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## CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

No. L-1/13/2010- CERC

Dated 20th January, 2010

### NOTIFICATION

In exercise of powers conferred under Section 66 read with Section 178(2)(y) of the Electricity Act, 2003 (36 of 2003) and paragraph 5.7.1 (f) of the National Electricity Policy, and all other powers enabling it in this behalf, and after previous publication, the Central Electricity Regulatory Commission hereby makes the following regulations, namely:

#### Part - 1

#### Preliminary

##### 1. Short title and commencement

- (i) These regulations may be called the Central Electricity Regulatory Commission (Power Market) Regulations, 2010.
- (ii) These regulations shall come into force from the date of their publication in the Official Gazette.

## 2. Definitions and Interpretation

(i) In these regulations, unless the context otherwise requires-

(a) "Act" means the Electricity Act, 2003 (36 of 2003);

(b) "Annual Turnover" means such turnover in Million Units of Electricity (MU) which is calculated considering the total number of units cleared in all types of transactions on a Power Exchange in a financial year.

For example- if a transaction of 10 MU is cleared , the turnover considered will be 10 MU only and not a cumulative addition of 10 MU as buy quantity and 10 MU as sell quantity of that transaction;

(c) "Automated audit trail" means automated creation and maintenance of time-sequenced record of transactions (creation, modification or deletion) in the electronic trading system of Power Exchange for reference at later date/time;

(d) "Board" means board of directors of a Power Exchange;

(e) "Cartelization" means an act by market participants to form an association to control or attempt to control generation, distribution, sale or prices or transaction in electricity;

(f) "Contract" means a contract for or relating to the purchase or sale of electricity or its related products;

(g) "Clearing Corporation" means an organization which undertake clearing and financial settlement of all contracts transacted on an Exchange with which it is affiliated or any contracts transacted outside the Exchange in accordance with these regulations as amended from time to time;

(h) "Clearing" means the process of determination of obligations of Members of Exchange resulting from conclusion of a transaction at an Exchange ;

(i) "Client" means a person who executed an agreement with a Member of Power Exchange or Member of Clearing Corporation or Electricity Trader for dealing and /or clearing through such member or Electricity Trader ;

(j) "Credit risk" means risk emanating in a contract due to change in financial condition of any of the contracting parties;

(k) "Day ahead contract" means contracts where transaction occurs on day (T) and delivery of power is on the next day (T+1) and which are scheduled by Regional Load Despatch Centre or National Load Despatch Centre;

- (l) “Derivative Contract” means an electricity contract transacted in the OTC markets or Exchanges and that derives its value from an underlying asset in electricity (e.g. day ahead electricity contract or other spot market contract or other reference index);
- (m) “Electricity Trader” shall have the meaning assigned to it under sub section (26) of Section 2 of the Act;
- (n) “Exchange” means a Power Exchange and Other Exchanges ;
- (o) “Intraday Contract / Contingency Contract” means contracts where transaction occurs on day ( T ) after the closure of day ahead transaction window and the delivery of power is on the same day ( T ) or next day ( T+1 ) and which are scheduled by Regional Load Despatch Centre or National Load Despatch Centre;
- (p) “Load Despatch Centre” (LDC) means the National Load Despatch Centre (NLDC) or Regional Load Despatch Centres (RLDC) or State Load Despatch Centres ( SLDC) as the case may be ;
- (q) “Market” means a forum / platform where buyers and sellers directly or through Electricity Trader , or through electronic Exchanges (including a Power Exchange) buy or sell electricity or its related products ;
- (r) “Market Splitting” is a mechanism adopted by Power Exchange where the market is split in the event of transmission congestion, into pre-determined ( by NLDC) bid areas or zones, which are cleared individually at their respective area prices such that the energy balance in every bid area is reached based upon the demand and supply in individual bid areas and using the available transmission corridor capacity between various bid areas simultaneously;
- (s) “Member of Power Exchange” means a person who has been admitted as such by a power Exchange in accordance with these regulations;
- (t) “Member of Clearing Corporation” means a person who has been admitted as such by the Clearing Corporation in accordance with these regulations;
- (u) “Member Service Charge” has the meaning assigned to it under Regulation 27;
- (v) “Networth” means aggregate value of the paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses, deferred expenditure ( including miscellaneous expenses) not written off and loans and advances to the associates;
- (w) “Open position” means a buy or sell position when a transaction has been executed but the delivery or financial settlement has not been completed and where a person may remain exposed to price or credit or operational risk;
- (x) “Operational risk” means any risk emanating in a contract due to systems, processes, technology error or breakdown ,non scheduling of power due to technical reasons ;
- (y) “Other Exchanges” means such exchanges other than Power Exchange within the meaning of Regulation 3( iii) where contracts specified under Regulation 4 are transacted;
- (z) “Over The Counter (OTC)” shall have the meaning assigned to it as under Clause (i) of Regulation 3;

- (aa) "Position" means the financial and physical condition arising as a result of a buy or a sell action of a participant of the Exchange or OTC market;
- (bb) "Price risk" means any risk emanating in a contract due to change in price of the contract / asset during tenure of the contract;
- (cc) "Power Exchange" means the exchange registered under these regulations;
- (dd) "Reserves" means any part of shareholders' equity, except for basic share capital;
- (ee) "Safe Liquid Investment" means investments in liquid assets comprising of cash in hand, cash equivalents (Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value) and demand deposits with banks;
- (ff) "Settlement Guarantee Fund (SGF)" means a fund maintained by the Power Exchange or Clearing Corporation used for settlement of defaults of its members as prescribed in the default remedy mechanism of Power Exchange or Clearing Corporation and may comprise of any sources of funds as may be determined by the Power Exchange or Clearing Corporation with prior approval of the Commission from time to time;
- (gg) "Settlement" means the process of discharging the obligations of members resulting from conclusion of a transaction at an Exchange ;
- (hh) "Short term market" means a market with contracts for a period not exceeding one year;
- (ii) "Spot Market" means a market where physical delivery of electricity occurs either on the same day as the date of the transaction (T) or on the next day (T+ 1);
- (jj) "Term Ahead market" means a market where physical delivery of electricity occurs on a date more than one day (T + 2 or more) ahead from the date of transaction (T) and the contracts in such market can be transacted weekly / monthly /yearly or more in advance and have a denned delivery period on expiry of contract and is scheduled by Regional Load Despatch Centre or National Load Despatch Centre;
- (ii) Save as aforesaid and unless repugnant to the context or if the subject-matter otherwise requires, words and expressions used in these regulations and not denned, but denned in the Act or other regulations made thereunder by the Commission shall have the meaning assigned to them in the Act or other regulations made by the Commission.

## Part - 2

### Scope of Regulation and Extent of Application

#### 3. These regulations shall apply to OTC markets and Exchange markets dealing in electricity, and where —

- (i) Over the Counter Market - Over the Counter Market is the inter-State market where buyers and sellers directly transact or transact through an Electricity Trader, and where the price and terms of the contract are determined through negotiations as agreed between the parties or through competitive bidding process or through a

Electricity Trader. The risk in contracts executed in such markets is managed between the parties themselves or by the Electricity Trader, as the case may be.

- (ii) Power Exchange Market - Power Exchange Market is a market where buyers, sellers, Electricity Traders, Members of Power Exchange transact on standardised contracts and where the Power Exchange or Clearing Corporation is counterparty to such contracts and further, scheduling is done by Regional Load Despatch Centre or National Load Despatch Centre unless actual delivery is dispensed with.
- (iii) Other Exchange Market - Other Exchange is a market where derivative contracts, contracts for electricity or its related products are transacted on standardised contract specifications and where the Exchange or Clearing Corporation is counterparty to such contracts.

