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Statkraft's Comments on Draft CERC (Power Market) Regulations, 2020.

At the outset, we appreciate the Honourable Commission for introducing the Draft Regulations to allow longer term future contracts on power exchange, by doing away with 11 days restriction. Such move is expected to improve liquidity in short term market and enhance the market depth.

We appreciate the Honourable Commission's intent to introduce and expand market platforms for new products and contracts that would facilitate market growth in an efficient and transparent manner. In line with the financial market where SEBI introduces guidelines from time to time for trading margins for various financial products, similar approach can be taken up by CERC as well. Leaving it to the traders /exchange may possibly lead to chaos and hence less liquidity going ahead. Our point wise comments are provided below for your reference:

S.No	Proposed by CERC	Statkraft's Comments/ Suggestion
1	<p>7. Contracts transacted in the OTC Market</p> <p>(1) 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>(2) Delivery procedure: The application for scheduling of contracts in the OTC Market shall be made in accordance with the: ...</p> <p>(3) Settlement Conditions: The settlement of contracts transacted in the OTC Market shall be only by physical delivery of electricity without netting.</p>	<p>Unlike the provision Part-2, 4 (i) (a) and (b) of the existing Regulations, the Honourable Commission in the proposed Regulations does not elaborate on type of contracts such as back to back deals and open position deals that can be traded in OTC Market.</p> <p>As per our understanding, although the detailed provisions on type of contracts are not explicitly included, but the same shall continue to prevail in the market and margins shall continue to be regulated through Grant of Trading Licensee Regulations and amendments thereof. Please clarify.</p>
Other Important Comments		
2.	<p>Promotion of Click and Trade Auction Set up:</p>	<p>In our view, the Honourable Commission should promote or allow auction based set up for longer duration contracts i.e. Click and Trade auction setup and no defaults from either side without any financial liability. The new marketplace or platforms should not be a replica of the existing Deep portal where no financial liability diluted the honouring of the contracts.</p> <p>Hence, platforms that induce market efficiency/transparency should be promoted by Commission which is expected to improve market liquidity and efficient price discovery.</p>

S.No	Proposed by CERC	Statkraft's Comments/ Suggestion
	<p>Standardized Trading Margins in line with financial market guidelines introduced by SEBI from time to time.</p>	<p>The Honourable Commission may also consider including standardized guidelines for computing Trading Margins for short and longer duration contracts to be traded under these Regulations. Taking cue from the guidelines issued by SEBI from time to time for various type of financial contracts (long & short duration) on the Trading margins, similar approach for the electricity trade can be adopted to ensure streamlined/ standard way of operating in the market and leaving no ambiguity in any form. Also, an entity such as 'market oversight' can be given the responsibility to ensure adherence to such mechanisms by the participants.</p> <p>Hence, we hereby suggest that the trading margins of the short-term and long dated contracts should be in sync and in line with margins on contracts traded in Financial Markets as per standard guidelines issued by the Regulator from time to time, along with the mechanism to take care of the same.</p>