



नई दिल्ली  
NEW DELHI

याचिका संख्या./ Petition No. 121/RC/2023

कोरम/ Coram

श्री जिष्णु बरुआ, अध्यक्ष/Shri Jishnu Barua, Chairperson

श्री आई. एस. झा, सदस्य/ Shri I. S. Jha, Member

श्री अरुण गोयल, सदस्य/ Shri Arun Goyal, Member

श्री पी. के. सिंह, सदस्य / Shri P. K. Singh, Member

आदेश दिनांक/ Date of Order: 10<sup>th</sup> January, 2024

**IN THE MATTER OF:**

Petition under Section 66 of the Electricity Act, 2003 read with Regulation 19(2) of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 seeking approval for certain amendments in Business Rules of Hindustan Power Exchange Limited.

**AND IN THE MATTER OF:**

Hindustan Power Exchange Limited  
25th Floor, P J Towers  
Dalal Street, Mumbai - 400 001

...Petitioner

**Versus**

Grid Controller of India (GCIL)  
Registered Office: B-9 (1st Floor),  
Qutab Institutional Area, Katwaria Sarai,  
New Delhi -110016

...Respondents

**Parties Present:** Shri Tushar Jain, Advocate, HPX  
Shri Pravesh Sharma, HPX  
Shri Gajendra, GCIL

**आदेश/ ORDER**

1. The present petition has been filed by the Hindustan Power Exchange Limited (hereinafter referred to as "HPX") to seek approval of the Commission for approval for certain amendments in its Business Rules. The Petitioner, HPX was granted



registration by the Commission to establish and operate a Power Exchange vide the Commission's Order dated 12.05.2021 in Petition No. 287/MP/2018. Subsequently, vide Order dated 27.06.2022 in Petition No. 159/MP/2022, the Petitioner was permitted to commence operations of its Power Exchange and the Petitioner finally commenced operations of its power exchange from 06.07.2022 in Contingency (Day Ahead and Intra-day), Green Contingency (Day Ahead and Intra-day) Contracts and Renewable Energy Certificates (RECs) and from 28.07.2022 in Integrated Day Ahead Market (IDAM) and Real Time Market (RTM) as per the provisions of the Power Market Regulations.

2. The Petitioner has made the following prayers:

- a. *Admit the present Petition;*
- b. *Approve the proposed amendments to the Business Rules of the Petitioner, as more specifically set out in ANNEXURE P-1 of the present Petition;*
- c. *Pass such other or further order(s) or direction(s) as this Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.*

### **Submissions of the Petitioner**

3. The Petitioner has filed the present petition seeking approval of the Commission for certain amendments in its Business Rules.

4. For reference, Regulation 19(2) of the Power Market Regulations is set out below:

***“19. Bye-laws, rules and business rules of Power Exchange***

*(1) ...*

*(2) No amendment to the bye-laws, rules and business rules shall be carried out without prior approval of the Commission: Provided that the Commission may, through a separate order, dispense with the requirement of prior approval for amendment of certain provisions of the bye-laws, rules and business rules; Provided further that such amendments shall be required to be approved by the Board of Directors of the Power Exchange.”*

5. The proposed amendments are sought to be introduced to the Business Rules of the Petitioner in view of the feedback received by the Petitioner from its stakeholders and keeping in mind the market realities and efficient development of the power markets.

### **Amendment No. 1 – Amendment to the penalty clause for revision in the schedule after completion of trade**

6. The Petitioner's Business Rules, at present, provide for a penalty equivalent to the following for any revision in the schedule after the completion of trade:

*“Once the trade has taken place normally no revision of trade shall be allowed. However, if exchange is satisfied that the revision of schedule is necessary because of reasons beyond the control and there is no commercial consideration motivating the party requesting for revision, then the following procedure will be adopted:*

*In case if, a party wants to exit the contract, then he has to deposit amount in cash to the exchange which shall be sum of following elements.*

- (i) 125% of the difference between the trade price and the last settlement price of the same underlying.*
- (ii) The transmission charges paid by the counter party for the quantum requested for revision.*
- (iii) 5% of (i) above, as administrative charges for the exchange subject to maximum of Rs.5,000/- (including applicable taxes).”*

7. As is clear from the aforementioned clause, the price difference set out in point (i) above does not specify any cap and is left open-ended, leading to potential uncertainty in the compensation amount. As such, based on feedback from the stakeholders, the Petitioner proposes to cap the price difference at 20% of the trade price. The proposed change shall provide the required certainty and visibility to market participants before participating in the trade and is, hence in the interest of the stakeholders.

8. The Petitioner also proposed to revise the administrative charges, as set out in point (iii) above, from Rs. 5,000/- to Rs. 10,000/-. This change is required in view of the fact that since the commencement of operation of the Petitioner’s Power Exchange, the number and types of contracts traded on the exchange under the term ahead market have increased, and the Petitioner has noted that the instances of revision in schedule are significantly higher in such market segments as compared to what was reasonably anticipated by the Petitioner originally.

