

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 285/MP/2021

Coram:

Shri P. K. Pujari, Chairperson

Shri I. S. Jha, Member

Shri Arun Goyal, Member

Shri P. K. Singh, Member

Date of Order: 26th April, 2022

IN THE MATTER OF:

Petition under Regulation 12(5) of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 seeking approval for changes in the Bye-Laws, Rules, and Business Rules, Energy Saving Certificates Business Rules and Renewable Energy Certificate Business Rules of the Power Exchange to bring them in alignment with the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 and also under Regulations 54, 55 and 56 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 seeking additional time period in order to achieve the compliances set out under various regulations of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021.

**And
in the matter of**

Power Exchange India Limited
9th Floor, 901, Sumer Plaza,
Marol Maroshi Road, Marol Andheri (East)
Mumbai 400059, India

.....Petitioner

Parties Present:

Mr. Sakya Singha Chaudhuri, Petitioner
Mr. Nithya Balaji, Petitioner
Mr. Prabhajit Kumar Sarkar, Petitioner
Mr. Shekhar Rao, Petitioner
Mr. Anil V Kale, Petitioner
Mr. Sunil Hingwani, Petitioner
Mr. Chandrashekhhar Bhat, Petitioner
Mr. Ambrish Kumar Khare, Petitioner



Mr. Mukti Marchino, Petitioner
Mr.Subhendu Mukherjee, Respondent
Mr.Alok Mishra, Respondent

ORDER

The Petitioner has filed the present petition seeking approval of the Commission on the draft of revised Bye-Laws, Rules, Business Rules and transaction fees to bring them in alignment with the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 and also to seek additional time period in order to achieve the net worth criteria and shareholding pattern set out under various regulations of the Power Market Regulations.

2. The Petitioner has made the following prayers:

- a) *Approve the changes proposed in Bye-Laws, Rules, and Business Rules of Exchange under Regulation 12 of the PMR;*
- b) *Exempt levy of interstate transmission charge and loss and permit submission of application to SLDC only for scheduling an intrastate transaction wherein the Buyer and the Seller are connected to intra State network of the State for Contracts approved under Regulation 5(2) and 5(3) of the PMR;*
- c) *Grant additional time period till 31.03.2024 for complying with the minimum net worth requirement under Regulation 14 of the PMR;*
- d) *Grant additional time period till 14.08.2025 to comply with the ownership structure under Regulation 15 of the PMR;*
- e) *Approve transaction fee for Contracts as proposed by Petitioner under Regulation 23 of PMR;*
- f) *Direct that only those members who have made contribution in cash towards the SGF be entitled to 70% of interest (net of Tax Deducted at Source) in proportion to their contribution;*
- g) *Direct that those deposits excluding clearing deposits received from Clearing Banks shall not be subjected to similar treatment of payment of interest at the rate of 70%;*
- h) *Pass such other relief(s)/ order(s) that this Hon'ble Commission may deem fit.*

3. The case was called out for a virtual hearing on 22.02.2022.

Submissions by the Petitioner

4. In 2008, the Commission, under its 'Guidelines for the grant of permission for setting up and operation of Power Exchange, 2007' granted permission to Power Exchange India Limited (PXIL) to set up, operate and commence Power Exchange operations and approved its draft Bye-Laws, Rules, and Business Rules. Accordingly, the Petitioner commenced its operations on 22.10.2008.
5. In 2010, the Commission notified the 'CERC (Power Market) Regulations 2010 (henceforth 'the PMR 2010')'. The PMR 2010 required the Power Exchanges to re-align their Bye-laws, Rules and Business Rules as per its provisions. As required, PXIL submitted its revised Bye-laws, Rules and Business Rules which were then approved by the Commission.
6. In 2021, the Commission notified 'CERC (Power Market) Regulations 2021 (henceforth 'the PMR 2021')' repealing the PMR 2010. Regulation 12(5) of the PMR 2021 provides that the existing Power Exchanges are required to realign their Bye laws, Rules and Business Rules in accordance with PMR 2021 and to seek approval on the same within six months of enforcement of these regulations. Regulation 12(5) of the PMR 2021 is reproduced below:

"12. Grant and renewal of registration to Power Exchanges

.....

