

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Coram:**

**Shri P.K. Pujari, Chairperson**

**Shri I.S. Jha, Member**

**No. L-1/253/2019/CERC**

**Dated 25<sup>th</sup> March 2020**

**In the matter of Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) (First Amendment) Regulations, 2020**

**STATEMENT OF REASONS**

**1. Introduction**

1.1. The Central Electricity Regulatory Commission (hereinafter referred to as “the Commission”) vide notification dated 27<sup>th</sup> February 2020 issued the Draft Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading license and other related matters) (First Amendment) Regulations, 2020 (hereinafter referred to as “Draft Amendment Regulations”) along with the Explanatory Memorandum seeking comments/suggestions/observations from the stakeholders/public.

1.2. Comments were received from one stakeholder, namely, Tata Power Trading Company Limited (“TPTCL”). After due consideration of the comments/suggestions provided by the stakeholder, the Commission has finalized the First Amendment to Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading license and other related matters) Regulations, 2020.

**2. Regulation 8(1)(e): Trading margin in respect of banking of electricity transactions**

**Commission’s Proposal**

2.1. The Commission in Draft Amendment Regulations 2020 proposed the following proviso to be added after sub-clause (e) of clause (1) of Regulation 8:

*“Provided that the trading margin shall not be less than zero (0.0) paise/kWh from either of the parties to the banking transaction.”*

## **Comment Received**

2.2.TPTCL commented that the aspect of Delivery Point should also be considered in the above proviso. It stated that presence of different delivery points in a banking arrangement may lead to confusion due to Open Access charges and losses between the two different delivery points and in such a case it would be difficult to assess the exact cumulative trading margin. It proposed the following amendment: *“Provided that the trading margin shall not be less than zero (0.0) paise/kWh from either of the parties to the banking transaction and delivery point for both the parties will be the same i.e. at Regional Periphery”*.

## **Analysis and Decision**

2.3.The Commission has deliberated the comment received from TPTCL. It is noted that in case of banking transactions, the understanding regarding the delivery point is a part of the specific agreement between the contracting utilities and hence governed by the terms of such agreement. With regard to the concern that different delivery points in a banking arrangement may lead to confusion due to Open Access charges and losses between the two different delivery points and in such a case it would be difficult to assess the exact cumulative trading margin, it is relevant to note that Regulation 8(1)(b) of Trading License Regulations clearly provides that the trading margin shall include all charges, other than the charges for scheduled energy, open access and transmission losses. Regulation 8(1)(b) is extracted below:

*“8 (1) Trading Licensee shall comply with the trading margin as given below:*

*(b) The trading margin shall include all charges, except the charges for scheduled energy, open access and transmission losses:*

*Provided that the charges for open access include the transmission charge, operating charge and the application fee.”*

In view of the above provision, the Commission is of the view that open access charges and losses in course of a banking transaction are unlikely to affect the trading margin of a trading licensee.

2.4 Therefore, the Commission has decided to retain the proviso as per the Draft Amendment Regulations, stated as under:

*“Provided that the trading margin shall not be less than zero (0.0) paise/kWh from either of the parties to the banking transaction.”*

### **3. Regulation 9(10)(b): Value of letter of credit in respect of short term contracts:**

#### **Commission’s Proposal:**

3.1.The Commission in the Draft Amendment Regulations proposed the following proviso to be added after sub-clause (b) of clause (10) of Regulation 9:

*“Provided that where the duration of the short term contract is more than one month, the letter of credit in favour of the seller shall be equivalent to one point zero five (1.05) times of the monthly contract value with validity period equal to validity of the contract.”*

#### **Comment Received**

3.2.TPTCL has suggested the following modification to the above proviso:

*“Provided that where the duration of the short term contract is more than one week, the letter of credit in favour of the seller shall be equivalent to 100% of weekly contract value i.e. energy corresponding to contracted capacity at the tariff indicated in the PPA. For contract up to one week, LC amount shall be equal to the contract value.”*

#### **Analysis and Decision**

3.3.The Commission has analysed the comment received and after due consideration, the Commission is of the view that, as in the case of long term contracts, it is appropriate to prescribe the requirement to maintain letter of credit on the basis of the monthly contract value in case of short term contracts also where the duration of such short term

contract is more than one month. Hence, the Commission has decided to retain the proviso as per the Draft Amendment Regulations stated as under:

*“Provided that where the duration of the short term contract is more than one month, the letter of credit in favour of the seller shall be equivalent to one point zero five (1.05) times of the monthly contract value with validity period equal to validity of the contract.”*

**Sd/-  
(I.S. Jha)  
Member**

**Sd/-  
(P.K. Pujari)  
Chairperson**

\*\*\*\*\*