



Dated: January 29, 2021

The Manager  
BSE Limited  
Corporate Relationship Department  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai- 400001  
**Scrip Code: 540750**

The Manager  
National Stock Exchange of India Ltd  
Listing Department  
Exchange Plaza, 5<sup>th</sup> Floor, Plot no C/1  
G Block, Bandra Kurla Complex  
Bandra (E), Mumbai-400 051  
**Symbol: IEX**

**Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended December 2020**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of earnings conference call held with analysts and investors on **January 22, 2021, at 02:30 pm (IST)** to discuss the financial results of the Company for the **quarter ended December 2020**.

The above information will also be made available on the website of the Company:  
[www.iexindia.com](http://www.iexindia.com)

You are requested to take the above information on record.

Thanking You

Yours faithfully,

**For Indian Energy Exchange Limited**

**Vineet Harlalka**  
**CFO, Company Secretary & Compliance Officer**  
**Membership No. ACS-16264**

Encl: as above

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**Indian Energy Exchange Ltd**

**Registered Office:** C/o Avanta Business Centre, First Floor, Unit No. 1.14(a), D2, Southern Park, District Centre, Saket, New Delhi-110017, India

**Corporate Office:** 9th Floor, Max Towers, Sector 16B, Noida, Uttar Pradesh-201301, India

**Tel: +91-011-3044 6511 | Tel: +91-120-4648 100 | Fax No.: +91-120-4648 115**

**CIN: L74999DL2007PLC277039 | Website: [www.iexindia.com](http://www.iexindia.com)**



“Indian Energy Exchange Q3 FY2021  
Earnings Conference Call”

January 22, 2021



**ANALYST: MR. SUMIT KISHORE - AXIS CAPITAL LIMITED**

**MANAGEMENT: MR. SATYANARAYAN GOEL - CHAIRMAN OF BOARD,  
INTERIM MANAGING DIRECTOR & CHIEF EXECUTIVE  
OFFICER - INDIAN ENERGY EXCHANGE**

**MR VINEET HARLALKA - CHIEF FINANCIAL OFFICER –  
INDIAN ENERGY EXCHANGE**



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Indian Energy Exchange Q3 FY2021 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sumit Kishore from Axis Capital Limited. Thank you, and over to you, Sir.

**Sumit Kishore:** Thank you Mallika. Good afternoon ladies and gentlemen, on behalf of Axis Capital, I am pleased to welcome you all for the Indian Energy Exchange Q3 FY2021 earnings conference call. We have with us the management team of IEX, which is represented by Mr. Satyanarayan Goel, Chairman of Board, Interim Managing Director and Chief Executive Officer. Mr Vineet Harlalka, Chief Financial Officer, and the entire management team. We will begin with the opening remarks from Mr. Goel followed by an interactive Q&A session. Over to you Sir.

**Satyanarayan Goel:** Thank you. Good afternoon everyone, wishing you all a very happy, healthy, and prosperous New Year. I welcome you to the quarter 3 fiscal year 2021 earnings call. Present with me today are my colleagues Mr. Vineet Harlalka, Mr. Rajesh Mediratta, Mr. Rohit Bajaj, Mr. Indranil Chatterjee, Mr. Amit Kumar, Mr. Sangh Gautam, Mr. Samir Prakash, Mr. Deepak Mehta, Ms. Shruti Bhatia, and Ms. Aparna Garg. I hope all of you, your teams and families continue to stay safe and healthy.

The past year undoubtedly had been a tough year for all of us. The collective resilience which the mankind has shown to go beyond the adversities and focus on new opportunities for growth, and development is truly remarkable. The year 2021 has begun on a very encouraging note, the industry and economy continue to sustain growth and revival. The news of vaccine rollout is also a positive development and supports fast track move towards normalcy.

As India walks the road to recovery, the exchange continues to make significant contributions towards transforming the energy ecosystem. To support India's growth as a sustainable energy ecosystem, IEX remains committed to provide uninterrupted access to its platform to facilitate the distribution utilities and industries in procuring uninterrupted 24/7 power in the most competitive, flexible, and transparent manner. Moreover, as a technology led energy marketplace, we are constantly striving to leverage existing technology to its fullest potential and provide new and customer-centric solutions to our market participants.



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The quarter three of the fiscal year 2021 has been the most significant one for the Exchange since its inception in the year 2008. Continuing the spirit of launching a new contract or a product every quarter in this fiscal year, in quarter three we successfully introduced two new contracts in the green market - daily and weekly contracts. Additionally, during the quarter, we signed a licensing agreement with MCX. Under this agreement MCX will launch electricity derivatives in the market using IEX prices as clearing price. This will be launched only after approval from the government and the regulators. Even more importantly our subsidiary IGX, Indian Gas Exchange, secured the authorization from PNGRB as the first gas exchange in India, which will bring in further credibility to the platform enabling greater participation in the gas market.

We continued our customer outreach efforts through various workshops and webinars specially to build awareness and capacity around electricity markets, green market as well as the gas markets. We continued to enhance our technology platform to support new contracts under green market. We are now gearing up towards building capability for our forthcoming new market segments like long duration delivery contracts. These efforts coupled with invaluable support from our members, clients, partners, and employees have helped us to sustain a positive momentum as well as deliver remarkable business growth. In quarter three this fiscal year we could accomplish the highest quarterly volume ever. So, I express my gratitude to our stakeholders as well as all our energy ecosystem partners for their continued support.

I will now share with you the overall economic and industry highlights for the quarter. The industrial activities and electricity consumption continued to rebound in the third quarter of the fiscal year 2021 led by the revival of the consumer sentiments as well as the demand. In October 2020, the manufacturing PMI rose to 58.9, the highest ever in the last eight years while in November and December the PMI sustained momentum at 56.3 and 56.4 respectively. With increase in industrial activities, the national energy consumption increased 7% on year-on-year basis during this quarter. As on December 31, 2020 the installed power capacity in India was at 375 gigawatts with a growth of 1.8%. The renewable capacity grew faster at 6.6% on year-to-year basis. The cumulative renewable capacity is now at 91 gigawatts. The steady growth in renewable is testament to India's sustained efforts towards decarbonizing the economy and increasing the share of green energy in the country's energy mix.