(5) The Power Exchanges which have been granted registration by the Commission prior to the date of coming into force of these regulations shall be deemed to be registered under these regulations subject to payment of annual registration charge:

Provided that such Power Exchanges shall realign their bye-laws, rules and business rules in accordance with these regulations and for this purpose, shall submit the draft bye-laws, draft rules and draft business rules for approval of the Commission within six months from the date of coming into force of these regulations."

7. The Petitioner mentioned that in compliance with Regulation 12(5) of the PMR 2021, it has revised its Bye-Laws, Rules and Business Rules and through this Petition, provided the draft copies in the annexure of the petition for seeking Commission's approval.
8. The Petitioner mentioned that the PMR 2021 has brought out new compliances that are to be adhered to. The said compliances also require fundamental changes that are to be made in the administration of the Power Exchanges. Considering the same, the Petitioner has made modifications to the functioning of the Power Exchange. However, in case of the Petitioner, some of the compliances are long-term processes and would require more time than what has been allotted under the PMR 2021.

Net Worth

9. The Petitioner mentioned that as per Regulation 14 of the PMR 2021, the existing Power Exchanges are required to attain the minimum net worth of Rs. 50 crores within a period of six months from the date of coming into force of these Regulations. If the net worth falls below the required criteria, the Commission may grant additional time to the Power Exchange to achieve the required Net worth. Regulation 14 of the PMR 2021 is reproduced below:

"14. Net worth

A Power Exchange shall have a minimum Net worth of Rs. 50 crores at all times:

Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of coming into force of these regulations shall meet the minimum Net worth criteria within a period of six months from the date of coming into force of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;

Provided further that in case the Net worth of the Power Exchange reduces at any time below Rs. 50 crores, the Commission may allow the Power Exchange to achieve the Net worth within such period as may be considered necessary."

10. The Petitioner submitted that as on 31.03.2021, the net worth of the Petitioner was Rs. 32.59 crores which was in compliance of the net worth criteria provided

under the PMR 2010. The Petitioner submitted that it has achieved the required net worth in accordance with the PMR 2010 within the time period granted by the Commission vide its Order dated 24.04.2019 in Petition No. 302/MP/2018. The Petitioner has seen a significant improvement in its financial performance from FY 2017-18 onwards and has remained cash positive on a consistent basis over the past four years. Its net worth has increased from Rs. (-9.51) crores as on 31.03.2018 to Rs. 32.59 crores as on 31.03.2021.

11. The Petitioner submitted that it has been consistently profitable from FY 2017-18 onwards. However, due to accumulated losses incurred since inception, the net worth is less than the equity investment contributed by shareholders. Considering the same, the Petitioner prayed for an additional time till 31.03.2024 to meet the prescribed net worth of Rs. 50 crores as per the PMR 2021.

Shareholding Pattern

12. The Petitioner mentioned that as per Regulation 15 of the PMR 2021, the existing Power Exchanges are required to meet the following shareholding pattern for equity holders within one year from the date of coming into force of these Regulations:
 - (a) Any shareholder other than a member or a client, directly or indirectly, either individually or together with persons acting in concert, shall not acquire or hold more than 25% of the shareholding in the Power Exchange.
 - (b) A member or a client, directly or indirectly, either individually or together with persons acting in concert, shall not acquire or hold more than 5% of the shareholding in the Power Exchange.
 - (c) A Power Exchange can have a maximum of 49% of its total shareholding owned by entities, which are members or clients, directly or indirectly, either individually or together with persons acting in concert.

13. The Petitioner submitted that it is in active discussions with some market participants for equity participation and some of these are expected to achieve fruition in the near term. In view of the same, it would require additional time till 14.08.2025 for meeting the prescribed shareholding pattern. The Petitioner further submitted such relaxation is necessary for promotion of competition in the power market since the existence of only one Power Exchange would be a monopoly.

