

NLCIL Comments on Draft Central Electricity Regulatory Commission (Power Market) Regulations, 2020.

Part -1, Regulation 2, Clause (1) (i)

“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;

NLCIL Comments:

The term “Capacity Contract” is appearing in Definitions and Interpretation part only and not deliberated anywhere in the Draft. While issuing regulations on this subject, detailed procedure for scheduling and guidelines for determination of ECR may also be included.

It is mentioned that as per the Capacity Contract, Generating Station has to despatch power as and when required to the Buyer. It is also suggested that when Buyer is not scheduling power from the contracted Generating Station, Generating Station may be allowed to sell the quantity in Power Exchange either in DAM or RTM, while retaining the fixed cost liability with the buyer.

Part -3, Regulation 5, Clause (1)(a) (i)

Day Ahead Contracts and Real-time Contracts Price Discovery shall be done by Power Exchanges or by Market Coupling Operator, as and when notified by the Commission.

- ❖ Market Coupling is introduced in this regulations which 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;
- ❖ Objectives:
 - Discovery of uniform market clearing price for the Day Ahead Market or Real-time Market or any other market as notified by the Commission;
 - Optimal use of transmission infrastructure;
 - Maximization of economic surplus, after taking into account all bid types and thereby creating simultaneous buyer-seller surplus.

NLCIL Comments:

The introduction of Market Coupling Operator for efficient Price Discovery Mechanism for both Day Ahead Market or Real-time Market will result in better optimization. This function which is being executed by Power Exchanges will be shifted to single entity and resulting in reduction in expenses of Power Exchange operations. Accordingly, the transaction fees of Power Exchanges may be capped and overall trading expenses should not get escalated due to the introduction of Market coupling operator.



Part -4, Regulation 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 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.

NLCIL Comments

Apart from the transaction fee, annual subscription fees for members and Clients are being paid. Even though the same is collected as per bye laws of power exchanges, it is suggested to regulate the same and capped by the Hon'ble Commission.

Part -4, Regulation 27 (iii)

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.

NLCIL Comments

At present, Indian Energy Exchange (IEX) is distributing 70% of the return earned on the initial security deposit invested in the financial year based on CERC order on petition no.33/RC/2017 dt 09.10.2018. The introduction of above regulation will result in uniform practice to follow by all the Power Exchanges and result in savings to the Members.

Part -4, Regulation 27 (viii)

Members shall, wherever applicable, have a prudent risk management and system of timely margin collection from their clients. The margins collected by members from clients shall be in accordance with the bye-laws, rules and business rules of Power Exchange.

NLCIL Comments

The trading margin collected by members from clients is according to the regulations and the exchange have no role over the same.

As per regulation 24, clause (1) of this draft regulation which states that "A Trader Member shall charge trading margin in accordance with the provisions of Trading Licence Regulations, 2020 in respect of all transactions carried out through the Trader Member at the Power Exchange", the necessity for including the same in Regulation 27, sub clause(viii) may please be reviewed.

Part -4, Regulation 35 (1)(a) to (f)

Revocation of registration of Power Exchange

- ❖ If the registration of power exchange is revoked on any of the reasons specified, how the members and clients who have registered with that particular exchange will proceed further their trading business and needs to be addressed.



NLCIL Comments

On revocation of registration of power exchange, the guidelines for the way forward for the member and clients of that power exchange may please be issued by the Hon'ble Commission for the continuance of the trading business.

Part -4, Regulation 27 (1)(a) to (f)

Clearing and Settlement

- ❖ The Power Exchange shall enter into an agreement in writing for Clearing and Settlement of any transaction of electricity undertaken on the Power Exchange with an entity established in accordance with the provisions of the Payment and Settlement Systems Act, 2007:
- ❖ Provided that Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall be required to transfer Clearing and Settlement function to an entity established in accordance with the provisions of the Payment and Settlement Systems Act, 2007, within a period of one year from the date of notification of these regulations or such other period as may be approved by the Commission.

NLCIL Comments

It is suggested that during formation of new entity for undertaking Clearing and Settlement of any transaction of electricity on the Power Exchange, Members of Power Exchange may be allowed to have one Clearing and Settlement Account common to the exchanges.

Part -5, Regulation 39 (1)

The Market Coupling Operator, with the approval of the Commission, shall issue a detailed procedure for implementing Market Coupling including management of congestion in transmission corridor, the timelines for operating process, information sharing mechanism with the Power Exchanges and any other relevant matters.

NLCIL Comments

As the functions of Market Coupling Operator includes matching the collected bids from all the Power Exchanges, after taking into account all bid types, to discover the uniform market clearing price, subject to market splitting and to communicate the results of the auction to the Power Exchanges in a transparent manner, after introduction of Market Coupling, existing timeline of RTM should not be altered.

In each session of RTM; a generator has to ensure that bidding is being done by considering station's ramping constraints. To facilitate this process at beginning of each RTM session, trade quantity of last RTM session needs to be implemented in station schedule by system operators.