On the policy and regulatory developments during the quarter, the Ministry of Power introduced a draft proposal on December 4, 2020 enabling the distribution utilities to exit from the power purchase agreements after completion of the term of the PPA. This initiative will enable more buying by the utilities and sale of power by the generators on the exchange



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platform. On December 22, 2020, the Ministry of Power notified electricity rules as part of the major reforms in the power sector. This was a significant step that aimed at strengthening, streamlining, and enhancing the quality of electricity supply and services being provided to consumers across the country. The rules will also ensure consumers right to round the clock electricity supply. Amidst this development, the role of power exchanges will become more critical as it will allow distribution utilities to fulfill their power supply obligation, and address demand supply variations in a seamless and cost-effective way.

On the gas market side, as mentioned earlier, PNGRB authorized IGX as the first delivery-based gas exchange in India. Additionally, PNGRB notified the regulations for unified tariff structure for over a dozen pipelines that form the national gas grid today. The simplified two zone tariff structure will lead to a reduction in transportation charges for distant users of natural gas thereby making it more conducive for development of market in the country. PNGRB also notified final regulations regarding access code of CGD entities post exclusivity period wherein 20% of the pipeline network will be available for open access. Further PNGRB also notified the imbalance management services regulations during the quarter. These developments together will help increase competitiveness in the market and increase consumption of natural gas in the country.

We have been working with few large strategic players in the gas sector for equity partnership in gas exchange. Today I am happy to announce that Adani Total Gas Limited and Torrent Gas Private Limited have acquired 5% each in Indian Gas Exchange. We are also working for strategic divestment with a few more prominent partners.

Let me now discuss about the financials and the business performance. On a standalone basis, the revenue for the quarter grew by 37.9% on year-to-year basis from Rs 69.39 Crores in quarter 3 of FY2020 to Rs.95.68 Crores in quarter 3 of FY2021. Further the PAT at Rs.60.08 Crores increased by 42% on year-on-year basis with respect to quarter 3 of FY2020 and the PAT margin was at 62.8%.

The company has announced an interim dividend of Rs.2.5 per share. Owing to the significant uptick in electricity demand, Q3 of FY2021 registered highest ever volume on the exchange platform. Even despite the subdued market conditions, the company remains debt-free and showcases robust performance led by strong business and governance model.

The electricity volumes in quarter 3 of FY2021 at 20.17 billion units when compared to 12.47 billion units in quarter 3 of FY2020, witnessed 61.8% growth. Due to the delays in resolution of impending matter in APTEL regarding the REC, the trade in REC market did not take place even during quarter three. Consequently, total volume including REC



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registered 48.2% year-on-year growth. Despite 43% growth in day ahead market, the price on the exchange remained subdued and saw a decline of 2% on year-to-year basis. The average market clearing price in the day ahead market during the quarter was Rs 2.8 per unit. The real-time market registered an all-time high monthly volume of 1129 MUs in December since its commencement on June 1, 2020. On a cumulative basis, in quarter 3, the RTM market traded 2837 MUs. The green market cumulatively traded 473 MUs during the quarter.

As mentioned earlier, technology and innovation are of key importance to us. As a technology led energy marketplace aspiring to shape the future of the India's energy we are continuously investing in technology. This has helped us to position IEX platform as a highly customer centric and scalable, proactively meeting the dynamically varying needs of the market participants. We are now gearing up to launch the web-based trading platform which will offer user-centric, easy-to-use interface and self-service online capabilities to provide ease of trade and best-in-class customer experience. We are constantly innovating and ramping up our technology infrastructure enabling IEX to lead the way to the next chapter of India's energy revolution.

While the last few quarters had been turbulent for the economy as well as energy sector, the opportunity to build a competitive and efficient ecosystem with enabling policy framework is now. The government has already initiated several reforms and likely to sustain the reform momentum in the coming months. At IEX we believe that energy markets are key to transform the sector in the post-COVID-19 era. This new market-based energy order will be driven by efficiency, competitiveness, flexibility and sustainability and we are working towards it in a proactive and collaborative manner.

Thank you all, me and my colleagues would be available now and will be pleased to answer your questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Congratulations on the excellent quarter. Sir I have two questions, the first is on REC market. Given, in the REC market nothing has got traded in the last five to six months. The question is, what is the inventory right now and do we expect the trading to start sometime in this year or do you think it will get rolled over to next year given all the information that is available right now, that is the first question. Secondly Sir on the gas exchanges, you just announced that you have divested 5% stake, I am assuming that this is a secondary sale, and this is done on par basis, can you comment on that and how much you intend to divest



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going forward. Is there any strategic plan to how much you want to hold over the next couple of years?

**Satyanarayan Goel:** As far as REC market is concerned, every year almost about 80 - 90 lakh transactions happen in the REC market. This year, this is hardly about 10 lakhs, so rest of the RECs which are available on the sell side I am sure will be available in future in addition to the yearly REC issued. So, on sell side there should be good quantum available and RPO obligation that continues. I am sure for distribution companies and industries who are obligated entities, RPO obligation of this year will have to be fulfilled in the subsequent periods. Regarding whether the REC market will start in this financial year, very difficult to say because what I understand is the re-hearing of the case will happen in April, only thereafter the order will be issued. So, whether the order will happen in this year or not, difficult to say. On the gas exchange we are looking for strategic partners. For strategic partners, the sale is at par only. We are not divesting; we are only looking for strategic partners and we have identified a couple of partners and whoever is interested in coming to join the IGX platform. We will only sell the equity to strategic partners.

**Mohit Kumar:** One last question Sir, what was the open access volume in this quarter and nine-month, percentage terms, if you can provide?

**Satyanarayan Goel:** The increase in the open access volume is 14% YoY in the quarter and 24% of the total volumes.

**Mohit Kumar:** This only includes DAM market, this is nothing to do with RTM market, am I right?

**Rohit Bajaj:** Majority of the open access is traded through DAM market only, but yes, some part is there in RTM as well. So, in the total volume that we have done which is about 20 billion units in Q3 almost 24% is through open access remaining is all distribution company.

**Mohit Kumar:** Understood Sir. Thank you, Sir, and best of luck.

**Moderator:** Thank you. The next question is from the line of Sujit Jain from ASK Investment Managers. Please go ahead.