Transaction Fee

14. The Petitioner mentioned that as per Regulation 23 of the PMR 2021, the transaction fee to be charged by the Power Exchange is subject to approval of the Commission. The relevant portion of Regulation 23 has been extracted hereunder:

“23. Power Exchange transaction fee

No Power Exchange shall charge transaction fee exceeding 2 (two) paise/kWh from either party to the transactions covered under Clauses (1) to (3) of Regulation 5 of these regulations:

*.....
.....*

Provided further that the Power Exchanges shall be required to obtain approval of the Commission for the transaction fee to be charged by the Power Exchanges based on types of contract or quantum of transaction or duration of transaction or such other factor(s) as may be proposed by the Power Exchanges within a period of six months of the date of coming into force of these regulations or six months from the date of registration of the Power Exchange, whichever is later.”

15. The Petitioner proposed transaction fee of 2 paise/kWh each from the buyer and the seller for the contracts operated/ to be operated under Clauses (1) to (3) of Regulation 5 of the PMR 2021 i.e., Day Ahead Contracts (including Green Day Ahead Contracts), Real Time Contracts, Intraday Contracts, Contingency Contracts, Term Ahead Contracts (including Green Term Ahead Contracts). The Petitioner proposed transaction fee of Rs. 20 per certificate each from the buyer and the seller for Renewable Energy Certificates (RECs) and Energy Saving Certificates (ESCerts).

Settlement Guarantee Fund / Initial Security Deposit

16. The Petitioner sought clarity regarding the use of the term ‘initial security deposit’ as mentioned in Regulation 27 (1)(iii) of the PMR 2021. The Petitioner mentioned that the initial security deposit which is submitted to the Petitioner is not often in modalities that can earn/accrue interest or returns. Therefore, the Petitioner seeks clarification as to whether there arises an obligation to mandatorily share returns or interest even if such accrual is not possible. Upon clarification of the above, compliance to the timeline of distributing at least 70% of the returns within 45 days shall be adhered to. The relevant portion of Regulation 27 has been extracted hereunder:

“27. Clearing and Settlement

(1) The Power Exchange shall carry out the Clearing and Settlement of any transaction of electricity undertaken on the Power Exchange in accordance with the provisions of the Payment and Settlement Systems Act, 2007:

.....

Provided further that till such time the Power Exchanges carry out Clearing and Settlement in terms of the proviso above, the Power Exchanges shall comply with the following:

.....

(i)

(ii)

(iii) The Power Exchange shall distribute at least 70% of the return earned on the initial security deposit invested in the financial year to the members of Power Exchange in proportion to initial security deposit of the member and duration for which such deposit was held with the Power Exchange, within 45 days of the last date of the financial year.

.....”

Intra-state Transactions

17. The Petitioner mentioned that Regulation 5 of the PMR 2021 lays down types of Contracts that are transacted in the power market. As per Regulation 5 (2) (b) and 5 (3) (b), the scheduling and price discovery of Intraday Contracts, Contingency Contracts and Term Ahead Contracts shall be in coordination with the system operator and shall be in accordance with the Grid Code and Open Access Regulations.
18. The Petitioner submitted that in some transactions, where the buyer and the seller are connected to the intra-State network, the inter-State network is not

accessed for scheduling the delivery of power. In such instances, submission of application to SLDC will result in a reduction of transaction cost as opposed to submission of application to RLDC wherein charges and losses of the inter-State network are to be borne by the participants. Therefore, the Petitioner requests to not levy inter- State charges and losses on the participants of the Power Exchange, when such kind of intra-State transactions materialize. Additionally, the Petitioner be permitted to submit the application to the SLDC of the respective State, instead of the RLDC in such cases.

Hearing dated 22.02.2022

19. The petition was first heard on 22.02.2022 wherein the Petitioner re-iterated its written submissions. After hearing the Petitioner, the Commission queried on provisions of the PMR 2021 under which the Petitioner has prayed for additional time to comply with the requirements specified therein. The Petitioner submitted that as regards the additional time to comply with the net worth requirement, the proviso to Regulation 14 of PMR 2021 enables the Commission to allow the Power Exchange to achieve the net worth within such period as may be considered necessary if it reduces below Rs. 50 crore. As regards seeking additional time for meeting the shareholding pattern, it has been prayed under Regulation 56 (Power to Relax) of the PMR 2021.

