

To
Mr. Sanoj Kumar Jha
The Secretary
Central Electricity Regulatory Commission
Chanderlok Building,36 Janpath
New Delhi-110001

Date:14th August, 2020

Subject: Comments on Draft Central Electricity Regulatory Commission (Power Market) Regulations, 2020

Dear Sir,

Please find below comments on the draft Power Market Regulation (PMR) 2020, on behalf of Kreate Energy (I) Pvt. Ltd.

We welcome the draft PMR, issued by CERC for a being comprehensive and forward-looking regulation, keeping in mind both market transparency issues, as well as the market innovation and growth push.

We as a market player, especially support the “Market Price Coupling” (for price discovery) decision which is as per the market practice in the European Union Market where there are multiple countries and many exchanges and it is working very efficiently. Further, creation of the OTC platform is also a good idea for market information sharing. While we agree with most of the provisions of the regulation, we would also like to provide our observations and comments on various issues covered in the power market regulation for your kind consideration.

Our comments are aimed at further strengthening the objective of CERC, in developing the Indian short-term power market into a robust market. Here are our suggestions:

1. Considering that the “licensed traders” as a regulated entity are also market makers, they should be allowed to promote & operate the OTC platform, and we believe as long as it is over the board and information is transparently sharable, it will only help the market.
2. We would also urge CERC to set up a deadline to initiate steps to fully operationalize “market coupling”, which should be handled by an independent (eg like POSOCO) agency.
3. We believe that “Trading License” should be allowed to become facilitator member and the volume traded as facilitator member should not be aggregated with the trading volume of the trader. As per our understanding, draft PMR 2020 does not impose volume limitations on facilitator member and hence we believe the same be extended to the trading licensees.

4. The present market is on a 15 minutes' block (96 blocks in day) transaction. Going forward, as it will be further reduced to 5 mins blocks. Even under the current scenario, it is becoming difficult to manage risks related to human errors for all market participants. With increased market participation, shorter blocks and new product evolutions, it will become very difficult to manage it manually. **We request CERC to mandatorily implement the feature of API (Application Programing Interface) for information, transaction and all activities related to market transactions. We urge that this implementation be done within a short time line.**
5. Since power market growth will critically hinge on new product developed, we believe as traders we should be made a party in new product development. Traders should be invited for providing comments by the Commission before introducing new products on the Exchange. In addition, traders should also be provided flexibility to introduce new products after following the approval process from CERC.
6. There is no lower limit specified for the transaction charge in case of a "Facilitator Member". Only an upper limit of 2.00 paisa/unit was mentioned. We will presume that ZERO is the lower baseline.
7. There are no limit regards capping of the annual subscription/ renewal fee for membership. We believe there should be a reasonable cap on it. Since RTM (real time market) is being used extensively, the viability of annual charges are questionable. It can be made monthly (or even better) on a pro-rata basis (daily, weekly, monthly etc).
8. There is duality of charges for traders and their clients for trading on the exchange (like trader's annual fee as well their clients to pay an annual fee for trading), this should be done away with.
9. Power Exchange should pay an interest on the margin money withheld from members.
10. We would also request CERC to provide guidance on what is considered market manipulation.
11. Exchange shareholding should be limited to not more than 26% for any foreign shareholders.

Best Regards

For Kreate Energy (I) Private Limited

(Formerly Known as Mittal processors Pvt. Ltd.)



Azhar Hussain

Company Secretary

Date: 14th August, 2020