**Sujit Jain:** Goel Ji and team congratulations, stellar numbers. A few queries, on REC I want to probe more, the RPO obligation for this year FY2021, is there a chance of relaxing that? Then the demand that could have come once the trading starts will not come and the new set of obligations in FY2022 will kick in. ESCERT trading should have happened this year any update on that? I also want to understand the software that we have, is our own software



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which we purchased from the vendor. So, it becomes our property so whatever new segments etc., come such as GTAM etc., they also become our IP, is there a scope of monetization, for example the vendor who sold us this software and this platform, he is one of the largest providers and at the same time in gas exchange also we understand that the team will be in-house since you purchased the software and correct us if that is not the right understanding. The electricity derivatives that you talked about signing up with MCX would you be providing an index to them? If yes, what is the progress in terms of forming that index and how big is that opportunity and one last question is that you had spoken that if solar generators start leaving some capacity outside the PPAs that becomes an opportunity. I wanted to look at a broader perspective as to what is the business development initiative for a regulated entity like IEX? What an exchange can do and to what extent we can take this business development effort? Thank you.

**Satyanarayan Goel:** For REC, so far, no regulator has waived off the RPO requirement. They have only allowed distribution companies to fulfill this in the subsequent years. So, I do not think this requirement will be waived off, only thing is the carryover will be allowed. As far as industries are concerned, states before giving NOC were insisting for the RPO and since REC market is not happening, they are allowing them NOC, but the moment REC market starts, the industries will have to comply with RPO obligation of the last year also.

ESCERT trading should have happened this year. We are interacting with BEE, there are certain issues because there are a couple of new industry sectors which have been included in the ESCERT. So, for fixing the benchmark for them and for deciding their performance norms I think there are some discussions going on, we are still hopeful that maybe in the months of February or March maybe two, three sessions should happen, but then again difficult to say because still this approval from the ministry is to be given, it will be very difficult to say right now.

**Sujit Jain:** Software monetization opportunity?

**Satyanarayan Goel:** Yes. Software what we bought is our property and any development work on that which we are doing is IEX property, that is number one. Number two we can monetize that, but the point is, the software is the USP for the exchange so we are getting a much larger value by using it in IEX platform, why should I give it to somebody else?

With MCX we have signed an agreement for introducing derivatives. As and when that is allowed by the regulator and IEX price will be used as a clearing price.

**Sujit Jain:** You do not have to come out with a separate index for that?





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- Satyanarayan Goel:** No, that will be used by them for clearing, for the purpose of settlement of the contracts.
- Sujit Jain:** That will be physical settlement?
- Satyanarayan Goel:** If any contract results into a physical settlement that will be settled on the IEX platform, but if it is financially settled, then the IEX price will be the best price for that.
- Sujit Jain:** And last question on business development effort, how much an exchange can go out and do this activity under the regulations?
- Satyanarayan Goel:** What we can do is to make our participants aware about what values we provide and second is understanding their problem, finding out solution for their problems and interacting with them. It is a neutral platform, it is left to the participants, and if they find value in this platform, they will use this platform. Our business development activity is mainly creating awareness about the platform and value that we provide.
- Sujit Jain:** Sure Sir. Thank you, all the best.
- Moderator:** Thank you. The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.
- Devansh Nigotia:** Congratulations on a very good set of numbers. Just a couple of questions, one is, if you can throw some more light on what is causing the strong demand in DAM and RTM. Unlike earlier where there was a contention that weak power demand is making DISCOM choose lower prices on the exchange, but now even when the demand is strong the volumes are holding up and are better than before. So, if you can throw some light on what the factors are, which is causing that. Second is post RTM commencement, it was expected that DSM volumes would shift, but when we look at the run rate of DSM volume, they are still there with pre-RTM commencement. So, what are the challenges when we are going to DISCOMs to convince them, that you should prefer RTM over DSM, why are they not switching their decisions in terms of how they should procure power? Third is when you look at the TAM volumes there have been some market share loss to PXIL. So even if I adjust for the intraday loss that has gone to RTM even after that there has been significant loss of market share. So why is that?
- Satyanarayan Goel:** Strong demand is a good thing. Demand in the country is increasing that shows that the economy is reviving and Government of India also under the SAUBHAGYA scheme did 100% electrification, the impact of that is coming. So, if you look at last quarter 3 the demand increase was 7% and I am sure going forward in this year the demand is going to



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increase at a rate of 8% to 9%. If the GDP has to grow at 8%- 9% electricity demand also has to grow. So strong demand is a good thing for the market. Despite the strong demand the prices are competitive, and that is another good thing for the market and that is mainly because today there is no shortage of coal. Predominantly, we have coal-based generation in the country and earlier we used to have coal shortage, this year there was no coal shortage. Rate of coal in the e-auction market was available at a premium of hardly 5%. Earlier I have seen there were days when the premium used to be more than 100% also, average premium for the full year was 30%, 40% higher than the notified price last year, so coal is available in plenty at a reasonable rate, so that led to competitive price discovery and I am sure today also the coal stock at the power plants plus the mine heads is more than 100 million tonne, which is almost 40% more than what was there one year back, so the coal position is very, very comfortable. I am sure going forward also this situation will continue. So that should give us, a competitive price discovery for the market participants and good volume in the market.

**Devansh Nigotia:**

In DSM when we look at the monthly volumes even after RTM commencement that has not changed. Our thought that RTM launch would help DISCOMs to not have DSM volumes and avoid those penalties, but even after RTM commencement that volume is still there. So, if you can throw some light what are the challenges why that cannibalization is not happening?

**Satyanarayan Goel:**

Number one the RTM market itself is very liquid now. There is a large participation, almost about 500 participants participate in this market and volume we are doing almost about 40 MU per day. Second is DSM is also reducing, not significantly. If you look at the trend in the last two three months there has been some decline in the DSM. Whatever DSM was happening within the range of 150 megawatt which is allowed when there is no penalty rate I think that will continue because that is happening at the market price only, but whatever DSM was happening where the penalty was involved, there the quantum is reducing and our effort also is to do DSM analysis of the distribution companies, tell them what kind of penalties they have paid and if there was a case for them to reduce that by participating in the RTM market, we are also working with them. So, I think it is a slow process, it will happen. TAM market is a very, very small market, it is only about 4% of total electricity market and in that 4% market there are only three, four participants who are active. So, if one participant is going to one exchange, that itself can change the share of the two different exchanges, so I do not want to comment on this anything beyond that.

