

Ref: PXIL/S&R/14082020/1

Date: 14 August 2020

The Secretary
Central Electricity Regulatory Commission
3rd and 4th floor, Chanderlok Building
36 Janpath
New Delhi – 110 001

Subject: Comments and suggestions from Power Exchange India Limited on the “Draft Central Electricity Regulatory Commission (Power Market) Regulations 2020”

Dear Sir:

We, Power Exchange India Limited (**PXIL**), are one of the two power exchanges currently operating in the country.

We write to you in furtherance of the public notice dated 18 July 2020 published on the Hon’ble Commission’s website inviting comments on the Draft Central Electricity Regulatory Commission (Power Market) Regulations 2020 (“**Draft Regulations**”). Our comments and suggestions on the Draft Regulations are attached.

Being one of the two power exchanges in the country and as a responsible stakeholder in the development of power markets in the country, we welcome some of the long awaited reforms proposed by the Hon’ble Commission, especially the proposal to implement market coupling in the India power markets. Once implemented, market coupling will surely promote the development of a highly competitive power market in India as per the statutory mandate.

That said, we would also like to invite the Hon’ble Commission’s attention to the potentially adverse impact some of the proposed regulations may have on the power market and our suggestions in that regard, which have all been discussed in detail in our attached comments.

We sincerely hope that the Hon’ble Commission will favourably consider our comments and suggestions while finalising the Draft Regulations. We are happy to assist the Hon’ble Commission further in any manner deemed fit by the Hon’ble Commission.

Thanking You,

Yours faithfully,
For **Power Exchange India Limited**



Yasir Altaf
Vice President

Point wise Comments submitted by PXIL on the Draft CERC (Power Market) Regulations, 2020 (“Draft Regulations”)

Sl. No.	Clause in the Draft	Comments				
1.	Reg. 2(f)	<p><u>Usage of the term “Bid” to denote orders from members of a power exchange</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Draft Regulation</th> <th style="text-align: center;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td>“Bid” means the electronic document by which a member of a Power Exchange submits price and quantity in relation to a contract, for which it seeks to make a transaction.</td> <td>“Order” “Bid” means the electronic document by which a Member of a Power exchange submits price and quantity in relation to a contract for which it seeks to make a transaction.</td> </tr> </tbody> </table> <p>I. It is suggested that the term “Order” be used instead of the term “Bid” in the definition clause in order to avoid confusion, because in the prevalent parlance among the market participants in the power exchanges (“Exchanges”), the term “Bid” is used to denote an order placed by a buyer (the term “Offer” is used to denote an offer by a seller).</p> <p>II. It is further requested that the term “Bid” be replaced with the term “Order” across the Draft Regulations, to the extent applicable in the above described context.</p>	Draft Regulation	Suggested Modification	“Bid” means the electronic document by which a member of a Power Exchange submits price and quantity in relation to a contract, for which it seeks to make a transaction.	“ Order ” “Bid” means the electronic document by which a Member of a Power exchange submits price and quantity in relation to a contract for which it seeks to make a transaction.
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“Bid” means the electronic document by which a member of a Power Exchange submits price and quantity in relation to a contract, for which it seeks to make a transaction.	“ Order ” “Bid” means the electronic document by which a Member of a Power exchange submits price and quantity in relation to a contract for which it seeks to make a transaction.					
2.	Reg. 2(p)	<p><u>Definition of “Contingency Contracts”</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Draft Regulation</th> <th style="text-align: center;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td>“Contingency Contract” means a contract wherein Continuous Transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);</td> <td>“Contingency Contract” means a contract wherein Continuous transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);</td> </tr> </tbody> </table> <p>I. It is submitted that the present definition of “Contingency Contract” in the Draft Regulations restricts the execution of such contracts by only one kind of price discovery and bidding mechanism, namely, Continuous Transactions. However,</p>	Draft Regulation	Suggested Modification	“Contingency Contract” means a contract wherein Continuous Transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);	“Contingency Contract” means a contract wherein Continuous transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);
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“Contingency Contract” means a contract wherein Continuous Transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);	“Contingency Contract” means a contract wherein Continuous transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);					

Sl. No.	Clause in the Draft	Comments
		<p>Contingency Contracts can be executed using the Batch Auction methodology too. In fact, the Batch Auction method with due approval from Hon'ble CERC, has been effectively used by PXIL for several years.</p> <p>II. Further, if the definition of "Contingency Contract" is confined to contracts using the Continuous Transaction method, the Exchange will also not be in a position to offer other innovative products in the future (for instance, products based on Reverse Auction, Forward Auction, etc.) even if there is a demand for such products by the market.</p> <p>III. In this regard, it is further submitted that this Hon'ble Commission in its order dated 12 July 2011 in Petition No. 215/2010 (Batch Auction Order) filed under the existing CERC (Power Market) Regulations, 2010 ("2010 PMR") has approved introduction of either continuous matching or discriminatory price auction matching mechanism for Intraday and Any-Day Contract, demonstrating thereby that this Hon'ble Commission has considered and approved various kinds of products and methodologies. This Hon'ble Commission had also specified that any change in adoption of price discovery methodology shall be intimated sufficiently in advance to the market participants and to this Hon'ble Commission. The relevant portion of the aforesaid order of the Hon'ble Commission is excepted as follows.</p> <p style="text-align: center;"><i><u>"9. We allow the prayer of the petitioner for introduction of either continuous matching mechanism or discriminatory price auction matching mechanism for Intraday and Any-day contracts. To begin with, the commencement of trading on both Intraday and Any-day contracts will be with discriminatory price auction matching mechanism under Annexure-V of Business Rules. Any change in adoption of price discovery methodology through Discriminatory auction mechanism or Continuous trading mechanism for Intraday and Any-day contracts shall be intimated sufficiently in advance to the market participants and to the Commission."</u></i></p> <p>IV. Here, it is also pertinent to note that even the Draft CERC (Power Market) (Second Amendment) Regulations, 2019 had initially restricted the definition of "Intraday Contract/ Contingency Contract" to continuous transactions only. However, based on comments received from various stakeholders, including PXIL, this Hon'ble Commission decided to omit the word "continuous" from the definition in the final regulations, thereby making the definition neutral with respect to the price discovery and bidding mechanism employed. For convenient perusal, the final definition of "Intraday Contract/ Contingency Contract" as approved by this Hon'ble Commission is set out below:</p>

Sl. No.	Clause in the Draft	Comments
		<p>“(o)“Intraday Contract/Contingency Contract” means the contract where the transaction (not being a collective transaction) occurs on day (T) after the closure of day ahead transaction window and the delivery of power is on the same day (T) except for the duration of the specified period of delivery of the real-time market, or next day (T+1) and which is scheduled by Regional Load Despatch Centre or National Load Despatch Centre.”</p> <p>V. Further, the relevant extract from the explanatory memorandum issued by this Hon’ble Commission for the aforesaid regulations is set out below:</p> <p>“11.2 [...] IEX also highlighted that the intraday and contingency transactions are carried out as bilateral transactions outside of the Exchange platform. Therefore, the modifications incorporating that that these transactions will be on continuous basis may not be appropriate to insert</p> <p><u>11.3. PXIL has suggested that they currently operate these contracts using a Batch auction trading methodology different from Continuous matching and hence request not to amend the existing definition by including the word “Continuous”.</u></p> <p>Decision of the Commission</p> <p><u>11.5. The Commission has noted the suggestions for editorial and consequential changes to relevant Regulations and has incorporated suitable modifications in the final amendments to relevant Regulations, namely [...] subclause(o) of Clause (i) and sub-clause(cc) of Clause (i) of Regulation 2 of Power Market Regulations.”</u></p> <p>VI. As is clear from the aforesaid, this Hon’ble Commission in the past has not sought to limit the price discovery/ bidding methodology underlying any particular kind of contract, nor has it sought to prescribe only one methodology to carry out such transactions. In fact, to the contrary, this Hon’ble Commission at Regulation 25 of the Draft Regulations has provided the Exchanges with sufficient flexibility to design and come up with new kinds of contracts, subject to this</p>

Sl. No.	Clause in the Draft	Comments				
		<p>Hon'ble Commission's approval. It is humbly submitted that the existing definition was amended as recently as in December 2019, and since then there has been no relevant change in circumstances which necessitates any modification to the definition.</p> <p>VII. Moreover, this Hon'ble Commission has consistently held that its approach in regulating Exchanges avoids micromanagement and is intended to be broad and light. It is therefore suggested that the aforesaid proposal appears to be inconsistent with this Hon'ble Commission overall approach in the past, which should be continued going forward as well.</p> <p>VIII. It is therefore submitted that the execution of "Contingency Contracts" must not be definitionally restricted to one type of auction only as it takes away the ability of the customers to choose from various products and the ability of the Exchange to offer innovative products, which is in the interest of the market development.</p>				
3.	Reg. 2 (q)	<p><u>Definition of "Continuous Transactions"</u></p> <table border="1" data-bbox="388 873 1927 1057"> <thead> <tr> <th data-bbox="388 873 1108 911">Draft Regulation</th> <th data-bbox="1108 873 1927 911">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="388 911 1108 1057">"Continuous Transactions" means a set of transactions executed in the Power Exchange(s), not being Collective Transactions, where the buy bids and the sell bids are matched on a continuous basis with price-time priority;</td> <td data-bbox="1108 911 1927 1057">"Continuous Transactions" means a set of transactions executed in the Power Exchange(s), not being Collective Transactions, where the buy bids and the sell bids are matched on a continuous basis with price-time priority;</td> </tr> </tbody> </table> <p>i. In this regard, it is stated that there are several contracts already listed in the Term Ahead Market on the Exchanges, which use a batch matching methodology and are therefore not in the nature of Continuous Transactions. These contracts that are not in the nature of Collective Transactions either, and have been launched only after due approval from this Hon'ble Commission. Further, it is expected that the Exchanges would be in a position to introduce contracts of tenures and forms widely different from what is available today, which may not be in the Collective Transaction segment. The matching methodology for the same needs to be designed keeping in view the requirements of the marketplace, and hence appropriate regulatory flexibility needs to be made available to the Exchanges in the interest of market</p>	Draft Regulation	Suggested Modification	"Continuous Transactions" means a set of transactions executed in the Power Exchange(s), not being Collective Transactions, where the buy bids and the sell bids are matched on a continuous basis with price-time priority;	"Continuous Transactions" means a set of transactions executed in the Power Exchange(s), not being Collective Transactions, where the buy bids and the sell bids are matched on a continuous basis with price-time priority;
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"Continuous Transactions" means a set of transactions executed in the Power Exchange(s), not being Collective Transactions, where the buy bids and the sell bids are matched on a continuous basis with price-time priority;	"Continuous Transactions" means a set of transactions executed in the Power Exchange(s), not being Collective Transactions, where the buy bids and the sell bids are matched on a continuous basis with price-time priority;					

