

To,  
The Secretary  
Central Electricity Regulatory Commission  
3rd & 4th Floor, Chanderlok Building, 36, Janpath,  
New Delhi (India) -110 001

Date: 14-08-2020

Memo No:

Subject: Submission of Comments/Suggestions/Objections for Power Market Regulations, 2020

Dear Sir/Madam,

It is our honour for providing us the opportunity to submit our views for the subject cited matter and we hope that you will consider our views.

Clause 21(1)(c)(i)

*“Facilitation of clearances for delivery of power:  
Provided that the Facilitator Member in no case shall provide any credit or financing or working capital facility to its client.”*

This clause confines the limit of a professional member and due to which clients of facilitator member has to open settlement account in the banks approved by the power exchanges.

We have been professional member (now facilitator member) of IEX since 2010 and have dealt with the various issues over the time which are as follows:

1. Not everyone is ready to open a settlement account  
We have observed that not every company is ready to open a settlement account specially the buyers. The company thinks it as an additional burden and also becomes an audit objection if trading doesn't take place. Thereafter the client is reluctant in opening the account again and requests us to trade through our own account. This becomes very challenging for us as we can only trade over the power exchanges only and the state power utilities try every method to discourage an open access consumer. Moreover, opening a settlement account becomes a big headache for us as well as clients as only a few people deal in opening of such account and the local branch managers misguides the clients for achieving their own targets.
2. Not able to participate in Government tenders for procuring power from power exchanges  
Over the years we have tried to participate the in the various central and state government utilities tenders but every time the eligibility criteria forbids us. As most of these utilities are not interested to open a settlement account and even if we somehow manage to convince them in opening one, it becomes a big headache to them as there are so many approvals and documents required. Due to which in such tenders only trading license holders are considered
3. Competition with License holders

As our direct competition with the trading license holders, they are able to provide better services compare to us (facilitator member) such as credit facility and no requirement of opening of settlement account. Other services are the same that we also provide to our clients. Although due to extremely competitive nature of power market very few companies opt for credit as trader member will charge extra for credit services. Most of the companies are ready for daily payment or even advance payment but many of them are not in favour of opening a settlement account. But as a facilitator member we cannot provide such service.

4. Not able to receive the balance intimation on time

As the clearing facility is through the client's settlement account directly, we are unaware of the balance amount in clients account. Even the power exchanges are only able to update the bid limit once the same is received from the respective banks. This has become a frequent issue (On Monday or after long weekend) for us that the balance gets updated at around 11:45am giving us only margin of 15 minutes which is not enough in case some error occurs. This becomes a major challenge for us as we and even IEX is not able to provide do anything.

5. Bid limit is visible only during trading hours

Earlier IEX used to show the bid limit after deducting bid limit utilized or giving us an idea as to how much funds are available and the same was available for 24 hours. But now IEX provides such information during trading hours only.

6. Wrong balance representing on IEX portal

A couple of times we have observed that the bid limit represented on IEX terminal was twice the value of original limit. This created a big problem for us as on daily basis we coordinate with the maintenance or utility staff and also convey the same information on daily basis to them only. When this information was shared with them, they assumed that they had sufficient funds in their account and did not follow with the accounts department. Although bid reject due to low funds was averted due daily checks performed by our team but made us aware that this is a major issue as this can ultimately lead to bid rejection and client to has been imposed penalty for deviating from the schedule.

7. Dispute among clients

There is a provision of group leader in HERC (Terms and Conditions for grant of connectivity and open access for intra-State transmission and distribution system) (1st Amendment) Regulations, 2013, clause 8(3)

*"A group of two or more consumers of a distribution licensee having a combined contract demand of 0.5 MVA or above and connected to the distribution system of licensee at 11 kV or above through an independent feeder emanating from a grid sub-station, shall also be entitled for seeking open access if all such consumers collectively apply for open access through a group representative to be nominated by all such consumers on that feeder."*

In this case the consumers are different entities and are not willing to pay anything to other company and insist we receive the payment from them and trade on behalf of all the clients. We are unable to provide such service when client(s) wants only to trade on power exchange platforms only

Moreover, we would also like to inform you that the professional members (now facilitator member) are very small players in power market and cannot deploy much resources and are limited to trade on power exchanges only as compared to Trading Licensee holders. Even to become the member one has to incur huge investment. Professional members are at disadvantage as we can only trade on power exchanges, even we are not able to participate in govt. tender when companies wants to trade on power exchanges only just due to the reason that companies are unwilling to open a settlement account.

We understand that the Trader Members are exposed to higher risks and hence a net-worth criteria is implemented to cover that risk but in the case of trading at power exchanges the risk is minimized due to nature of transaction. Most of the trade happens in either DAM and now RTM is also getting a good response from the market. Here the risk is on Day to day basis. If a consumer is not able to pay the dues, the power purchase can be stopped from next day in case of DAM and in RTM it can be done immediately or on half hourly basis. Due to this nature of transaction the risk of professional member will get reduced dramatically if professional members are allowed to trade and clear on its own account or trade and clear on behalf of its client. If some risk is still there it is covered through the security deposit made with the power exchanges and professional member also have some net-worth to cover that risk as well. Moreover, this will also help Professional members to get a better idea and experience how Trader Members operate on IEX and also in open market. \

It is our humble request you to kindly allow Professional Member (now Facilitator Member) to trade and clear on its own account or trade and clear on behalf of its client as the power exchanges are the only platform to trade.

Regards

Gaurav Saini  
Executive Officer  
Saini Power Transactor