**Devansh Nigotia:**

And Sir there has been significant slowdown in the GTAM market so that has to do with the current relaxation in the RPO, if that is the right interpretation? The run rate is trending down if you look at last 20 days in comparison to last quarter so that would be the reason or



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is there something else which is causing the run rate to slow down from 1st Jan to 20th Jan in comparison to December quarter?

**Satyanarayan Goel:** In the green market the sellers are mainly distribution companies of Telangana and Karnataka. Generators mostly have the long-term contracts and they do not have any free capacity for selling in the market. These distribution companies, their own demand is increasing now, so their quantum in the green market is also going down. We are working with more distribution companies where green power available with them is beyond their RPO obligation, if they can also participate in this market, we are working with them. We are also working with the generators. If you look at the green market clearing price it is plus Rs.3.50 it is around Rs.4 it is much higher than the price which they get on the bidding route. So, there is a good case for them to keep some capacity to sell the power in the market maybe 30%, 40% or 20% kind of capacities, I mean, maybe they can contract 70%-80% to fulfill the requirement of the bankers for the purpose of debt servicing obligation, but they can definitely keep 20% - 30% capacity for sale in the market and I am sure they can get good return from that, so we are working with the participants.

**Moderator:** Thank you. The next question is from the line of Lavina Quadros from Jefferies. Please go ahead.

**Lavina Quadros:** Congrats again on a good set of results. Just two questions, one is what the annual fees is included in the turnover for this quarter and second a follow-up on the state's participation. Sir just wanted your sense on what is the state wise contribution in the volumes. I am not sure of the numbers but if you could give us some color on that and is there any state where you think it might be more of a one-off for 3Q or there is no such trend? Thank you.

**Satyanarayan Goel:** Yes, annual fee this quarter is 4.2 Crores and in comparison, to last quarter it is almost flat. For clients and the members, the numbers are not changing, so the active clients are same so that is why there is no variation in the client fees. Almost all DISCOMs are participating on the exchange and the quantum of power purchased by the DISCOMs is dependent on the total load of the DISCOMs. States like Maharashtra, Andhra Pradesh, Telangana, or Tamil Nadu where the demand is high, naturally the quantum of purchase will be more. So, on the exchange platform we have seen active participation from Maharashtra, Andhra Pradesh, Punjab, Telangana, Gujarat, Rajasthan, Tamil Nadu, Delhi, Haryana, J&K and top 10 DISCOMs contribute almost about 75% to 80% of the total buy.

**Lavina Quadros:** Great Sir. Thank you.



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**Moderator:** Thank you. The next question is from the line of Ankush Agarwal from Stallian Asset Management. Please go ahead.

**Ankush Agarwal:** My first question is on the IGX, given that the valuation that we have sold the stake at, that is around 70 Crores which is similar to the money that we have invested in IGX still now. So what is the sense of selling it on the face value given that we have been building the business for last almost a year now and similarly since we have to divest the stake down to 25% over next five years, would it be a fair assumption that we will first grow the business and then towards the end of the five years we will look to divest majority of the stake in order to unlock value or we would be looking to sell majority stake in initial years, that was my first question and secondly on the contract that we have done, the agreement that we have done with the MCX what kind of revenue stream that will accrue to IEX would it be a fixed fee or would it be based on the volumes?

**Satyanarayan Goel:** For any business you need some strategic partners so IGX stake sell by IEX is only for the strategic partners to build up this institution. This sale is not for anyone in the market and we have identified five, six strategic partners who are large players in the gas market and we are only going to sell it to them and if you have to take them on board, I think this is the sacrifice we are doing to give the shares at par. Basically just to have their cooperation in building the market.

**Ankush Agarwal:** So, we would be looking to divest majority stake in near-term or towards the end of the year?

**Satyanarayan Goel:** No IEX still will have a significant shareholding and if we can retain that, we will bring down to 25% maybe in the next five years.

**Ankush Agarwal:** And Sir on the MCX agreement?

**Satyanarayan Goel:** MCX agreement is, they will be using our price for the purpose of settlement and maybe then we will be getting some revenue out of that, revenue sharing.

**Ankush Agarwal:** And it will be based on volumes?

**Satyanarayan Goel:** This arrangement is linked to MCX transaction fee it is not fixed fee, it is variable.

**Ankush Agarwal:** Sir just one clarification over here, so the long duration spot exchange will remain on the IEX and there will be just parallel derivative market on the MCX right?



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- Satyanarayan Goel:** Yes, see if you look at the decision which has been taken by Government of India, all delivery-based contracts will be regulated by CERC and all financially settled contracts will be regulated by SEBI.
- Ankush Agarwal:** True, if MCX contract goes into delivery that would be settled on IEX, so I was just trying to get a clarification on that.
- Satyanarayan Goel:** If there is a contract which has been entered in the MCX platform and if finally, the party wants to take delivery of that power so it is a part of the contract specification of that MCX contract that delivery will happen through the IEX platform.
- Ankush Agarwal:** Got it okay that will be all. Thank you.
- Satyanarayan Goel:** Such contracts the delivery is hardly 1% or 2% most of the contracts 99% of the contracts are financially settled.
- Ankush Agarwal:** True. Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.
- Swarnim Maheshwari:** Congrats for the record quarter. I have two set of questions. Sir first is if you look at the bilateral trader's market, they have been losing market shares because they have seen about 20%- 25% volume decline. If you can explain the reason for that, is it really to do with the DISCOMs or the open access customers really are moving closer to the real time or is it more to do with the fact that the DISCOMs because of the poor demand that they were not scheduling the power with the traders? What is it exactly, that is my first question to you?
- Satyanarayan Goel:** The DISCOMs will go only to a platform where they find cost efficiency and flexibility. So, they have seen in the past that exchanges provide a competitive price, if you look at the price discovery in the platform, it is always lower than the bilateral transactions, and then we also get lot of flexibility on the exchange platform, you do not have to get into a contract, a fixed quantum contract for a particular duration. You can buy power basically based on your needs and there is enough liquidity, the participants are also comfortable now that there is enough sale available. So, because of these factors the participation on the exchange is increasing.
- Swarnim Maheshwari:** Sir, but the price on the exchange when you compare with the bilateral prices, they have been much lower in the last four years also. So, it is like not a new phenomenon, but why is



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it just that in this first nine months that we have seen the bilateral markets losing that much market. Is there some trends shift that is happening?

