CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 219/MP/2021

Coram:
Shri P. K. Pujari, Chairperson
Shri I. S. Jha, Member
Shri Arun Goyal, Member
Shri P. K. Singh, Member

Date of Order: 7th June, 2022

IN THE MATTER OF:

Petition under Section 66 of the Electricity Act 2003 read with Regulation 25 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 for approval of introduction of additional Term Ahead Contracts and Green Term Ahead Contracts beyond T+11 days at Indian Energy Exchange Limited.

And in the matter of

Indian Energy Exchange Limited (IEX),
Plot No. C-001/A/1, 9th Floor, Max Towers,
Sector 16 B, Noida ……Petitioner

Vs

Power System Operation Corporation,
B-9, Qutab Institutional Area,
Katwaria Sarai,
New Delhi ….Respondent

Parties Present
Mr. Jogendra Behera, Petitioner
Mr. Gaurav Maheshwari, Petitioner
Mr. Subhendu Mukherjee, Respondent
Mr. Alok Mishra, Respondent

ORDER

The Petitioner has filed the present petition seeking approval for introduction of additional Term Ahead Contracts and Green Term Ahead Contracts beyond T+11 days at the Indian Energy Exchange Limited.

2. The Petitioner has made the following prayers:
   a) Accord approval for introduction of the proposed additional contracts and modifications in the existing Term Ahead Contracts and Green Term Ahead Contracts at IEX platform.
   b) Accord approval to amendments in the Business Rules of IEX.
   c) Pass such further order or orders as may be considered.

3. The case was called out for virtual hearing on 30.11.2021 and on 12.04.2022.

Submissions by the Petitioner

4. Presently, the Petitioner offers Day Ahead Contracts, Intraday Contracts, Day Ahead Contingency Contracts, Real Time Contracts and Term Ahead Contracts for trading of electricity. It also offers exchange of Renewable Energy Certificates and Energy Saving Certificates. Under the Term Ahead segment, Weekly Contracts and Daily contracts are being offered for the period up to 11 days.

5. The endeavor of the distribution companies (Discoms) in recent times has been to arrive at a judicious mix of long-term and short-term contracts which could optimize their power procurement costs. They are preferring short term contracts to avoid fixed charges and entering into contracts for duration up to one year on the DEEP portal of the Ministry of Power (MoP) which are currently not available at the Power Exchanges.

6. Longer duration contracts at Exchanges can provide another avenue to the Discoms to fulfill their short-term demand and to optimize their power purchase cost. Discoms would be able to hedge their risk against volatility in spot prices and availability of transmission corridor. These contracts will provide an avenue for sellers to sell surplus power with

robust payment security mechanism. These contracts will also provide an opportunity to small participants like open access consumers to buy power at competitive rates to meet energy requirement for a longer period.

7. In view of the above, the Petitioner has proposed to introduce delivery based Monthly Contracts to be available for calendar Months or combination thereof on a rolling basis, e.g., Monthly, Quarterly, Half Yearly, Yearly contracts both in conventional and renewable energy segments of the Term Ahead Market. The Petitioner has also proposed that the Fortnightly Contracts will be available for blocks of 15 Days of calendar Months starting from 1^{st} or 16^{th} of a Month on a rolling basis and, Any-Day(s)/ Any-Day(s) Single Sided Contracts be available for user defined Day(s) and duration (time-blocks). The Petitioner has also proposed modification in the delivery/trading timeline of the existing Daily Contracts and Weekly Contracts to make them available beyond 11 days. With regard to matching methodology, the Petitioner sought flexibility in introducing Continuous Trade Session or Uniform Price Open Auction for Daily, Weekly, Fortnightly, Monthly and Any-Day(s) Contracts and Reverse Auction for Any-Day(s) Single Sided Contracts.

