



Annexure: Tata Power Trading Comments on Draft CERC (Power Market Regulations), 2020

Market Coupling		
S. No.	Clause	Suggestion/Comments
1	Part-5 “Market Coupling”	<p>It is a welcome proposal which will bring parity between IEX & PXIL in terms of discovery of uniform prices and optimal use of transmission infrastructure.</p> <p>As per the draft Regulations, Power Exchanges would collect all the Bids and submit it to Market Coupling Operator. Further Clearing and Settlement activities shall be done by a separate entity.</p> <p>Here we would like to submit that Market Coupling Operator should be exclusively as backend activity seamlessly integrated with Data Bases of Multiple Power Exchanges, with no duplication of collection and submission of Bids and there should not be an additional cost incurred in these activities.</p> <p>In our view, the market coupling may also be defined for Cross Border trades.</p>
2	Regulations 5(1)(a)(i) Price Discovery: Price Discovery shall be done by Power Exchanges or by Market Coupling Operator, as and when notified by the Commission.	<p>It appears that after finalization of the Regulations, price discovery may also be carried out by Power Exchanges. However, under Part-5 (Market Coupling) it seems that price discovery for DAM and RTM must be carried out by Market Coupling Operator.</p> <p>We would like Hon’ble Commission to bring clarity in the Regulation 5(1)(a)(i)</p>
3	Regulations 37(1)	<p>We also suggest that Market Coupling Operator should be also extended to collect REC bids from Exchanges so that uniform market clearing price in REC should be</p>



	Discovery of uniform market clearing price for the Day Ahead Market or Real-time Market or any other market as notified by the Commission	discovered. Presently, there has been differences in REC prices on both the Exchanges leading to uncertainty in clearing of both buy and sell bids. A single uniform REC prices may help in development of derivative contract (Cfd) in RE Segment.
OTC Market & OTC Platform		
S. No.	Clause	Suggestion/Comments
1	<p>Regulation a(o): OTC Market - is a market where OTC Contracts are transacted between the sellers and the buyers directly or through a Trading Licensee;</p> <p>Regulation 7(1) Contracts transacted in the OTC Market Price discovery: The price and other terms of contract in the OTC Market shall be determined either through mutual agreement between the buyer and the seller or through competitive bidding process or as determined by the Appropriate Commission.</p>	<p>As per PMR, 2010, the definition of OTC Market is defined as below</p> <p>Over the Counter Market – <i>Over the Counter Market is the inter-State market where buyers and sellers directly transact or transact through an Electricity Trader, and where the price and terms of the contract are determined through negotiations as agreed between the parties or through competitive bidding process or through a Electricity Trader. The risk in contracts executed in such markets is managed between the parties themselves or by the Electricity Trader, as the case may be</i></p> <p>It is our observation that the above definition has been proposed to be modified which does not cover the negotiation of price and terms, executing of the contract and risk in contract to be managed by the Trader. In this regard, there is a significant contribution by the Traders to identify the matching buyers and sellers’ requirements and to negotiate and arrive the price and terms of the contract which have been completely ignored. This may kindly be reviewed by Hon’ble Commission.</p>
2	Part 6: OTC platform	We would like to bring kind attention of Hon’ble CERC the role of Traders in the development of Power Market in India. Before introducing Exchanges, Traders were primarily responsible for developing the untapped Bilateral market by tie up surplus capacity from CPPs/IPPs, to various buyers including DISCOM.



	<p>During initial few years, Exchanges were totally dependent upon Traders members to bring more clients on Exchanges to increase the liquidity.</p> <p>In the current situation, Exchanges are well established platform undertaking trading in DAM and RTM segments, whereas Traders are well positioned to take care of OTC market both for C&I consumers as well as DISCOMs, in addition to having large client base on Exchanges. At present, all the sellers (CPPs/IPPs/MPP/DISCOMs) are well connected to market through Electricity Traders, in finalizing the short-term contract with Open Access consumers as well as with DISCOMs through online bidding on MSTC DEEP portal.</p> <p>Further, we would also like to comment on the rationale provided in the Explanatory memorandum on introducing OTC platform.</p> <p>(i) growing demand for electricity in the near term; - Comment: We feel that this is a very generic statement which does not have any correlation with OTC platform which is just for dissemination of information. Growing demand would be catered by different products like DAM, TAM, RTM and third-party Open Access through Traders.</p> <p>ii) growing requirement for purchase of renewable power to meet Renewable Purchase Obligation by the obligated entities; Comment: The above requirement is already being met through Renewable Open Access (third party or Group Captive) as well as by purchase of RECs.</p> <p>Also, upcoming Green Term Ahead Market would be able to help Obligated entity to meeting their RPO.</p> <p>(iii) increasing purchase of electricity by the large consumers through open access. –</p>
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Tata Power Trading Company Limited