9. The aforementioned changes with respect to the introduction of a cap on price difference and increase in administrative charges are also in line with the practice followed by the other exchanges, which has already been approved by the Commission in their respective business rules.

**Amendment No. 2 – Amendment regarding utilisation of Security Deposit and Initial Margin for various products**

10. As per the contract specification approved by the Commission for various products introduced by the Petitioner, the trader/member can utilise its Security Deposit for the purpose of paying the Initial Margin for I-DAM, RTM, REC and E-Certs market segments, whereas for day ahead contingency, contingency, and term ahead

market contracts, the trader/member is required to deposit Initial Margin as per the contract specifications, and for which Security Deposit cannot be considered.

11. The Business Rules of the Petitioner need to be updated and revised to incorporate the aforementioned treatment of Security Deposit and Initial Margin to make it consistent with the contract-specific specifications approved by the Commission for various products introduced by the Petitioner from time to time.

12. Therefore, the Petitioner has made the corresponding changes to its Business Rules pertaining to the treatment and requirement of Security Deposit and Initial Deposit to align its provisions with the specifications of various contracts approved by the Commission from time to time.

**Amendment No. 3 – Addition of explanation and description of “Open Auction” and “Reverse Auction”**

13. The Petitioner has proposed to include an explanation and description of the “Open Auction” and “Reverse Auction” processes to bring more clarity to the market participants, especially in light of the introduction of longer duration contracts.

14. The Petitioner submitted that the Commission has already approved the bidding methodology involving “Open Auction” and “Reverse Auction” processes for Hydropower Contracts in Green Contingency Contracts, Green Term Ahead Contracts and additional Term Ahead Contracts and Green Term Ahead Contracts beyond T + 11 days by its Order dated 30.12.2022 passed in Petition No. 206/MP/2022.

**Amendment No. 4 – Replacement of the term “Unscheduled Interchange” to “Deviation Settlement Mechanism”**

15. The Petitioner has proposed to replace the term “Unscheduled Interchange” with “Deviation Settlement Mechanism”, wherever applicable and relevant to bring its Business Rules in line with the updated and revised terminology used in Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2022.

**Hearing dated 18.08.2023**

16. HPX’s counsel argued that the present Petition has been filed seeking approval of the proposed amendments to the Petitioner’s Business Rules as indicated in the Petition, mainly four amendments to its Business Rules and all of them are in line with the amendments already approved by the Commission in respect of other Power Exchanges. The Commission admitted

the petition and directed the Respondent to file the reply within two weeks and accordingly reserved the order.

### **Reply on behalf of Respondent No. 1 – Grid Controller of India**

17. Respondent - Grid Controller of India, has not submitted any comments in the present petition.

### **Analysis and Decision:**

18. The Commission has heard the learned counsel of the Petitioner and carefully perused the records. The Petitioner has mainly prayed for the four changes in their Business Rules, which are summarised as under: -

<b>S. No.</b>	<b>Rule/Clause</b>	<b>Existing provision</b>	<b>Proposed change</b>
1	Amendment to the penalty clause for revision in the schedule after completion of trade	(i) 125% of the difference between the trade price and the last settlement price of the same underlying.  (ii) 5% of (i) above, as administrative charges for the exchange subject to a maximum of Rs.5,000/- (including applicable taxes).	(i) 125% of the difference between the trade price and the last settlement price of the same underlying, <b>subject to maximum capping of 20% of the trade price</b>  (ii) 5% of (i) above, as administrative charges for the exchange subject to a maximum of <b>Rs.10,000/-</b> (including applicable taxes).
2	Amendment regarding utilisation of Security Deposit and Initial Margin for various products	The security deposit paid by a Member or a Client, as applicable, will be used as Initial Margin and will be considered the minimum Margin required for submitting bids	Subject to specifications stipulated for relevant contracts for various market segments traded on the Exchange, the security deposit paid by a Member or a Client, as applicable, shall be used as Initial Margin for IDAM segment and will be considered the minimum Margin required for submitting bids. Similarly, subject to contract specifications, exposure to the Members linked to the percentage of the Margin applicable for each Contract shall be provided considering the Security Deposit /Initial Margin as per the respective contract specification.
3	Addition of explanation and description of "Open Auction" and "Reverse Auction"	New Description added	Open auction and reverse auction explained
4	Replacement of the term "Unscheduled Interchange" to "Deviation Settlement Mechanism"	Unscheduled Interchange	Word Replaced with Deviation settlement mechanism

19. There are other minor changes like the replacement of DAC with DAM, GDAC with GDAM, etc., proposed by the Petitioner. The major proposed amendments are dealt with in the subsequent paras.