**Satyanarayan Goel:** If you look at the share of the exchange with respect to bilateral market, the exchange share is increasing in all the years, it is a gradual increase. This year there is a significant upside, and that upside was also because during the COVID time they were not aware or sure about what kind of demand pattern they will see. So, they have not entered any bilateral contract and they met the demand from the exchange.

**Swarnim Maheshwari:** Well Sir, point well taken, but this demand decline for bilateral is happening in the last three months specifically, it was there in the first six months also, but if you just observe October, November, December also where I think the demand is firmly robust and it is actually holding up well, but despite that we have seen that decline. So, I wanted to understand is it something which is changing really in the bilateral market where the DISCOMs are not willing to go with them and really trying to play near-term closer to the real-time market?

**Satyanarayan Goel:** In the six months when they actively participated on the exchange platform, they found that there is very high liquidity, they were able to get power, so that has really given them a lot of confidence that they can depend on this market.

**Rajesh Mediratta:** Yes, I can add one more now thing, see the times which are coming there will be more uncertainties because of renewables, because renewables also are now seeing lower prices. So that also will keep that uncertainty off the market and the demand will always be there in the minds of distribution companies. The trend what you saw last three months, is going to stay there for the future because people will be happy to do trade on more flexible manner on the exchange rather than having a bilateral contract. So, this trend I see is more permanent, it is not temporary for three months it is going to stay there for a long time.

**Swarnim Maheshwari:** Sir, my second question is with respect to the GTAM. Now to really show some volume growth as you know we need to have more merchant capacity which is right now not there and there was a proposal from the government that the incremental capacity could be something like at 80%, wherein 80% could be on long-term and 20% could be on merchant. So what is the progress over there?

**Satyanarayan Goel:** See, we are working with government, we are also working with IPPs so these things will take time, but I can only say that yes there is a positive development and significant capacity for open market also will come in the next one year.



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**Swarnim Maheshwari:** That is good to hear Sir. Right Sir, thank you so much and wish you all the best. Thank you.

**Moderator:** Thank you. The next question is from the line of Varun Goenka from Nippon Mutual Fund. Please go ahead.

**Varun Goenka:** Good afternoon Sir and my compliments for the good performance. I have three questions, first on our gas exchange what would be your best estimate of how could the adoption play out over the next three four years, either regulation wise, because this is a center subject if you could help us understand how fast the adoption of this exchange could be and what are the impediments to its acceleration?

**Satyanarayan Goel:** Yes, the gas exchange we started in June. We knew it at that time also that a lot of policy advocacy has to be done because there are lot of enablers which have to be put in place, so we started this exchange basically to interact with the government and regulator to create all those enablers, one of the enablers is the taxation system. See unfortunately gas is still not under the GST and each state has their own taxation system and it is varying from 4% to 26% in different states. So, on a gas exchange you must have standard contracts and for standard contracts you need a uniform taxation system, so GST must be there. Ministry of Petroleum and Natural Gas has already forwarded this proposal to Ministry of Finance, to the GST council for including gas under the GST and there was a media article also in the recent past that the GST council is considering this proposal. Second is the rationalization of the gas transportation tariff. You know we have zone 1, zone 2, zone 3, zone 4. Somebody sitting in zone 4 must pay very high charges and that also has been rationalized by the PNGRB very recently, I think about two months back only. So that is another good step that has taken place. Third is there are many pipeline operators today and there is no system operator, like in electricity we have POSOCO, NLDCs, RLDCs they are all the system operator independent agency doing the energy accounting and everybody has confidence in them. So that system operator concept as of now is not there in the gas sector. So for developing the market I think we need a system operator and good thing is that we were interacting with Ministry of Petroleum also and with the regulator and now they have decided that there will be a system operator in the gas sector also, which will be known as a gas transportation system operator and they are probably going to create a separate company who will do all this, allocation of the pipeline capacity of different participants and also do the energy accounting for the gas. There is a need for the infrastructure also, see today we have two active LNG terminals, and these are running at 100% capacity. If somebody wants to import gas in the country and sell in the market there is hardly any capacity available, so new LNG terminals are coming up now. At Mundra there is a new LNG terminal, this has been set up. Then another Ratnagiri terminal where also augmentation is happening. Kochi terminal, Ennore, Dhamra I think lot of LNG terminals



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are getting commissioned now and a lot of pipeline commissioning is also happening so I am sure in the next one or two years you will see strong infrastructure in place so gas exchange will need some time to see significant volume increase. I think maybe next one year will be a year where we will be doing all these kind of policy advocacy with the government and the regulator to create all these enablers and when these enablers are in place I am sure there is a very high potential for the gas market, I mean, if you look at the power sector, in the power sector our participants are distribution companies who are all regulated entities, but in case of gas sector the gas consumers are mostly in the private sector and they are very price sensitive. So, I am sure opportunity in the gas exchange is going to be much larger than what we have in the power.

**Varun Goenka:** That is very, very helpful Sir, the way you have explained it. Just two more questions here one the long duration contracts, the hearing on that if you could update us as to where do we stand in terms of starting the LDC?

**Satyanarayan Goel:** We have already filed our petition with CERC for approval of the contract, but CERC itself was not functional from August and now there is allowance of the functioning of CERC so that petition will be taken up by CERC.

**Varun Goenka:** The hearing was in December. So has the hearing being postponed or...

**Satyanarayan Goel:** No, the petition is now listed for hearing in CERC in the month of February so that is a new development but even after CERC approves our contract, there is a case pending in the Supreme Court and parties who had filed the case they have already filed an application in the Supreme Court that we have settled the jurisdiction by intervention of Government of India and in fact Government of India also has filed application in Supreme Court to dispose off that case but again unfortunately in Supreme Court also because of the COVID that case has not come up for hearing and once that is disposed off by Supreme Court then I think the issue also will get resolved about the jurisdiction of CERC and SEBI and we will be able to introduce this long-duration contracts.