8. The Petitioner has proposed a 15% downward quantity variation in energy against contracted quantity by both buyer and seller when the minimum contract period is 7 days and the delivery of contract is beyond T+11 days. The Petitioner has also proposed uniform revision in schedules as per the Procedure of Bilateral transactions and submitted that the cancellation of trade or revision in schedules beyond the permitted variation shall be considered as default and will be penalized. If the contract is cancelled before the submission of scheduling application, the penalty amount will be 5% and 1% of the trade value when the duration of the contract is up to 15 and beyond 15 days respectively. If the revision/cancellation of contract takes place after the application for scheduling is submitted, then the penalty amount will be 20% of the value of remaining quantity to be delivered subject to a cap of maximum 30 days of equivalent scheduled quantity value. Such penalty will be paid to the counter party as compensation against cancellation/ revision of the contract.

9. The Petitioner has proposed that as part of risk management mechanism, it will collect ‘Initial Margin’ at the time of bidding and then ‘Additional Margin’ before the scheduling

application is made to the Load Dispatch Centre. In case a party defaults, the Margins collected shall be utilized to pay compensation to the counterparty. Initial Margin equivalent to 5% and 1% of the order values shall be collected for the contract duration up to 15 days and beyond 15 days respectively. After the trade gets executed an 'Additional Margin' equivalent to 50%, 25%, and 20% of the trade value shall be collected for contracts up to 7 days, 15 days and beyond 15 days respectively. In case of Any Day(s) Single Sided contract an 'Initial Margin' equivalent to Rs. 30,000/MW/month will be collected considering the nature of the contract and the proposed Reverse/Forward auction mechanism. Though, in the Any-Day(s) Single Sided Contracts, the buyer/seller who has initiated auction shall have the right to partially accept or cancel the trade before the application is made to the concerned Load Despatch Centre for scheduling. The Petitioner has annexed the draft Contract Specifications seeking approval of the Commission.

Hearing Dated 30.11.2021

10. The Petition was first heard on 30.11.2021. During the hearing, the Petitioner submitted that the present Petition has been filed in view of the Judgment dated 6.10.2021 of the Hon'ble Supreme Court in Civil Appeal Nos. 5290-5291 of 2011 and Ors on delineating the respective jurisdiction of SEBI and CERC. The Petitioner confirmed, in response to a specific observation of the Commission, that the proposed contracts do not have any element of derivative contracts and that they are Non-Transferable Specific Delivery (NTSD) Contracts.

11. After considering the submissions made by the Petitioner, the Commission admitted the Petition and directed the Petitioner:
    a) to implead POSOCO as Respondent to the Petition and to file revised memo of parties immediately;
    b) to serve copy of the Petition on the Respondent to file its reply, if any, within two weeks after serving copy of the same to the Petitioner, who may file its rejoinder, if any, within two weeks thereafter; and
    c) to give wide publicity to its proposed contracts by uploading the same on its website for inviting comments from the stakeholders and general public and file an affidavit

with detailed study incorporating the comments received from the stakeholders and the response thereon.

12. In compliance to the Commission's directions, the Petitioner impleaded POSOCO as Respondent and served a copy of the Petition. Also, the Petitioner uploaded the copy of Petition on its website for seeking comments/ suggestions from the stakeholders. In response to the same, the Petitioner received comments/suggestions from the following 8 stakeholders: i) CER-IIT Kanpur, ii) NTPC, iii) Prayas Energy Group, iv) Mytrah Energy, v) Jindal India Thermal Power Limited, vi) ReNew Power, vii) Teesta Urja Limited, viii) MSEDCL. However, no suggestion/reply was received from the Respondent.

Stakeholders' Comments & Response of the Petitioner

13. The stakeholders have given positive feedback on the proposal for introduction of additional Term Ahead Contracts and Green Term Ahead Contracts beyond T+11 days. The stakeholders have affirmed that introduction of these contracts would provide more avenues to market participants to trade power beyond 11 days. However, some of the stakeholders have also expressed concerns and sought some clarifications. Major comments of the stakeholders and the Petitioner's view on them are discussed in subsequent paragraphs.

14. Stakeholders have commented that introduction of multiple contracts and overlapping of these contracts may cause loss of liquidity in the market. In response, the Petitioner has submitted that availability of different contracts will provide flexibility to the market participants to meet their specific needs. The issue related to overlapping of contracts shall be taken care of while issuing the Trading and Settlement calendar.

