

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 46/MP/2022**

**Coram:**

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

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

**Shri Arun Goyal, Member**

**Shri P. K. Singh, Member**

**Date of Order: 26<sup>th</sup> April, 2022**

**IN THE MATTER OF:**

Petition for approval of the revised Bye-Laws, Rules & Business Rules of Indian Energy Exchange in compliance with the provisions of Central Electricity Regulatory Commission (Power Market) Regulations, 2021.

**And  
in the matter of**

Indian Energy Exchange Limited (IEX),  
Plot No. C-001/A/1,  
9th Floor, Max Towers, Sector 16 B,  
Noida

**.....Petitioner**

**Parties Present**

Mr. M G Ramachandran, Petitioner

Mr. Shubham Arya, Petitioner

Mr. Jogendra Behera, Petitioner

Mr. Gaurav Maheshwari, Petitioner

**ORDER**

The Petitioner has filed the present petition seeking approval of the Commission on the draft of revised Rules, Bye Laws, Business Rules and transaction fees to bring



them in alignment with the Central Electricity Regulatory Commission (Power Market) Regulations, 2021.

2. The Petitioner has made the following prayers:
  - a) Accord approval to the revised Bye-laws, Rules, Business Rules and the transaction fees of the Exchange.
  - b) Pass such further order/s as may be considered.
3. The case was called out for a virtual hearing on 22.02.2022.

### **Submissions of the Petitioner**

The Petitioner has submitted as under:

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 Indian Energy Exchange Limited (IEX) to set up, operate and commence Power Exchange operations and approved its draft rules, bye-laws and business rules. Accordingly, the Petitioner commenced its operations on 27.06.2008.
5. In 2010, the Commission notified '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 the provisions of the PMR 2010. As required, IEX 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 the PMR 2021

and to seek approval of 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 of the Regulation 12(5) of the PMR 2021, it has revised its Bye-laws, Rules and Business Rules and through this Petition, providing their draft copies in the annexure for seeking Commission’s approval.

***Transaction Fee***

8. 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.”*

9. The Petitioner has submitted that from 2011, it has been charging a transaction fee of 2 paise/kWh from the buyers and the sellers for the physical delivery-based electricity contracts and since then, it has kept this transaction fee uniform and constant. Further, the transaction fee charged by the Exchange is lower than the trading margin allowed to the trading licensees, even though the value provided by the exchange to the market participants is higher than the trading licensees viz. neutral & transparent automated platform, flexibility to choose from multiple products, efficient price discovery, payment security mechanism, counterparty risk management, etc.
10. The Power Exchange has to continuously undertake R&D activities, upgrade its technology & business processes, build capacity, etc., to be able to bring new products & services to meet the changing requirements of the market and create value for the market participants. The Petitioner submitted that the transaction fee as defined by the PMR 2021 will enable its Exchange to contribute in this direction and also bring in liquidity, competition, and efficiency in the market.
11. In the light of the above, the Petitioner proposed transaction fee not exceeding 2 paise/kWh from either party to the transactions 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).

**Hearing dated 22.02.2022**



12. The petition was first heard on 22.02.2022 wherein the Petitioner re-iterated its written submissions. After hearing the Petitioner, the Commission reserved the order in the matter.

### **Analysis and Decision**

13. The Petitioner has filed the present petition for seeking approval of the Commission on the draft of revised Rules, Bye Laws, 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. We will discuss the same in subsequent paragraphs.

#### ***Draft of revised Rules, Bye Laws, Business Rules***

14. IEX 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 PMR 2021. In this regard, it has made revisions in its bye-laws, rules and business rules and has provided the drafts in track change mode for seeking Commission's approval.
15. 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, and by appropriately incorporating these directions/ observations and provide us on affidavit, the fair copy of the Bye-Laws, Rules, and Business Rules within a week from the date 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.

16. Annexure attached herewith shall form part of this Order.

**Transaction Fee**

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

<b>Sr. No.</b>	<b>Type of Contract</b>	<b>Transaction fee (to be charged each from buyer &amp; seller)</b>
1	Day Ahead Contract (including Green Day Ahead Contract)	not exceeding 2 paise/kWh
2	Real Time Contract	not exceeding 2 paise/kWh
3	Term Ahead Contract (including Green Term Ahead Contract)	not exceeding 2 paise/kWh
4	Day Ahead Contingency Contract	not exceeding 2 paise/kWh
5	Intra Day Contract	not exceeding 2 paise/kWh

18. We construe from the Petitioner's proposal that it is proposing for the liberty in charging transaction fee for any amount up to 2 paise/kWh each from the buyer and the seller for the contracts covered under Clauses (1) to (3) of Regulation 5 of PMR 2021. We note that though the Petitioner has proposed the fee in compliance with the requirement of Regulation 23, it does not fulfill all the conditions of Regulation 23.
19. 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, 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.

20. 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.
21. The Petition No. 46/MP/2022 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**



## IEX 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	13	17	<p><b>Transaction Fees</b></p> <p>The Exchange will charge a transaction fee as may be specified from time to time on the transactions carried out through the Exchange. Such transaction fee will be computed on volume basis, as may be decided from time to time, which will be computed on both purchases and sales separately. The transaction fees shall be charged by the Exchange as may be approved of by the Commission.</p>	<p>In accordance with Regulation 23 of the PMR 2021, 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. 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 the PMR 2021 accordingly.</p>
2	14	18.5	<p>Every Professional Member shall enter into an agreement with each of its Clients as per Annexure-IIB, and as amended by the Exchange from time to time before accepting or placing orders on the Client's behalf. In addition, the Clients of the Professional Members shall execute an undertaking in favour of the Exchange as Annexure IIC.</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"> <li>i) Trader Member</li> <li>ii) Proprietary Member</li> <li>iii) Facilitator Member</li> </ul> <p>Therefore, the Petitioner is directed to align the same with the PMR 2021 at all places.</p>



3	102 166	1.1, 1.2 3.1, 3.2	<p>Schedule B: Term-Ahead Market</p> <ul style="list-style-type: none"> <li>• Day-Ahead Contingency Contracts</li> <li>• Intra-Day Contracts</li> </ul> <p>Schedule F: Green Term-Ahead Market</p> <ul style="list-style-type: none"> <li>• Day-Ahead Contingency Contracts</li> <li>• Intra-Day Contracts</li> </ul>	It has been observed that the Exchange has categorized Day Ahead Contingency and Intra Day contracts under Term Ahead Market which is not in accordance with the PMR 2021. Therefore, the Exchange is directed to align the same with PMR 2021.
4	110	6	<p>Margin Requirements</p> <p>a) Initial Margin</p> <p>b) Additional Margin</p> <p>c) Variation Margin</p> <p>d) Extreme loss Margin</p>	The Exchange is directed to propose the margin requirements in accordance with the PMR 2021.
5	161	12.2	Respective LDC will include these requisitions in their final schedules after adjusting for transmission losses as per the CERC (Open Access in inter-State Transmission) Regulations, 2008, CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010.	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.