20. In response to the observation of the Commission regarding additional time sought to comply with the ownership structure under Regulation 15 of PMR 2021 being on the higher side, the Petitioner submitted that it is making sincere efforts to comply with the requirements. The Petitioner further added that the financial position of the Petitioner's company has improved over the recent years, which is generating interest in the market participants. The Petitioner quoted that NRVNL has already acquired 5% shareholding in PXIL and likewise other such investments are expected due to which it will be able to comply with the said requirement sooner. However, additional time till 14.8.2025 has been sought as an abundant caution so that the Petitioner may not have to approach the

Commission again in this regard. The Commission may consider granting reasonable time to the Petitioner to comply with the said requirement.

21. After hearing the Petitioner, the Commission directed the Petitioner to submit the following details/ information on the affidavit on or before 15.3.2022:
 - (a) Status of the net worth and shareholding pattern supported by Special Audited Balance Sheet as on 24.2.2022;
 - (b) Reasons for seeking extension of time for meeting the required net worth and shareholding pattern specified in the PMR, 2021; and
 - (c) Proposed timeline/ framework for meeting the net worth and shareholding pattern, along with justification/ relevant supporting documents justifying efforts made in this regard.

22. The Petitioner vide its letter dated 03.03.2022 requested to allow submission of status of net worth and shareholding pattern supported by special audited balance sheet as on 28.02.2022 rather than 24.02.2022, due to challenges faced in preparation of accounts on a date other than regular accounting reporting date which is either quarter-end or month-end. The Petitioner, subsequently, vide affidavit dated 14.03.2022, filed the information sought by the Commission on the status of the net worth and shareholding pattern, and reasons for seeking extension of time, proposed timeline/ framework for meeting the required net worth and shareholding pattern along with the special audited balance sheet.

Submissions on Net Worth

23. As of 31.01.2022, the net worth of PXIL was Rs. 43.84 crores (un-audited & provisional) which includes liability of preference dividend arrears. Excluding this contingent liability of dividend on preference shares, PXIL's net worth was Rs. 51.08 crores. As per the special audit conducted, as on 28.02.2022, the net worth of PXIL was Rs. 46.58 crores. The Petitioner has provided a copy of the

special audited balance sheet as of 28.02.2022 along with the Auditor's report in support of the same.

24. The Petitioner submitted that it has remained consistently profitable over the past four years and accordingly its net worth has increased from Rs. (-9.51) crores as of 31.03.2018 to Rs. 46.58 crores as of 28.02.2022. The trend of its net worth over the past few years is as under:

Sr. No.	Financial Year (FY)	Date	Net worth (Rs. In Crore) (As per Ind-AS accounting system)
1	FY 17-18	31.03.2018	-9.51
2	FY 18-19	31.03.2019	-1.50
3	FY 19-20	31.03.2020	23.66
4	FY 20-21	31.03.2021	32.49
5	FY 21-22	28.02.2022	46.58

25. The Petitioner has referred to its significant market share, especially in Term Ahead Market, Renewable Energy Certificates & Energy Saving Certificates. The Petitioner mentioned that over the past four years, it has increased its outreach to all the members and various other market participants. The market participants have appreciated the competitive offering provided by the two power exchanges and have reposed their support in the growth of Petitioner.
26. The Petitioner mentioned that it is carefully reviewing its internal procedures and processes and will go in for a calibrated build-up of enough liquidity in the market with new changes in the policy and regulatory space, i.e., the introduction of longer tenure contracts, ancillary services contracts, market based economic despatch, renewable energy contracts, strengthening of REC mechanism, etc. The Petitioner firmly believes that the two competing Power Exchanges along with a third Exchange on the anvil will bring to the market the benefits of innovation and will ensure sustained development of the power market in the country.

27. The Petitioner submitted that despite not making large profits, it has managed to survive on its own without any outstanding dues/loans from the market/investing agencies and there are no defaults in its operations since inception. Further, having/maintaining the prescribed increased net worth of Rs. 50 crores vis-à-vis the earlier criteria of Rs. 25 crores is not a hindrance to the operation/functioning of the Power Exchange. The Petitioner further submitted that with the lean cost structure along with conducive business conditions, the Petitioner is targeting to meet the stipulated net worth criteria of Rs. 50 crores by 31.03.2024.
28. In view of the above, the Petitioner requests the Commission to grant additional time till 31.03.2024 to comply with the net worth criteria in accordance with the PMR 2021.