15. Some stakeholders have suggested that the forced outage of a generating station/unit should be considered as a force majeure event and therefore, if any shortfall occurs in the contracted quantity due to it, penalties should not be levied. In response, the Petitioner has submitted that those events which are completely beyond the control of the generator, viz., cyclone, flood, earthquake, grid breakdown, etc., have been considered as a part of force

majeure events. It is envisaged that the generator will be able to manage any shortfall arising due to forced outage within the 15% quantity variation allowed in these contracts.

16. There have been suggestions from some stakeholders that the proposed Margins being on higher side should be reconsidered by the Exchange. In response, the Petitioner has submitted that Margins play an important role in counterparty risk management. In case a buyer or a seller defaults, the Margin will be used for paying compensation to the counterparty. The proposed Margins are in line with the MoP's Short Term Bidding Guidelines. Margins can be provided in the form of non-cash collateral, viz., Bank Guarantee, Letter of Credit, etc.

17. Some stakeholders have suggested risk management mechanism to mitigate the risk of default wherein either the buyer or seller reneges on one contract to take advantage of another contract. The stakeholders have referred to the draft amendment proposed to short term bidding guidelines and suggested stringent penalty on the defaulting sellers including debarment from Exchange. In response, the Petitioner has also submitted that the proposed penalty mechanism will address the defaults. Initial and Additional Margins shall be collected from both the buyers and the sellers, and shall be used for paying compensation in case of any default. However, the Commission may consider incorporating measures, viz., debarment from scheduling of power through open access, etc., in the regulations to further strengthen the sanctity of contracts.

18. Some stakeholders have also suggested that reverse auction bidding for RE Power in Any Day Single Sided Contracts can be carried out based on percentage per block commitment of RE generators or on energy basis to address the intermittency and non-uniform nature of RE generation. In response, the Petitioner has agreed to the suggestion and made necessary changes in the draft contract specifications to conduct the reverse auction for RE power on energy (MU) basis.

19. Some stakeholders have suggested that the proposed contracts should be approved after the finalization of major proposals namely the GNA Regulations, Amendments to the Short Term Bidding Guidelines and Green Open Access Rules. In response, the Petitioner has

submitted that finalization of GNA Regulations, etc., may slightly change the way the open access is availed but it will not change the nature of the contracts. As and when these Regulations are finalized, the respective changes shall be incorporated in the proposed contracts.

20. On the basis of stakeholders' comments, the Petitioner has proposed a few changes in its initial proposal of contract specifications. The Petitioner submitted that now the Initial Margin equivalent to 5% and 1% of the trade value would be required for contracts up to 15 days and beyond 15 days respectively whereas Additional Margin equivalent to 50%, 25%, 15% of the trade value would be required for the contracts up to 7 days, 15 days, and beyond 15 days respectively. No cancellation or revision in the contracted quantity would be allowed for the contracts with duration below 15 days. For the contracts with duration 15 days or beyond downward variation up to 15% of the contracted quantity would be allowed beyond which penalty at the rate of 20% of the traded price will be imposed on the defaulting entity. In case of Any Day(s) Single Sided contract, an Initial Margin of Rs. 30000/MW/month would be required.

Hearing Dated 12.04.2022

21. During the hearing held on 12.04.2022, the Petitioner submitted that it has complied with the directions of the Commission given vide Record of Proceedings for the hearing dated 30.11.2021. In response to the specific query of the Commission regarding having multiple price discovery mechanisms, the Petitioner submitted that the proposed price discovery mechanisms have already been approved by the Commission and are currently in use in the existing term ahead contracts. Since, liquidity will initially be low in the longer duration contracts, continuous matching method may be required. However, later when there will be an increase in the liquidity, auction methodology may be used. The Petitioner also clarified that only one methodology will be implemented at a time and in case of any change in methodology, the same will be informed to the market participants well in advance.

22. After hearing the submissions of the learned counsel and the representative of the parties, the Commission directed the Petitioner to file on affidavit by 28.4.2022 complete and detailed specifications of the proposed contracts as under:

    a) Contract-wise proposed price discovery and matching methodology;

b) Timelines, including commencement of bidding and duration of bidding session till delivery commences;
c) Delivery mechanism (including provision for revisions) and delivery duration;
d) Risk management mechanism including margining and final price settlement mechanism; and
e) Price discovery and matching methodology for existing weekly, daily/any day contracts across TAM/GTAM/Hydro GTAM.