**Varun Goenka:** Great, thank you for clarifying Sir. The final point on open access I wanted to clarify. There are a lot of states with policies not aligned for open access, is there any change or in some of the states is there any movement there to become more friendly towards open access.

**Satyanarayan Goel:** See our job is basically to do policy advocacy and it is a continuous process. We are doing it for the last 12 years and we have seen changes taking place, so we are continuing to do our part of the job and then it is left to the state government and the state regulators.



- Varun Goenka:** In the last three months any state that might have...
- Satyanarayan Goel:** What I can always say is the states which have allowed open access are the states where industrial development is taking place, it is one of the requirement of industries for ease of doing business also that open access have been placed, I mean, state like UP where the open access was not there in place they are also have allowed open access now and I understand in UP we have more than 30 industries now who are buying power from exchange.
- Varun Goenka:** Thanks a lot Sir. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Ashutosh from Centrum. Please go ahead.
- Ashutosh:** Sir, first of all in the opening comments you mentioned that now some sort of regulations that have come. Now the DISCOMs can shift once their PPA is expired, they can shift for their demand to the exchange. Could you give some clarity on that, how do you see the conversion rate from PPA to exchange once this period expired?
- Satyanarayan Goel:** No, I did not say regulations are in place now, I only said that Government of India has come out with a discussion paper that distribution company can exit the PPA after 25 years. These PPAs have a kind of perpetual supply provision and some of the PPAs have a defined time so now government is saying that let the DISCOM have the option to exit after 25 years. So, it is just a discussion paper and they have issued, inviting comments of different sector participants and thereafter they will decide what is to be done.
- Ashutosh:** Sir my second question is more of a business-related question. I would like to know how does RTM market work. As I know that in the RTM market the delivery takes place within hours. All these discoms have to inform prior to the RLDC, NLDC and all the dispatch centers about their delivery that is going to happen in the next day? How does RTM delivery take place?
- Satyanarayan Goel:** Let me tell you the timelines for the RTM market, suppose you want to purchase power from 12 o'clock then at 10:30 the market opens. At 10:30 you will have to submit your bid, there is a 15-minute window for submission of bid by buyer and seller from 10:30 to 10:45, 10:45 the market closes and then we do the price discovery and find out the transmission system requirement. We send this detail to NLDC, NLDC will check availability of transmission line then we will be based on the details given by NLDC, rework the solution and find out the final result and send this result to NLDC for implementation. All these activities have to be done in the next 15 minutes. By 11 o'clock the schedules are sent to RLDCs, SLDCs and NLDCs for implementation and power will be delivered at 12 o'clock.



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So in case of real-time market, we are doing 48 such activities every half an hour. In this market the timelines are very, very tight and I am happy to say that we have been able to implement this market very successfully and in a very reliable manner. Initially there were couple of instances where because of the technical reasons there were glitches in the system and a couple of sessions were aborted, but now we are running with 100% reliability.

**Ashutosh:** And Sir my last question would be on long duration contract and the cross-border trading, what is the progress on that front Sir, could you throw some light on that?

**Satyanarayan Goel:** Long duration contract I just mentioned that we have filed our petition with CERC and the case in Supreme Court is yet to be disposed off; it can be done only thereafter. Cross border again we are doing the policy advocacy with the government and also with the neighboring countries and I also understand that in the recent past there were some activities on that and we are expecting the cross-border transactions through the exchange also to start in the near future maybe in a month or two, but very difficult to say till Government of India approves that because the procedure has to be approved so once that is approved then only this can start.

**Ashutosh:** Okay Sir. Thank you very much that will be all.

**Moderator:** Thank you. The next question is from the line of Noel from Ashika Group. Please go ahead.

**Noel:** Most of my queries have been answered, but I wanted to get clarification on two points. Regarding the PPAs which will be going to expire or crossing the 25-year mark over the next two years, is there any kind of a figure that you can give guidance on, what is exactly the demand shift that could potentially happen and my second question is regarding these future divestments. Are we to see any kind of divestments going forward, it would get a similar valuation of 5% for say 3.6 Crores, those are my two questions?

**Satyanarayan Goel:** See, as far as PPAs are concerned I think it is too premature to discuss in detail about that, let government notify the rules only then I think there is a point in discussing about that because any plant which is more than 25 years old is a fully depreciated plant. So, it depends on where the plant is located, if the plant is located away from the mine then the variable cost is high and maybe distribution company may like to exit, but for the plants which are located at the pit head they are not likely to exit at all. So, I think this will have to be seen on case-to-case basis and only after the rules of the game are notified. So, for the time being I think that we should keep our discussion only up to this stage and second is IGX, see I told you IGX stake sale is only for strategic partners and we have identified the



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strategic partners. We are only talking to them and it will be given to them at the face value, beyond that we will not do any divestment at the moment as of now.

**Noel:** Okay Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Aniket Mittal from Motilal Oswal. Please go ahead.

**Aniket Mittal:** Sir my first question is on the open access front, if you could tell me which are the top three states that are buying on open access on the IEX and secondly with price now crossing Rs.3 in January is there any impact that we are seeing on open access and you see it evolving?

**Satyanarayan Goel:** The top three states for open access are Gujarat, Tamil Nadu and Telangana and as you are aware open access consumers are very price sensitive. Open access consumers have option to purchase power from distribution company, they will purchase power from the exchange only if the landed cost to them is lower than the distribution company, there is a breakeven rate for them because on that rate they have to pay cross subsidy surcharge, transmission charges, billing charges etc., etc. So, if the rate is lower than breakeven rate they will buy from the exchange and in many of the states this breakeven rate is around 2.80, 2.90, 3.30, 3.40, from state to state this requirement rate is valid depending on the cross-subsidy surcharge etc. So, if the price increases, the open access volume gets impacted. So as far as the clearing volume is concerned, I have seen that whenever the price increases the clearing volume also increases because of the strong demand by the DISCOMs.

**Aniket Mittal:** And so, from the buying perspective and from DISCOMs I think what has happened is this quarter we have seen very sharp buying from Andhra Pradesh had come in and prima facie it actually seems to be on the pricing opportunities that is available. So just wanted to get a sense, are there any other states that you feel are loss making, using your platform from a price opportunity perspective and can possibly drive volumes now? Any states where you feel there is scope for them to increase volumes.