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		<p>development.</p> <p>II. In that context, it is submitted that the definition of “Continuous Transactions” should be amended in the manner suggested above to avoid any confusion that that all transactions on the Exchange which are not in the nature of a “Collective Transaction” ought to be in the nature of “Continuous Transactions”.</p> <p>III. Please also refer to the discussion at Serial No. 2 above, for further details.</p>				
4.	Reg. 2(v)	<p><u>Definition of “Gate Closure”</u></p> <table border="1" data-bbox="390 688 1927 873"> <thead> <tr> <th data-bbox="390 688 1108 727">Draft Regulation</th> <th data-bbox="1108 688 1927 727">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 727 1108 873">“Gate closure” refers to the time at which the bidding for a specific delivery period closes and no further bidding can take place for the said delivery period;</td> <td data-bbox="1108 727 1927 873">“Gate closure” refers to the time at after which the Order(s) for a specific delivery period closes and no further bidding can take place cannot be placed and the already placed Order(s) for the said delivery period cannot be modified.</td> </tr> </tbody> </table> <p>I. It is submitted that the definition of “Gate Closure” ought to be modified as suggested above to include even modification of already placed Orders.</p> <p>II. In this regard, it may be useful to note that the definition of “Gate Closure” in the 2010 PMR (albeit in reference to Real Time Market) specifically prohibits even modification of bids after such “gate closure”. The said definition is set out below for convenient perusal:</p> <p style="text-align: center;"><i>“(na) “Gate Closure” in reference to Real-Time Market refers to the time after which the bids submitted to the Power Exchange cannot be modified for a specified delivery period.</i></p>	Draft Regulation	Suggested Modification	“Gate closure” refers to the time at which the bidding for a specific delivery period closes and no further bidding can take place for the said delivery period;	“Gate closure” refers to the time at after which the Order(s) for a specific delivery period closes and no further bidding can take place cannot be placed and the already placed Order(s) for the said delivery period cannot be modified.
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“Gate closure” refers to the time at which the bidding for a specific delivery period closes and no further bidding can take place for the said delivery period;	“Gate closure” refers to the time at after which the Order(s) for a specific delivery period closes and no further bidding can take place cannot be placed and the already placed Order(s) for the said delivery period cannot be modified.					
5.	Reg. 2(ab)	<p><u>Definition of “Intraday Contract”</u></p> <table border="1" data-bbox="390 1321 1927 1356"> <thead> <tr> <th data-bbox="390 1321 1108 1356">Draft Regulation</th> <th data-bbox="1108 1321 1927 1356">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 1356 1108 1356"></td> <td data-bbox="1108 1356 1927 1356"></td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification		
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		<p>“Intraday Contract” means a contract wherein Continuous Transactions occur on day (T) and delivery of electricity is on the same day (T), such that its delivery period does not overlap with the specified delivery period of the Real-time Contract transacted in the same bidding session as that of the Intraday Contract;</p>	<p>“Intraday Contract” means a contract wherein Continuous transactions occur on day (T) and delivery of electricity is on the same day (T), or on the next day (T+1) but within 24 hours of execution of such transactions, such that its delivery period does not overlap with the specified delivery period of the Real-time Contract transacted in the same bidding session as that of the Intraday Contract;</p>				
		<p>I. The existing definition of “Intraday Contract” provides opportunity for market participants to meet their next day’s (T+1) requirement as well. It is humbly submitted that the existing definition was amended as recently as in December 2019, and since then there has been no relevant change in circumstances which necessitates any modification to the definition. As such, it is humbly suggested that the definition as provided under the 2010 PMR be retained.</p> <p>II. In this regard, it is also pertinent to mention that the proposed definition of “Intraday Contract” is inconsistent and in conflict with its definition under the Central Electricity Regulatory Commission (Open Access in inter-State Transmission) Regulations, 2008, which includes T+1 transactions under “Intraday Contract”.</p> <p>III. Additionally, this Hon’ble Commission is requested to take note of the submissions made with reference to the Regulation 2(p) of the Draft Regulations, as detailed above at Serial No. 2 in relation to the inclusion of the word “Continuous” in the definition that would force the usage of only continuous matching mechanism for this category of contracts, which would not be in the best interests of the market participants.</p>					
6.	Reg. 2(ai)	<p><u>Definition of “Market Participants”</u></p> <table border="1" data-bbox="390 1203 1929 1349"> <thead> <tr> <th data-bbox="390 1203 1115 1243">Draft Regulation</th> <th data-bbox="1115 1203 1929 1243">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 1243 1115 1349"> “Market Participants” shall include: (1) grid connected entities; (2) Power Exchanges; (3) Members of Power Exchanges; (4) Trading Licensees; (5) </td> <td data-bbox="1115 1243 1929 1349"> “Market Participants” shall include: (1) grid connected entities; (2) Power Exchanges; (3) Members of Power Exchanges; (4) Trading Licensees; (5) Market Coupling </td> </tr> </tbody> </table>		Draft Regulation	Suggested Modification	“Market Participants” shall include: (1) grid connected entities; (2) Power Exchanges; (3) Members of Power Exchanges; (4) Trading Licensees; (5)	“Market Participants” shall include: (1) grid connected entities; (2) Power Exchanges ; (3) Members of Power Exchanges; (4) Trading Licensees; (5) Market Coupling
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Sl. No.	Clause in the Draft	Comments					
		Market Coupling Operator; (6) OTC Platform; (7) Any other entity as notified by the Commission.	Operator; (6) OTC Platform; (7) Any other entity as notified by the Commission.				
7.	Reg. 2(as)	<u>Definition of “Power Exchange”</u>					
		<table border="1"> <thead> <tr> <th data-bbox="386 878 1102 914">Draft Regulation</th> </tr> </thead> <tbody> <tr> <td data-bbox="386 914 1102 1128">“Power Exchange” means an electronic platform for the purpose of facilitating transactions in delivery based electricity contracts or transactions in any other contracts as permitted by the Commission;</td> </tr> </tbody> </table>	Draft Regulation	“Power Exchange” means an electronic platform for the purpose of facilitating transactions in delivery based electricity contracts or transactions in any other contracts as permitted by the Commission;	<table border="1"> <thead> <tr> <th data-bbox="1127 878 1927 914">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="1127 914 1927 1128">“Power Exchange” means an electronic platform for the purpose of facilitating transactions in delivery based electricity contracts or transactions in any other contracts as permitted by the Commission registered with the Commission under these regulations, or the CERC (Power Market) Regulations, 2010, as the case may be;</td> </tr> </tbody> </table>	Suggested Modification	“Power Exchange” means an electronic platform for the purpose of facilitating transactions in delivery based electricity contracts or transactions in any other contracts as permitted by the Commission registered with the Commission under these regulations, or the CERC (Power Market) Regulations, 2010, as the case may be;
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		<p>I. The definition of the term “Power Exchanges” as mentioned above is restrictive, in so far as it limits the scope, functions and purpose of the Exchanges. In this regard, it is submitted that the roles, responsibilities and functions of the Exchanges have been elaborated in detail through the various provisions of the Draft Regulations. In such a scenario, a restrictive definition of the term “Power Exchange” may result in absurd and anomalous situations where an activity or function otherwise covered within the scope of Exchanges and permitted under the Regulations may be found to be not</p>					

Sl. No.	Clause in the Draft	Comments				
		<p>covered by the aforesaid definition. This may lead to unnecessary confusion or potential litigation, which is not in the interest of the market.</p> <p>II. It is therefore accordingly submitted that the definition of “Power Exchange” as provided in the 2010 PMR be retained as there is no reason which warrants any change in the definition.</p>				
8.	Reg. 2(ba)	<p><u>Definition of “Term Ahead Contract”</u></p> <table border="1" data-bbox="390 618 1923 802"> <thead> <tr> <th data-bbox="390 618 1108 654">Draft Regulation</th> <th data-bbox="1108 618 1923 654">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 654 1108 802">“Term Ahead Contract” means a contract wherein Continuous Transactions occur on day (T) and physical delivery of electricity is on a day more than one day ahead (T + 2 or more);</td> <td data-bbox="1108 654 1923 802">“Term Ahead Contract” means a contract wherein Continuous transactions, including by Continuous Transactions, occur on day (T) and physical delivery of electricity is on a day more than one day ahead (T + 2 or more);</td> </tr> </tbody> </table> <p>I. It is humbly submitted that there are various price discovery/ bidding mechanisms by which Term Ahead Contracts are operated. For instance, PXIL operates Term Ahead Contracts using a Batch Auction trading methodology, which is different from “Continuous Transactions” methodology. As such, it is suggested that the methodology for offering Term Ahead Contract product should not be definitionally restricted to “Continuous Transactions” only, as it would restrict the choices available to customers and curb innovation by the Exchanges.</p> <p>II. Additionally, this Hon’ble Commission is requested to take note of the submissions made with reference to the Regulation 2(p) of the Draft Regulations, as detailed above at Serial No. 2 in relation to the inclusion of the word “Continuous” in the definition that would force the usage of only continuous matching mechanism for this category of contracts, which would not be in the best interests of the market participants.</p>	Draft Regulation	Suggested Modification	“Term Ahead Contract” means a contract wherein Continuous Transactions occur on day (T) and physical delivery of electricity is on a day more than one day ahead (T + 2 or more);	“Term Ahead Contract” means a contract wherein Continuous transactions, including by Continuous Transactions , occur on day (T) and physical delivery of electricity is on a day more than one day ahead (T + 2 or more);
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9.	Reg. 2(be)	<p><u>Definition of “Transaction Fee”</u></p> <table border="1" data-bbox="390 1295 1923 1367"> <thead> <tr> <th data-bbox="390 1295 1108 1331">Draft Regulation</th> <th data-bbox="1108 1295 1923 1331">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 1331 1108 1367">“Transaction fee” means the fee payable (in Rs./kWh) by</td> <td data-bbox="1108 1331 1923 1367">“Transaction fee” means the fee payable (in Rs./kWh) by</td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	“Transaction fee” means the fee payable (in Rs./kWh) by	“Transaction fee” means the fee payable (in Rs./kWh) by
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members or clients, as applicable, for transactions on a Power Exchange;	members or clients, as applicable, for transactions on a Power Exchange, as notified by the Power Exchange ;					
10.	Reg. 2(bf)	<p>Definition of "unpublished price sensitive information"</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">Draft Regulation</th> <th style="text-align: center;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td>"unpublished price sensitive information" means any information, relating to contracts transacted on the Power Exchange, that is not generally available which</td> <td>"unpublished price sensitive information" means any information, relating to contracts transacted on the Power Exchange, that is not generally available which upon becoming</td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	"unpublished price sensitive information" means any information, relating to contracts transacted on the Power Exchange, that is not generally available which	"unpublished price sensitive information" means any information, relating to contracts transacted on the Power Exchange, that is not generally available which upon becoming
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		<p>upon becoming generally available, is likely to materially affect the price of the contract and shall ordinarily include, but not restricted to, information relating to the following contracts:</p> <p>(i) Day Ahead Contract; (ii) Real-time Contract; (iii) Intraday Contract; (iv) Contingency Contract; (v) Term Ahead Contract.</p>	<p>generally available, is likely to materially affect the price of the contract and shall ordinarily include, but not restricted to, information relating to the following contracts:</p> <p>(i) Day Ahead Contract; (ii) Real-time Contract; (iii) Intraday Contract; (iv) Contingency Contract; (v) Term Ahead Contract; (vi) Renewable Energy Certificate Contract (vii) Energy Savings Certificate Contract and (viii) Any other Contracts, as may be approved by the Commission</p>
		<p>This Hon'ble Commission is humbly requested to include the other contracts offered by Exchanges in the above definition, as contemplated under Reg. 4(1) of the Draft Regulations.</p>	
11.	Reg. 5(1)(a)(ii)	<p><u>Principle to be followed in Price Discovery Mechanism</u></p>	
		<p>Draft Regulation</p>	<p>Suggested Modification</p>
		<p>5. Contracts transacted on Power Exchanges (1) Day Ahead Contracts and Real-time Contracts (a) Price discovery: (i) ... (ii) Price discovery mechanism shall adopt the principle of maximisation of economic surplus (sum of buyer surplus and seller surplus), taking into account all bid types.</p>	<p>5. Contracts transacted on Power Exchanges (1) Day Ahead Contracts and Real-time Contracts (a) Price discovery: (i) ... (ii) Price discovery mechanism shall adopt the principle of Social Welfare Maximisation maximisation of economic surplus (sum of buyer surplus and seller surplus), taking into account all bid types.</p>

Sl. No.	Clause in the Draft	Comments					
					
		<p>I. PXIL humbly submits that the term “economic surplus” has not been defined in the Draft Regulations nor is it a commonly understood term. Therefore, such definition may lend itself to various interpretations and may pose difficulties in implementation of the Draft Regulations, as and when they are promulgated.</p> <p>II. In view of the aforesaid difficulty, it is suggested that the principle of “Social Welfare Maximisation”, as provided under the 2010 PMR should be retained, as the principle has been well understood and implemented by Exchanges for over a decade.</p> <p>III. Further, in order to provide further certainty, the term “Social Welfare Maximisation” should be comprehensively defined under the Draft Regulations. In this regard, it is suggested that the principle of “Social Welfare Maximisation” should be defined to take into account the following in respect of Day Ahead Contracts and Real-time Contracts:</p> <ul style="list-style-type: none"> • Seller Surplus for the relevant time periods • Buyer Surplus for the relevant time periods • Market Splitting and Congestion income for the relevant time periods • Other related costs which may increase the economic efficiency for the relevant time periods <p>IV. It is further requested that the phrase “<i>maximisation of economic surplus (sum of buyer surplus and seller surplus)</i>” ought to be replaced with the phrase “Social Welfare Maximisation” across the Draft Regulations, to the extent applicable in the above described context, including in Regs. 31(8), 37(3) and 39(3).</p>					
12.	Reg. 5(3)(a)	<p><u>Clarification regarding number of Bidding Mechanism and Price Discovery Mechanism permitted under the Draft Regulations</u></p> <table border="1" data-bbox="388 1320 1929 1354"> <thead> <tr> <th data-bbox="388 1320 1110 1354">Draft Regulation</th> <th data-bbox="1110 1320 1929 1354">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="388 1354 1110 1354"> </td> <td data-bbox="1110 1354 1929 1354"> </td> </tr> </tbody> </table>		Draft Regulation	Suggested Modification		
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Sl. No.	Clause in the Draft	Comments	
		<p>5. Contracts transacted on Power Exchanges (1) (3) 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. ...</p>	<p>5. Contracts transacted on Power Exchanges (1) (3) Term Ahead Contracts (a) Price discovery: The bidding mechanism(s) and price discovery mechanism(s) shall be as approved by the Commission based on the proposal of the Power Exchange. ...</p>
<p>I. It is submitted that while usage of the singular term “mechanism”, instead of the plural term “mechanisms” in Reg. 5(3)(a) of the Draft Regulations appears unintentional, however it can potentially lead to an anomalous situation where the Exchange is restricted from offering products which employ more than one bidding or price discovery mechanism. It is humbly stated that as a result, the Exchanges could be constrained to operate all kinds of products under one type of price discovery and bidding mechanism, which is clearly contrary to the overall objective of ensuring market development and prejudicial to interests of customers.</p> <p>II. In this regard, it is reiterated that this Hon’ble Commission in the Batch Auction Order dated 12 July 2011 has approved introduction of either continuous matching or discriminatory price auction matching mechanism for Intraday and Any-Day Contract, demonstrating thereby that this Hon’ble Commission has considered and approved various kinds of products and methodologies.</p> <p>III. It is to be noted that PXIL had initially launched the Intraday and Any-Day Contracts under discriminatory auction mechanism, later based on market participants requirements the continuous trading mechanism for price discovery was offered in Any-Day after issuance of an appropriate circular and prior approval of this Hon’ble Commission.</p>			