**4. These regulations shall apply to the following types of contracts :-**

- (i) Delivery based Short Term contracts in OTC market -
  - (a) OTC Contracts directly between buyers and sellers -The interstate transactions in which buyers and sellers enter into a contract and decide price and other terms of the contract either through negotiation or based on competitive bidding processes.
  - (b) OTC Contracts through Electricity Traders -
    - I. Back to back deals - The interstate transaction in which an Electricity Trader buys a specific quantity of power for a particular duration from one party and simultaneously sells it to another party on same terms and conditions. Such transaction does not expose the trader to any price risk. It may expose the trader to credit risk and operational risk.
    - II. Deals with Open position - The interstate transaction in which a Electricity Trader takes a position in a power purchase or sale contract based on price and other factors in view and adopts a strategy which he deems fit  
  
Illustration: Electricity Trader A buys power for a long term period at a contracted price and sells power to buyers B, C, D in tranches over a period of time at different prices.
    - III. Contract to aggregate suppliers / buyers and sell / buy to a one or more buyers / sellers

(ii) Financially settled electricity derivatives contracts transacted in OTC market - It is contract which derives its value from an underlying asset (e.g. day ahead electricity contract or other spot market contract or other reference index). The contract price is fixed at the time of transaction. The final financial settlement price is based on the spot price of the underlying asset or any other predefined reference index as agreed between the parties at the expiry of contract. These contracts can be Derivative Contracts, swap and other structured contracts etc.

(iii) Delivery based contracts transacted on Exchange

- (a) Intraday contract /Contingency contract

- (b) Day Ahead contract
- (c) Term Ahead contract

**(iv) Financially settled electricity derivative contracts transacted on Exchange -**

It is a contract which derives its value from an underlying asset (e.g. day ahead electricity contract or other spot market contract or other reference index). The contract price is fixed at the time of transaction. The final financial settlement price is based on the spot price of the underlying asset at the expiry of contract. These contracts can be futures contract and other standardised contracts etc.

(v) Any new contracts linked with electricity generated from renewable sources, e.g. Renewable Energy Certificates (REC), etc. transacted on Power Exchange.

(vi) Any new contract in areas related to capacity , power price indices, and other areas related to electricity ;

(vii) Capacity Contracts -These are contracts where the capacity of a generating station is booked in advance and consideration is paid by the buyer with the right to require the generator to despatch electricity as and when required by such buyer at any time during the tenure of the contract. These can be transacted both on OTC markets and /or on Exchanges .

(viii) Ancillary Services Contracts - These contracts are for ancillary services. Ancillary Services in power system (or grid) operation are support services necessary to support the power system (or grid) operation for maintaining power quality, reliability and security of the grid, e.g. active power support for load following, reactive power support, black start, etc.

**5. These regulations shall apply to all market participants including -**

- (i) Grid connected entity(ies) such as but not limited to Generating companies, Distribution Licensees, consumers who have been granted open access.
- (ii) Electricity Traders;
- (iii) Power Exchanges and Clearing Corporations approved by the Commission;
- (iv) Members of Power Exchanges;
- (v) Members of Clearing Corporation;
- (vi) Other Exchanges and
- (vii) Any other transacting party

**Part - 3**

**Approval / Suspension of the Contracts by the Commission**

6. The Commission may, on an application made in this behalf, permit any Exchange to introduce such contracts as specified in Part 2 of these Regulations for transacting on the Exchange

Provided that the requirement to seek permission shall not apply to such contracts which are transacted on a Power Exchange on the date of notification of these Regulations with the approval of the Commission.

Provided further that an Electricity Trader is not required to obtain any approval under these regulations but shall submit information as specified in Central Electricity Regulatory Commission (Procedure, Terms and Condition of grant of Trading License and other related matters) Regulations, 2009 and comply with the trade reporting requirement as specified in Regulation 59 (iii) hereof.

7. (1) An Exchange seeking permission under Regulation 6 shall submit to the Commission the complete and detailed contract specifications.

- (2) The Commission may, prior to granting such authorisation to Exchanges as specified in Regulation 6, examine the following and such other parameters of such contracts as considered appropriate having particular regard to the following :-

- (i) Type of contract (day ahead, term ahead etc);
- (ii) Price Discovery methodology and matching rules proposed;
- (iii) Transaction period - When transaction shall commence and for what tenure transaction session shall continue before delivery commences;
- (iv) Risk Management mechanism
  - (a) Margining mechanism
  - (b) Final Price Settlement mechanism
- (v) (a) Delivery mechanism
  - (b) Delivery Duration - Delivery is for intraday, daily, week, month, particular season or year
- (vi) Penalty for Contractual Deviation (for Term Ahead Market)

Contractual Deviation is the difference between the energy corresponding to contracted power and actual scheduled energy by the seller / buyer at point of injection respectively.

Provided that during approval of any new type of contract, the complete contract specification shall be submitted to the Commission for approval. Thereafter modification in the specifications other than the above mentioned parameters can

be done by the Exchange itself with intimation to the Commission within seven days of effecting the said modifications.

8. Notwithstanding anything contrary contained in these Regulations, no person shall enter into or transact in any of the following types of contracts unless the same has been permitted to be so launched or introduced by the Commission in terms of notification issued in this behalf-

- (i) Derivatives Contracts;
- (ii) Ancillary Services Contracts
- (iii) Capacity Contracts

Provided that the Commission shall, permit such contracts in the market from a date to be notified in this behalf, for ensuring reasonable prices of electricity and having regard to liquidity and volatility in the market, demand supply situation and other relevant factors.

9. If the Commission is of the opinion that it is necessary or expedient so to do, it may after granting the concerned person the opportunity of being heard, by order, suspend transactions on any contract for the period specified in the order or withdraw any contract from the market or the Exchange, as the case may be.

#### **Part - 4**

##### **Principles of Market and Market Design**

10. A Power Exchange shall function with the following objectives:-

- (i) Ensure fair, neutral, efficient and robust price discovery
- (ii) Provide extensive and quick price dissemination
- (iii) Design standardised contracts and work towards increasing liquidity in such contracts

Explanation: Liquidity is a measure of ease of entering or exiting into a transaction (generally large transaction) with minimal impact in the market price of the transacted contract.

11. A Power Exchange shall adopt the following market design in case of day ahead markets:-

##### **A. Price Discovery**

- (i) The economic principle of social welfare maximisation and to create buyer and seller surplus simultaneously during price discovery.



(ii) The bidding mechanism shall be double sided closed bid auction on a day ahead basis.

(iii) The price discovered for the unconstrained market shall be a uniform market clearing price for all buyers and sellers who are cleared

(iv) In case of congestion in transmission corridor, market splitting mechanism shall be adopted.

(v) The delivery / drawl of power shall be considered at the regional periphery.

#### **B. Delivery Procedure**

(i) Participants in Power Exchange shall take “Concurrence, Prior Standing Clearance, or No objection” from their respective State Load Despatch Centres if applicable before participating in the Power Exchange

(ii) Transmission charges and transmission losses shall be handled as per Procedure for scheduling (Open access) of Collective Transactions issued in accordance with CERC (Open access in Inter State Transmission) Regulations, 2008 and as amended from time to time.