23. On 11.05.2022, the Petitioner, in compliance of the Commission's directions, has provided limited information.

Analysis and Decision

24. The Commission notes that the issue of longer duration contracts (beyond T+11 days) and financial derivatives was sub-judice since 2011. On 26.10.2018, the Ministry of Power constituted a Committee to examine the technical, operational and legal framework for futures/forward and derivative contracts in electricity and to give recommendation in this regard. The Committee submitted its report on 30.10.2019 with the following recommendations:
   a) All Ready Delivery Contracts and Non-Transferable Specific Delivery (NTSD) Contracts as defined in the Securities Contracts (Regulation) Act, 1956 (SCRA) in electricity, entered into by members of the Power Exchanges shall be regulated by the CERC.
   b) Commodity Derivatives in electricity other than Non-Transferable Specific Delivery (NTSD) Contracts as defined in SCRA shall fall under the regulatory purview of SEBI.
   c) A Joint Working Group between SEBI and CERC shall be constituted with Terms of Reference as agreed in the Report of the Committee.

25. Based on the recommendations of the Committee, both SEBI and CERC have come to an agreement that the CERC will regulate all the physical delivery based forward contracts whereas the financial derivatives will be regulated by SEBI.

26. The Supreme Court of India, in its Order dated 06.10.2021 for Civil Appeals 5290-5291 of 2011 favorably disposed of the matter of futures/forward and derivative contracts in electricity in terms of the agreement reached between SEBI and CERC. The relevant extract of the Order is as under:

> *"……*
> *The present applications have been placed on record in all the appeals which have been listed before this Court seeking the disposal of the appeals based on the settled terms agreed upon by the parties. These terms, delineating the respective jurisdictions of SEBI and CERC have been formulated by the Committee on Efficient Regulation of Electricity Derivatives constituted by the MoP during the pendency of the present appeals before this Court.*
> *……..*
> *We have perused the applications and the settled terms placed on record. Without commenting on the proposed terms, we permit the authorities to take the necessary steps in pursuance of the same, in accordance with law.*
> *…….*
> *The parties are directed to abide by the terms and conditions as recommended by the Committee on Efficient Regulation of Electricity Derivatives and the Office Memorandum dated 10.07.2020 issued by the MoP in its letter and spirit……"*

27. We note that the Petitioner, earlier on 3.10.2020, filed a Petition No. 635/RC/2020 seeking approval on the long term ahead contracts beyond 11 days. The petition was disposed of by the Commission vide Order dated 27.07.2021 with liberty to the Petitioner to approach the Commission with fresh Petition after the decision of Hon`ble Supreme Court in the referred Civil Appeals. Accordingly, by virtue of disposal of the Civil Appeals by Hon'ble Supreme Court on 06.10.2021, the Petitioner filed the present Petition on 8.10.2021. During the first hearing on 30.11.2021, the Petition was admitted and the Petitioner was directed to invite stakeholders' comments and file its reply on the comments. During the second hearing on 12.04.2022, the Commission reserved the matter for Orders.

28. Regulation 25 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 (in short "the PMR 2021") provides for "Approval or Suspension of Contracts by the Commission". In accordance with Regulation 25 of PMR 2021, the proposal of the Petitioner on the long duration term ahead contracts beyond 11 days has been evaluated in subsequent paragraphs. Regulation 25 is reproduced as under:

*"25. **Approval or Suspension of Contracts by the Commission***

(1) The Commission may, on its own or on an application made in this behalf, permitany Power Exchange to introduce new contracts as specified in clause (1) ofRegulation 4 of these regulations:

…….

…….

(2) Any Power Exchange seeking permission to introduce a new contract under clause(1) of this Regulation, shall submit to the Commission complete and detailedcontract specifications including the following:

(i) Type of contract;

(ii) Price discovery and matching methodology proposed;

(iii) Timelines, including commencement of bidding and duration of biddingsession till delivery commences;

(iv) Delivery mechanism and delivery duration i.e. whether delivery is forintraday, daily, weekly, monthly, seasonal, yearly or beyond;

(v) Risk management mechanism including margining and final price settlement mechanism;

…….”