Sl. No.	Clause in the Draft	Comments				
		<p>IV. Therefore, to the extent the Exchange is meeting the requirements of prior approval and sufficient notice to stakeholders, the Exchange ought to be permitted to offer contracts with all price discovery methodologies approved by this Hon'ble Commission and allow flexibility to participants to implement various price discovery mechanisms for different kinds of contracts.</p> <p>V. Kindly also refer to our submissions at Serial No. 2 above where we have highlighted the disadvantages of definitionally restricting the nature or type of transactions which can be offered by the Exchanges for various kinds of contracts.</p>				
13.	Reg. 6(2)	<p><u>Clarification regarding Contract and Settlement Conditions regarding contracts for REC and Energy Saving Certificates</u></p> <p>I. As per Reg. 6(2) of the Draft Regulations, only the following types of contracts are covered for settlement in accordance with Reg. 27 of the Draft Regulations:</p> <ul style="list-style-type: none"> (i) Day Ahead Contract and Real Time Contracts (Reg. 5(1)) (ii) Intraday Contracts and Contingent Contracts (Reg. 5(2)) (iii) Term Ahead Contracts (Reg. 5(3)) <p>II. Reg. 6(2) is silent about contracts contemplated under Reg. 5(4) and (5), namely, contracts for REC and Energy Saving Certificates, respectively.</p> <p>III. This Hon'ble Commission is therefore humbly requested to clarify whether settlement of payments pertaining to transactions in respect of contracts for REC and Energy Saving Certificates need not be covered by Regulation 27 of the Draft Regulations. This clarification is necessary for the Exchanges to identify and have clarity on the contracts for which settlement shall be done in compliance to Regulation 27 of the Draft Regulations.</p>				
14.	Reg. 8	<p><u>Objectives of a Power Exchange</u></p> <table border="1" data-bbox="380 1312 1934 1347"> <thead> <tr> <th data-bbox="380 1312 1108 1347">Draft Regulation</th> <th data-bbox="1108 1312 1934 1347">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="380 1347 1108 1347"> </td> <td data-bbox="1108 1347 1934 1347"> </td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification		
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Sl. No.	Clause in the Draft	Comments	
		<p>8. Objectives of Power Exchange</p> <p>The Power Exchanges shall be established and operated with the following objectives:</p> <ul style="list-style-type: none"> (1) To design electricity contracts and facilitate transactions of such contracts; (2) To facilitate extensive, quick and efficient price discovery and dissemination. 	<p>8. Objectives of Power Exchange</p> <p>The Power Exchanges shall be established and operated with the following objectives:</p> <ul style="list-style-type: none"> (1) To design electricity contracts and facilitate transactions of such contracts; (2) To facilitate undertake extensive, quick and efficient price discovery and dissemination; (3) To act, operate and implement the functions of a Market Coupling Operator, to the extent permitted by the Commission; (4) To accept orders from the market participants as specified under the rules for Market Coupling Operator; (5) To allocate matched orders according to the results of the Market Coupling Operator; (6) Clearing and Settlement of transactions carried out on the Power Exchange in accordance with the provisions of these Regulations, to the extent permitted by the Commission.
<p>I. It has been submitted by PXIL in subsequent part of these comments that the Exchanges ought to be permitted to act as</p>			

Sl. No.	Clause in the Draft	Comments				
		<p>the Market Coupling Operator (“MCO”) and continue to carry out functions of clearing and settlement. As such, corresponding additions have been suggested to Reg. 8 of the Draft Regulations to incorporate such functions in the objectives of an Exchange.</p> <p>II. Please refer to the discussion at Serial Nos. 32 & 33 and 26 below for PXIL’s submissions on the issue of MCO and Clearing and Settlement, respectively.</p>				
15.	Reg. 12(3)	<p><u>Renewal of registration of the Exchanges</u></p> <table border="1" data-bbox="390 654 1927 1242"> <thead> <tr> <th data-bbox="390 654 1110 695">Draft Regulation</th> <th data-bbox="1110 654 1927 695">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 695 1110 1242"> 12 Grant and renewal of registration to the Power exchanges (1) ... (2) 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. (3) The Commission may, on an application filed by the Power Exchange, after making such inquiries as may be necessary in this regard and after obtaining such information as it may require, renew registration for a further period of 25 years or for such lesser period as the Commission considers appropriate. </td> <td data-bbox="1110 695 1927 1242"> 12 Grant and renewal of registration to the Power exchanges (1) ... (2) The registration of a Power Exchange shall be for a period of twenty-five (25) years in force from the date of grant of registration unless until such registration is revoked or cancelled earlier, in accordance with provisions of these Regulations. (3) The Commission may, on an application filed by the Power Exchange, after making such inquiries as may be necessary in this regard and after obtaining such information as it may require, renew registration for a further period of 25 years or for such lesser period as the Commission considers appropriate. </td> </tr> </tbody> </table> <p>I. It is submitted that that market infrastructure institutions in the nature of exchanges – in other commodities as well as in stocks, have been in existence for more than 100 years, in various countries across the world including in India, and</p>	Draft Regulation	Suggested Modification	12 Grant and renewal of registration to the Power exchanges (1) ... (2) 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. (3) The Commission may, on an application filed by the Power Exchange, after making such inquiries as may be necessary in this regard and after obtaining such information as it may require, renew registration for a further period of 25 years or for such lesser period as the Commission considers appropriate.	12 Grant and renewal of registration to the Power exchanges (1) ... (2) The registration of a Power Exchange shall be for a period of twenty-five (25) years in force from the date of grant of registration unless until such registration is revoked or cancelled earlier, in accordance with provisions of these Regulations. (3) The Commission may, on an application filed by the Power Exchange, after making such inquiries as may be necessary in this regard and after obtaining such information as it may require, renew registration for a further period of 25 years or for such lesser period as the Commission considers appropriate.
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Sl. No.	Clause in the Draft	Comments				
		<p>hence are institutions of a permanent nature. Their permanent nature nurtures trust which in turn increases market liquidity, depth and participation. Therefore, it is imperative that a certainty of existence is ensured for the Exchanges to enable them to keep evolving as per the requirements of the market participants and ensure development of the power market.</p> <p>II. Notably, the Draft Regulations contain sufficient and appropriate provisions empowering this Hon'ble Commission to revoke the registration of an Exchange in case it does not adhere to the prescribed regulatory requirements.</p> <p>III. PXIL therefore humbly submits that the registration of the Exchanges should be for perpetuity, unless such registration is cancelled or revoked by this Hon'ble Commission, in accordance with the provisions of the Draft Regulations.</p>				
16.	Reg. 14	<p><u>Minimum Networth Criteria</u></p> <table border="1" data-bbox="386 800 1929 1349"> <thead> <tr> <th data-bbox="386 800 1108 841">Draft Regulation</th> <th data-bbox="1108 800 1929 841">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="386 841 1108 1349"> <p>14. Net worth</p> <p>A Power Exchange shall have a minimum Net worth of Rs. 50 crores at all times:</p> <p>Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall meet the minimum Net worth criteria within a period of six months from the date of notification of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;</p> <p>Provided further that in case the Net worth of the Power</p> </td> <td data-bbox="1108 841 1929 1349"> <p>14. Net worth</p> <p>A Power Exchange shall have a minimum Net worth of Rs. 50 25 crores at all times:</p> <p>Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall meet the minimum Net worth criteria within a period of six months three years from the date of notification of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;</p> <p>Provided further that a Power Exchange not carrying out</p> </td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	<p>14. Net worth</p> <p>A Power Exchange shall have a minimum Net worth of Rs. 50 crores at all times:</p> <p>Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall meet the minimum Net worth criteria within a period of six months from the date of notification of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;</p> <p>Provided further that in case the Net worth of the Power</p>	<p>14. Net worth</p> <p>A Power Exchange shall have a minimum Net worth of Rs. 50 25 crores at all times:</p> <p>Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall meet the minimum Net worth criteria within a period of six months three years from the date of notification of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;</p> <p>Provided further that a Power Exchange not carrying out</p>
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<p>14. Net worth</p> <p>A Power Exchange shall have a minimum Net worth of Rs. 50 crores at all times:</p> <p>Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall meet the minimum Net worth criteria within a period of six months from the date of notification of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;</p> <p>Provided further that in case the Net worth of the Power</p>	<p>14. Net worth</p> <p>A Power Exchange shall have a minimum Net worth of Rs. 50 25 crores at all times:</p> <p>Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall meet the minimum Net worth criteria within a period of six months three years from the date of notification of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;</p> <p>Provided further that a Power Exchange not carrying out</p>					

Sl. No.	Clause in the Draft	Comments	
		<p>Exchange reduces at any time below Rs. 50 crores, the Commission may allow the Power Exchange to achieve the Net worth within such period as may be considered necessary.</p>	<p>Clearing functions as contemplated under Regulation 27 of these Regulations shall have a minimum Net worth of Rs. 5 crores.</p> <p>Provided further that in case the Net worth of the Power Exchange reduces at any time below the Rs. 50 crores amount specified under this Regulation, the Commission may allow the Power Exchange to achieve the Net worth within such period as may be considered necessary, being not less than one year from the date of such reduction.</p>
<p>I. It is submitted that the networth requirement is intended to ensure a minimum investment by an Exchange to build and operate world class infrastructure. The networth requirement therefore, need not be enhanced merely because the volume of trades being carried out on the Exchanges has increased. It may be left to the Exchanges to invest higher capital as and when they feel it is necessary. Moreover, the currently prescribed networth criteria is adequate and appropriate and does not warrant any change. In any case, for the past twelve years PXIL has not encountered a single payment delay or default in the course of scores of transactions carried out on its platform.</p> <p>II. On the other hand, there are clear disadvantages of increasing the net worth requirement as it would pose a significant entry barrier for new players to consider setting up Exchanges in the country and for existing players to continue operations within the stipulated regulatory norms. Such a situation would significantly affect the competition in the sector and would be against the development of a competitive and accessible power market.</p> <p>III. Further, as of now, the split of volumes is grossly skewed in favour of one Exchange. In such a scenario, given that this Hon'ble Commission has linked its proposal to double the networth requirements to the increase in transaction volumes, it is wholly unjustified if both the Exchanges are required to meet the same networth requirements despite managing significantly different transaction volumes. As such, it is suggested that this Hon'ble Commission should also consider</p>			

Sl. No.	Clause in the Draft	Comments
		<p>stipulating slab wise networth requirements which are linked to the transaction volumes of the relevant Exchange, as is the case with payment of annual registration fees.</p> <p>IV. Moreover, doubling the net worth requirements to Rs. 50 crores from the presently prescribed norms carries the cost of servicing that equity, which would essentially increase the cost of service for participants on the Exchanges, which is not in the interest of power market development.</p> <p>V. Here, it is also pertinent to highlight that the aforesaid proposal to double the networth requirements ought to be considered in the context of some of the other changes proposed by this Hon'ble Commission in the Draft Regulations, such as changes in composition of board of directors, prohibition of member shareholder directors and potential regulation of transaction fees. It is submitted that the aforesaid proposals have potentially made it more onerous for the Exchanges to attract investments required to meet the proposed networth criteria.</p> <p>VI. Notwithstanding the aforesaid, in case this Hon'ble Commission decides to increase the networth requirements as proposed under the Draft Regulations, the Exchanges in operation should be provided a minimum time period of 3 years to comply with such revised net worth requirements. The time period of 6 months as proposed under the Draft Regulations is grossly insufficient, as was experienced in case of the 2010 PMR, wherein the time period of 3 months provided to operating Exchanges to meet the prescribed net worth of Rs. 25 Crores was found to be insufficient, causing multiple hardships where PXIL was required to approach this Hon'ble Commission on several occasions to have the time period to achieve the minimum networth criteria extended.</p> <p>VII. It is further submitted that, in such case, all types of preference shares (convertible/ non-convertible) and quasi equity should also be included in the net worth computation.</p> <p>VIII. It is also submitted that the Draft Regulations also contemplate the hiving off of Clearing functions of the Exchange to a separate entity. In the event such proposal is finally implemented by this Hon'ble Commission, the net worth requirements for Exchanges ought to be reduced to Rs. 5 crore, as is provided under the 2010 PMR.</p>