(iii) Contracts in day ahead market are necessarily for physical delivery and shall be binding on the participant executing the transaction

(iv) The scheduling and delivery of contracts on Power Exchange shall be in coordination with the system operator and in accordance with CERC (Open access in Inter State Transmission) Regulations, 2008 as amended from time to time, Indian Electricity Grid Code as amended from time to time. The operational details shall be as per the Procedure for scheduling (Open access) of Collective Transactions issued in accordance with CERC (Open access in Inter State Transmission) Regulations, 2008 and as amended from time to time.

(v) The allotment of transmission corridor to Power Exchanges shall be done by National Load Despatch Centre as per directions of the Commission.

#### **12. OTC Markets - The following principles of transaction shall be observed:**

(i) OTC market shall provide customized solution to sector participants and endeavour to bring innovation in the market place.

(ii) Contracts to be sold to client shall be based on the suitability, appropriateness and full material disclosure of contract pricing, its risks and implications to the parties entering into the contract.

**13.** The Physical Market Design should complement security and reliability of power system and under no circumstances should market mechanisms compromise grid security.

## Power Exchange

### **14. No Power Exchange shall operate without obtaining registration under these regulations.**

Provided that the Power Exchanges which have been granted approval / in-principle approval by the Commission on or prior to the date of notification of these regulations shall be deemed to be registered under these regulations subject to payment of annual registration charge.

Provided further that the Power Exchanges in operation shall realign their Bye-laws, Rules and Business Rules to make the same in conformance with these regulations and shall submit the same for approval of the Commission within three months from the date of notification of these regulations.

Provided also that the existing approved Bye-laws, Rules and the Business Rules shall remain in force till the Commission gives approval to revised Bye-laws, Rules and Business Rules.

Provided further that anything done or any action taken or purported to have been done or taken under the existing approved Bye-laws, Rules and the Business Rules shall, in so far as it is not inconsistent with the provisions of these Regulations, be deemed to have been done or taken under the corresponding provisions of these Regulations.

### **15. The eligibility criteria for making application for registration of Power Exchange shall be as follows:**

- (i) (a) Any company limited by shares incorporated as a public company within the meaning of the Companies Act, 1956;
- (b) **A consortium of companies** having an agreement amongst themselves to set up a power exchange through a special purpose vehicle ("SPV") incorporated as a public company limited by shares within the meaning of the Companies Act, 1956;

Provided that the process for registration may be commenced in case a consortium applies for registration by submitting a copy of such an agreement entered into amongst the consortium members, but registration shall be granted only when consortium has incorporated the SPV as aforesaid.

- (ii) **The main objects of the applicant company shall be to primarily set up and operate Power Exchange though the other and incidental objects may be to undertake other businesses related to energy sector and its ancillaries with the prior approval of the Commission.**

Provided that such a company shall maintain separate accounts for separate businesses.

### **16. Procedure for filing Application**

- (i) Application for grant of registration to establish and operate a Power Exchange shall be filed in the form of a petition to the Commission in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and as amended from time to time.

- (ii) The salient details of the applicant, proposed transaction platform and website address where the full application is accessible shall be published in all editions of at least two national daily newspapers including one economic daily newspaper within 7 days of filing of the application inviting public comments/objections, if any, upto a period of 30 days.
- (iii) The application as filed and the information as sought by the Commission shall be posted and kept on the web site of the applicant at least for a minimum period of 30 days from the date of publication of notice in newspapers.
- (iv) The applicant shall file before the Commission its reply to the objections or suggestions received in response to the public notice within 45 days of its publication in the newspaper.
- (v) The Commission after consideration of the objections or suggestions received in response to the notice published by the applicant and his reply may propose to grant registration to the applicant.
- (vi) When the Commission proposes to grant registration, it shall publish a notice of its proposal in two daily newspapers, as the Commission may consider appropriate, stating the name and address of the person to whom it proposes to grant the registration with such other details as the Commission considers appropriate, to invite further objections or suggestions to its proposal.
- (vii) On consideration of further objections or suggestions received and the reply of the applicant thereto, if any, the Commission may grant registration or reject the application, for reasons to be recorded in writing if the application does not conform to the provisions of the Act or the regulations thereunder

Provided that no application shall be rejected, unless the applicant has been given an opportunity of being heard.

**17. Applicants seeking registration to set up and operate a Power Exchange shall submit the following documents along with the application, to the Commission:**

- (i) Memorandum and Articles of Association of the company making the application;
- (ii) In case of a consortium of companies, a formal agreement amongst the members of the consortium to set up a Power Exchange shall be submitted;
- (iii) Details of the existing business of the consortium members;
- (iv) Copies of the Annual Report and/or audited accounts of the applicant for the last three years, to the extent applicable;
- (v) A Project Report containing the following details:
  - (a) Constitution of the proposed Power Exchange;
  - (b) Funding sources of the proposed Power Exchange;
  - (c) Management and Administrative structure of the proposed Power Exchange;
  - (d) Infrastructural facilities available/proposed to be acquired by the Power

Exchange;

- (vi) The draft rules of the proposed power Exchange relating in general to the constitution of the proposed Power Exchange and in particular, that relating to:
  - I. The board of directors of the Power Exchange, its constitution and powers;
  - II. Management of the Power Exchange and the manner in which its business is to be transacted;
- (vii) The draft bye laws of the proposed Power Exchange covering the aspects specified in Regulation 24 hereof.

## 18. Prudential Norms for establishment of Power Exchange

- (i) A Power Exchange shall always have a **minimum network of Rs. 25 Crore**

Provided that the Power Exchange shall always maintain the above network and in case the same depletes due to payment made by the power Exchange to sellers / buyers in default including by the usage of the SGF impacting its network, the Power Exchange shall increase its network to comply with the above network criteria within 3 months from the date of depletion.

**Provided that if and when a Power Exchange separates its clearing function to a Clearing Corporation, it shall be required to have a minimum network of Rs. 5 Crore.**

Provided further that the Commission may, by general order, review the network criteria from time to time.

- (ii) For an applicant the network to be considered shall be minimum in three years immediately preceding the year in which the application is made or such lesser period during which the applicant may have been incorporated, registered or formed and on the date of special balance sheet accompanying the application for grant of registration
- (iii) The Network of a Power Exchange in operation shall be as per the last audited balance sheet.
- (iv) **Settlement Guarantee Fund (SGF)**
  - (a) The Power Exchange or Clearing Corporation shall invest the proceeds of SGF in safe investments and ensure that the principal amount is not at risk. Fifty percent (50 %) of the SGF proceeds shall be kept in safe liquid investments.
  - (b) **The SGF investment returns shall be retained by the Power Exchange till the Settlement Guarantee Fund is maintained by the Power Exchange. In case of hiving off of the Clearing Corporation, the SGF investment returns shall be retained by the Clearing Corporation.**
  - (c) The principles and methods of usage of the SGF shall be clearly communicated to the members and clients of Power Exchange through the bye laws of the Power Exchange.
  - (d) Details of investment of SGF shall be submitted to the Commission on an annual basis while submitting the Power Exchange's annual report or the

Clearing Corporations annual report as the case may be

- (e) Additional Prudential Norms, SGF requirements for Power Exchanges and Clearing Corporations as required for financial derivative contracts on Power Exchanges may be notified by the Commission by order and once these are notified, the same shall be complied with in terms thereof.

**19. Shareholding Pattern of Power Exchange**

(1) The shareholding pattern for equity holders in the Power Exchange shall be as follows:

- (i) Any shareholder other than a Member of the Power Exchange can have a maximum (whether directly or indirectly) of 25% shareholding in the Power Exchange.
- (ii) A Member of the Power Exchange can have a maximum (whether directly or indirectly) of 5 % shareholding in the Power Exchange.
- (iii) In total, a Power Exchange can have a maximum of 49% of its total shareholding owned by entities (whether directly or indirectly) which are Members of the Power Exchange.