**Satyanarayan Goel:** In case of Andhra Pradesh they have couple of generation plants where the variable cost is higher than the exchange clearing price. So, they optimally utilize this platform, they reduce generation from those costly plants and secure power from the exchange and happy to say that as I understand Andhra has saved more than Rs.1000 Crores by replacing costly exchange power. Similarly states like Maharashtra, Gujarat many of the states are doing these kinds of things, it depends on the opportunity available with them. States like Chhattisgarh, Orissa, West Bengal, there the plants in which they have the variable cost very low because those plants are located at the pit head, but the states, which are away



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from the mine head maybe in those cases there is an opportunity to do the optimization and most of the states are doing it, depends on how much I mean are they doing it 100% or 70% or 80% that depends from time to time and depending on the market clearing price also and depending on the demand also.

**Aniket Mittal:** Sir one question on the RTM front that I wanted some clarity. Now we have obviously been seeing a good amount of sell bids coming on the RTM, but despite that a very large quantity of the cheaper URS power is still going through SCED. So, wanted to know maybe your interaction with the ministry is there a thought process of not extending this SCED scheme beyond March 2021 because then that can help the RTM further right? You will have more cheaper URS power coming in.

**Satyanarayan Goel:** Yes, that is our policy advocacy we are working with the government. Let us see what happens.

**Aniket Mittal:** And Sir after discussions would the SCED schemes be extended by March 2021 or is there a case for that not being enough because the RTM has been evolving well right.

**Satyanarayan Goel:** Yes, I mean when RTM was not there, there was a case for SCED but now with RTM and RTM having a good liquidity there is no case for SCED because first objective function of the regulator is to promote the market, so you have a market now, so we are working with the regulator and the government, let us see what happens.

**Aniket Mittal:** Sure, and Sir one last question if I may. So just wanted to understand the DSM regulations now. Earlier there is this DSM regulation which was supposed to come in and then post stricter penalties in terms of the sign change I believe this was supposed to come in effect from December 1<sup>st</sup>, has that happened?

**Satyanarayan Goel:** Yes, I think it has been implemented but then these days the frequency variation is not significant and distribution companies also have become quite disciplined and the penalty on account of non-compliance with the sign change also was reduced significantly.

**Aniket Mittal:** Okay understood. Thank you. That is it for me.

**Moderator:** Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

**Lokesh Manik:** My question was on the revenue side, so specifically to the transaction price, if you can throw some light on how do we charge them?



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- Satyanarayan Goel:** Our transaction fee is constant from the last eight years we have been charging 2 paisa from buyer and 2 paisa from seller.
- Lokesh Manik:** So, the variation that we see if we calculate the topline, it is probably under annual fees that you charge.
- Satyanarayan Goel:** It is annual fees.
- Lokesh Manik:** Okay, understood, thank you so much Sir. That is, it from my side.
- Moderator:** Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.
- Gokul Maheshwari:** Sir just a couple of things, one is on the REC volumes which are not there this year, you are saying the shortfall of this year will be made up in FY2022?
- Satyanarayan Goel:** Yes, that is my understanding because no regulator has waived off that requirement they have only rolled over that to the next years.
- Gokul Maheshwari:** And the green TAM volumes will not make up for REC, is that a substitute for REC volumes?
- Satyanarayan Goel:** No, it is not a substitute and there is not that kind of liquidity in the green term market, REC was used by even industries who have the captive generation. So they do not need power, but they must comply with RPO. So they buy REC to comply with that so the states who have enough energy available with them they must meet the RPO obligation.
- Gokul Maheshwari:** And is there any update on the regulations on market coupling, what was proposed few months back? And there was some discussion which was happened there?
- Satyanarayan Goel:** This was discussed in the CERC hearing and in fact during the hearing itself also we were given to understand that market coupling is something you know with MBED has a case and when will MBED happen and that is something we will have to work out, we will have to see when it is going to happen, market coupling without MBED has no case.
- Gokul Maheshwari:** And lastly your initial comments indicated that the volumes are sustainable, and you see your demand trend still being quite strong, so going into Q4 are you seeing exchange volumes holding up the way they have done in Q3?



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**Satyanarayan Goel:** So far yes, exchange volumes in the 21 days of January also are doing good and demand is also good. In quarter three the demand was 7% up, in January it is already more than 8% up, now we are reaching new peak demand heights every day, the demand was 187 gigawatts today morning. So, demand is increasing.

**Gokul Maheshwari:** Great Sir, thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Tejas Mehta from Old Bridge Capital. Please go ahead.

**Tejas Mehta:** Wanted to understand from your perspective how do you rate the health of the DISCOMs today? After going through this entire stress of COVID what do you read, because in a couple of the calls that I have attended, people are really worried about the health of the DISCOMs even after the 1 lakh crore of rollout that the central government has given, what is your sense?

**Satyanarayan Goel:** I am not competent to comment on that.

**Tejas Mehta:** And Sir the other question was on the market share gains that is possible for you from here on, so we are at 6.5% broadly market share and we have consistently been above 6% for the last few months now. How much of the market are you addressing today and how much share gain is possible from here onwards if you can just throw some light?

**Satyanarayan Goel:** At the exchange, our job is to interact with the market participants tell them what kind of value we provide, how can we solve their problems, how can we address their power requirement in the most efficient manner and rest is left to the participants. I think volume increase, market share, these are all outcome of the activities of the participants. But I can only say one thing because of this continuous policy advocacy and continuous interaction with the participants, because of that every year there is an increase in the market share, this is a continuous process, and I am sure the increase will continue to happen in the future also.

**Tejas Mehta:** Just one more question, in the last three four days there has been a certain surge in the power demand and on the exchange also we are seeing the prices suddenly shooting up beyond Rs.3.5, any sense whether this is temporary, or it could last for a couple of months, can you give some idea on that?



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**Satyanarayan Goel:** See at present there are few generating stations which are not operating because their variable cost is high, now if the market clearing price is high maybe those stations will also start operating and sell power in the market.

**Tejas Mehta:** Right and this would make a case for merchant power also to make a comeback right, which was almost not generating for the last few months, it makes a strong case for merchant power to come back?