	<p>Comment: Such large consumers are already procuring power either on Power Exchange, or through Traders.</p> <p>As per Clause 3.6.7 of EM for Power Market Regulations 2020, <i>“The participants can access information viz. quantity, price, fuel, location etc., through the OTC Platform.</i></p> <p>Comment: Here disclosure of price information on OTC platform may be misleading signal in the market because few non serious buyers might indicate high price whereas few non serious sellers might indicate low price on OTC platform. This may be considered as market cartelization which would actually distort the market price, in a way that serious buyers might tend to increase their price and serious sellers might have to reduce their price.</p> <p>Further, information regarding price forecast and availability of potential buyers and sellers with the OTC platform operator may promote unfair market practices of trade fixing involving unwarranted charges.</p> <p>In view of above, we request Hon’ble Commission to kindly elaborate with details regarding need of introducing OTC platform.</p> <p>Ideally, there should be two entities operating in Electricity Market; one is Power Exchanges and other is Electricity Traders. Internationally also, there are Power Exchanges and Traders taking care of all activities related to power trading and thereby developing the market. Entity like Facilitator Member or Operator of OTC platform (for the purpose of disseminating the information of Sellers/Buyers) do not exist in other Power Markets. E.g. Nordic Market and European Market don’t have any such category of Facilitator member operating there.</p>
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		<p>Further, we would also like to submit that since Traders are already having the repository of information of potential buyers and sellers and many of them have developed in house software tools and Data Analytics to take care of their Marketing and Business Development activities, therefore OTC platform would be redundant entity which would create parallel and confusing information sources in the market and hence may not be required.</p> <p>However, if CERC feels that OTC platform needs to be introduced, only Traders should be allowed to set up and operate the OTC platform and accordingly Clause 44(1)(2) (Eligibility Criteria for Registration of OTC Platform) needs to be modified.</p> <p>It is our observation that since Facilitator member neither being a Trader, nor a Grid connected entity may also apply for setting up OTC platform as per the draft Regulations. Facilitator member becoming eligible for OTC platform would be in contravention to the clause 47(1) & 47(2) because Facilitator Member provides facilitation of bidding on Exchanges as well as clearance of delivery of power, as per clause 21(1)(c)(i) & 21(1)(c)(ii). Hon'ble Commission may kindly clarify the aforesaid contravention.</p>
Term Ahead Market		
S. No.	Clause	Suggestion/Comments
1	<p>Regulations 3(a): Term Ahead Contract: 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>The price discovery mechanism for TAM may not be considered as competitive unlike that in DAM and RTM.</p> <p>It should be ensured that for all the power procurement by DISCOM on any platform be it Power Exchanges or prevailing DEEP portal, the process of competitive bidding must be followed in line with Section -63 of Act, 2003 and Tariff Policy, 2016</p>



2	<p>Regulation b(a): 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);</p>	<p>The tenure of contract under Term Ahead Contract may be defined in the Regulations.</p> <p>It may kindly be noted that there is very less liquidity on TAM market in comparison to DAM. It is also observed that after implementation of RTM, the TAM volume is being shifted in RTM.</p> <p>We would like to bring kind attention of Hon’ble CERC that bidding for short term bilateral contract ranging from few days to few months have matured over a period of time and is being flawlessly executed on MSTC DEEP portal and all the DISCOMs have been using this online DEEP portal for procurement of power which follows tariff based competitive bidding process.</p> <p>The robust price discovery mechanism through Reverse Auction and standardized commercial terms and conditions make this DEEP portal very successful. On DEEP portal there have been around 200 online bidding sessions conducted successfully, since its launch in FY 17.</p> <p>It is also pertinent to mention here that in TAM market, price is determined through matching process of highest buy bid price with lowest sell bid price, under continuous trading. This process of price determination is different from tariff based competitive bidding followed in MSTC DEEP Portal where price is discovered through Reverse Auction similar to the process followed for bidding of Solar and Wind projects under SECI tenders i.e. as per Competitive Bidding Guidelines.</p> <p>In view of above, it is requested that Hon’ble Commission may consider including MSTC DEEP portal as a successful platform for carrying out price discovery for bilateral contracts in the OTC Market.</p>
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Other Miscellaneous Issues in the Draft