**Explanation I** “indirectly” means through an associate where an associate is -

- (i) one who owns or controls shares carrying not less than twenty-six percent of the voting rights of the shareholder intending to hold equity in the power exchange; or
- (ii) in respect of whom the shareholder intending to hold equity in the Power Exchange owns or controls shares carrying not less than twenty-six percent of the voting rights; or
- (iii) one who is under the same management as the shareholder intending to hold equity in the power exchange.

**Explanation II:** An associate shall be deemed to be under the same management:

- (i) if the managing director or manager of the shareholder intending to hold equity in the power exchange is the managing director or manager of the associate; or
- (ii) if a majority of the directors of the shareholder intending to hold equity in the power exchange constitute or any time within six months immediately preceding, constituted a majority of the directors of the associate; or
- (iii) if not less than one third of the total voting power with respect to any matter relating to the shareholder intending to hold equity in the power exchange and the associate is exercised or controlled by the same individual or body corporate; or
- (iv) if any of the directors of the shareholder intending to hold equity in the power exchange while holding the majority of shares of such shareholder also holds the majority of shares in the associate.

(2) The share holding pattern shall be reported to the Commission from time to time

**20. Notwithstanding Regulation 19**, the Power Exchanges granted approval or in principle approval prior to the date of notification of these regulations, shall within a period not exceeding three years from the date of notification of these regulations, ensure the shareholding structure/pattern as specified in Regulation 19.

**21. Grant of Registration to Power Exchange**

- (i) The Commission may, after making such inquiries as may be necessary in this regard and after obtaining such further information as it may require, grant registration subject to such conditions as deemed fit, for setting up and operation of a Power Exchange.
- (ii) The registration of a power exchange shall continue to be in force for a period of twenty five (25) years from the date of commencement of operations unless such registration is revoked or cancelled.
- (iii) Notwithstanding clause (ii) above, the Commission may, on an application filed in this behalf, renew the registration for a like period of 25 years

**Provided that an application for renewal may be filed at the most 5 years before the expiry of the initial registration.**

**22. Ownership and Governance structure of Power Exchange**

- (i) There shall be a clear demarcation between ownership, management / operations and participation in trading.
- (ii) **Independent Directors** - At least one third of the members of the Board or a minimum of two directors, whichever is higher, shall be independent directors selected from a panel constituted by the Power Exchange and approved by the Commission out of which one person will have professional qualification and experience in finance. The panel shall be constituted of persons of repute and integrity from academics, professionals, industry representatives, public figures none of whom should have any interest in any Member of Power Exchange and any fiduciary relationship with any shareholder of Power Exchange.
- (iii) **The total strength of the Board shall be in accordance with the provisions of the Companies Act, 1956.**
- (iv) Not more than one fourth of the Board of directors shall represent Members of Power Exchange.
- (v) The Board shall appoint a CEO cum Managing Director who shall be solely responsible for running the day to day operations of the Power Exchange. **The Managing Director shall be a professional with adequate qualification and at least 10 years of experience in the relevant field.**
- (vi) The Managing Director, the Chief Executive or the Director in charge of day-to-day operations or any employee, of the power Exchange shall not be directly or indirectly associated with any Member of the Power Exchange or client or participant of the Power Exchange or with a holding or subsidiary company thereof.

- (vii) Services of any consultant or advisor can be availed of by Power Exchange as long as he is not dealing with price sensitive information of the Power Exchange and there is no conflict of interest between assignments undertaken for other persons served by the consultant or advisor and the Power Exchange
- (viii) The Managing Director shall ensure that the individual bids of members of the Power Exchange is not shared with the board of directors.
- (ix) The Power Exchanges which has been granted approval or in principle approval by the Commission on or prior to the date of notification of these regulations, shall within a period not exceeding one year from the date of notification of these regulations , ensure that the governance structure as specified in this Regulation 22 is adhered to and complied with

**22A Qualifications and Disqualifications for appointment as Director in the Board of Power Exchange**

- (1) A person shall be considered as qualified to be appointed as a Director in the Board of Power Exchange if such person has a record of fairness and integrity, good reputation and character, and honesty.
- (2) A person shall be considered as disqualified for appointment as Director of the Power Exchange, if-
  - (a) he is convicted by a court of any offence involving moral turpitude or fraud or any economic offence or any offence against any law and a period of five years has not elapsed from the date of expiry of the conviction:  
  
Provided that if the person is convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a Director in any Power Exchange; or
  - (b) he is found guilty in any proceedings for non-compliance of any of the provisions of the Act or the rules or the regulations made thereunder or any order made by the Appropriate Commission or the Appellate Tribunal for Electricity and a period of five years has not elapsed from the date of the order; or
  - (c) an order restraining, prohibiting or debarring him to hold the post of Director in the Board of a Company has been passed by any other Regulatory Authority constituted under any law in force in India under their respective Acts or regulations; or
  - (d) an adverse order has been passed against him by a competent court/tribunal in a winding up proceedings; or
  - (e) he is an undischarged insolvent; or
  - (f) he has applied to be adjudicated as an insolvent and his application is pending; or
  - (g) he is found to be of unsound mind by a court of competent jurisdiction and the finding is in force.
- (3) No person who suffers from any of the disqualifications prescribed under Companies Act, 2013 shall be eligible for appointment or continuation as Director of the Power Exchange.

- (4) The qualifications and disqualifications specified in this regulation shall also be applicable to the existing Directors of the Power Exchanges.
- (5) If any shareholder of the Power Exchange suffers from any of the disqualifications as mentioned in clauses (2) and (3) of this regulations, such shareholder or his nominee shall be debarred from being appointed as Director in the Board of the Power Exchange.
- (6) If any question arises as to whether a person is qualified/ disqualified to be a Director in a Board of the Power Exchange, the decision of the Central Commission on such question shall be final.<sup>1</sup>

### 23. Registration Charge

A Power Exchange shall pay an annual registration charge as specified below:-

Annual Turnover in Power Exchange (Million Units)	Annual Registration Charge (Rs Lac)
Above 10,000	30
Upto 10,000	15
Upto 5,000	5

The Annual registration charge shall be payable through a Bank Draft or Pay Order or by electronic transfer of money in favour of “Assistant Secretary, Central Electricity Regulatory Commission, New Delhi”, by 30th April every year

Provided further that the Commission may, by order, review the quantum of the annual registration charge from time to time.

Provided also that the Power Exchange would declare apriori the category it envisages to be in. In case of any difference between declarations and actual at the end of financial year, the annual registration charge shall be accordingly adjusted.

24. The Power Exchange shall function according to its Byelaws and Rules as approved by the Commission, which amongst other requirements would cover the following:
  - (a) Price Discovery and matching mechanism;
  - (b) Rights and liabilities of its members;
  - (c) Market surveillance and investigation;
  - (d) Clearing and settlement procedure;
  - (e) Risk management;
  - (f) Default and Penalty mechanism;
  - (g) Penalty for contractual deviations;

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<sup>1</sup>Inserted vide First Amendment Regulations 2014 w.e.f. 9.4.2014.