**Satyanarayan Goel:** Yes, many generating merchant plants are already on par now.

**Tejas Mehta:** Okay, all right great thanks. Thanks so much.

**Moderator:** Thank you. The next question is from the line of Amey Kulkarni from Candor Investing. Please go ahead.

**Amey Kulkarni:** What I understand is that all power plants on renewable energy commissioned before June 23, do not have to pay any transmission charges and transmission losses, plus power grid or the central transmission utility does not allow the construction of transmission lines without a firm LTA signed and a firm PPA signed so stage two connectivity is not given at all. So, what is the roadmap for green term ahead market merchant capacity developing unless these regulations are changed? Is there any proposal to change the transmission regulations?

**Satyanarayan Goel:** There is a change in the transmission planning of late. Now the transmission planning is more dependent on the generation and demand, it is being done based on that not based on the long-term open access. So, availability of transmission line for the merchant plant is going to be an issue and in fact this is something which even government is also thinking about because government also wants to develop a market for the renewable power and that can only happen if there is a transmission capacity available.

**Amey Kulkarni:** So, what you are saying is that the transmission lines developed for green corridors have enough capacity right now itself for the merchant capacity to be dispatched?

**Satyanarayan Goel:** Yes.

**Amey Kulkarni:** And Sir just one more question, could you elaborate on the regulations required on the development of the gas market? Could you give some tentative timeline of when you expect these regulations to come in place, for example will it take like one year, one and a half years, two years for the system operator to be in place or can it happen in six months?



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- Satyanarayan Goel:** Yes, Rohit you are adding something?
- Rohit Bajaj:** So, I was adding to the earlier point. See there was one amendment which came about two months back. Now this particular amendment or this particular provision allows all the renewable generators to create more capacity to apply for connectivity beyond their PPA capacity which means that now, any generator can keep aside some 15%, 20% volume as a merchant sell and create a plant and keep this capacity open for market, so this is just I wanted to add.
- Satyanarayan Goel:** Enablers for the gas exchange, a lot of work has been done, some work has to be done. I think things should happen in the next six months but then these things will have to be done by the government so cannot give you any definite timelines, but our estimate is that the next six to eight months these enablers should be in place.
- Amey Kulkarni:** That is quite fast. Thank you for your response.
- Satyanarayan Goel:** And we have spent a lot of time. These things not very fast I mean these things are going on from last couple of years.
- Amey Kulkarni:** Yes, I understand but government works at its own pace so even I mean given the energy sector timeline, I think next 6 to 12 months even 12 months is quite fast for the government to act, these are big changes right.
- Satyanarayan Goel:** Amey you can see that we have been asking for gas exchange regulation since last few years, the one thing is we were waiting but nothing was happening but then we actually started the platform in June and you can see that in three months time the regulations were put in place and in a few months time we could get the approval also so because now there is an agency for market development and there is a institution being created by government. We hope that they will also work towards it, the gas sector parties will also work towards it, so maybe we should be able to achieve faster than had we been not there. We are also trying on the market side that today the domestic gas is not coming to the market and we are working very hard to bring that gas also because we discover a good price in the market, not only imported, our RNG but domestic gas should also contribute to the market and for that also we are seeing work from participants and with the government also.
- Amey Kulkarni:** Okay Sir, thank you.
- Moderator:** Thank you. The next question is from the line of Ravi Srikant from Muthoot Family Office. Please go ahead.





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**Ravi Srikant:** I just had two question Sir; one was on your product basket that you currently have. So after you are done with the long-term contracts and I think GDAM is also one thing that you were looking at earlier so does that complete your product market or are there any further opportunities or contracts that you can look at and the second question was on the gas exchange, so after this open access for the CGD companies, I mean if you have spoken to some of the industrial main clusters like Morbi etc., have they shown any interest on taking gas from the exchange?

**Satyanarayan Goel:** Number one is new products from the electricity exchange - long duration contracts and GDAM, these are two important new products and after launching our products also we have to do a lot of marketing, awareness with the participants to bring enough liquidity in these products. These kinds of products I do not think we can launch every quarter, because like RTM is a product which was launched after a couple of years, but then you know we continue to interact with the market participants, understand their need and try to find out what else can be done so this is a continuous learning for us also and developing things for the market participants. So, I think as of now it is long duration contracts and GDAM and thereafter depending on how market evolves we will see what new products can be developed.

**Rajesh Mediratta:** The second part of the question was on the CGD exclusivity when they will be allowed to buy from the third party, now Morbi is a hub where CGD exclusivity is not going to be over in the near future because the access to CGD customers will be there for those CGDs where the exclusivity period is going to be over. So mostly it will be IGL, MGL so that part we are anyway working that such customers how we can bring them to exchange that we are working closely with them. Only thing is still that final exemption part is going to be further given by PNGRB, it is yet to happen. Only thing is the broad regulations are already there so we are working closely with those clients who will get this access to the market.

**Ravi Srikant:** Okay, got it. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Sumit Kishore. Please go ahead.

**Sumit Kishore:** There was an expectation that short-term open access charges would be removed for DISCOMS and that would help DAM volumes, is there any progress around that front because we thought it would be a catalyst for short-term market?

**Satyanarayan Goel:** See, there is a transmission sharing regulation which has come. As per the regulation, distribution companies are not required to pay any short-term open access charges and all short-term transactions will be covered under the long-term and medium-term open access



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which they have taken. If there is any deviation with respect to that then that will be charged under the transmission deviation charge. So that is already in place.

**Sumit Kishore:** And has that resulted in any incremental benefit for volumes in the short-term market.

**Satyanarayan Goel:** In fact, the prices that have been implemented from 29th of December and yes there is some shift happening, but I think it will need some time.

**Sumit Kishore:** Okay Sir. That was the last question. Mr. Goel would you have any closing comments.

**Satyanarayan Goel:** I can assure that this next quarter also should be a good quarter because the demand is increasing and right in the month of January itself demand in energy terms is 8% and in terms of the peak demand the demand has increased almost by about 9% - 10% so with these kinds of indications, I am sure exchange volume also would be significantly higher than what we did in last year. So, we should have a good financial year.

**Sumit Kishore:** Thank you so much Sir. Thanks for allowing us the opportunity to host this call at Axis Capital. Over to you operator.

**Moderator:** Thank you Sir. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.