

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 8/SM/2023**

**Coram:**

**Shri Jishnu Barua, Chairperson**

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

**Shri Arun Goyal, Member**

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

**Date of Order: 12<sup>th</sup> August 2023**

**IN THE MATTER OF:**

Directions by the Commission to the Power Exchanges in accordance with the Regulation 27(1) of the Power Market Regulations, 2021.

**ORDER**

The Commission notified the CERC (Power Market) Regulations 2021(henceforth ‘the PMR 2021’) on 15.08.2021, by repealing the Power Market Regulations 2010. Regulation 27 of the PMR 2021 provides that the Power Exchanges that have been granted registration by the Commission prior to the date of coming into force of these regulations shall be required to carry out the Clearing and Settlement in accordance with the Payment and Settlement Systems Act, 2007 (PSSA 2007) within a period of one year from the date of coming into force of these regulations (i.e. 15.08.2021) or such other period as may be approved by the Commission. The relevant extract of Regulation 27 of PMR 2021 is as under:

*“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 that Power Exchanges which have been granted registration by the Commission prior to the date of coming into force of these regulations shall be required to 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, within a period of one year from the date of coming into force of these regulations or such other period as may be approved by the Commission; ....”*



2. PSSA 2007, *inter-alia*, provides that the payment and settlement related activities of Exchanges (excluding stock exchanges) would be under the purview of the Reserve Bank of India (RBI). The relevant extract from PSSA 2007 is quoted below:

*“3. Designated **authority** (1) The Reserve Bank shall be the designated authority for the regulation and supervision of payment systems under this Act.*

.....

*34. Act not to apply to stock exchanges or clearing corporations of stock exchanges. – Nothing contained in this Act shall apply to stock exchanges or the clearing corporations of the stock exchanges.”*

3. In this regard, all three Power Exchanges have been raising concerns about the applicability of PSSA 2007, mainly due to the possible regulatory overlap that may increase their transaction costs.

4. The Commission, in its Order dated 12<sup>th</sup> August 2022, in Petition No. 11 /SM/2022, while recognizing the fact that the operational issues in carrying out the Clearing and Settlement in accordance with the PSSA 2007 require further clarity, had allowed a one-year extension w.e.f. 15.08.2022 to the Power Exchanges to align their Clearing and Settlement system to the provisions of the PSSA 2007. The Commission had also directed the staff of the Commission to examine the issues involved in carrying out Clearing and Settlement in accordance with the PSSA 2007, in consultation with the Ministry of Finance and RBI, and to draw a roadmap for implementation of the same in accordance with Regulation 27 of PMR 2021.

5. The Commission has now been apprised of the developments in this regard and the consultations held between the staff of CERC and RBI. The Commission has also been informed about the need for additional time to build a consensus between CERC and RBI on some of the issues involved before taking the matter forward to the Ministry of Finance. The Commission also takes note of the requests received from IEX, PXIL, and HPX vide their letters dated 9<sup>th</sup> August 2023, 12<sup>th</sup> July 2023, and 9<sup>th</sup> August 2023, respectively, for further extension to comply with the provisions of Regulation 27 of PMR 2021, in view of the

difficulties in aligning their Clearing and Settlement systems to the provisions of the PSSA 2007.

6. In view of the above, the Commission, in terms of the provisions of Regulation 27(1) of the PMR 2021, accords approval for a one-year extension w.e.f. 15.08.2023, to the Power Exchanges to align their Clearing and Settlement systems to the provisions of the PSSA 2007. The Commission further directs the staff of the Commission to resolve the matter expeditiously in consultation with the RBI and take the required steps in a time-bound manner.

7. The Petition No. 8/SM/2023 (suo-motu) is disposed of in terms of the above direction.

sd/-  
(P.K. Singh)  
Member

sd/-  
(Arun Goyal)  
Member

sd/-  
(I.S. Jha)  
Member

sd/-  
(Jishnu Barua)  
Chairperson