- (h) Transaction charge and the mechanism of its determination;
- (i) Brokerage and Commission Charges of its members;
- (j) Maintenance of records and accounts;
- (k) Preparation of annual accounts and audit thereof;
- (l) Arbitration, dispute resolution and conciliation;
- (m) Mechanism for redressal of grievances;
- (n) Opening and closing of transaction hours, transaction and settlement calendar;
- (o) Procedure from opening of the platform up to its scheduling by LDC;
- (p) Procedure for handling a default, i.e., failure to schedule the transaction finalized;
- (q) Details of market splitting methodology for handling transmission congestion; this shall be elucidated with examples Inter-face design with system operator/Regional Load Dispatch Centres;
- (r) The details of the Exit Scheme;
- (s) Qualifications for membership, exclusion, suspension and expulsion
- (t) Indemnification of Central Transmission Utility, National Load Despatch Centre, Regional Load Despatch Centres, State Load Despatch Centres by the Power Exchange.

Provided that Byelaws and Rules may be amended subject to obtaining prior approval of the Commission.

## 25. Management of Power Exchange

- (i) **The senior management of the Power Exchange shall comprise of at least two full-time proficient professionals** having, qualifications and experience and expertise in the following areas –

Discipline	Qualification and Experience
Power system operations	Degree in Engineering with at least 10 years experience in the field
Finance, commerce and accounts	CA/ICWA/MBA(in Finance) with at least 10 years experience in the field

- (ii) The Power Exchange shall constitute a Risk Management Committee (RMC) headed by an independent director of the board which shall stipulate risk containment measures and monitor adherence of the same.

- (iii) The Power Exchange shall constitute a Market Surveillance committee headed by an independent director of the board and having members from the executive team of the Power Exchange. No member of this committee shall be a Member of the Power Exchange.
- (iv) The Power Exchange shall constitute a SGF management committee with adequate representation from the Members of the Power Exchange. This committee shall be responsible for overseeing the management of SGF.

## 26. Membership in Power Exchange

- (i) **Membership in Power Exchange** shall be of the following three categories :-
  - (a) Member who is an Electricity Trader or
  - (b) Member who is a distribution licensee including deemed distribution licensee or a grid connected entity or
  - (c) Member who is neither an Electricity Trader nor distribution licensee including deemed distribution licensee nor a grid connected entity
- (ii) Member who is neither an Electricity Trader nor distribution licensee including deemed distribution licensee nor a grid connected entity can only provide the following services to its clients:-
  - (a) IT infrastructure for bidding on electronic Exchange platform or skilled personnel
  - (b) Advisory services related to power prices and the follow on bidding strategy (e.g. weather related information, demand supply position etc)
  - (c) Facilitation of procedures on behalf of his client for delivery of power (e.g. State Load Despatch Centre standing clearances, coordination with National Load Despatch Centre etc)

In no case, such a member shall provide any credit or financing or working capital facility to their clients.
- (iii) Member who is an Electricity Trader shall trade and clear on their own account or trade and clear on behalf of their clients. This category of members may provide any credit or financing or working capital facility to their clients.
- (iv) Member who is distribution licensee including deemed distribution licensee or grid connected entities shall transact and clear their own account only
- (v) The Power Exchange shall submit to the Commission detailed list of its members along with their clients every month as per the format appended to these Regulations.

Provided that the Commission may, by order, review the format from time to time.

- (vi) In case of any discrepancies found in the transactions of members or contravention of these Regulations, the Commission may, after giving the member of the Power

Exchange an opportunity of being heard in the matter, direct, the Power Exchange to revoke the membership of such member. Any such direction will be without prejudice to action against the Power Exchange under these Regulations.

- (vii) The Commission may direct Power Exchanges to introduce qualification test for personnel handling electronic trading terminals and trading in electricity.
- (viii) A Power Exchange may, at its discretion, stipulate any criteria for membership to the Power Exchange including networth, minimum base capital / security deposit requirement, liquid asset requirement.
- (ix) The Power Exchange shall maintain supporting documents provided by the member for obtaining membership including the documents evidencing compliance with any criteria specified by the Power Exchange and furnish it to the Commission on being required to do so. These documents shall be maintained upto a period of five years after the member has surrendered membership or ceases to be a member of the Power Exchange.
- (x) The Commission may by order, notify any additional membership criteria for transacting in derivatives contracts.

27. Member Service Charge for providing services to their clients in day ahead and term ahead markets in Power Exchange shall not be more than 0.75% of transaction value. This ceiling would be an overall ceiling including the service charges of any subordinate service providers.

Provided that Member Service charge to their clients in day ahead and term ahead market in Power Exchange for Electricity Traders who are members of Power Exchange shall be the trading margin only as per CERC (Fixation of trading margin) Regulations 2006 and as amended from time to time.

Provided further that the Commission may, by order, review the members service charge criteria from time to time.

Provided also that the Commission may, by order, notify the member service charges separately for derivative contracts.

Provided also that member service charge shall not include any charges levied by Power Exchange, transmission (open access) charges, other charges payable to National Load Despatch Centre / Regional Load Despatch Centre / State Load despatch Centre, statutory taxes etc.

## 28. Risk Management by Power Exchange

- (i) The Power Exchange shall adopt best practices while formulating prudent and dynamic risk management processes based on the changing risk profiles of the market.
- (ii) The Risk management Committee (RMC) shall review the risk management framework and process of the Power Exchange on a six monthly basis in January and July each year. The RMC report shall be submitted to the board of directors. The decision of the board of directors on the subject along with the RMC report shall be submitted to the Commission within one month of the risk management review process and not later than end of February and August respectively.

- (iii) The Members' risk shall be monitored constantly and margins shall be collected at appropriate time for efficacy of risk management.
- (iv) Members shall be subject to margins on a gross basis across clients by the Power Exchange. There shall be no offsetting of positions of different clients of a member in the same market.

**Illustration:** In case of an Electricity Trader member, if his client A has a buy position of 50 Mwh and his client B has a sell position of 50 MWh in the same contract, the net position of the member in the contract is to be taken as 100 MWh. The buy position of client A and sell position of client B in the contract will not be netted. It shall be summed up to arrive at the member's open position for the purpose of margin calculation.

- (v) Members should, wherever applicable, have a prudent risk management and timely margin collection system from their clients. The quantum of margins collected by members from client shall be at the discretion of the members and as per bye laws of Power Exchange.

**29. Power Exchanges may hive off the clearing and settlement function to a separate Clearing Corporation in case deemed fit. The Clearing Corporation shall be mandatory in case Power Exchanges launch financial derivative contracts.**

Provided that the Commission may make the requirement of setting up of Clearing Corporation mandatory for spot and term ahead markets also as and when it deems appropriate

**30. Default remedy mechanism on Power Exchange or Clearing Corporation**

- (i) **A member may be declared a defaulter by direction or circular of the Power Exchange or Clearing Corporation if:**
  - (1) he is unable to fulfill his clearing or settlement obligations; or
  - (2) he admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities; or
  - (3) he fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under the Rules, Bye Laws of Power Exchange or Clearing Corporation ;
  - (4) he fails to pay any sum due to the Power Exchange or Clearing Corporation which may be prescribe by them from time to time ; or
  - (5) he fails to pay or deliver all moneys, electricity or other related assets due to a member who has been declared a defaulter within such time of declaration of default of such member in such manner and to such person as the Power Exchange or Clearing Corporation may direct; or
  - (6) he fails to abide by the arbitration award as laid down under the Rules, Bye Laws and Regulations of Power Exchange or Clearing Corporation ; or
  - (7) under any other circumstances as may be decided by the Power Exchange or Clearing Corporation from time to time.

