

Circular No : PXI/Mkt. Operations/ 2010/ 0018

Date of Issue : 22/01/2010

Subject : **CERC order dated 24.12.2009 in the matter of Petition no. 117/2009**

In pursuance of CERC order dated 24.12.2009 in the matter of Petition no. 117/2009 under section 66 read with regulation 24 of CERC (Conduct of Business) Regulations, 1999 and in the matter of Tata Power Trading Company Ltd. Mumbai Vs Power Exchange India Limited, Mumbai, the Members of the Exchange are notified as under:-

The role of members other than the trading licensees and the grid connected entities, being that of a “facilitator” would be only to provide the following services:-

- (a) IT infrastructure for bidding on electronic exchange platform.
- (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. SLDC standing clearances, coordination with NLDC etc.)

The members of power exchange who are not trading licensee shall not provide any credit or financing or working capital facility to their clients.

The same is effective with immediate effect.

The relevant extracts of the CERC order dated 24.12.2009 are attached as Annexure of the circular.

In case of any clarification, Members are requested to contact the undersigned at 022-26530504 or 09819996449.

For & On behalf of
Power Exchange India Limited

Sd/-
Satyajit Ganguly
HEAD- Operations

Annexure

Relevant extracts of the CERC order dated 24th Dec'09

“16. Having heard the parties, and after considering the materials placed on record, we are of the view that, though professional members transacting on the power exchange do not own the title of the electricity being transacted in the platform of the power exchange making them different from the traders who by virtue of purchase of electricity own the title of the electricity purchased before selling it, there may be scope for ambiguity. By undertaking obligations of risk of delivery/off-take of underlying units of electricity related to transactions, there could be an element of mischief as members of power exchange not only function as brokers but also provide credit facility as well as indemnify the exchange by taking the financial risks/claims arising out of non delivery of electricity by clients of such members. Although, in the current regulatory framework, the members are not “Electricity Traders” within the meaning of Section 2(26) of the Act, in view of the apprehensions raised in the present application and in order to arrest the possibility of any mischief it is necessary to clarify the role of the members. Accordingly, the role of members other than the trading licensees and the grid connected entities, being that of a “facilitator” would be only to provide the following services:

- (a) IT infrastructure for bidding on electronic exchange platform.
- (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. SLDC standing clearances, coordination with NLDC etc)

17. We direct that the members of power exchange who are not trading licensee shall not provide any client or financing or working capital facility to their clients.

18. We further direct that the Power Exchanges shall incorporate the role of the members as stated in Para 16 and 17 above by amending their bye-laws, business rules and other related documents immediately and submit compliance within a period of one month. Till the time the above directions are complied with, the Respondent power exchanges shall not permit members other than the trading licensees and those connected to the grid to transact on their exchanges in any manner other than as directed above.”