

CENTRAL ELECTRICITY REGULATORY COMMISSION

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PRESS RELEASE

CERC notifies Power Market Regulations

In exercise of its powers under section 66 of the Electricity Act, 2003, CERC has issued the Power Market Regulations, 2010. The Electricity Act aims at taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and enhancing supply of electricity.

2. Provisions of these regulations would now govern transactions in various contracts related to electricity. The following are the main features of these regulations:

- i) These regulations shall apply to various types of inter-state contracts related to electricity whether these contracts are transacted directly, through electricity traders, on power exchanges or on other exchanges.
- ii) These regulations will govern spot contracts, term ahead contracts, derivatives and other electricity related contracts as specified in the regulations.
- iii) Launching electricity related contracts on exchanges would require permission of the Commission. However, the contracts already permitted on power exchanges will not require fresh approval.
- iv) These regulations provide that the derivative contracts which could be financially settled and certain other type of contracts shall be permitted by Commission at a future date taking into account the availability of electricity supply, liquidity and maturity of the electricity markets in the country.
- v) The regulations give certain guidelines for the contracts to be dealt with by electricity traders which are to be complied with. No separate approval is required for the contracts to be dealt with by electricity traders. However, electricity traders would be able to deal with

- derivatives which could be financially settled only after such contracts have been permitted by Commission.
- vi) Detailed capital structure and management structure for power exchanges has been specified in the regulations keeping in view the requirements of ring-fencing, demutualization and creation of widely held market institutions.
 - vii) Power exchanges have been required to realign their rules and byelaws with the new regulations within a period of three months. However, a period of three years has been given for realignment with new capital structure.
 - viii) Power exchanges have been given an option of creating separate clearing corporations. However, separate clearing corporation would be mandatory for introduction of derivative contracts whenever these are permitted by Commission.
 - ix) These regulations provide for special networth and other requirements of power exchange for dealing with derivatives whenever permitted by Commission.
 - x) The Board of Directors of power exchanges would have two independent Directors to be nominated from a panel approved by Commission.
 - xi) The regulations have detailed provisions for effective market monitoring and surveillance.
 - xii) There are specific provisions for prohibiting insider trading and also for protecting the whistle blowers.

3. It may be noted that section 66 of the Electricity Act mandates CERC to promote development of markets in electricity (including trading) through regulations and in accordance with National Electricity Policy. These regulations have been specified in fulfillment of the statutory mandate of CERC after wide public consultation and a public hearing.

4. The full text of these regulations is available on the CERC's website www.cercind.gov.in.

Sd/-
(Alok Kumar)
Secretary