Provided that Power Exchange or Clearing Corporation may, at its discretion, stipulate any additional criteria to declare defaulter in the Power Exchange or the Clearing Corporation as the case may be

- (ii) In the event a member is declared a defaulter and the member fails to meet the clearing and settlement obligations, the Power Exchange shall give precedence to the payment of transmission charges, scheduling and system operation charges from the deposits of the member or client as the case may be. Thereafter the Power Exchange may utilise the Settlement Fund and other monies to the extent necessary to eliminate the obligation of the defaulting member in the following order-
  - (1) Liquidation of collaterals: Contributions or deposits, including margins in any form, by the defaulting member or client.
  - (2) Liquidation of security deposit: Membership deposit given by the defaulting member to the Power Exchange.
  - (3) Insurance money: Insurance taken by Power Exchange of an amount as considered appropriate by the Power Exchange for protection against defaults.
  - (4) It's Initial contribution as considered appropriate by the Power Exchange towards Settlement Guarantee Fund.
  - (5) Current year's Profits of the Power Exchange including Fines, penalty collected from members.
  - (6) Reserves of the Power Exchange.
  - (7) Contribution towards settlement guarantee fund by all members or clients: All non-defaulting members or client's contribution in proportion of deposits towards Settlement Guarantee Fund.
  - (8) Equity Capital of the Power Exchange.
  - (9) Balance obligations remaining outstanding after above funds will be met by contribution from members or clients in proportion to their contribution to the SGF.

Provided that once the Clearing Corporation is hived off, the default remedy mechanism shall be handled by the Clearing Corporation and the Power Exchange shall not be held liable on this account.

**31. Information Technology Infrastructure and Trading System of Power Exchange shall comply with the following:**

- (i) Power Exchange shall use electronic trading system and telecommunication network;
- (ii) **The orders entered by a Member of Power Exchange shall be first checked against availability of funds/ collateral in the risk management system before being accepted in the order book of the Power Exchange. This** process shall be continued even after separation of clearing function to the Clearing Corporation;
- (iii) Automated audit trail of bids, offers, and the matching of orders or the execution of transactions on the facility shall be maintained;

- (iv) The algorithm of the software application for price discovery and market splitting shall be in compliance with the methodology mentioned in Byelaws, Rules and Business Rules of Power Exchange as approved by the Commission;
- (v) **The Commission may Audit or appoint an agency to audit the Software application used by the Power Exchanges in operation for price discovery and market splitting on a random basis. The Power Exchanges shall produce the test results of test cases and scenarios provided by the Commission.**
- (vi) **Power Exchange shall also carry out periodic IT system audit for data security, data integrity and operational efficiency and submit its reports to the Commission annually;**
- (vii) Power Exchange shall build a Disaster recovery site and alternate trading facility in case of emergency.

### **32. Delivery Procedure**

- (i) The scheduling and delivery of contracts on Power Exchange shall be in accordance with by CERC (Open access in Inter State Transmission ) Regulations ,2008 and as amended from time to time ,Indian Electricity Grid Code 2009 and as amended from time to time
- (ii) Subject to the provisions of these regulations, operationalisation of Scheduling of Collective Transactions through the Power Exchange(s), shall be in accordance with the detailed procedure issued under the CERC ( Open Access in Inter State Transmission ) Regulations, 2008 and as amended form time to time .
- (iii) In addition the detailed procedure may cover, though not limited to, the following aspects:
  - (a) Submission and processing of the application for scheduling of Collective Transactions
  - (b) Sharing of available transmission margins between multiple Power Exchanges
  - (c) Scheduling of Collective Transactions
  - (d) Treatment of losses
  - (e) Real time Congestion Management
  - (f) Transmission Charges, Operating Charges, Application Fees and other Commercial Conditions
  - (g) Payments and defaults in payments
  - (h) Disbursal
  - (i) Any other issue pertaining to operationalisation of Scheduling of Collective Transactions through the Power Exchange(s).
- (iv) The Power Exchanges shall carry out Congestion Management using Market Splitting mechanism in Day Ahead market. The Power Exchange can develop its own Market Splitting Methodology with approval of the Commission.

- (v) Any mismatch between the scheduled and the actual drawal at drawal points and scheduled and the actual injection at injection points, including schedule for Contracts transacted on the Power Exchange of the grid connected entity will be settled by such entities under Unscheduled Interchange (UI) mechanism as per the procedure laid down by the Commission in the case of Regional Entities or any other settlement system as prescribed by concerned State Commission in case of Intra-State Entities. In case the State Commission concerned has not specified the settlement system, the Unscheduled Interchanges rate for intra-State entity shall be 105% (for overdrawals or under generation) and 95% (for under-drawals or over generation) of the Unscheduled Interchanges rate at the periphery of regional entity.
- (vi) Scheduling of transactions in Term ahead market on Power Exchange shall be governed by Open Access Regulations, 2008 and as amended from time to time, and Indian Electricity Grid Code ( IEGC) and any other relevant regulations.
- (vii) All data transfer between National Load Despatch Centre and the Power Exchange(s) shall be done electronically through a secure communication channel.
- (viii) Indemnification by Power Exchange -
- (a) Power Exchange should provide that the clearance advice issued by National Load Despatch Centre shall be on good faith basis. The bye-laws should also provide that the clearance/curtailment advice by the National Load Despatch Centre shall not be binding and the Central Transmission Utility, National Load Despatch Centre, Regional Load Despatch Centres and State Load Despatch Centres shall not have any financial liability on account of inability, for any reason whatsoever, to achieve the complete matching between the advice of the National Load Despatch Centre and the final schedules.
- (b) The Power Exchange(s), including its Buyers and Sellers, shall keep each of the National Load Despatch Centre /Regional/State Load Despatch Centres indemnified at all times and shall undertake to indemnify, defend and save the National Load Despatch Centre / Regional/State Load Despatch Centres and hold them harmless from any and all damages, losses, claims and actions, including those relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the transactions.

The Power Exchange shall be responsible for payment of transmission charges, scheduling and system operation charges to LDC, STU as per the regulations specified by the Commission and State Commissions.

The National Load Despatch Centre /Regional Load despatch Centres may take appropriate decisions in the interest of System Operation. Such decisions shall be taken under intimation to the Commission.

### **33. Power Exchange Congestion Amount management**

- (i) The Power Exchange may be vested with Congestion Amounts arising from the difference in market prices of different regions as a consequence of market splitting.

The Congestion Amount shall be maintained in a separate account by the Power Exchange to be transferred on the next working day to a regulatory fund as may be directed by the Commission.

Provided that until the time the aforesaid fund is created congestion amount shall be transferred to National Load Despatch Centre account and once such a fund is created the NLDC shall transfer the congestion amount in favour of such fund.

- (ii) Congestion Amount Fund shall be utilised in accordance with the directions of the Commission. The Commission may consider utilisation of the fund for the following purposes:-
- (a) Installation of VAR compensators, series compensators and other reactive energy generators
  - (b) Additional transmission capacity creation for relieving congestion
  - (c) To undertake technical study of the grid for congestion reduction
  - (d) The Congestion Amount Fund may be parked with a financial institution for grant of loans at concessional rates to projects specific to congestion reduction in the grid.
  - (e) To undertake capacity building measures and training of participants of Power Exchanges
  - (f) To develop information dissemination mechanism for the participants of Power Exchanges
- (iii) The Central Transmission Utility, National Load Despatch Centre or Power Exchanges can approach the Commission with specific proposals in line with the above mentioned purposes for utilisation from the Congestion Amount Fund.

34. The Power Exchange shall submit its Annual report along with its Audited balance sheet by 30th September every year to the Commission.

