualification criteria was mentioned, while in draft disqualification criteria is included for directors	No Comments
25	<b>Section 19 Bye- Laws, rules and Business rules of Power Exchanges</b>	<b>Section 24</b>	Modified	Apart from earlier, in draft, it mention that, the bye-laws must include Trading margin and service charges at 19 (g), which was not present in the earlier regulation, as trading margin is governed by CERC regulation of Trading Margin	No Comments
26	<b>Section 20 Management of Power Exchange</b>	<b>Section 25</b>	Modified	Senior Management now must have 3 full time professional in place of 2, in which IT was added as another vertical, along with Power System Operation and Finance, Commerce, Economic and Accounts.	No Comments
27	<b>Section 24 Trading Margin and Service Charges</b>	<b>Section 27</b>	Modified	Earlier it was capped at 0.75% of transaction value with upper cap being CERC trading margin regulation. In new draft, the Facilitator member had been given upper cap of 2 paisa per unit, while trader member is govern by CERC trading margin regulation.	Trader must be allowed for additional fee for the services provided in addition to trading i.e., services including decision making matrix that benefit the client and that the sector shall develop in building more tools which shall help in optimizing energy requirement of clients and making investment accordingly.
28	<b>Part 5 Market Coupling Section 37 to 40</b>		Added		

**Refex Energy Limited.,**

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29	<b>Part 6 OTC Platform Section 41 to 48</b>		Added	Electronic Platform for OTC transaction and data keeping	<p>OTC Platform shall not act merely a platform to provide information and not standardizing contract, since such mechanism already exist like MSTC portal for all type of Tendering for purchase and sale of power. Therefore, the platform should not only provide opportunity to getting information but also to get trades conclusion being transacted on the platform with liability for non-performance as in normal bilateral contracts being available in market at present.</p>
30	<b>Section 12 (4) Grant and renewal of registration to power exchange</b>				<p>Applicant must be allowed to file application for renewal of licensee 3 years before the expiry of the period. This will give sufficient time to exchange participants for migration to other exchange or completing other formalities in case of non-renewal of licensee by commission. Also, it gives sufficient time for existing exchange for fulfilling any short coming and reapply for renewal of licensee.</p>

31	<p><b>Section 15 Ownership Structure of Power Exchange</b></p>	<ul style="list-style-type: none"> <li>- As proposed in the regulation that, any entity other than Member or Client, shall not hold more than 25% equity, which in present scenario must be reduced to 15%, so that more number of participants can enter into the business for making it more competitive and also, this shall also be applicable for existing power exchanges, so that, the equity are to be diluted to the extend its proposed in the said regulation. Thus dilution of equity not only provide new entities an opportunity to enter into the business but also its diversify the risk engage on multiple entities and hence, multiple parties also bring different expertise on board for better management and execution of operation in exchange.</li> <li>- As proposed in the regulation, that no member or client must hold more than 5% equity, may be revised to 10% as, those entities who have sufficient expertise and knowledge about the sector, may be given more opportunity for better management of the power exchanges.</li> <li>- The regulation also mentions that, the cumulative shareholding by all members and clients must not exceed 49%, which in present condition to strengthen complete system may be allowed upto 75%. Also the networth requirement has been increased to 50 Cr, thus, it would be suitable to involve multiple parties for building a robust power exchange with divided risks and financial capacity of each may be utilized to the maximum possible.</li> </ul>
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