

Comments/Suggestions on the Draft Power Market Regulations, 2020

Sr. No.	Clauses in PMR 2020	Comments/Suggestion
1.	Part 4: Power Exchange (8-36) in PMR2020	<ul style="list-style-type: none"> • The new regulation stipulates restriction on shareholding of a trading member to 5%. It also stipulates that the trading member cannot have board representation in the power exchange • For a newly set-up power exchange, in case an original shareholder is also a trading member it would help the exchange to build trading volume and in developing the business • It is important for such a trading member, who is an original shareholder to have board representation or to have higher shareholding in the exchange at least till the time the exchange develops a sizable volume • Accordingly, trading members, who are original shareholders may be allowed to initially have shareholding up to 25% in the power exchange with a board seat and provide them a longer timeline of 3-5 years to bring down their shareholding to 5% thereby allowing the member sufficient time to develop the new power exchange • Additionally, the members of the power exchange have domain expertise which would be useful for the development of the power exchange. Restricting the entry of members in the Board of Directors of any Power Exchange shall deprive the Board and the Company from the domain expertise of the members • Given that the market participants strictly monitor the market, there is negligible risk of conflict of interest situations arising out of representation of members on the Board. Further, since key functions of the power exchange are proposed to be monitored by different committees like Risk Assessment and Management Committee, Settlement Guarantee Fund (SGF) Management Committee, Market Surveillance Committee (MSC), each headed by an Independent Director, appointed post approval by CERC to their Board positions, conflict of interest shall get addressed suitably
2.	Clause 17: PX: Governance structure of Power Exchange	<ul style="list-style-type: none"> • The appointment of independent directors should be left to the discretion of the board of the respective power exchanges without requiring the approval of CERC. This is in line with the company law • Alternatively, the proposed clause could be amended to say that the Board of Directors of the Power Exchange shall submit the name and profile of the Independent Director proposed to be inducted on the Board of the Power Exchange to CERC for approval. Given that Independent Directors have to be persons of repute and with different skills and competencies, identifying and selecting multiple such persons would be a challenge. So, the name of one person identified for the vacancy of the Independent Director could be shared with CERC for approval, due to practical reasons