**Penalty clause for revision in the schedule after completion of trade**

20. The Petitioner has proposed the below amended clause

*“Revision of Schedule:*

*Once the trade has taken place normally no revision of trade shall be allowed. However, if exchange is satisfied that the revision of schedule is necessary because of reasons beyond control, then the member has to deposit amount in cash to the exchange as per the following procedure which shall be sum of following elements:*

*(i) 125% of the difference between the trade price and the last settlement price of the same underlying market segment where both buyer and seller are eligible to participate, subject to maximum capping of 20% of the trade price.*

*(ii) The transmission charges paid by the counter party for the quantum requested for revision.*

*(iii) Administrative charges for the exchange in the amount of Rs.10,000/- (including applicable taxes).”*

21. The Commission, while approving Contracts beyond T + 11 days vide its Order dated 30.12.2022 passed in Petition No. 206/MP/2022, with regard to curtailment/annulment/revision of contract stipulated as below:

*“50. In view of the above discussions, we allow the prayers of the petitioner subject to following stipulations: -*

*(A) We, hereby, direct the Petitioner to schedule these contracts, viz., Daily Weekly, Monthly and Any day Single Sided contracts on the first available day following the transaction day and to strictly abide by the following conditions of NTSD contracts:*

*(i) the contracts are settled only by physical delivery without netting;*

*(ii) the rights and liabilities of parties to the contracts are not transferable;*

*(iii) no such contract is performed either wholly or in part by any means whatsoever, as a result of which the actual delivery of electricity covered by the contract or payment of the full price therefor is dispensed with;*

*(iv) no circular trading shall be allowed and the rights and liabilities of parties to the specific delivery contracts shall not be transferred or rolled over by any other means whatsoever;*

*(v) the trading shall be done only by authorized grid connected entities or trading licensees on behalf of grid connected entities, as participants;*

*(vi) the contracts can be annulled or curtailed, without any transfer of positions, due to constraints in the transmission system or any other technical reasons, as per the principles laid down by CERC in this regard. However, once annulled, the same contract cannot be reopened or renewed in any manner to carry forward the same transaction.*

*(B) As per the aforesaid condition (vi) of the NTSD contracts, the Commission directs that the contracts can be annulled or curtailed, without any transfer of positions, due to constraints in the transmission system or due to force majeure; however, this will be subject to the validation by system operator and default mechanism of the Petitioner’s Exchange. Accordingly, we direct that any downward revision in the contracted quantity (MWh) shall be subject to the aforesaid conditions.”*

22. From the above, it is clear that any revision in the quantity after completion of trade will be subject to validation by the system operator and the default mechanism of the Power Exchange. We note that the proposed clause in Petitioner exchange's business rule provides for a penalty which shall be payable by the defaulting member. However, the clause requires modification in terms of validation of the reason for revision by the system operator. Therefore, we direct the Petitioner to make appropriate changes to the clause to specify that no revision shall be allowed, except in case of force majeure or constraints in the transmission corridor, subject to the validation by the system operator and default mechanism of the Petitioner's Exchange and in case of default the penalty shall be imposed. Further, we accord approval to the capping of 20% of the trade price in the calculation of the penalty in view of the Petitioner's argument that this change is a result of the feedback of its stakeholders. On the same ground, we also accord approval to the revision of administrative charges from Rs. 5,000/- to Rs. 10,000/-.

**Utilisation of Security Deposit and Initial Margin for various products**

23. Post approval for the commencement of operations, the Petitioner has introduced various products on its platforms which have been approved by the Commission through its various Orders. We note that Regulation 26 of the PMR 2021 permits a Power Exchange to develop and implement a prudent risk management framework which shall be dynamic based on the changing risk profiles of the market. We find that the Petitioner has defined Margins as per the risk mitigation requirement of the respective contracts, which have been approved by the Commission in respective cases.

24. We observe that the Petitioner by way of the proposed amendment in the instant petition, now aims to make the clauses pertaining to Margins consistent with the contract-specific specifications approved by the Commission for various products. Accordingly, we approve the same.

**Other amendments**

25. Further, other amendments proposed by the Petitioner, i.e. addition of explanation and description of "Open Auction" and "Reverse Auction, replacing UI with DSM, replacement of DAC with DAM etc., are minor changes and are not being reproduced here for sake of brevity. The Commission has examined the drafts of the amended Business Rules submitted by the Petitioner for the same. We note that these proposed amendments are in conformity with either the specifications approved by the Commission or the provisions of the Power Market Regulations 2021. Accordingly, we approve the same.

26. In view of the above, the Petitioner is directed to amend its Business Rules and provide us, on affidavit, the fair copy of the Business Rules within a week from 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.

27. The Petition No. 121/RC/2023 is disposed of in terms of the above.

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(पी. के. सिंह)  
सदस्य

हस्ता./-  
(अरुण गोयल)  
सदस्य

हस्ता./-  
(आई. एस. झा)  
सदस्य

हस्ता./-  
(जिष्णु बरुआ)  
अध्यक्ष

