

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Draft Central Electricity Regulatory Commission (Power Market) (First Amendment) Regulations, 2014

Explanatory Memorandum

The Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (hereinafter "Power Market Regulation) does not contain any provisions for qualification and disqualification for appointment as Director in the Board of the Power Exchanges. Power Market Regulations only contains the provisions for the appointment of Independent Directors.

There are two Power Exchanges namely Indian Power Exchange and Power Exchange of India Limited functioning under the regulatory oversight of the Central Commission. These Power Exchanges are being operated by companies registered under the Companies Act, 1956. A company's Board of Directors play a central role in its corporate governance. In case of important market infrastructure institution like the Power Exchanges, the Board of Directors should consist of persons with financial integrity and probity in public life.

The Commission is of the view that there is a need to prescribe criteria for qualifications and disqualifications for appointment as Directors in the Board of Power Exchanges as part of the Power Market Regulations. Accordingly, a new Regulation namely Regulation 22 A is proposed to be introduced in the Power Market Regulations through the present amendment.

The proposed Regulation reads as under:-

"22.A Criteria for 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 including but not limited to financial 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) the person has been convicted by a Court for any offence involving moral turpitude, fraud, or any economic offence or any offence against any law;

- (b) the person is found guilty in any proceedings for non-compliance of any of the provisions of the Act or the rules or the regulations made there under or any order made by the Appropriate Commission and a period of three years from the date of the order has not elapsed;
 - (c) an order restraining, prohibiting or debarring the person has been passed by any other Regulatory Authority constituted under any law in force in India under their respective Acts or regulations and a period of three years from the date of the order has not elapsed;
 - (d) an order for winding up has been passed against the person;
 - (e) the person has been declared insolvent and has not been discharged;
 - (f) the person has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force; and
 - (g) If the person is financially not sound.
- (3) The qualification and disqualification criteria shall also be applicable to the existing Directors of the Power Exchange.
- (4) If any question arises as to whether a person is qualified/ disqualified to be a Director in the Board of Power Exchange, the Commission's decision on such question shall be final."