

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 06/SM/2024

Coram:

**Shri Jishnu Barua, Chairperson
Shri Ramesh Babu Veeravalli, Member
Shri Harish Dudani, Member**

Date of Order: 13th August 2024

IN THE MATTER OF:

Directions by the Commission to the Power Exchanges in accordance with 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 (PSS Act, 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 the PSS Act, 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 the PSS Act, 2007, mainly due to the possible regulatory overlap that may increase their transaction costs.

4. The Commission, vide Order dated 12th August 2022 in Petition No. 11 /SM/2022, 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 PSS Act, 2007, in view of the operational difficulties highlighted by the Power Exchanges. The Commission had also directed its staff to examine the issues involved in carrying out Clearing and Settlement in accordance with the PSS Act, 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, vide Order dated 12th August 2023 in Petition No. 8/SM/2023, allowed a further one-year extension w.e.f. 15.08.2023 to the Power Exchanges to align their Clearing and Settlement system to the provisions of the PSS Act, 2007, considering the ongoing discussions between the staff of CERC and RBI and the requests for extension received from the Power Exchanges.

6. Subsequent to the above Order, discussions have been held between CERC and RBI at various levels. Meanwhile, IEX, PXIL, and HPX vide their letters dated 09.08.2024, 23.07.2024 and 09.08.2024, respectively, have requested the Commission for further extension to comply with the provisions of Regulation 27 of PMR 2021.

7. The Commission has considered the extension requests from the Power Exchanges and the discussions held so far. The Commission is of the view that an indefinite extension to



comply with the provisions of Regulation 27(1) of the PMR 2021 cannot be granted; however, given the operational and procedural requirements for compliance, a brief additional period need to be allowed. Accordingly, the Commission directs all three Power Exchanges to align their Clearing and Settlement Systems to the provisions of the PSS Act, 2007, within a period of six months w.e.f. 15.08.2024.

8. Petition No. 6/SM/2024 (*suo motu*) is disposed of in terms of the above direction.

Sd/-
(Harish Dudani)
Member

Sd/-
(Ramesh Babu Veeravalli)
Member

Sd/-
(Jishnu Barua)
Chairperson