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	<p>Regulation 9(1) Eligibility criteria</p> <p>The applicant is a company limited by shares incorporated or deemed to be incorporated under the provisions of the Companies Act, 2013;</p>	<p>We understand that Deemed to be incorporated company cannot provide the details sought in Regulation 10 of these Regulations. Therefore, it is suggested that the list of documents to be submitted along with the application may be relooked at.</p>
5	<p>Regulation 12 (5)</p> <p>The Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall be deemed to be registered under these regulations subject to payment of annual registration charge.</p>	<p>While a new Power Exchange shall be registered for a period of 25 years, the period of registration of Power Exchange which has been granted registration prior to the date of notification of these regulations is not specified</p> <p>It is suggested that under the new regulations where the exchanges are said to be deemed registered, their period of registration may also be clarified.</p>
	<p>Regulation 21(1)(c)</p> <p>Membership in Power Exchange</p> <p>Facilitator Member: Any person who is neither a Trader Member nor a Proprietary Member and admitted as a member of the Power Exchange for providing one or more of the following services to its clients to facilitate transactions at the Power Exchange shall be called a Facilitator Member</p>	<p>In the development of Power Market, there is no significant contribution made by Professional Member (Facilitator Member). In fact, these Professional Members as allowed under Power Market Regulation have caused market distortions and violated the Regulations several times in the past. Being a non-licensed entity, Professional Members are not required to fulfill the Regulatory compliance whereas they are permitted to facilitate trading activities in accordance with Power Market Regulations.</p> <p>Global Practices on Membership of Power Exchanges:</p> <p>If we draw parallel to developed power markets across the world such as Nord Pool Spot and European Power Markets (EPEX), we do not see any entity as Professional Member. Even in the most liberalized markets there are no market participant who</p>



		<p>can supply power or operate on behalf of consumers without having license from Regulatory Commission and without adhering to other regulatory compliance(s).</p> <p>During the framing of the Power Market Regulations, 2010 TPTCL had opposed introducing of Professional Member and after ten years of power market operation, we once again reiterate that these Professional Members (Facilitator Member) not only created disturbances in fair and transparent development of power market but also did not make any material contribution towards market development. In this regard, we request Hon'ble CERC to kindly remove the provision of Facilitator member from the draft Regulations.</p> <p>However, in case need is felt to empower the Power Exchanges with modern IT technology like AI/ML, Block Chain etc. competent IT entities having market repute and presence in this IT technologies may be engaged purely on merit irrespective they being associate company of any other membership category.</p>
6	<p>Regulation 27. Clearing and Settlement</p> <p>Provided further that pending the transfer of Clearing and Settlement function in terms of the proviso above, such Power Exchanges shall comply with the following: The Power Exchange shall constitute a SGF Management Committee headed by an Independent Director of the Board and with adequate representation from the Members of the Power Exchange.</p>	<p>It is suggested to kindly specify how many representatives from each category of members would be there in the management of Settlement Guarantee Fund Management Committee.</p>



7	<p>Regulation 29 (4) Indemnification by Power Exchange</p> <p>b) The Power Exchange shall indemnify that in case of curtailment, the Central Transmission Utility, National Load Despatch Centre, Regional Load Despatch Centers and State Load Despatch Centers shall not have any financial liability on account of inability, for any reason whatsoever, to achieve the complete matching between the advice of the National Load Despatch Centre and the final schedules</p>	<p>With huge RE penetration into the system and eventually into the market, it is pertinent to mention here that the issues related to RE curtailment needs to be addressed as it shall impact the RE contracts being transacted in the exchanges. While the exchanges shall indemnify themselves in case of curtailment, the NLDCs should ensure that the LCs have been opened by the purchasers of power.</p> <p>In this regard, it is recommended to clarify whether NLDC shall ensure that LCs have been opened by purchasers of power. Some mechanism to ensure that curtailments are not impacting the market should be in place.</p>
	<p>Regulation 31 Information Dissemination by Power Exchange</p>	<p>We appreciate that Exchanges have been publishing data related to prices, volume, historic data, aggregated demand and supply curve etc. on their website.</p> <p>However, it is observed that RLDCs have been posting Injection and Drawl schedule of power finalized on Exchanges for different entities. In this regard, we feel that Exchanges should also furnish client wise details of cleared volume on their website, for all the segments like DAM, RTM, TAM, REC, ESCerts.</p> <p>It is our humble submission that Hon'ble Commission may direct Exchanges to start publishing such data for the interest of all market participants which would also serve the intended purpose of launching OTC platform.</p>