Submissions on Shareholding Pattern

29. NVVNL (trader member at PXIL) has acquired a 5% equity stake in the Petitioner company. NVVNL has purchased this stake from NSE Investments Limited, a promoter shareholder of PXIL and a wholly-owned subsidiary of the National Stock Exchange of India Ltd. (NSE). Pursuant to this transaction, the stake of NSE Investments Limited in PXIL has now been reduced to 29.21%. As of 28.02.2022, the shareholding structure of PXIL was as under:

Sr. No.	Name of the Member / Shareholder	No of fully paid-up Equity Shares of Rs 10/- each held	% held
1	NSE Investments Ltd (NSEIL)	1,70,76,527	29.21%
2	National Commodity & Derivatives Exchange Limited (NCDEX)	2,00,00,020	34.21%
3	GMR Energy Limited	40,00,000	6.84%
4	Power Finance Corporation Limited	32,20,000	5.51%
5	WB State Electricity Distribution Company Ltd	40,00,000	6.84%
6	Gujarat Urja Vikas Nigam Limited	25,00,000	4.28%
7	Tata Power Trading Company Limited	25,00,000	4.28%
8	JSW Energy Limited	12,50,000	2.14%
9	MP Power Management Company Limited	10,00,000	1.71%
10	NTPC Vidyut Vyapar Nigam Limited	29,23,503	5.00%
	TOTAL	5,84,70,050	100

30. The Petitioner submitted that investment by NRVNL validates the governance and operating standards of PXIL, and also leads the way for attracting other investors to the company. The Petitioner mentioned that it is in active discussions with some of the market participants for equity participation and a few of them are expected to achieve fruition in the near term. The proposed introduction of market-based economic despatch, ancillary services contracts, longer tenure contracts, renewable energy contracts, General Network Access framework, the proposed deepening and strengthening of the REC market, etc. are being actively considered by such market participants.
31. The Petitioner submitted that it is not a subsidiary of anyone shareholder company but is operating independently. There is a considerable diversification in its shareholding structure, and the management is also professionally run. PXIL has been operating for the last thirteen years and still continues to put forward its best efforts and management to strive for good results and the same is evident from its performance. Relaxation of shareholding requirements under Regulations 15 of the PMR 2021 for an additional period is necessary for promotion of competition in the power market which will ultimately benefit the consumer. The relaxation may kindly be granted so that the right mix of strategic and financial investors and stakeholders, who have a long-term vision for the power markets, may be brought on board so that the institutional nature of the exchange is maintained.
32. In view of the above, the Petitioner has requested that the Commission may kindly take a lenient view and relax the shareholding pattern requirements under Regulation 15 of the PMR 2021 for an additional time of at least four (4) years i.e. till 14.08.2025.

Analysis and Decision

33. The Petitioner has filed the present petition for seeking approval of the Commission for the draft of revised Bye Laws, Rules and Business Rules and transaction fee to be charged for different contracts transacted through its Exchange platform to bring them in alignment with the PMR 2021 and also to seek additional time period to achieve the requirement of net worth and shareholding pattern in accordance with these Regulations. The Petitioner has also prayed that permission be granted for submitting application to SLDC for scheduling intra-state transactions where the buyers and the sellers are connected to the same intra-state network and to exempt interstate transmission charges and losses for such transactions. The Petitioner has also sought clarity on the initial security deposit and distribution of returns on it among the members of the Power Exchange. We will deal with each of these issues in subsequent paragraphs.

Net worth & Shareholding Pattern

34. Regulation 14 of the PMR 2021 provides that an operating Power Exchange is required to have a minimum net worth of Rs. 50 crores at all times. Regulation 15 of the PMR 2021 stipulates a shareholding pattern wherein any shareholder other than a member or a client of the Power Exchange shall not acquire or hold more than 25% of the shareholding in the Power Exchange. This limit for a member or a client is 5%, whereas all members or clients together can have a maximum of 49% of the total shareholding in the Power Exchange.
35. We observe that the Petitioner is not fulfilling the minimum net worth requirement and shareholding pattern in accordance with the Regulation 14 and Regulation 15 of the PMR 2021. As on 28.02.2022, the Petitioner had a net worth of Rs. 46.58 crores which is below the minimum net worth specified in the PMR 2021. As regards shareholding pattern, it has been noted that some of the promoter shareholders (who are non-members) and some of the member shareholders of the Petitioner have shareholding more than the ceiling of 25% and 5%

respectively as specified in the PMR 2021. The details of such shareholders are as under:

Shareholders exceeding the limits prescribed by PMR 2021

S. No.	Name of the Member / Shareholder	Member/Non-Member	% Held	Specified Limit (%)
1	NSE Investments Ltd (NSEIL)	Non-Member	29.21%	25%
2	National Commodity & Derivatives Exchange Limited (NCDEX)	Non-Member	34.21%	25%
3	GMR Energy Limited	Member	6.84%	5%
4	WB State Electricity Distribution Company Ltd	Member	6.84%	5%

36. The Commission has from time to time given relaxation to the Petitioner for complying with the minimum net worth requirement and shareholding pattern specified under the erstwhile PMR 2010. Furthermore, the short-term power market, including the overall volume traded at the exchange platform has widened over the years providing opportunities for the Petitioner to improve its performance and comply with the net worth criteria and shareholding pattern. It is indeed a matter of concern that the Petitioner has not been able to take advantage of regulatory dispensation and growing opportunities in the market; instead, it has put forward the same issues as in the earlier petitions seeking grant of time and relaxation for meeting the minimum net worth requirement and shareholding criteria.
37. We note that the Petitioner could meet the net worth criteria of Rs. 25 crores in FY 2020-21, for the first time since its incorporation, in compliance with the direction given by the Commission vide its Order dated 24.04.2019 in the matter of Petition No. 302/MP/2018 under the PMR 2010. However, on 15.08.2021, PMR 2010 was repealed by PMR 2021 which revised the net worth required to Rs. 50 crores to be attained by the operating Power Exchanges within six months from the date of coming into force of these regulations.
38. We also observe that though the Petitioner company is not meeting the net worth criteria as per the PMR 2021, it has made substantial progress towards the

same. It has remained profitable over the past four years and its net worth has increased from Rs. (-9.51) crores as on 31.03.2018 to Rs. 46.58 crores as on 28.02.2022. Considering the same and keeping in view its market share in term ahead market, renewable energy certificates, energy-saving certificates, and its optimistic submissions on future prospects, we are hopeful that the Petitioner would be able to further improve its market share and attain the minimum net worth in accordance with the PMR 2021 in the shortest possible time. Meeting and maintaining net worth is purely a function of business generation and the Petitioner has presented a positive prospect on that front.

39. The Commission has taken a broad regulatory approach of having multiple Power Exchanges to promote competition amongst the Power Exchanges inter alia for product innovation, improved services, etc. In this scenario, the Commission is of the view that the request for additional time may be considered for the Petitioner to comply with the minimum net worth requirement under the provisions of Regulation 56 of the PMR 2021.
40. The Petitioner has prayed for granting additional time period till 31.03.2024 for complying with the minimum net worth requirement of Rs. 50 crores. The Commission, in its earlier orders, has underscored the importance of net worth for a Power Exchange to avoid any business risk having the potential to create systemic risks and contagion effects on the sector. As such, relaxation of this requirement should not be sought on a routine basis. However, with due regard to the progress made so far by the Petitioner and in view of the fact that its present net worth (Rs. 46.58 crores) is close to the requirement of Rs. 50 crores, the Commission in exercise of its powers under the second Proviso to Regulation 14 of the PMR 2021 allows extension of time as a special case up to 31.03.2023 to the Petitioner for meeting the minimum net worth requirement as specified under Regulation 14 of the PMR 2021.

41. The Petitioner has also requested for grant of additional time period till 14.08.2025 for complying the specified shareholding pattern. We note that the shareholding pattern as specified in the PMR 2021 is aimed at ensuring that the Exchanges operate in a demutualized (separation between promoters and management) and ring-fenced (separation between Trader Members and management) manner with no particular shareholder controlling the management of the Exchange. As such, persistent relaxation of this requirement is neither in the interest of the Power Exchange nor for the overall stakeholder confidence in the Power Exchange as a market platform. We have noted the efforts being made by the Petitioner in this direction, especially the recent investment by NVVN and believe that the Petitioner would continue to endeavor to meet the requirement at the earliest. However, the request for grant of additional time period till 14.08.2025 for complying with the prescribed shareholding pattern is not justified.

