

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 7/SM/2015

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri A. K. Singhal, Member

Shri A. S. Bakshi, Member

Dr. M.K. Iyer, Member

Date of Order: 10.6.2016

In the matter of:

Review of Power Exchanges

And

In the matter of:

Indian Energy Exchange, Delhi

Power Exchange of India Limited, Mumbai

..... Respondents

ORDER

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, the Commission has notified the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (hereinafter called "Power Market Regulations") which came into force with effect from 21.1.2010.

2. Regulation 10 of the Power Market Regulations provides, *inter alia*, the objectives of the Power Exchanges as under:

"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"

3. Regulation 55 (ii) of the Power Market Regulations empowers the Commission to direct any person to investigate into the affairs of any Electricity Trader or Exchange or Member of Exchange including his books of accounts, and to report to the Commission. After considering the report, the Commission may issue such directions, as may be considered appropriate. Accordingly, the Commission vide order dated 29.4.2015, decided that a comprehensive review of Indian Energy Exchange (IEX) and Power Exchange of India Limited (PXIL) is necessary in order to ascertain that the affairs of the Power Exchanges are carried out in compliance of the Power Market Regulations. In this direction, the Commission engaged the following agencies for carrying out the review of the Power Exchanges:

(a) M/s Deloitte Touche Tohmatsu India Pvt. Ltd., Gurgaon for review of Indian Energy Exchange Ltd.

(b) M/s KPMG Advisory Services Pvt. Ltd., Gurgaon for review of Power Exchange India Ltd

4. M/s Deloitte Touche Tohmatsu India Pvt. Ltd. and M/s KPMG Advisory Services Pvt. Ltd. have submitted their reports regarding review of Indian Energy Exchange and Power Exchange of India Ltd. on 30.3.2016 and 13.1.2016 respectively. The reports have been shared with the respective Power Exchange.

5. We have considered the reports submitted by designated agencies and have accepted the reports. There are certain recommendations in the reports which need to be implemented by the Power Exchanges. Accordingly, we direct the Power Exchanges to specify strict timelines for complying with the recommendations made

in the reports within a period of one month with the approval of Audit Committee and adoption by the Board of Directors.

6. We have noticed that the Reports have brought out certain major violations of the provisions of the Power Market Regulations. In certain cases, transparency has been compromised. We direct the staff of the Commission to seek explanation from Power Exchanges for violation of the provisions of Power Market Regulations as brought out in the reports and corrective action to be taken. The same needs to be submitted with the approval of Audit Committee and adoption by the Board of Directors.

7. The petition is disposed of with the above directions.

sd/-
(Dr. M.K. Iyer)
Member

sd/-
(A.S. Bakshi)
Member

sd/-
(A.K.Singhal)
Member

sd/-
(Gireesh B. Pradhan)
Chairperson