

CENTRAL ELECTRICITY REGULATORY COMMISSION

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PRESS RELEASE

INTER-STATE TRADING OF ELECTRICITY

The Central Electricity Regulatory Commission (CERC) has issued final Regulations for Inter-State Trading of Electricity after taking into account the suggestions and comments received from the stakeholders in response to the draft regulations posted on its website on 9.12.2003. The Electricity Act, 2003, recognises trading as an independent activity and accordingly prescribes issue of trading licences by the CERC for inter-state trading. The Commission had circulated a consultation paper during September, 2003 and based on the comments and suggestions received, the draft regulations are prepared and published for comments. The final regulations are now prepared in the light of the comments on the draft regulations. In the meantime the Commission has already received applications from various companies for issue of trading licences immediately after the enactment of the Electricity Act, 2003 and the Commission had permitted all of them to continue trading till 31.3.2004 or till the issue of Regulations by the Commission whichever is earlier. After Notification of Trading Regulations, the interested parties may file fresh applications before CERC, seeking inter-state trading licences, in accordance with these Regulations.

The Commission is also initiating actions for preparation of Regulations for establishment of a market mechanism for electricity. The Regulations for market mechanism will be done after following a transparent process as is the normal practice of the Commission.

The highlights of the final Regulations for inter-state trading are as follows:

1. The Regulations provide for trading carried out bilaterally between the generating company including captive generating plant, distribution licensee and electricity trader on the one hand and the electricity trader and the distribution licensee on the other.
2. The Inter-State Trading Licence shall be granted for 25 years.
3. The Regulation prescribes the application form for trading licence. The application fee is Rs.1.00 lakh which is subject to adjustment after

the same is prescribed by the Central Government. A model licence document is also appended to the Regulations.

4. The Regulations also specify the methodology for publication of the licence application. The application shall be published in at least two national English daily newspapers including one economic newspaper and two local newspapers falling within the areas of trading, one of which shall be in vernacular. The entire application shall also be posted on the website.
5. The applicant for the licence shall file his comments on the objections or suggestions received in response to the public notice.
6. The technical requirements for being an electricity trader stipulates having at least one full time professional each with experience in
 - i) Power System Operations and commercial aspects of Power Transfers and
 - ii) Finance, Commerce and Accounts.

7) Capital adequacy requirement for various categories has been stipulated as follows:

Sl. No.	Category of the Trading Licence	Volume of Electricity proposed to be traded per annum (in Kilo - Watt Hours)	Net worth (Rs. in crore)
1	A	Upto 100 million	1.5
2	B	100 to 200 million	3.0
3	C	200 to 500 million	7.5
4	D	500 to 700 million	10.0
5	E	700 to 1000 million	15.0
6	F	Above 1000 million	20.0

- 8) The licence fee corresponding to the above six categories is Rs.1.00 lakh, 2.00 lakhs, 5.00 lakhs, 7.00 lakhs, 10.00 lakhs and 15.00 lakhs per annum respectively.
- 9) The trading licensee is required to comply with the provisions of the Act, Rules and Regulations, Grid Code, etc.
- 10) The licensee is also permitted to move from one category to another automatically, provided the licensee adjusts his net worth and pays the additional licence fee as specified.
- 11) The trading margin is not prescribed by the Commission at present

and the Commission may revisit this issue, if required at an appropriate time.

- 12) The Regulations also specifies the prohibited activities such as taking over of the Utility of any other licensee, merger with the Utility of any other licensee or assigning or transfer of the licence for which prior approval of the Commission would be necessary.
- 13) The Commission has prescribed the reporting formats in which the reports are to be furnished. The reports call for Volume of Trading, Source of Purchase and to whom sold, Points of Purchase and Sale, the agency making payment for Transmission/wheeling charges, Transmission losses and UI charges, and the trading margin. The formats also capture the movement of the Trading Licensee from one category to another and the compliance regarding adjustment of network, payment of additional licence fee, violation of terms and conditions of licence etc.
- 14) These Regulations may be reviewed from time to time to keep pace with the developments of formulation of Regulations for open access in distribution by the State Electricity Regulatory Commissions and introduction of Power Exchange by the Commission.

The Commission believes that with the finalisation of the Inter-State Trading Regulations, the activity of trading in electricity will get the requisite boost and will enable evacuation of power from wherever it is bottled up, to the needy areas.

Sd/-
(A.K.Sachan)
Secretary