Sl. No.	Clause in the Draft	Comments				
		IX. PXIL further submits that in case the net worth of the Exchange reduces at any time below the prescribed norm, the Commission may allow the Exchange a minimum period of one year to achieve the prescribed net worth.				
17.	Reg. 15(2)	<p><u>Transition Period for fulfilling Shareholding Requirements</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Draft Regulation</th> <th style="text-align: center;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <p>15. Ownership structure of Power exchange (1) ... (2) The Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations, shall within a period not exceeding one year from the date of notification of these regulations, ensure compliance with sub clauses (a) to (c) of clause (1) of this Regulation.</p> </td> <td style="vertical-align: top;"> <p>15. Ownership structure of Power exchange (1) ... (2) The Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations, shall within a period not exceeding one three years from the date of notification of these regulations, ensure compliance with sub clauses (a) to (c) of clause (1) of this Regulation.</p> </td> </tr> </tbody> </table> <p>I. PXIL further submits that this Hon’ble Commission has at Regulation 14 of the Draft Regulations proposed to increase the net worth criteria to Rs. 50 Crore. In the event the said proposal is finally implemented by this Hon’ble Commission, the existing shareholders PXIL may be required to infuse additional capital in the company, and/or bring on the board additional shareholders. In such a scenario, it is imperative that an additional period of minimum 3 years is granted to the Exchanges to effectively implement the aforesaid proposed regulation.</p> <p>II. In this regard, it is submitted that Regulation 20 of the 2010 PMR provides for a period of three years to existing Exchanges to comply with its requirements. Regulation 20 is excerpted below for convenient perusal:</p> <p style="text-align: center;"><i>20. Notwithstanding Regulation 19, the Power Exchanges granted approval or in principle approval prior to the date of notification of these regulations, shall within a period not exceeding three years from the date of notification of these regulations, ensure the shareholding structure/pattern as specified in Regulation 19.</i></p>	Draft Regulation	Suggested Modification	<p>15. Ownership structure of Power exchange (1) ... (2) The Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations, shall within a period not exceeding one year from the date of notification of these regulations, ensure compliance with sub clauses (a) to (c) of clause (1) of this Regulation.</p>	<p>15. Ownership structure of Power exchange (1) ... (2) The Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations, shall within a period not exceeding one three years from the date of notification of these regulations, ensure compliance with sub clauses (a) to (c) of clause (1) of this Regulation.</p>
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Sl. No.	Clause in the Draft	Comments				
		<p>III. Further, this Hon'ble Commission by its order dated 24 April 2019 in Petition No. 302/MP/2018 had permitted additional time to PXIL, permitting it to comply with the shareholding requirement specified under Regulation 19 (1) of the 2010 PMR by the end of the third year from the date of issue of the said order. It is submitted that PXIL will now require further additional time to meet the shareholding requirement if the networth requirement also stands enhanced.</p>				
18.	Reg. 17(2)	<p><u>Number of Independent Directors</u></p> <table border="1" data-bbox="390 618 1923 1021"> <thead> <tr> <th data-bbox="390 618 1110 654">Draft Regulation</th> <th data-bbox="1110 618 1923 654">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 654 1110 1021"> <p>17. Governance structure of Power Exchange (1) ... (2) The number of Independent Directors shall not be less than the number of Shareholder Directors on the Board of the Power Exchange:</p> <p>Provided that for this purpose, the Managing Director shall be included in the category of Shareholder Directors.</p> </td> <td data-bbox="1110 654 1923 1021"> <p>17. Governance structure of Power Exchange (1) ... (2) The number of Independent Directors shall not be less than one-third of the number of Shareholder Directors on the Board of the Power Exchange, or a minimum of two directors, whichever is higher:</p> <p>Provided that for this purpose, the Managing Director shall be included in the category of Shareholder Directors.</p> </td> </tr> </tbody> </table> <p>I. PXIL humbly submits that the presently stipulated requirement of having at least two or 1/3rd members of the board, whichever is higher, to be Independent Directors is sufficient and ought not to be revised. It is submitted that under the 2010 PMR as well as the Draft Regulations, there already exist the necessary safeguards requiring heterogenous and demutualized shareholding in the Exchange. Consequently, the composition of the Board is also heterogenous and appropriately demutualized, having representation from different sets of shareholders, members and Independent Directors.</p> <p>II. Further, the 2010 PMR as well as the Draft Regulations specifically provide that certain key committees of the Exchanges,</p>	Draft Regulation	Suggested Modification	<p>17. Governance structure of Power Exchange (1) ... (2) The number of Independent Directors shall not be less than the number of Shareholder Directors on the Board of the Power Exchange:</p> <p>Provided that for this purpose, the Managing Director shall be included in the category of Shareholder Directors.</p>	<p>17. Governance structure of Power Exchange (1) ... (2) The number of Independent Directors shall not be less than one-third of the number of Shareholder Directors on the Board of the Power Exchange, or a minimum of two directors, whichever is higher:</p> <p>Provided that for this purpose, the Managing Director shall be included in the category of Shareholder Directors.</p>
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Sl. No.	Clause in the Draft	Comments
		<p>namely Risk Management Committee, Market Surveillance Committee, SGF Committee and Consumer Grievance Forum (proposed), ought to be led by Independent Directors, thereby ensuring that the Independent Directors have a significant role in the management and operation of the Exchanges. Pertinently, PXIL is in addition to complying with the above requirement, also has different Independent Directors head its “Nomination and Remuneration” and “Corporate Social Responsibility” committees.</p> <p>III. Moreover, there are certain disadvantages of increasing the number of Independent Directors, some of which are set out below:</p> <ul style="list-style-type: none"> (i) Given that the Independent Directors are required to be highly qualified and experienced persons, it is challenging to find suitable candidates, making it an onerous and time-consuming process for the Exchanges to recommend names to this Hon’ble Commission for appointment. (ii) Having half of the board comprise Independent Directors may also affect the day to day functioning of the Exchange, as it could pose operational and logistical challenge to organize meetings of the board and attain quorum, leading to delays in decision making. (iii) There are significant cost implications of appointing additional Independent Directors. <p>IV. Moreover, the extant regulations already prescribe the number of Independent Directors to be over and above the statutory requirements under the Company Act, 2013 and the rules made thereunder. In this regard, it is submitted that being an unlisted public company, PXIL is only required to have a minimum of 2 Independent Directors as per Rule 4(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014, however, the presently applicable PMR prescribe a further obligation of having 1/3rd members of the board to be Independent Directors, which is otherwise only applicable to listed public companies under Section 149(4) of the Companies Act, 2013. As such, it is humbly submitted that the provisions of the 2010 PMR in respect of Independent Directors be retained.</p> <p>V. Further, PXIL humbly submits that the Managing Director is appointed by the Board, including all the directors, and as</p>

Sl. No.	Clause in the Draft	Comments				
		<p>such it ought not to be considered a Shareholder Director for the purpose of this Regulation. In this regard, it is humbly stated that the Managing Director of the Exchange also occupies a unique position as the only director with an executive position and with the full responsibility of administering the workings of the exchange in a reasonably independent manner while upholding the principle of demutualization of ownership and participation on the exchange. Hence, it is submitted that the Managing Director should not be included in the category of Shareholder Directors.</p>				
19.	Reg. 17(3)	<p><u>Appointment of Independent Directors</u></p> <table border="1" data-bbox="390 618 1927 1023"> <thead> <tr> <th data-bbox="390 618 1110 656">Draft Regulation</th> <th data-bbox="1110 618 1927 656">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 656 1110 1023"> <p>17. Governance structure of Power Exchange (1) ... (2) ... (3) A minimum of two names shall be submitted by the Board of the Power Exchange to the Commission for approval for each vacancy of Independent Directors.</p> </td> <td data-bbox="1110 656 1927 1023"> <p>17. Governance structure of Power Exchange (1) ... (2) ... (3) A minimum of two names The name of a person found to be eligible for appointment as an Independent Director of the Power Exchange under the Regulation 17(4) of these Regulations shall be submitted by the Board of the Power Exchange to the Commission for approval for each vacancy of Independent Directors.</p> </td> </tr> </tbody> </table> <p>I. PXIL humbly submits that as per Regulation 17(4) of the Draft Regulations, only highly qualified and experienced persons of eminence are eligible to be appointed as an Independent Director on the Board of an Exchange. In that context, creation of a pool of eligible persons for appointment as an Independent Director, as contemplated under Regulation 17(3), is akin to a recruitment procedure which demeans the stature of such individuals, since ultimately, at least one such person would have to be rejected for the position. Hence, creation of a panel for the purpose of appointing an Independent Director is not desirable and proper.</p> <p>II. Further, PXIL humbly submits that, the Exchange may submit to the Hon’ble Commission, the name and credentials of the</p>	Draft Regulation	Suggested Modification	<p>17. Governance structure of Power Exchange (1) ... (2) ... (3) A minimum of two names shall be submitted by the Board of the Power Exchange to the Commission for approval for each vacancy of Independent Directors.</p>	<p>17. Governance structure of Power Exchange (1) ... (2) ... (3) A minimum of two names The name of a person found to be eligible for appointment as an Independent Director of the Power Exchange under the Regulation 17(4) of these Regulations shall be submitted by the Board of the Power Exchange to the Commission for approval for each vacancy of Independent Directors.</p>
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Sl. No.	Clause in the Draft	Comments				
		<p>person of eminence being proposed as Independent Director and the Commission may provide its approval in not more than 15-days from the date of submission. After receipt of such approval, the person would be appointed as Independent Director on the Board of the Company in accordance with the applicable statutory provisions.</p>				
20.	Reg. 17(11)	<p><u>Participation of Member Shareholders on the Board of Power Exchange</u></p> <table border="1" data-bbox="390 545 1927 911"> <thead> <tr> <th data-bbox="390 545 1110 581">Draft Regulation</th> <th data-bbox="1110 545 1927 581">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 581 1110 911"> <p>17. Governance structure of Power Exchange (1) ... (2) (11) No member of Power Exchange or their client shall be on the Board of Directors of any Power Exchange.</p> </td> <td data-bbox="1110 581 1927 911"> <p>17. Governance structure of Power Exchange (1) ... (2) (11) No member of Power Exchange or their client shall be on the Board of Directors of any Power Exchange. Not more than one fourth of the Board of directors shall represent Members of Power Exchange.</p> </td> </tr> </tbody> </table> <p>I. PXIL humbly submits that the Member Shareholder Directors are essential to bring the market side dynamics to the Board. Any new or existing investor may wish to nominate a representative to the Board of the Exchange when they allocate capital as equity investment in the company. This issue becomes especially relevant when considered along with the increased network requirements proposed in the Draft Regulations. It is reiterated here that in the event this Hon'ble Commission decides to implement its proposal to increase the network requirements, the Exchanges will be required to attract fresh investments, including from members, in order to bring in more equity. In such a scenario, a disability to appoint a director may make such an investment less attractive, making it challenging for the Exchanges to attract investments and comply with the revised network requirements.</p> <p>II. This Hon'ble Commission is therefore humbly requested to delete the above clause (11) of Regulation 17 and retain the relevant provision of the 2010 PMR (Reg. 22(iv)).</p>	Draft Regulation	Suggested Modification	<p>17. Governance structure of Power Exchange (1) ... (2) (11) No member of Power Exchange or their client shall be on the Board of Directors of any Power Exchange.</p>	<p>17. Governance structure of Power Exchange (1) ... (2) (11) No member of Power Exchange or their client shall be on the Board of Directors of any Power Exchange. Not more than one fourth of the Board of directors shall represent Members of Power Exchange.</p>
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		<p>III. Notwithstanding the aforesaid, in the event this Hon'ble Commission decides to finally implement the aforesaid proposal from the Draft Regulations, then the members irrespective of their shareholding in the Exchange may be given a prominent role in market development through the regulations itself by creation of a Market Advisory Council (MAC). The MAC could have a widespread pool of 10 members instituted under the governance scheme of Exchanges and with adequate representation from traders, proprietary and other members of the Exchanges. The MAC thus formed shall meet on a periodic basis and bring the market side dynamics, including the views on the new and existing contracts, market development and other issues etc. to the Exchanges. The Exchanges may evaluate the same and take it up for implementation before this Hon'ble Commission.</p> <p>IV. Additionally, a Power Market Supervisory Council (PMSC) may be created under the aegis of and led by the Hon'ble Commission with appropriate representation from MoP, CEA, the Exchanges and the NLDC. The creation of a PMSC would ensure that market development issues, including those escalated through MACs of the Exchanges are taken up in a planned manner and resolved on a regular and organised basis. Creation of such PMSC is even more critical as currently resolution of market development related issued are left to sporadic meetings of Exchanges with this Hon'ble Commission and the MoP. Since markets are deepening and the number of transactions are increasing in the country, all the market related issues need to be taken up expeditiously and institutionalizing PMSC would give shape and direction to the market development.</p> <p>V. The PMSC may meet on a quarterly basis and have the highest level of representation from its constituents.</p>				
21.	Reg. 18(2)(b)	<p><u>Provision for disqualification of a director</u></p> <table border="1" data-bbox="386 1166 1929 1347"> <thead> <tr> <th data-bbox="386 1166 1108 1203">Draft Regulation</th> <th data-bbox="1108 1166 1929 1203">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="386 1203 1108 1347"> 18. Qualifications and Disqualifications for appointment as Director on the Board of Power Exchange (1) ... (2) A person shall be considered as disqualified for </td> <td data-bbox="1108 1203 1929 1347"> 18. Qualifications and Disqualifications for appointment as Director on the Board of Power Exchange (1) ... (2) A person shall be considered as disqualified for appointment </td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	18. Qualifications and Disqualifications for appointment as Director on the Board of Power Exchange (1) ... (2) A person shall be considered as disqualified for	18. Qualifications and Disqualifications for appointment as Director on the Board of Power Exchange (1) ... (2) A person shall be considered as disqualified for appointment
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Sl. No.	Clause in the Draft	Comments					
		appointment or continuation as Director on the Board of the Power Exchange, if the person: (a) ... (b) is found guilty in any proceedings for non-compliance of any of the provisions of the Act or the rules or the regulations made thereunder or any order made by the Appropriate Commission or the Appellate Tribunal for Electricity and a period of five years has not elapsed from the date of the order;	or continuation as Director on the Board of the Power Exchange, if the person: (a) ... (b) is found personally guilty in any proceedings and imposed with a fine of not less than one lakh rupees along with imprisonment for a term not less than three months for non-compliance of any of the provisions of the Act or the rules or the regulations made thereunder or any order made by the Appropriate Commission or the Appellate Tribunal for Electricity and a period of five years has not elapsed from the date of the order;				
		<p>I. PXIL humbly submits that the aforesaid provision in the Draft Regulations is extremely wide and open ended, which may result in anomalous situation where persons of eminence and significant experience in the sector may be deemed ineligible to become or continue to be Directors of an Exchange for a long period even in cases of minor non-compliances.</p> <p>II. As such, it is suggested that the ambit of the provision be defined clearly and made reasonable by stipulating the imposition of a minimum penalty of one lakh rupees and imprisonment of at least three months, so as to ensure that the disqualification happens only on account of serious misconduct or non-compliance.</p>					
22.	Reg. 19(1)(g)	<p><u>Byelaws pertaining to Trading Margins and charges leviable by Facilitator Member</u></p> <table border="1" data-bbox="390 1166 1929 1349"> <thead> <tr> <th data-bbox="390 1166 1115 1206">Draft Regulation</th> <th data-bbox="1115 1166 1929 1206">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 1206 1115 1349"> 19. Bye-laws, rules and business rules of Power Exchange (1) The Power Exchange shall function according to its </td> <td data-bbox="1115 1206 1929 1349"> 19. Bye-laws, rules and business rules of Power Exchange (1) The Power Exchange shall function according to its bye-laws, rules and business rules as approved by the Commission, which </td> </tr> </tbody> </table>		Draft Regulation	Suggested Modification	19. Bye-laws, rules and business rules of Power Exchange (1) The Power Exchange shall function according to its	19. Bye-laws, rules and business rules of Power Exchange (1) The Power Exchange shall function according to its bye-laws, rules and business rules as approved by the Commission, which
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Sl. No.	Clause in the Draft	Comments	
		bye-laws, rules and business rules as approved by the Commission, which amongst others, shall cover the following: (a) (g) Trading margin for a Trader Member and service charge for a Facilitator Member;	amongst others, shall cover the following: (a) (g) Trading margin for a Trader Member and service charge for a Facilitator Member;
		<p>I. The 2010 PMR do not require nor do the Exchanges' byelaws, rules and business rules cover the Trading Margin for a Trader Member or the service charge for a Facilitator Member. It is humbly submitted that Traders and Facilitator Members are independent entities, and therefore, in the event the Exchange were to frame bye-laws and business rules regulating the trading margin and facilitation service charge, it would lead to unnecessary disputes and conflicts between the Exchange on the one side and traders and facilitators on the other side. This could hamper the smooth functioning of the Exchange and would be prejudicial to the interests of the power market.</p> <p>II. Moreover, the trading licensees are governed and function in accordance with the provisions of the Appropriate Commission, and are responsible to comply with provisions of the applicable licence regulations and other directions and orders of the Appropriate Commission. Hence, the Exchange ought not to be required to include provisions governing levy of trading margins in its byelaws and business rules.</p> <p>III. Similarly, it will not be appropriate and proper for the Exchange to interfere in matters pertaining to levy of service charge by facilitator members. That being said, this Hon'ble Commission, in its discretion may choose to include appropriate provisions governing levy of service charge by facilitator members.</p> <p>IV. It is therefore suggested the aforesaid Reg. 19(1)(g) ought to be deleted.</p>	
23.	Reg.	<u>Approval of any amendments to Byelaws of the Exchange</u>	