35. A Power Exchange which has less than 20% market share for continuously two financial years falling after a period of two years of commencement of its operations shall close operations or merge with an existing Power Exchange within a period of next six months. (For this purpose Market size is defined as the total Annual Turnover in Million Units of all contracts transacted in all the Power Exchanges in each financial year)

Provided that this regulation shall not apply if there are only two Power Exchanges in operation.

36. **Exit Scheme** -The Power Exchange shall have their Exit scheme approved by the Commission during the registration process detailing the manner in which the running contracts on the Power Exchange shall be closed or the succession plan for all transacted contracts in case of closure of Power Exchange, cancellation or withdrawal of registration under these regulations. Thereafter the Exit scheme shall be provided in the byelaws of the Power Exchange.

Provided that the Power Exchanges operating on the date of notification of these regulations, shall submit to the Commission the exit scheme for approval within a period of one year. Consequently the bye laws shall be modified.



- 37. Withdrawal of registration** - The Commission may for reasons to be recorded in writing and after giving the Power Exchange an opportunity of being heard, withdraw or cancel the registration accorded to the Power Exchange in any of the following events:
- (i) If the functioning of the Power Exchange is in persistent violation of the terms and conditions of these regulations or terms of registration if any;
  - (ii) If the Power exchange indulges in any persistent malpractice;
  - (iii) In case the net worth of the Power exchange reduces at any time below the specified amount and is not replenished as provided in these Regulations;
  - (iv) In case the Power Exchange fails to comply with any direction of the Commission
- 38.** Notwithstanding such withdrawal or cancellation of the registration, contracts executed prior to such withdrawal or cancellation, shall remain valid and its performance shall be ensured by the Power Exchange or as directed by the Commission.
- 39.** Consequent upon withdrawal or cancellation of the registration, the members of such Power Exchange shall cease to be Members of the Power Exchange.
- 40.** The Power Exchange shall set aside sufficient funds in order to provide for settlement of any claims, pertaining to pending arbitration cases, arbitration awards, liabilities/claims of contingent nature, if any, and unresolved investors complaints/grievances lying with the Power Exchange.
- 41. Grievance Redressal of members and clients**
- (i) Power Exchanges shall disclose on their website the details of complaints lodged by members against Power Exchange and by clients against its members.
  - (ii) Power Exchanges shall also disclose on their website the conflict resolution mechanism followed and the result of grievance resolution.

## Part - 6

### Clearing Corporation

- 42.** Application for grant of permission to set up and operate Clearing Corporation shall be filed in the form of a petition to the Commission in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and as amended from time to time.
- 43. Eligibility Criteria**
- (i) Clearing Corporation shall be a separate independent corporate entity
  - (ii) This can be formed by a Power Exchange or by any other company incorporated as a company limited by shares within the meaning of the Companies Act, 1956 or by a consortium of companies having a formal agreement for this purpose. The

registration shall be given to the incorporated company limited by shares finally formed by the consortium.

(iii) The Clearing Corporation shall have a minimum net worth of Rs 25 Crore.

Provided that the Commission may, by order, review the networth criteria, from time to time.

44. The Clearing Corporation shall submit its rules and bye laws for approval of the Commission.
45. The Clearing Corporation shall perform full novation, i.e., the Clearing Corporation shall interpose itself between both legs of every transaction, becoming the counterparty to both or alternatively should provide an unconditional guarantee for settlement of all transactions.
46. The Clearing Corporation shall perform the function of periodical clearing and settlement of any transaction or contract of electricity in spot, term ahead and derivatives transacted on the Exchange as the case may be.
47. The default remedy mechanism of Clearing Corporation shall be same as in Regulation 30. The Clearing Corporation shall publish on its website details of its membership criteria and its service charges for clearing transactions of its members.
48. The Clearing Corporation may also clear OTC transactions subject to the prior approval of the Commission.
49. The Clearing Corporation shall create an Electronic clearing and settlement system for movement of funds.
50. The Clearing system shall generate different reports like obligation report, transaction report, deliveries report, bad deliveries report, funds report, margin reports etc for operational purpose.
51. The SGF of Power Exchange concerned shall be transferred to the Clearing Corporation and maintained by the Clearing Corporation once the Power Exchange hives off this activity to the Clearing Corporation.

52. The Clearing Corporation shall get a credit rating done of itself by a credit rating agency accredited by Securities Exchange Board of India (SEBI) within six months of its incorporation and inform the Commission. It shall also be displayed on its website.

### **Part – 7**

#### **Market Oversight**

53. The Commission may issue such directions, after considering investigation report as referred in Regulation 55, as it considers appropriate to maintain market oversight and surveillance and to check market integrity in the following circumstances:-

- (i) Manipulative or attempted manipulative activity;
- (ii) Transactions that are misleading or deceptive, or are likely to mislead or deceive;
- (iii) Unwarranted speculation leading to price rise;
- (iv) Any form of cartelisation;
- (v) Any other form of Market abuse;
- (vi) Abuse of dominant position by any market participant;

#### **54. Other circumstances requiring intervention**

- (i) The Commission may, on being satisfied that any of the below mentioned circumstances exist or is likely to occur in the market, by an order, give such directions to whom as may be necessary:
  - (a) Abnormal increase or decrease in prices of electricity;
  - (b) Sudden or unreasonable fluctuations or unwarranted changes in the prices of electricity and high volatility;
  - (c) Sudden high transaction volumes on an Exchange;
- (ii) In particular and without prejudice to the generality of the foregoing power, the Commission may, by order in writing:
  - (a) Impose floor and cap on prices of electricity in the market
  - (b) Suspend transaction activities for a cooling off period (in case of increased volatility);
  - (c) Suspend transaction of any specific contract on Exchange;

- (d) Increase the margin for contracts transacted on Exchange (in a case of high speculation);
- (e) Allow only trade for trade settlements;
- (f) Limit Open position of one participant on Exchange;
- (g) Limit market wide position on Exchange.

**55. Investigation of certain matters**

- (i) The Commission may, on being satisfied that, any of the factors specified in Regulation 53 exists, at any time, by order in writing, call upon any Electricity Trader or Exchange or Member of Exchange to furnish in writing information or explanation related to the affairs of their transactions.
- (ii) Notwithstanding sub-regulation (i) above, the Commission may direct any person (hereafter referred to as “Investigating Authority”) specified in the order to investigate the affairs of any Electricity Trader or Exchange or Member of Exchange including his books of account, and to report to the Commission on any investigation made by such Investigating Authority:

Provided that the Investigating Authority may, wherever necessary, employ any auditor or any other person for the purpose of assisting him in any investigation under this regulation.

Provided further that the Investigating Authority shall supply to the Electricity Trader or Exchange or Member of Exchange, as the case may be, a copy of his report on such inspection.

- (iii) It shall be the duty of every manager, managing director or other officer of the Electricity Trader or Exchange or Member of Exchange, as the case may be, to produce before the Investigating Authority directed to make the investigation under sub-regulation (ii), all such books of account, registers and other documents in his custody or power and to furnish him with any statement and information relating to the affairs of the Electricity Trader or Exchange or Member of Exchange, as the case may be, as the said Investigating Authority may require of him within such time as the said Investigating Authority may direct.
- (iv) On receipt of any information or report under sub-regulation (i) or sub-regulation (ii), the Commission may, after giving such opportunity to the Electricity Trader or Exchange or Member of Exchange, as the case may be, to make a representation in connection with the report as in the opinion of the Commission, seems reasonable, and after considering representation if made by order in writing —
  - (a) Require the Electricity Trader or Exchange or Member of Exchange to take such action in respect of any matter arising out of the report as the Commission may think fit; or
  - (b) Cancel the registration of the Power Exchange under these regulations ; or
  - (c) Direct Power Exchange to cancel membership of a member ; or
  - (d) Direct the Power Exchange to cease to carry on the business of Power Exchange.

