

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Suo motu Petition No.114 /2011

**Coram: Dr. Pramod Deo, Chairperson
Shri S.Jayaraman, Member
Shri V.S.Verma, Member
Shri M.Deena Dayalan, Member**

Date of Order: 20.4.2011

In the matter of:

Non-compliance of the provisions of Central Electricity Regulatory Commission (Fixation of Trading Margin) Regulations, 2010.

And

In the matter of:

National Energy Trading and Services Ltd., New Delhi

..Respondent

ORDER

On perusal of the monthly statement of the electricity traded for the month of August, 2010 submitted by National Energy Trading and Services Ltd. (previously Lanco Power Trading Limited), the Respondent herein, it was noticed that during the period from 1.8.2010 to 31.8.2010, the price of power purchased by the Respondent from M. P. Power Trading Co. Ltd. (MPPTCL), Madhya Pradesh has been shown as ₹ 5.00 kWh and the price of same power sold to BSES Rajdhani Power Ltd. (BRPL), Delhi, has been shown as ₹ 6.14 paisa/kWh. The difference of purchase price and sale price has been shown as ₹ 1.14 paisa/kWh, which is stated to include trading margin, entire transmission losses and open access charges.



2. The staff of the Commission vide letter No. L-1/74/CERC/2010 dated 2.11.2010 had sought clarification regarding the nature of transaction (whether short term or long term) and the actual trading margin charged after excluding transmission losses and open access charges.

3. The Respondent in its affidavit dated 26.11.2010 has furnished the clarification as under:

(i) The transaction of supply of power to BRPL (single buyer) from multiple sellers consisting of CPPs in Chattisgarh and MPPTCL in Western Region was short-term in nature;

(ii) Considering the above (single buyer and multiple sellers), the actual trading margin charged by Respondent for supply of power to BRPL was ₹ 0.06671/kWh (i.e. the difference of weighted average purchase price and sale price) which is well within the limit stipulated in trading margin regulations (i.e. ₹ 0.07/kWh).

4. The Respondent has further explained that BRPL had agreed to purchase upto 100 MW of off peak power at ₹ 6.17/kWh from April to September 2010 and another 150 MW round-the-clock from July to September 2010 at an agreed price of ₹ 6.14/kWh. The Respondent has been purchasing the power from multiple sellers in the Western Region (17 sellers in July 2010 and 16 sellers in Aug 2010) at different rates and selling

the power to a single buyer. Accordingly, the Respondent has calculated the weighted average purchase price and sale price for the entire duration of the transactions to arrive at the trading margin charged rather than on individual basis. The Respondent has submitted the weighted average purchase price and sale price of all the suppliers and the gross trading margin charged as under:

(a) Weighted average Purchase Price for July and August 2010 - ₹ 6.08509.

(b) Weighted average sale price for July and August 2010 - ₹ 6.15181

(c) Gross Margin Charges for July and August 2010 - ₹ 0.06671

The Respondent has submitted that it has earned a gross margin of only ₹ 0.066/kWh as against the stipulated maximum margin of - ₹ 0.070 during the months of July and August 2010.

5. The Central Electricity Regulatory Commission (Fixation of Trading Margin) Regulations, 2010 (hereinafter referred to as “trading margin regulations”) provides as under:

“4. Trading Margin: The licensee shall not charge trading margin exceeding seven (7.0) paise/kWh in case the sale price is exceeding Rupees three (3.0)/kWh and four (4.0) paise/kWh where the sale price is less than or equal to Rupees three (3.0)/kWh. This margin shall include all charges, except the charges for scheduled energy, open access and transmission losses. The trading margin shall be charged on the scheduled quantity of electricity.

Provided that trading margin specified under these regulations shall be the cumulative value of the trading margin charged by all the traders involved in the chain of transactions between the generator and the ultimate buyer, that is to say, trading margin in case of multiple trader-to-trader transactions shall not exceed the ceiling trading margin specified under these regulations.

Explanation: *The charges for the open access include the transmission charge, operating charge and the application fee.”*



6. The above provisions of the trading margin regulations make it amply clear that trading margin shall not exceed 0.07 paise/kWh where the sale price is exceeding ₹ 3/kWh and 0.04 paise/kWh where the sale price is less than or equal to ₹.4/kWh. Here the “sale price” refers to the price at which the power is purchased by a trader for the purpose of resale thereof. Thus, the trading margin shall be calculated on the sale price at which power is purchased by the trading licensee for each transaction as the sale price may vary from transaction to transaction. Regulation 4 of Trading Margin Regulations does not provide for calculation of gross trading margin based on the weighted average purchase price and weighted average sale price of several transactions as has been done by the Respondent in the information submitted.

7. On perusal of the data furnished by the Respondent, it is noticed that in July 2010, the Respondent had purchased power from MPPTCL @ ₹.5.50/kWh and sold @ ₹.6.14/kWh, thus charging a margin of Rs.0.64/kWh. Similarly, in August 2010, the Respondent had purchased power from MPPTCL @ ₹ 5.00/kWh and sold @ ₹ 6.14/kWh, resulting in trading margin of ₹.1.14/kWh. The trading margins charged by the Respondent were far in excess of the trading margin specified and therefore, the Respondent has failed to comply with the Trading Margin Regulations.

8. We direct the Respondent to resubmit the information for the months of July and August 2010 after taking into account our observations in para 6 above. It is further directed that in future the information on trading margin should be submitted strictly in



compliance with the Regulation 4 of the Trading Margin Regulations.

9. In view of our observations in para 7 above, the Respondent is directed to explain by 2.5.2011 as to why action under section 142 of the Electricity Act,2003 should not be taken against it for non-compliance with Regulation 4 of the Trading Margin Regulations.

Sd/-	Sd/-	Sd/-	Sd/-
(M.Deena Dayalan) Member	(V.S.Verma) Member	(S. Jayaraman) Member	(Dr. Pramod Deo) Chairperson