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	19(2)	<table border="1" data-bbox="390 363 1110 1312"> <thead> <tr> <th data-bbox="390 363 1110 402">Draft Regulation</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 402 1110 1312"> <p>19. Bye-laws, rules and business rules of Power Exchange</p> <p>(1) ...</p> <p>(2) No amendment to the bye-laws, rules and business rules shall be carried out without prior approval of the Commission:</p> <p>Provided that the Commission may, through a separate order, dispense with the requirement of prior approval for amendment of certain provisions of the bye-laws, rules and business rules;</p> <p>Provided further that such amendments shall be required to be approved by the Board of Directors of the Power Exchange.;</p> </td> </tr> </tbody> </table>	Draft Regulation	<p>19. Bye-laws, rules and business rules of Power Exchange</p> <p>(1) ...</p> <p>(2) No amendment to the bye-laws, rules and business rules shall be carried out without prior approval of the Commission:</p> <p>Provided that the Commission may, through a separate order, dispense with the requirement of prior approval for amendment of certain provisions of the bye-laws, rules and business rules;</p> <p>Provided further that such amendments shall be required to be approved by the Board of Directors of the Power Exchange.;</p>	<table border="1" data-bbox="1119 363 1940 1312"> <thead> <tr> <th data-bbox="1119 363 1940 402">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="1119 402 1940 1312"> <p>19. Bye-laws, rules and business rules of Power Exchange</p> <p>(1) ...</p> <p>(2) No amendment to the bye-laws, rules and business rules shall be carried out without prior approval of the Commission:</p> <p>Provided that the Commission may, through a separate order, dispense with the requirement of prior approval for amendment of certain provisions of the bye-laws, rules and business rules;</p> <p>Provided further that no prior approval under this Regulation shall be required for any amendment to the bye-laws, rules and business rules in case such amendment is required to be carried out to comply with any order, direction or regulation passed by the Hon'ble Commission;</p> <p>Provided further that any amendment covered under the second proviso of this Regulation shall be intimated to the Commission and published on the website of the Power Exchange within a maximum period of seven days;</p> <p>Provided further that such amendments shall be required to be approved by the Board of Directors officer(s) authorised by of the Power Exchange.;</p> </td> </tr> </tbody> </table>	Suggested Modification	<p>19. Bye-laws, rules and business rules of Power Exchange</p> <p>(1) ...</p> <p>(2) No amendment to the bye-laws, rules and business rules shall be carried out without prior approval of the Commission:</p> <p>Provided that the Commission may, through a separate order, dispense with the requirement of prior approval for amendment of certain provisions of the bye-laws, rules and business rules;</p> <p>Provided further that no prior approval under this Regulation shall be required for any amendment to the bye-laws, rules and business rules in case such amendment is required to be carried out to comply with any order, direction or regulation passed by the Hon'ble Commission;</p> <p>Provided further that any amendment covered under the second proviso of this Regulation shall be intimated to the Commission and published on the website of the Power Exchange within a maximum period of seven days;</p> <p>Provided further that such amendments shall be required to be approved by the Board of Directors officer(s) authorised by of the Power Exchange.;</p>
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Sl. No.	Clause in the Draft	Comments				
		<p>I. PXIL humbly submits that the amendment to the byelaws, rules and business rules to comply with the requirements of this Hon'ble Commission or due to changes in applicable regulations, should be exempted from the requirement of obtaining prior approval from this Hon'ble Commission.</p> <p>II. Further, the governance procedure of the Exchange determines the signing authority for submitting amendments to the rules, business rules, etc. Therefore, the amendment should be deemed to be properly carried out as long as the signing authority is duly approved to do so by the Board.</p>				
24.	Reg. 23	<p><u>Power Exchange Transaction Fee</u></p> <table border="1" data-bbox="390 690 1923 1203"> <thead> <tr> <th data-bbox="390 690 1110 727">Draft Regulation</th> <th data-bbox="1110 690 1923 727">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="390 727 1110 1203"> <p>23. Power Exchange transaction fee</p> <p>No Power Exchange shall charge transaction fee exceeding such fee as approved by the Commission:</p> <p>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.</p> </td> <td data-bbox="1110 727 1923 1203"> <p>23. Power Exchange transaction fee for REC contracts</p> <p>No Power Exchange shall charge transaction fee exceeding such fee as approved by the Commission for contracts contemplated under Regulation 4(1)(b) of these Regulations:</p> <p>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 for such transactions within a period of three months of the date of notification of these regulations.</p> </td> </tr> </tbody> </table> <p>I. PXIL humbly submits that in the multi Exchange model, the competition amongst Exchanges provides the necessary check and balance regarding transaction fee to be charged by the Exchanges from the participants. The amount of transaction fee for every product available on the Exchange is a business decision that considers factors like cost of operating the</p>	Draft Regulation	Suggested Modification	<p>23. Power Exchange transaction fee</p> <p>No Power Exchange shall charge transaction fee exceeding such fee as approved by the Commission:</p> <p>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.</p>	<p>23. Power Exchange transaction fee for REC contracts</p> <p>No Power Exchange shall charge transaction fee exceeding such fee as approved by the Commission for contracts contemplated under Regulation 4(1)(b) of these Regulations:</p> <p>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 for such transactions within a period of three months of the date of notification of these regulations.</p>
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		<p>business, competition, viability of available volume, cost of transaction to be borne by buyer and seller of a contract.</p> <p>II. Indeed, the transaction fee chargeable by PXIL has remained unchanged for the past nine years and is extremely competitive, forming only a miniscule fraction of the transaction fee. As such, any regulation of the transaction fee chargeable by Exchanges by this Hon'ble Commission is not warranted.</p> <p>III. Further, trading on the Exchange is a voluntary commercial decision of the market participants, and for that reason too the transaction fee ought to be left to competitive market forces.</p> <p>IV. That being said, given that contracts relating to RECs are not strictly voluntary in nature, the transaction fee for such transactions may be regulated by this Hon'ble Commission in case it deems fit.</p>				
25.	Reg. 24	<p><u>Trading Margin and Service Charge</u></p> <p>I. PXIL humbly submits that the margins and charges should be aligned with the principles adopted for Trading Margin under the CERC (Procedure, Terms and Conditions for grant of trading license and other related matters) Regulations, 2019. The Facilitator Member Service charge should also be included in the above regulations.</p> <p>II. Kindly also refer to our submissions at Serial No. 23 above in this regard.</p>				
26.	Reg. 27	<p><u>Clearing and Settlement</u></p> <p><i><u>Issue 1: Transfer of clearing and settlement function from the Exchange to a clearing corporation established under Payment and Settlement Systems Act, 2007 (PSS Act)</u></i></p> <table border="1" data-bbox="388 1239 1927 1346"> <thead> <tr> <th data-bbox="388 1239 1110 1279">Draft Regulation</th> <th data-bbox="1110 1239 1927 1279">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="388 1279 1110 1346">27. Clearing and Settlement</td> <td data-bbox="1110 1279 1927 1346">27. Clearing and Settlement</td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	27. Clearing and Settlement	27. Clearing and Settlement
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Sl. No.	Clause in the Draft	Comments	
		<p>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:</p> <p>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.</p>	<p>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:</p> <p>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 may continue to carry out Clearing and Settlement function or may choose to hive off the clearing and settlement function to a separate Clearing Corporation at their discretion, subject to prior approval of the Commission.</p>
		<p>I. It is submitted that PXIL has made a significant investment in setting up clearing and settlement infrastructure, which it has been using effectively to carry out clearing and settlement functions for the transactions made on the Exchange. Therefore, a mandatory transfer of clearing and settlement function to another entity may not be necessary, as such transfer may render the infrastructure created by the Exchange redundant.</p> <p>II. Further, the necessity to establish and operate a separate clearing and settlement infrastructure will increase transaction costs for market participants, without offering any appreciable benefits for the market.</p> <p>III. In this regard, it is also stated that the Draft Regulations have specific and clear provisions regarding Exchanges'</p>	

