

For the kind attention of:

- **Shri Harpreet Singh Pruthi**

Secretary

Central Electricity Regulatory Commission (CERC)

7th Floor, Tower B, World Trade Centre, Nauroji Nagar, New Delhi-

110029

[secy@cercind.gov.in](mailto:secy@cercind.gov.in)

[ashutosh.sharma@nic.in](mailto:ashutosh.sharma@nic.in)

**Comments on the Draft CERC (Power Market) Regulations, 2021 –  
Draft order in the Suo-Motu Petition No. 8/SM/2024 thereof**

### Background

The Regulatory Assistance Project (RAP) thanks the Commission for this opportunity to comment on the (Power Market) Regulations, 2021 – Draft, order in the Suo-Motu Petition No. 8/SM/2024 thereof, regarding the proposed changes in Contingency Contracts and Term-Ahead Market.

The regulations are extremely important in supporting development of transparent, liquid and efficient markets.

We commend the CERC for developing these regulations and appreciate the chance to contribute RAP's insights to advance this effort.

Our interest is to contribute to CERC efforts to reform the country's electricity system, to make it more efficient, achieve important public policy goals, and to contribute to serving the public good in India. We trust that you will find our observations below to be objective, independent, and tailored to support CERC's guidance.

RAP wishes to offer some general comments and some specific comments on the draft regulations, plus some suggestions on the reforms articulated, as follows:

### Role of regulation – and overview of reforms

RAP welcomes CERC's public notice seeking to reform Power Exchange contracts, recognising the important role of regulation of Power Exchange contracts (type and features) to deliver multiple policy objectives including –

- market efficiency: regulation can make it easier for buyers and sellers to match their needs, for instance by helping avoid market fragmentation (through standardisation and avoiding overlap) and ensuring simplicity and transparency, and thereby assist liquidity and price discovery,
- competition: regulation can ensure products and markets work for smaller and newer market participants,
- reduced risk of market manipulation: a well-regulated contract structure with transparent rules can limit undesirable behavior and promote competition.

The proposed reforms seek to reduce overlap and market fragmentation and therefore to support liquidity and price discovery. The proposals are therefore broadly welcome – though the proof of that will lie in whether they support liquidity and price discovery. This points to the importance of monitoring and evaluation (see last point).

### **Intra Day Continuous – and Day Ahead Contingency contracts**

CERC proposes to phase out continuous trading, which suffers from low liquidity. This should enhance participation and liquidity in auctions instead. Enhanced liquidity should, first, support market efficiency. Second, use of auctions rather than continuous trading should allow for network constraints to be reflected directly in price formation, rather than requiring distinct explicit auctions for wire capacity, again supporting efficiency. Third, auctions provide market clearing prices rather than prices that are the function of a bilateral trade (as with the alternative of continuous trading). Again, this should support efficiency. Note Europe is introducing multiple intra-day auctions (diminishing reliance on continuous trading) to unlock these benefits.

CERC proposes that Day Ahead Contingency contracts shift from continuous trading to auction format. This may support market efficiency, for the same reasons as above.

Overall, these changes are likely therefore a positive development.

### **Term Ahead contracts – and Any Day Single Side contracts**

CERC proposes to rationalise Term Ahead Market contracts, which currently suffer from overlaps in design and a degree of granularity that may impede liquidity and price discovery. CERC also proposes to rationalise Any Day Single Side contracts, to avoid fragmentation. Rationalisation in both cases may help improve liquidity.

### **Metrics and monitoring**

Preparation and publication of market monitoring reports, with publication of key metrics, including churn, bid-offer spreads, and trade volumes<sup>1</sup> can support a transparent assessment of the effectiveness of the reforms. This will be important to assess the adequacy of reforms, and to develop further changes.

We hope the comments above assist with finalisation of the CERC Draft, order in the Suo-Motu Petition No. 8/SM/2024 thereof, regarding the proposed changes in Contingency Contracts and Term-Ahead Market.

Once more, we wish to applaud CERC for developing these critical regulations, and we lend our support to the reforms and advances articulated therein.

Thank you for this opportunity to comment. If we can be of further assistance, please do not hesitate to contact. We would be keen to collaborate with CERC on these and related matters.

---

<sup>1</sup> See for example monitoring by energy regulator Ofgem in Britain.  
[www.ofgem.gov.uk/sites/default/files/2024-08/Summary\\_of\\_responses\\_following\\_liquidity\\_call\\_for\\_input.pdf](http://www.ofgem.gov.uk/sites/default/files/2024-08/Summary_of_responses_following_liquidity_call_for_input.pdf)

Sincerely,

Dr. Alejandro Hernandez

Director, India and Global Opportunities Program

Regulatory Assistance Project – [ahernandez@raponline.org](mailto:ahernandez@raponline.org)