Provided that no action specified above shall be taken unless an opportunity of being heard is given to the person likely to be affected thereby.

**56. Power to issue interim orders**

Where during an investigation or intervention, the Commission is satisfied that an act in contravention of these regulations has been committed and/or continues to be committed or that such act is about to be committed, the Commission may, by order, temporarily restrain any person from carrying on such act until the conclusion of such investigation or intervention or until further orders, after giving notice to such person.

**57. Information Dissemination by Power Exchange**

- (i) **The exchange shall display on its website compilation of links to all relevant price sensitive information including but not limited to:**
  - (a) Daily information on the Indian weather condition;
  - (b) Fuel price information;
  - (c) Reservoir levels of dams available in Central Electricity Authority website;
  - (d) Any urgent market information issued by Regional Load despatch centre on their websites;
  - (e) Planned maintenance schedule of generators / transmission lines available with Regional Load Despatch Centre / Regional Power Committee;
  - (f) Demand forecast information and load generation balance report available on Central Electricity Authority's website.
- (ii) Prices, volumes and historic prices shall be made available on the website of the exchange and should be in downloadable format.
- (iii) Traded Prices i.e., maximum, minimum, average of the month and average volume cleared shall be published in two leading newspapers once a month.
- (iv) The exchange shall organize on a regular basis Member / Client awareness programmes across the country

**58. Market Surveillance by Exchange**

- (i) **All Exchanges shall set up a surveillance department which shall carry out day to day monitoring of transactions and surveillance**. They shall also undertake other analysis as mentioned in sub regulation (v).
- (ii) The Power Exchange shall also constitute a Market Surveillance committee headed by an independent director of the board and having members from the executive team of the Power Exchange. No member of this committee shall be a Member of the Power Exchange.

- (iii) The Power Exchange surveillance department shall submit its analysis report to the market surveillance committee. The Market Surveillance committee shall submit quarterly surveillance reports to the Commission.
- (iv) Market surveillance shall be executed from a physically secure and restricted area by authorised personnel only and the personnel shall maintain information and data security at all times and especially when the auction window is open. All conversations of such personnel shall be recorded and it shall be made known to them that these are recorded telephone lines. Audio tapes shall be made available to the Commission on demand.
- (v) The surveillance department shall analyse bidding patterns and transactions of participants. **The analysis report to be submitted to the Commission on quarterly basis shall be in the following particular areas but not limited to:-**
  - (a) Open position by clients, by contracts;
  - (b) Members of Exchange's pattern of transaction over a specific time period;
  - (c) Daily, weekly, monthly Volatility analysis of prices (day ahead and term ahead contract prices);
  - (d) Price setter analysis of buyer and seller;
  - (e) Dominant participants and Market concentration
  - (f) Circular Trading monitoring
    - Explanation -** A fraudulent transaction to buy and sell the same quantity of a contract, at the same price and at the same time, without actual change of ownership.
  - (g) Analysis of sudden high transaction volumes or sudden increase in open position of Member of Exchange;
  - (h) Analysis and reason of persistent default by any member on the Exchange or Clearing Corporation;
  - (i) Analysis of transactions to check that the market splitting methodology as approved by the Commission is being followed in operation in case of congestion in transmission corridors.

**59. Transaction Reporting requirement for Exchange, Electricity Trader and OTC market participants:-**

- (i) All reporting shall be in electronic format.
- (ii) For Electricity Trader trade reports shall be in the format prescribed in the CERC (Procedure, Terms and Conditions for grant of trading licence and other related matters) (Second Amendment) Regulations, 2009 and as amended from time to time.

- (iii) In addition to the prescribed reports, mentioned in sub regulation (ii) Electricity Trader shall provide open position report and tenure of all trades and risk summary report on a quarterly basis for risk monitoring purpose.

Provided that the Commission may, by order, lay down and review the formats from time to time for the purpose of reporting.

- (iv) An Exchange shall report price, transaction volume, buyers and sellers on its platform on monthly basis.

Provided that the Commission may by order, review the other reporting details and reporting frequency depending on technology, type of market liquidity, volatility and other criteria in the market.

- (v) For Day ahead market, Power Exchange shall provide monthly details of all transactions on it platform in the formats appended to these regulations.

Provided that the Commission may, by order, review the formats from time to time

- (vi) For Term ahead market, Power Exchange shall also report Market Wide limit (MWL), Open Interest (OI), Open position limit of its members. MWL and OI shall also be made available on the trading system of the Power Exchange and electronic trading terminal of participants.

**Explanation I** - Market Wide Position Limit is the total open interest of all clients together in the market for specific contract on an Exchange.

**Explanation II** - Open Interest is the total number of open contracts on an underlying asset that is, the number of future contracts of a client or member that have not been exercised, expired or fulfilled by delivery.

- (vii) All exchanges shall submit analysis report mentioned in Regulation 58 sub regulation (v) to the Commission on a quarterly basis.
- (viii) The Exchange shall submit to the Commission bids of all participants along with its analysis as prescribed and as and when directed by the Commission.
- (ix) Power transacted directly between buyers and sellers for interstate transactions above 100 MW in the short term market shall be reported by them to the Commission within 10 days of execution.

#### 60. **Whistle Blowing policy**

- (i) Market participants shall be entitled to report to the Commission either by letter or email, of any unscrupulous activity, wrongdoing or violation of law, as may come to their knowledge.
- (ii) The provider of the above information shall be entitled to request that its identity be kept confidential and be not disclosed.
- (iii) The Commission shall take strict action in case of any kind of retaliation to such an informant by any affected party.

#### 61. **Insider Trading Policy**

A person having non-public price sensitive information relating to generator outage, plant maintenance shall not transact on the Power Exchange and Other Exchanges unless such information has been submitted to LDC.

62. The Commission may, on being satisfied that a person has failed to comply with any of the provisions above, at any time, by order in writing, direct any person specified in the order to investigate the affairs of such person and to report to the Commission on any investigation made by such Investigating Authority. The provisions of Regulation 55 shall apply mutatis mutandis to the investigation specified in this regulation.

### **Part - 8 Miscellaneous**

**63. Saving of inherent powers of the Commission:**

- (i) Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for meeting the ends of justice or to prevent the abuse of the process of the Commission.
- (ii) Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of these Regulations including summary procedures, if the Commission, in view of the special circumstance of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for so dealing with such a matter or class of matters.
- (iii) Nothing in these Regulations shall bar the Commission to deal with any matter or exercise any power under the Act for which no regulations have been made, and the Commission may deal with such matters, powers and functions in a manner it thinks fit.

**64. Power to remove difficulties**

If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by order, make such provisions not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.

65. Provisions of these regulations are in addition to and not in derogation of any other regulation made by the Commission.

Sd/-  
(Alok Kumar)  
Secretary

**Note:** Central Electricity Regulatory Commission (Power Market) Regulations, 2010 were notified in Part III, Section 4, No. 33 of the Gazette of India (Extraordinary) dated 21.1.2010 and amended vide First Amendment Regulations published in Part III, Section 4, No. 111 of the Gazette of India (Extraordinary) dated 9.4.2014.





**Format-B3**

**List of Members**

<b>Sl. No.</b>	<b>Member Name and Clients</b>	<b>Contact Person</b>	<b>Address</b>	<b>Telephone</b>	<b>Email ID</b>