Sl. No.	Clause in the Draft	Comments
		<p>governance structure, membership, delivery obligations, settlement mechanism and risk management. The Draft Regulations further provide detailed mechanism for governing power trading on the Exchanges as well as managing the risks associated with delivery, clearing and settlement. In such a scenario, and given the existence of a robust regulatory framework, transfer of clearing and settlement functions to another entity is not warranted. Here, it is pertinent to highlight that for the past twelve years PXIL has not encountered a single payment delay or default in the course of scores of transactions carried out on its platform.</p> <p>IV. The Electricity Act is an exhaustive, self-contained code and this Hon’ble Commission is the sole regulator of transactions in the electricity sector. As such, the PSS Act is not ipso facto applicable to entities and transactions governed by the Electricity Act. Indeed, considering the specialized domain of Exchanges, nature of contracts and manner of clearing and settlement, the applicability of PSS Act would add unnecessary regulation, leading to frequent conflict situations involving different regulators. Clearing and settlement activity of the Exchanges, if separately regulated by RBI under the PSS Act will result in dual regulation and supervision of power markets and there may be regulatory overlap which may not be good for healthy development of power markets.</p> <p>V. Notably, the PSS Act itself also exempts stock exchanges from its application, which are regulated by the sector specific regulator, namely, SEBI. In this regard, it is submitted that the Exchanges also work in a manner similar to that of stock exchanges and any risks that it may pose to the system are addressed by the regulator defined for the sector, as has been duly and effectively done so far by this Hon’ble Commission. Here, it is also pertinent to refer to the definition of “payment systems” as included under the PSS Act to understand the scope and ambit of such legislation. In this regard, it is submitted that the clearing and settlement functions undertaken by Exchanges cannot be said to be covered within the definition of “payment systems” under the PSS Act, and hence the issue of registration under the PSS Act or regulation by the RBI does not arise in the present case. The definition of “payment systems” as set out in the PSS Act is excerpted below for convenient perusal:</p> <p style="padding-left: 40px;"><i>“2. (1) In this Act, unless the context otherwise requires,—</i> <i>(a)...</i> <i>(i) “payment system” means a system that enables payment to be effected between a payer and a beneficiary,</i></p>

Sl. No.	Clause in the Draft	Comments										
		<p><i>involving clearing, payment or settlement service or all of them, but does not include a stock exchange;</i></p> <p><i>Explanation: For the purposes of this clause, “payment system” includes the systems enabling credit card operations, debit card operations, smart card operations, money transfer operations or similar operations;</i></p> <p>VI. As is palpably clear from the explanation to the aforesaid definition, the “payment system” contemplated under the PSS Act has to be in the nature of systems enabling credit card operations, debit card operations, smart card operations, money transfer operations, whereas the clearing and settlement functions undertaken by Exchanges are materially different from such transactions.</p> <p>VII. Therefore, PXIL submits that the Exchanges should not be subjected to dual regulation and jurisdiction of PSS Act and should be allowed to continue to undertake clearing and settlement functions.</p> <p>VIII. Notwithstanding the aforesaid, in the event this Hon’ble Commission decides to finally implement its decision to have a clearing corporation registered under the PSS Act to carry out clearing and settlement of transactions, it is requested that the Exchanges existing as on the date of the notification of the Draft Regulations should be provided with an option to register themselves under the PSS Act and continue to provide clearing and settlement services. It is further requested that a transition period of 3 years ought to be provided to obtain such registration and to restructure the Exchange accordingly.</p> <p><u>Issue 2: Scope of Safe Investments</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Draft Regulation</th> <th style="text-align: left;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td>27. Clearing and Settlement</td> <td>27. Clearing and Settlement</td> </tr> <tr> <td>...</td> <td>...</td> </tr> <tr> <td>(i) ...</td> <td>(i) ...</td> </tr> <tr> <td>(ii) The Power Exchange shall invest the proceeds of</td> <td>(ii) The Power Exchange shall invest the proceeds of Settlement</td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	27. Clearing and Settlement	27. Clearing and Settlement	(i) ...	(i) ...	(ii) The Power Exchange shall invest the proceeds of	(ii) The Power Exchange shall invest the proceeds of Settlement
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		Settlement Guarantee Fund in safe investments and ensure that the principal amount is not at risk. Not less than fifty percent (50%) of the proceeds of Settlement Guarantee Fund shall be kept in safe liquid investments, including but not limited to fixed deposits with Scheduled Public Sector Banks, Treasury Bills and Government Securities.	Guarantee Fund in safe investments and ensure that the principal amount is not at risk. Not less than fifty percent (50%) of the proceeds of Settlement Guarantee Fund shall be kept in safe liquid investments, including but not limited to fixed deposits with Scheduled Public Sector Banks, Scheduled Private Sector Banks having a minimum Capital Adequacy Ratio of 15% , Treasury Bills and Government Securities.
<p>While PXIL humbly notes that the scope and definition of the term “safe investments” has been kept broad and inclusive, it is suggested that this Hon’ble Commission should clarify that fixed deposits in reputed Scheduled Private Sector Banks (having a Capital Adequacy Ratio of at least 15%) shall also be considered a “safe investment” within the meaning of Regulation 27(ii) of the Draft Regulations, so as to enable the Exchanges to take benefit of potentially higher returns offered by such Scheduled Private Sector Banks.</p> <p><i>Issue 3: Distribution of return earned on Initial Security Deposit</i></p>			
Draft Regulation		Suggested Modification	
27. Clearing and Settlement ... (i) (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		27. Clearing and Settlement ... (i) (iii) The Power Exchange shall deposit distribute at least 15% 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 into the Settlement Guarantee Fund, within 45 days of the last date of	

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		<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">financial year.</td> <td style="width: 50%;">the financial year.</td> </tr> </table> <p>I. PXIL humbly submits that the Settlement Guarantee Fund is maintained by the Exchanges for settlement of any default by any Member or its Client in accordance with the default remedy mechanism of the Exchange, in accordance with the PMR.</p> <p>II. As such, the Exchange should not be directed to distribute any amount from the interest earned on initial security deposit but rather such interest should be invested back in the Settlement Guarantee Fund to increase the corpus, as the same may be utilised to meet any exigencies in case of default by a Member or its Client to meet their obligation.</p> <p>III. Notwithstanding the aforesaid, in the event this Hon’ble Commission decides to finally implement the aforesaid proposal, the minimum percentage of interest to be distributed should be restricted to 15% as opposed to 70%, as proposed in the Draft Regulations.</p> <p><i><u>Issue 4: Payment of Margin Money as contemplated under Regulation 27 (vii) of the Draft Regulations</u></i></p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">Draft Regulation</th> <th style="text-align: center;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td> 27. Clearing and Settlement ... (i) (vii) Members shall pay the margin money on a gross basis across clients to the Power Exchange, without offsetting the margin requirements of their clients in the same market. </td> <td> 27. Clearing and Settlement ... (i) (vii) Members shall pay the margin money on a gross basis across clients to the Power Exchange, without offsetting the margin requirements of their clients in the same market as prescribed by Power Exchange for each Contract. </td> </tr> </tbody> </table> <p>PXIL humbly submits that Regulation 26 provides for risk management framework to be adopted by the Exchange for all</p>	financial year.	the financial year.	Draft Regulation	Suggested Modification	27. Clearing and Settlement ... (i) (vii) Members shall pay the margin money on a gross basis across clients to the Power Exchange, without offsetting the margin requirements of their clients in the same market.	27. Clearing and Settlement ... (i) (vii) Members shall pay the margin money on a gross basis across clients to the Power Exchange, without offsetting the margin requirements of their clients in the same market as prescribed by Power Exchange for each Contract.
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		<p>Contracts available on its platform. As Members and their Clients access various Contracts to meet their requirement, efficiency of capital usage should be at the discretion of Members, the gross margining system as provided at Clause (vii) should not be mandatory for Members.</p> <p><i><u>Issue 5: Order of Precedence in payment of charges in case of a default as contemplated under Regulation 27 (x) of the Draft Regulations</u></i></p> <table border="1" data-bbox="388 581 1929 1344"> <thead> <tr> <th data-bbox="388 581 1115 618">Draft Regulation</th> <th data-bbox="1115 581 1929 618">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="388 618 1115 1344"> <p>27. Clearing and Settlement</p> <p>...</p> <p>(i) ...</p> <p>...</p> <p>(x) In the event a member or client is declared a defaulter and the member or client fails to meet the Clearing or Settlement obligations, the Power Exchange shall give precedence to the payment of charges due to system operator and payment of transmission charges from the deposits of the member or the client, as the case may be. Thereafter, the Power Exchange may utilise the Settlement Guarantee Fund and other monies to the extent necessary to fulfil the obligations of the defaulting member or client in the following order-</p> <p>(a) Liquidation of collaterals: Contributions or deposits, including margins in any form, of the defaulting member or client.</p> <p>(b) Liquidation of security deposit: Membership</p> </td> <td data-bbox="1115 618 1929 1344"> <p>27. Clearing and Settlement</p> <p>...</p> <p>(i) ...</p> <p>...</p> <p>(x) In the event a member or client is declared a defaulter and the member or client fails to meet the Clearing or Settlement obligations, the Power Exchange shall give precedence to the payment of charges due to system operator and payment of transmission charges from the deposits of the member or the client, as the case may be. Thereafter, the Power Exchange may utilise the Settlement Guarantee Fund and other monies to the extent necessary to fulfil the obligations of the defaulting member or client in the following order-</p> <p>(a) Liquidation of collaterals: Contributions or deposits, including margins in any form, of the defaulting member or client.</p> <p>(b) Liquidation of security deposit: Membership deposit given by the defaulting member to the Power Exchange.</p> </td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	<p>27. Clearing and Settlement</p> <p>...</p> <p>(i) ...</p> <p>...</p> <p>(x) In the event a member or client is declared a defaulter and the member or client fails to meet the Clearing or Settlement obligations, the Power Exchange shall give precedence to the payment of charges due to system operator and payment of transmission charges from the deposits of the member or the client, as the case may be. Thereafter, the Power Exchange may utilise the Settlement Guarantee Fund and other monies to the extent necessary to fulfil the obligations of the defaulting member or client in the following order-</p> <p>(a) Liquidation of collaterals: Contributions or deposits, including margins in any form, of the defaulting member or client.</p> <p>(b) Liquidation of security deposit: Membership</p>	<p>27. Clearing and Settlement</p> <p>...</p> <p>(i) ...</p> <p>...</p> <p>(x) In the event a member or client is declared a defaulter and the member or client fails to meet the Clearing or Settlement obligations, the Power Exchange shall give precedence to the payment of charges due to system operator and payment of transmission charges from the deposits of the member or the client, as the case may be. Thereafter, the Power Exchange may utilise the Settlement Guarantee Fund and other monies to the extent necessary to fulfil the obligations of the defaulting member or client in the following order-</p> <p>(a) Liquidation of collaterals: Contributions or deposits, including margins in any form, of the defaulting member or client.</p> <p>(b) Liquidation of security deposit: Membership deposit given by the defaulting member to the Power Exchange.</p>
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		<p>deposit given by the defaulting member to the Power Exchange.</p> <p>(c) Insurance money: Insurance taken by the Power Exchange of an amount as considered appropriate by the Power Exchange for protection against defaults.</p> <p>(d) Initial contribution by the Power Exchange towards the Settlement Guarantee Fund.</p> <p>(e) Current year's profits of the Power Exchange including fines, penalty collected from members.</p> <p>(f) Retained earnings of the Power Exchange.</p> <p>(g) Contribution towards Settlement Guarantee Fund by all members or clients: All non-defaulting members or client's contribution in proportion of deposits towards Settlement Guarantee Fund.</p> <p>(h) Balance obligations remaining outstanding after above funds will be met by contribution from members or clients in proportion to their contribution to the Settlement Guarantee Fund.</p> <p>(c) Insurance money: Insurance taken by the Power Exchange of an amount as considered appropriate by the Power Exchange for protection against defaults.</p> <p>(d) Contribution towards Settlement Guarantee Fund by all members or clients: All non-defaulting members or client's contribution in proportion of deposits towards Settlement Guarantee Fund.</p> <p>(e) Initial contribution by the Power Exchange towards the Settlement Guarantee Fund.</p> <p>(f) Current year's profits of the Power Exchange including fines, penalty collected from members.</p> <p>(g) Retained earnings of the Power Exchange.</p> <p>(h) Contribution towards Settlement Guarantee Fund by all members or clients: All non-defaulting members or client's contribution in proportion of deposits towards Settlement Guarantee Fund.</p> <p>(i) Balance obligations remaining outstanding after above funds will be met by contribution from members or clients in proportion to their contribution to the Settlement Guarantee Fund.</p> <p>It is humbly submitted that Settlement Guarantee Fund has been created with a specific objective to guarantee discharge of obligations in the events of defaults, etc., which safeguards the interests of the Market Participants, as well as the Exchange. As such, it ought to be placed higher in the order of precedence. It is further submitted that the retained earnings of the Exchanges and current year's profits ought not to be utilised for this purpose at all, as it may hamper any further investments in the Exchanges.</p>
27.	Reg.	<u>Deadline for submission of periodic IT system audit reports</u>