42. We note that Regulation 56 of the PMR 2021 provides the Power to Relax as under:

“56. Power to Relax

The Commission may in appropriate cases and for reasons to be recorded in writing relax any of the provisions of these regulations.”

43. In exercise of its powers under Regulation 56 of the PMR 2021, the Commission relaxes, for the Petitioner, the requirement of shareholding pattern specified under Regulation 15 of the PMR 2021 for a temporary period up to 31.03.2023 and the Petitioner shall meet the said requirement within that period.

Transaction Fee

44. In terms of Regulation 23 of the PMR 2021, the Petitioner has proposed the transaction fee to be charged by the PXIL based on the types of contracts it offers. The Petitioner’s proposal for the same is as follows:

Sr. No.	Type of Contract	Transaction fee (to be charged each from buyer & seller)
1	Day Ahead Contract (including Green Day Ahead Contract)	2 paise/kWh
2	Real Time Contract	2 paise/kWh
3	Term Ahead Contract (including Green Term Ahead Contract)	2 paise/kWh
4	Day Ahead Contingency Contract	2 paise/kWh
5	Intra Day Contract	2 paise/kWh
6	Energy Saving Certificate	Rs. 20 / certificate
7	Renewable Energy Certificate	Rs. 20 / certificate

45. We note that as per Proviso to Regulation 23, the Petitioner is required to obtain approval for the transaction fee to be charged by its Exchange based on the types of contract or quantum of transaction or duration of transaction, etc. The proposal of the Petitioner, in its current form, is incomplete as it only makes a general proposition without any justification for and the basis of arriving at the transaction fee, nor does it relate the transaction fee to quantum of transaction, duration of transaction and other related factors, as required under Regulation 23 of the PMR 2021.
46. Moreover, Clause 5.4 of the draft Business Rules submitted by the Petitioner states that the transaction fee will be computed on a value basis or volume basis as may be decided from time to time, which is inconsistent with Regulation 23 of the PMR 2021 which provides that the Power Exchanges shall be required to obtain approval of the Commission for the transaction fee to be charged. In the overall interest of the market, we advocate utmost transparency in charging the transaction fee. Therefore, we direct the Petitioner to file a separate Petition on the transaction fee providing the rationale of its proposal based on types of contract or quantum of the transaction, or duration of the transaction or such other factor(s) in accordance with Regulation 23 of PMR 2021, within two weeks of issuance of this Order.

Settlement Guarantee Fund / Initial Security Deposit

47. The Petitioner has sought clarity regarding settlement guarantee fund / initial security deposit and on distributing at least 70% of the returns on it to the members in proportion to initial security deposit of the members and duration for which such deposit was held with the Power Exchange. We find that Regulation 27 of the PMR 2021 is self-explanatory in this regard and direct the Petitioner to strictly adhere to the same with effect from the date of notification of these Regulations.

Intra-state Transactions

48. The Petitioner submitted that in transactions, where the buyer and the seller are connected to an intra-State network of the same State, the submission of application to SLDC (instead of the RLDC), will result in the reduction of cost. The Petitioner has requested for permission for making application to SLDC when such intra-State transactions materialise and to not levy the charges and losses related to the usage of the inter-State network for such transactions.
49. We note that the Petitioner's request amounts to amendment to the relevant Regulations (IEGC and Open Access Regulations) of the Commission. It is reiterated that the request for amendment to Regulations cannot be entertained through petitions. The Petitioner can raise these issues when the said Regulations are taken up for amendment by the Commission. Accordingly, the prayer of the Petitioner relating to intra-State transactions is rejected as being outside the scope of the present regulatory dispensation.

Draft of revised Bye Laws, Rules and Business Rules

50. PXIL was granted registration by the Commission prior to the date of coming into force of the PMR 2021. Therefore it shall be deemed to be registered under these Regulations. However, it is required to realign its Bye-Laws, Rules and Business Rules in terms of the PMR 2021. In this regard, it has made revisions in

its bye-laws, rules and business rules and has provided its drafts in track change mode for seeking Commission's approval.

