

CENTRAL ELECTRICITY REGULATORY COMMISSION
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Press Release

CERC moves ahead with the creation of a Power Exchange

Central Electricity Regulatory Commission (CERC) conducted a public hearing on December 19, 2006 to debate the possibility of setting up a Power Exchange. The Staff of the Commission had earlier circulated a Concept Paper indicating the basic issues and modalities involved in organising electricity trading through a common platform. More than 150 stakeholders including CEA, Generators, Distributing Utilities, State Electricity Boards, Traders, Commodity Exchanges and IIT Mumbai participated in the deliberations, and some of them made detailed presentations.

2. The stakeholders were overwhelmingly of the view that the Power Exchange would result in better resource optimization, generate strong investment signal and make power trading transparent and efficient. In the interest of fair play and protection of consumer interest, the stakeholders recommended that the Exchange should function under Regulatory Oversight.

3. According to Shri Ashok Basu, Chairman, CERC, "The Commission would now go ahead with creation of a Power Exchange, based on the mandate given to us by the Stakeholders. Guidelines for applying for license for setting up and operating a Power Exchange would be issued by the Commission by January 20, 2007. We are targeting to set up an Exchange in the country in 2007."

4. The Chairman, CEA who also attended the hearing as Ex-Officio Member of the Commission, informed that CEA has recommended to the Ministry of Power that by the year 2010, 10% unallocated quota of central generating stations may be assigned to Power Exchange and Trading in order to improve liquidity of supply in the Exchange.

5. The Commission said that the guidelines would lay down the broad principles and criteria for the selection of the entity for the purpose of creating Power Exchange. It would be a National Exchange to begin with. The existing long term contracts, which cater to more than 97% of the demand, shall not be disturbed and as such there was no basis to apprehend that the electricity prices would increase by the creation of the Exchange.

6. The Power Exchange would be a voluntary platform for electricity trading which will co-exist with other options for trading already facilitated through Open Access. The Exchange would have common price discovery principle through double sided anonymous auctions by matching the aggregated demand and supply both in terms of quantity and price. The buyer would not be compelled to buy at a price higher than the price quoted by him.

7. The Regional Load Dispatch Centres stated that it would be technically feasible to create a Power Exchange and they would extend their full cooperation in the matter.

8. There was consensus regarding creation of a Day-ahead Power Exchange inviting bids for each one hour time block for the next 24 hours. The time line for the Power Exchange would be aligned with the scheduling and dispatch time line as per the Indian Electricity Grid Code.

9. Dispatch and drawal schedules to be released by the Power Exchange to buyers and sellers, respectively, shall be **firm**. The payment and collection for the firm trade schedules of the Power Exchange would be settled by its financial clearing house. The real time deviations from the net schedule of a State or a Generator shall be financially settled through the existing UI pool mechanism.

10. NVVN, a subsidiary of NTPC, and the two prominent commodity exchanges of the country, namely, NCDEX and MCX evinced interest in taking the initiative of setting up of Power Exchange in the country.

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