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	28(6)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Draft Regulation</th> <th style="text-align: center;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> 28. Information Technology Infrastructure and Trading System of Power Exchange (1) (6) Power Exchange shall also carry out periodic IT system audit for data security, data integrity and operational efficiency for every financial year and submit its reports to the Commission by 30th June following the end of the financial year. </td> <td style="vertical-align: top;"> 28. Information Technology Infrastructure and Trading System of Power Exchange (1) (6) Power Exchange shall also carry out periodic IT system audit for data security, data integrity and operational efficiency for every financial year and submit its reports to the Commission by 30th June September following the end of the financial year. </td> </tr> </tbody> </table> <p>PXIL humbly submits that post completion of audit exercise, the recommendations made by the IT auditor are placed before the Technology Advisory Committee for approval, later the same is placed before the Board of PXIL for their approval for further submission before this Hon'ble Commission. Since the approval at each stage necessitates relevant discussions, it may not be possible to submit the report by 30th June, and an additional three month time should be provided, i.e. PXIL should be allowed to submit the report by 30th September following the end of the financial year.</p>		Draft Regulation	Suggested Modification	28. Information Technology Infrastructure and Trading System of Power Exchange (1) (6) Power Exchange shall also carry out periodic IT system audit for data security, data integrity and operational efficiency for every financial year and submit its reports to the Commission by 30 th June following the end of the financial year.	28. Information Technology Infrastructure and Trading System of Power Exchange (1) (6) Power Exchange shall also carry out periodic IT system audit for data security, data integrity and operational efficiency for every financial year and submit its reports to the Commission by 30 th June September following the end of the financial year.
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28.	Reg. 28(9)	<p><u>Transfer of certain IT related responsibilities to Market Coupling Operators</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Draft Regulation</th> <th style="text-align: center;">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> 28. Information Technology Infrastructure and Trading System of Power Exchange (1) (9) The Power Exchange shall discharge the responsibility </td> <td style="vertical-align: top;"> 28. Information Technology Infrastructure and Trading System of Power Exchange (1) (9) The Power Exchange shall discharge the responsibility of </td> </tr> </tbody> </table>		Draft Regulation	Suggested Modification	28. Information Technology Infrastructure and Trading System of Power Exchange (1) (9) The Power Exchange shall discharge the responsibility	28. Information Technology Infrastructure and Trading System of Power Exchange (1) (9) The Power Exchange shall discharge the responsibility of
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		<p>of activities mentioned in Clauses (3) to (5) of this Regulation in respect of Day Ahead Contracts or Real-time Contracts or any other contracts as notified by the Commission until the time the Commission issues notification for transfer of these responsibilities to the Market Coupling Operator.</p>	<p>activities mentioned in Clauses (3) to (5) of this Regulation in respect of Day Ahead Contracts or Real-time Contracts or any other contracts as notified by the Commission until the such time the Commission issues notification for transfer of these responsibilities to the Market Coupling Operator.</p>
		<p>PXIL humbly submit that the responsibilities of the Market Coupling Operator should be identified based on the final nature and role of the entity, the aforesaid provision creates a binding requirement without fully outlining the nature of the entity.</p>	
29.	Reg. 31(4)	<p><u>Clarification on publication of demand and supply data on Exchange’s website</u></p> <p>PXIL humbly submits that the proposed regulation requires the Exchanges to publish data tables with aggregate demand and supply curves for each type of contract. PXIL humbly requests the Hon’ble Commission to clarify as under:</p> <ul style="list-style-type: none"> a) Whether data tables with aggregate demand and supply curves need to be published for Term Ahead Contracts i.e. Intra Day Contract, Day Ahead Contingency Contract, Weekly Contract and Any Day Contract b) Whether data tables with aggregate demand and supply curves need to be published for certificate segment i.e. Renewable Energy Certificate Contract and Energy Saving Certificate Contract 	
30.	Reg. 32(5)	<p><u>Deadline for submission of Reports by Market Surveillance Committee</u></p> <p>PXIL humbly submits that the analysis of parameters to be covered in the surveillance report in compliance with the aforesaid regulation is a complex and time-consuming exercise. The Surveillance report needs to be prepared, placed in the Market Surveillance Committee for discussion and further approval. Therefore, the timeline for submission to this Hon’ble Commission within 15 days after the end of each quarter is challenging and may cause undue hardships to the Exchanges. It is therefore submitted that the Exchanges should be permitted to submit the surveillance report within a month from the end of every quarter.</p>	

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31.	Reg. 35	<p data-bbox="388 402 888 431"><u>Revocation of Registration of Exchanges</u></p> <table border="1" data-bbox="388 472 1925 1167"> <thead> <tr> <th data-bbox="388 472 1108 508">Draft Regulation</th> <th data-bbox="1108 472 1925 508">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="388 508 1108 1167"> <p data-bbox="388 513 1016 542">35. Revocation of registration of Power Exchange</p> <p data-bbox="388 586 1108 760">(1) The Commission may, for reasons to be recorded in writing and after giving the Power Exchange an opportunity of being heard, revoke the registration granted to the Power Exchange in any of the following event:</p> <p data-bbox="388 776 420 800">...</p> <p data-bbox="388 808 457 837">(a)...</p> <p data-bbox="388 846 420 870">...</p> <p data-bbox="388 878 1108 943">(e) In case the Power Exchange fails to comply with any direction of the Commission</p> <p data-bbox="388 959 420 984">...</p> <p data-bbox="388 992 464 1021">(2) ...</p> </td> <td data-bbox="1108 508 1925 1167"> <p data-bbox="1108 513 1736 542">35. Revocation of registration of Power Exchange</p> <p data-bbox="1108 586 1925 727">(1) The Commission may, for reasons to be recorded in writing and after giving the Power Exchange an opportunity of being heard, revoke the registration granted to the Power Exchange in any of the following event:</p> <p data-bbox="1108 743 1140 768">...</p> <p data-bbox="1108 776 1178 805">(a)...</p> <p data-bbox="1108 813 1140 837">...</p> <p data-bbox="1108 846 1925 943">(e) In case the Power Exchange fails to comply with any direction of the Commission and a fine exceeding one lakh rupees is imposed on the Power Exchange by the Commission</p> <p data-bbox="1108 959 1140 984">...</p> <p data-bbox="1108 992 1178 1021">(2) ...</p> <p data-bbox="1108 1029 1925 1167">(3) Notwithstanding anything contained in this Regulation, any revocation of registration ordered under this Regulation will not take effect until such time an appeal by the Power Exchange is pending before a competent court.</p> </td> </tr> </tbody> </table> <p data-bbox="388 1211 1940 1346">i. It is submitted that revocation of the registration of an Exchange carries extremely serious consequences. Therefore, the criteria for such revocation ought to be clearly and strictly defined. In that context, it is submitted that Regulation 35(1)(e) ought to be modified in the manner suggested above and a materiality threshold ought to be included so as to make the provision reasonable.</p>	Draft Regulation	Suggested Modification	<p data-bbox="388 513 1016 542">35. Revocation of registration of Power Exchange</p> <p data-bbox="388 586 1108 760">(1) The Commission may, for reasons to be recorded in writing and after giving the Power Exchange an opportunity of being heard, revoke the registration granted to the Power Exchange in any of the following event:</p> <p data-bbox="388 776 420 800">...</p> <p data-bbox="388 808 457 837">(a)...</p> <p data-bbox="388 846 420 870">...</p> <p data-bbox="388 878 1108 943">(e) In case the Power Exchange fails to comply with any direction of the Commission</p> <p data-bbox="388 959 420 984">...</p> <p data-bbox="388 992 464 1021">(2) ...</p>	<p data-bbox="1108 513 1736 542">35. Revocation of registration of Power Exchange</p> <p data-bbox="1108 586 1925 727">(1) The Commission may, for reasons to be recorded in writing and after giving the Power Exchange an opportunity of being heard, revoke the registration granted to the Power Exchange in any of the following event:</p> <p data-bbox="1108 743 1140 768">...</p> <p data-bbox="1108 776 1178 805">(a)...</p> <p data-bbox="1108 813 1140 837">...</p> <p data-bbox="1108 846 1925 943">(e) In case the Power Exchange fails to comply with any direction of the Commission and a fine exceeding one lakh rupees is imposed on the Power Exchange by the Commission</p> <p data-bbox="1108 959 1140 984">...</p> <p data-bbox="1108 992 1178 1021">(2) ...</p> <p data-bbox="1108 1029 1925 1167">(3) Notwithstanding anything contained in this Regulation, any revocation of registration ordered under this Regulation will not take effect until such time an appeal by the Power Exchange is pending before a competent court.</p>
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		<p>II. It is further submitted that given the serious implications of revocation of registration, it ought not to be given effect to until such time any appeal/challenge against such revocation is pending before a competent court.</p>
32.	Reg. 37	<p><u>Objectives of Market Coupling</u></p> <p>I. It is submitted that at present both the Exchanges undertake price discoveries for the Day Ahead and Real Time Contracts independently. Therefore, two different prices are being discovered in the two Exchanges for the same set of market participants, time blocks and geographies. However, the Market Coupling will result in uniform pricing across the market participants, time blocks and geographies. Key advantages of the Market Coupling include the following:</p> <ul style="list-style-type: none"> a) It is a significant and essential step towards achieving one nation, one market. This will allow great flexibility to members to trade across exchanges purely on the basis of nature, quality and price of products offered by an Exchange, rather than on the basis of volumes transacted on an exchange. b) Having Market Coupling is indispensable for having a multiple exchange model, as it addresses any liquidity related concerns. Having multiple exchanges will effectively increase competition in the market, thereby incentivising innovation by the Exchanges. Indeed, introduction of Market Coupling is in furtherance of long-standing objective of this Hon'ble Commission to have a competitive power market comprising multiple exchanges, and addresses the key concern of this Hon'ble Commission of fragmented liquidity caused due to multiple exchanges. c) It is especially critical to address the skewed market share of the current exchanges and to facilitate the entry of the new exchanges into the market. d) Market Coupling is a sine qua non in a multi-exchange model to ensure discovery of a uniform price for collective transaction based products. e) Deepening of markets with integration of market-wide Social Welfare Maximisation and increase in value of the transactions cleared in the collective segment, viz., Day Ahead and Real Time products by reducing the number of unexecuted bids of all power exchanges and maximising the volume of transaction. f) Better allocation of transmission capacity; presently transmission capacity is allocated by the system operator to Exchanges in proportion of provisional transaction volumes. As a result, many orders do not get cleared on account