51. We have examined the drafts of the revised Bye-Laws, Rules, and Business Rules submitted by the Petitioner. The deviations/ changes from the Bye-Laws, Rules, and Business Rules approved under PMR 2010 are noted and accordingly, the Commission has indicated its observations/ directions in the last column of the Annexure to this Order. The Petitioner is directed to amend its Bye-Laws, Rules and Business Rules by appropriately incorporating these directions/ observations and provide us on affidavit, a fair copy of the Business Rules, Rules, and Bye-Laws within a week of the date of this Order. The Petitioner is also directed to upload these documents on its website within two days of issuance of this Order. Needless to mention, if any discrepancy is noticed or if it appears that the revised Bye-Laws, Rules and Business Rules do not conform to the Regulations in any respect, necessary directions may be issued for such compliance.
52. Annexure attached herewith shall form part of this Order.
53. Petition No. 285/MP/2021 is disposed of in terms of the above

Sd/-
(P.K. Singh)
Member

Sd/-
(Arun Goyal)
Member

Sd/-
(I.S. Jha)
Member

Sd/-
(P. K. Pujari)
Chairperson

PXIL Business Rules, Rules and Bye-Laws and Observations/Directions of the Commission

1. Business Rules

Sr. No.	Page No.	Clause No.	Relevant Line/Para	Observations/Directions of the Commission
1	4	1.1.2	<p>Proprietary Member / Self-Clearing Member</p> <p>Proprietary Member / Self-Clearing Member shall be the Members admitted as such by the Exchange are distribution licensees or a deemed distribution licensees or a grid-connected entities and who shall transact and clear through their own account.</p>	<p>The Petitioner has used the term 'Self-Clearing Member' corresponding to the 'Proprietary Member'.</p> <p>In accordance with Regulation 21 of the PMR 2021, membership of the Power Exchange shall be of the following three categories:</p> <p>i) Trader Member ii) Proprietary Member iii) Facilitator Member</p> <p>Therefore, the Petitioner is directed to align the same with PMR 2021 at all places.</p>
2	7	2.1	<p>Initial Security Deposit</p> <p>The Exchange Members are required to pay the Exchange such security deposits as in accordance with "Admission rules" for various segments.</p>	<p>In accordance with Regulation 27(1)(iii) of the PMR 2021, the Power Exchange shall distribute at least 70% of the return earned on the initial security to the members in proportion to initial security deposit of the member and duration for which such deposit was held. The Petitioner is directed to incorporate the same in its Business Rules.</p>
3	8	2.2	<p>Margin Requirements</p> <p>The Exchange may prescribe any other form of Margins from time to time.</p>	<p>The Exchange is directed to propose the margin requirements in accordance with the PMR 2021.</p>
4	54	5.18	<p>Exchange Fees</p>	<p>In accordance with Regulation 23 of the PMR 2021, no Power Exchange shall charge</p>

			Such transaction fee will be computed on value basis or volume basis, as may be decided from time to time, which will be computed on both purchases and sales separately.	transaction fee exceeding 2 (two) paise/kWh from either party to the transactions covered under Clauses (1) to (3) of Regulation 5 of these regulations. Moreover, it shall be required to obtain approval of the Commission for the transaction fee to be charged as per Regulations. The Petitioner is directed to align its proposal with PMR 2021 accordingly.
5	84	1	<p>Transmission Losses</p> <p>The losses would be handled as per the CERC (Open Access in inter-State Transmission) Regulations, 2008 and CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010.</p>	The Exchange has proposed the transmission losses as per the Sharing Regulations, 2010, which need to be in accordance with the Sharing Regulations, 2020. Accordingly, the Petitioner is directed to update the same at all places.
6	141	Annexure ii (b)	<p>Advisory Member - Client Agreement</p> <p>The Advisory Member is registered as an Advisory Member of the Exchange.</p>	<p>The Petitioner has provided forms for Advisory Member - Client Agreement along with the draft Business Rules.</p> <p>In accordance with Regulation 21 of the PMR 2021, membership of the Power Exchange shall be of the following three categories:</p> <ul style="list-style-type: none"> i) Trader Member ii) Proprietary Member iii) Facilitator Member <p>Accordingly, the Petitioner is directed to modify the form/s wherever applicable.</p>