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		<p>of lack of/insufficient available transmission capacity, caused due to sub-optimal allocation of transmission capacity under the present mechanism. This issue will get resolved by the introduction of market coupling as there will be no requirement of Exchange wise allocation of transmission capacity and hence resulting in optimum utilisation of transmission capacity.</p> <p>g) Better utilization of transmission capacity on account of higher transaction volumes due to lower number of uncleared orders across Exchanges.</p> <p>h) Effective identification of congestion in transmission corridors, so as to enable timely and appropriate investments in creation of necessary and adequate transmission capacity.</p> <p>i) Paves the way for implementation of Market Based Economic Dispatch and market based ancillary services.</p> <p>j) Will provide a single and robust price benchmark for launching Derivative Contracts.</p> <p>k) Paves the way for integration of power markets from neighbouring countries as well.</p> <p>II. This market coupling approach, where the orders received by multiple power exchanges are cleared by a common algorithm, results in single price being discovered for same delivery period and leads to system-wide social welfare maximization. This therefore allows for a multiple exchange model to operate in a competitive environment.</p> <p>III. In view of the above, PXIL humbly welcomes the proposal of this Hon'ble Commission to introduce Market Coupling in the Indian power market. PXIL's point wise comments on the modalities of Market Coupling are also discussed hereinbelow.</p>				
33.	Reg. 38	<p><u>Designation of Market Coupling Operator</u></p> <table border="1" data-bbox="386 1130 1927 1349"> <thead> <tr> <th data-bbox="386 1130 1115 1166">Draft Regulation</th> <th data-bbox="1115 1130 1927 1166">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="386 1166 1115 1349"> <p>38. Designation of Market Coupling Operator</p> <p>Subject to provisions of these regulations, the Commission shall designate a Market Coupling Operator who shall be responsible for operation and management</p> </td> <td data-bbox="1115 1166 1927 1349"> <p>38. Designation of Market Coupling Operator</p> <p>Subject to provisions of these regulations, the Commission shall designate a one or more Market Coupling Operator(s) from amongst the Power Exchanges, who shall be responsible for</p> </td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	<p>38. Designation of Market Coupling Operator</p> <p>Subject to provisions of these regulations, the Commission shall designate a Market Coupling Operator who shall be responsible for operation and management</p>	<p>38. Designation of Market Coupling Operator</p> <p>Subject to provisions of these regulations, the Commission shall designate a one or more Market Coupling Operator(s) from amongst the Power Exchanges, who shall be responsible for</p>
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<p>38. Designation of Market Coupling Operator</p> <p>Subject to provisions of these regulations, the Commission shall designate a Market Coupling Operator who shall be responsible for operation and management</p>	<p>38. Designation of Market Coupling Operator</p> <p>Subject to provisions of these regulations, the Commission shall designate a one or more Market Coupling Operator(s) from amongst the Power Exchanges, who shall be responsible for</p>					

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		<p>of Market Coupling</p>	<p>operation and management of Market Coupling. Provided that in the event more than one Power Exchange is found to be eligible to be designated as a Market Coupling Operator, the Commission shall require such Power Exchanges to operate as the Market Coupling Operator on rotation basis on such terms and conditions it may deem fit.</p> <p>Provided further that in the event none of the Power Exchanges are found to be eligible to be designated as a Market Coupling Operator, the Commission shall designate any other eligible entity to act as the Market Coupling Operator till such time one or more Power Exchange(s) become eligible under these Regulations.</p> <p>I. The Hon’ble Commission is humbly requested that, the Exchanges in operations on the date of notification of these regulations, should also be designated as the MCO, subject to fulfilling the applicable eligibility criteria as decided by this Hon’ble Commission.</p> <p>II. The Exchanges perform the role of designing the electricity contracts, auction types including the bid structures etc. while taking into account the feedback and inputs from the market participants. The Exchanges can take up the additional and specific tasks in the role of the MCO.</p> <p>III. It is humbly submitted that the existing Exchanges already have the necessary infrastructure for price discovery, including matching engines, etc. In such a scenario, it would require significantly less expenditure for the existing Exchanges to make necessary changes to their infrastructure to be able to act a Market Coupling Operators, as opposed to a new entity setting up the entire infrastructure afresh. This approach would prevent duplication of assets and result in significant cost savings, which would otherwise be passed on to the Market Participants.</p>

Sl. No.	Clause in the Draft	Comments
		<p>IV. It is further submitted that PXIL has made a significant investment in setting up price discovery infrastructure and developing matching engines, which it has been using effectively to carry out price discovery and matching functions for various kinds of innovative transactions made on the Exchange. Therefore, creation of a separate Market Coupling Operator undertaking substantially similar functions may not be necessary, as such transfer may render the infrastructure created by the Exchange redundant and increase transaction costs, without offering any appreciable benefits for the market.</p> <p>V. In this regard, it is also stated that the Draft Regulations have specific and clear provisions regarding roles, responsibilities and functions of a Market Coupling Operator. In such a scenario, and given the existence of a robust regulatory framework, outsourcing of functions to be undertaken by a Market Coupling Operator to a third party may not be warranted, and this Hon'ble Commission ought to allow the utilization the existing infrastructure of Exchanges to carry out Market Coupling functions.</p> <p><u>Rotation vs. Constant Market Coupling Operator</u></p> <p>VI. Here, it is pertinent to note that even this Hon'ble Commission had proposed that the existing Exchanges can operate the Market Clearing Engine on a rotating basis in its Discussion Paper on <i>Market Based Economic Dispatch of Electricity: Re-designing of Day-ahead Market (DAM) in India</i> issued in December 2018, the relevant extracts of which are excerpted below for convenient perusal:</p> <p style="padding-left: 40px;"><i><u>"7.12 CERC Regulations allow for multiple power exchanges to ensure competition in Day-Ahead and intra-day markets. Structurally, the same can continue, however for better system efficiency, one option is to combine the bids and offers of both the exchanges. This would help not only in discovery of the same area clearing prices (instead of multiple ACPs due to multiple power exchanges) but also in achieving higher social welfare as compared to the sum of maximum social welfare in multiple power exchanges. This can be implemented through two alternative mechanisms:</u></i></p> <p style="padding-left: 40px;"><i>i) <u>Market clearing engine could be operated by one of the power exchanges by rotation. Here, the said (nodal)</u></i></p>

Sl. No.	Clause in the Draft	Comments
		<p><i>power exchange could receive “masked” buy bids and sell offers from other power exchange. The names of the buyers and the sellers would be masked. The dispatch schedules would then be notified by the individual exchanges; or</i></p> <p><i>ii) Market clearing engine can be operated by an independent entity. All the power exchanges could forward the bids and offers received in their individual exchanges, to the independent entity. The dispatch schedules would then be notified by the individual exchanges.”</i></p> <p><u>Rotation Model</u></p> <p>VII. It is humbly submitted that rotation option suggested by this Hon’ble Commission in the aforesaid Discussion Paper is the most effective way of having the best of both the worlds, i.e., convergence in prices and continuation of a multi exchange model. Also, with periodic scrutiny and audit of the matching algorithm of the exchanges, the findings can be used to ensure evolution of the matching engine along with the markets and market participants.</p> <p>VIII. Lastly, with multiple exchanges operating their respective matching engines will have to integrate with only one system operator which augurs well with the structure of the market wherein dispatches are built over the transmission infrastructure but will also ensure that social welfare has both the components integrated viz. economic welfare and welfare on account of efficient transmission allocation. Moreover, the transmission would remain implicit as is the case in current market.</p> <p><u>Constant MCO Model</u></p> <p>IX. As opposed to the Rotation Model discussed above, the other alternative of having a third party, constant MCO appears significantly less desirable and not in the interest of the development of power market. In this regard, PXIL submits that a single third party MCO operating the matching engine will eliminate competition and such third party MCO may not have the incentive to periodically upgrade its matching engine.</p>

Sl. No.	Clause in the Draft	Comments				
		<p>X. Lack of competition will stifle all innovations in the market. While it will achieve the objective of price convergence but will be at a very high cost. That being said, in case it is the market operator(s) who are to run the matching engine, it is important to ensure that there is no monopoly, and equal opportunity is extended to the exchange(s) and therefore the Rotation Model is the suggested option.</p>				
34.	Reg. 39	<p><u>Functions of MCO and the Role of NLDC</u></p> <p>PXIL humbly submits that the National Load Despatch Center (NLDC) should prepare the detailed procedure for implementing the Market Coupling. Wherever it requires a decision to be taken by more than one Exchange, NLDC can closely coordinate with the Exchanges and the Hon’ble Commission may approve the procedure.</p>				
35.	Reg. 44	<p><u>Eligibility Criteria for Registration as OTC Platform</u></p> <table border="1" data-bbox="388 802 1925 1096"> <thead> <tr> <th data-bbox="388 802 1110 841">Draft Regulation</th> <th data-bbox="1110 802 1925 841">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="388 841 1110 1096"> <p>44. Eligibility criteria for registration of OTC platform</p> <p>(1) ...</p> <p>(2) A Power Exchange or Trading Licensee or any of their Associates or grid connected entities shall not be permitted to set up, operate, or have any shareholding in an OTC Platform.</p> </td> <td data-bbox="1110 841 1925 1096"> <p>44. Eligibility criteria for registration of OTC platform</p> <p>(1) ...</p> <p>(2) A Power Exchange or Trading Licensee or any of their Associates or grid connected entities shall not be permitted to set up, operate, or have any shareholding in an OTC Platform.</p> </td> </tr> </tbody> </table> <p>I. It is humbly submitted that this Hon’ble Commission should reconsider its proposal to have a blanket disqualification for Exchanges to register as OTC platforms. There is no conflict of interest for an Exchange to register and operate as an OTC platform, as the Exchanges do not take any position in trades and transactions in the power market. Further, the Exchanges are required to be demutualised and operate under stringent corporate governance norms under the Draft Regulations and the existing PMR, thereby eliminating any possibility of a conflict.</p>	Draft Regulation	Suggested Modification	<p>44. Eligibility criteria for registration of OTC platform</p> <p>(1) ...</p> <p>(2) A Power Exchange or Trading Licensee or any of their Associates or grid connected entities shall not be permitted to set up, operate, or have any shareholding in an OTC Platform.</p>	<p>44. Eligibility criteria for registration of OTC platform</p> <p>(1) ...</p> <p>(2) A Power Exchange or Trading Licensee or any of their Associates or grid connected entities shall not be permitted to set up, operate, or have any shareholding in an OTC Platform.</p>
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		<p>II. There are many benefits allowing experienced and credible market operators like PXIL to offer OTC services.</p> <p>III. Moreover, this Hon'ble Commission may lay down the necessary terms and conditions to evaluate Exchanges for registration as an OTC platform.</p>				
36.	Reg. 50(2)	<p><u>Inquiry or Investigation by the Hon'ble Commission</u></p> <table border="1" data-bbox="386 581 1927 1347"> <thead> <tr> <th data-bbox="386 581 1108 618">Draft Regulation</th> <th data-bbox="1108 581 1927 618">Suggested Modification</th> </tr> </thead> <tbody> <tr> <td data-bbox="386 618 1108 1347"> <p>50. Procedure for Market Oversight</p> <p>(1) ...</p> <p>(2) The Commission may, on being satisfied, that any of the following circumstances exist, order inquiry or investigation in accordance with the provisions of the Act:</p> <p>(a) Non-compliance of the statutory obligations by Market Participants:</p> <p>(i) Violation or non-compliance of any of the provisions of these regulations;</p> <p>(ii) Non-compliance of the orders of the Commission issued for contravention of these regulations;</p> <p>(iii) Delay or non-submission of information sought under sub-clause (d) of clause (1) of this Regulation or any other information sought by the Commission;</p> <p>(b) Involvement of Market Participants in any of the activities, including but not limited to the following:</p> </td> <td data-bbox="1108 618 1927 1347"> <p>50. Procedure for Market Oversight</p> <p>(1) ...</p> <p>(2) The Commission may, on being satisfied, that any of the following circumstances exist, order inquiry or investigation in accordance with the provisions of the Act:</p> <p>(a) Non-compliance of the statutory obligations by Market Participants:</p> <p>(i) Violation or non-compliance of any of the provisions of these regulations;</p> <p>(ii) Non-compliance of the orders of the Commission issued for contravention of these regulations;</p> <p>(iii) Delay or non-submission of information sought under sub-clause (d) of clause (1) of this Regulation or any other information sought by the Commission;</p> <p>(b) Involvement of Market Participants in any of the activities, including but not limited to the following:</p> </td> </tr> </tbody> </table>	Draft Regulation	Suggested Modification	<p>50. Procedure for Market Oversight</p> <p>(1) ...</p> <p>(2) The Commission may, on being satisfied, that any of the following circumstances exist, order inquiry or investigation in accordance with the provisions of the Act:</p> <p>(a) Non-compliance of the statutory obligations by Market Participants:</p> <p>(i) Violation or non-compliance of any of the provisions of these regulations;</p> <p>(ii) Non-compliance of the orders of the Commission issued for contravention of these regulations;</p> <p>(iii) Delay or non-submission of information sought under sub-clause (d) of clause (1) of this Regulation or any other information sought by the Commission;</p> <p>(b) Involvement of Market Participants in any of the activities, including but not limited to the following:</p>	<p>50. Procedure for Market Oversight</p> <p>(1) ...</p> <p>(2) The Commission may, on being satisfied, that any of the following circumstances exist, order inquiry or investigation in accordance with the provisions of the Act:</p> <p>(a) Non-compliance of the statutory obligations by Market Participants:</p> <p>(i) Violation or non-compliance of any of the provisions of these regulations;</p> <p>(ii) Non-compliance of the orders of the Commission issued for contravention of these regulations;</p> <p>(iii) Delay or non-submission of information sought under sub-clause (d) of clause (1) of this Regulation or any other information sought by the Commission;</p> <p>(b) Involvement of Market Participants in any of the activities, including but not limited to the following:</p>
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		It is humbly submitted that provisions of Regulation 50(2) should also be made applicable when a notice of default has been issued on a Member or their Client by the Exchange.	