(i) Types of Contracts

29. The Petitioner has proposed to introduce delivery based Monthly Contracts to be available for calendar Months or combination thereof on a rolling basis, e.g. Monthly, Quarterly, Half Yearly, Yearly contracts both in conventional and renewable energy segments of Term Ahead Market. The Petitioner has also proposed Fortnightly Contracts and Any-Day(s)/ Any-Day(s) Single Sided Contracts. The Petitioner has also proposed modification in the delivery/trading timeline of the existing Daily Contracts and Weekly Contracts to make them available beyond 11 days.

30. We have noted the Petitioner’s submission, indicating that the majority of bids received at DEEP Portal of the MoP for the period January 2020 to August 2020, were for the delivery duration of 15 days and 1 month; which corroborates well with the need for introducing contracts beyond 11 days at the Exchange platform. In this regard, we have also analyzed the details of procurement of Power through DEEP portal for the period from 01.01.2020 to 30.04.2022. We find that during the period, at DEEP portal, out of 660 tenders, 396 tenders (~60%) were there for monthly procurement of power. These monthly tenders were raised for 61% of the total tendered capacity at the DEEP portal during the said period. This indicates the preference of monthly contracts among stakeholders.

31. We have examined the proposed contracts, their types and specifications as submitted by the Petitioner. We note that the contracts proposed by the Petitioner, i.e. Monthly Contracts (for calendar Months or combination thereof on a rolling basis, e.g. Monthly, Quarterly, Half Yearly, Yearly contracts), Fortnightly Contracts, Any-Day(s) Contracts and Any-Day(s) Single Sided Contracts, and the Daily Contracts and Weekly Contracts with proposed modification in timelines are physical delivery based forward contracts and/or NTSD Contracts. Therefore, in line with the judgment of Hon'ble Supreme Court dated 06.10.2021 and further in terms of the agreement arrived between the CERC and the SEBI, the CERC has jurisdiction to regulate these contracts.

32. The Petitioner has sought approval to introduce the proposed contracts both in Term Ahead Market and Green Term Ahead Market. Considering that the conventional and renewable energy have their own significance, we permit the contracts as per the discussion in subsequent paragraphs to be introduced in both Term Ahead Market and Green Term Ahead Market.

33. The Commission is of view that any new segment in a market should be introduced gradually. The Petitioner, in the segment of additional term ahead market, has proposed multiple contracts to be introduced on its Exchange platform. Considering that initially this market may have low liquidity and the proposed contracts by the Petitioner may have overlapping effect over each other further impacting the volume/s per contract, we are of the view that not all the contracts proposed by the Petitioner merit consideration right at the inception of the longer duration contracts. Therefore, keeping in mind the need for gradual approach, we are inclined to restrict the contracts proposed by the Petitioner. We are of the considered view that the performance of the contracts approved in the present Petition (subsequent to their introduction at the Exchange) should be examined first before extending the segment further upon receiving fresh application by the Petitioner.

34. We hereby accord approval to the Petitioner's proposal to introduce Monthly Contracts, and existing Daily Contracts / Weekly Contracts with modified timelines for pre-specified time blocks notified to the market participants well in advance subject to the directions given in the subsequent paragraphs. We also approve Any day Single sided contracts

(based on Reverse Auction Methodology as decided in Paragraph 39 and Paragraph 40 of this Order) at the Exchange. However, fortnightly contracts (as being similar to two weekly contracts on rolling basis / or user defined days in Any day single sided contract) and Any day contracts (as being similar to Daily Contracts) and variants in Weekly contracts i.e. Weekend/ Week days (as being similar to daily contracts on rolling basis) are not approved at this stage. Therefore, effectively approval is granted for Daily Contracts; Weekly Contracts; Monthly Contracts; and Any day Single Sided Contracts (based on reverse auction methodology) to be traded at Petitioner's Exchange. Notwithstanding the above, these contracts are approved for the maximum duration of the three months, considering the month in which transaction is made as the zero month. Accordingly, in the zero month the monthly contract can be transacted for the first month, second month, and for the third month.

(ii) Price Discovery and Matching Methodology

35. The Petitioner has sought flexibility in introducing Continuous Trade Session or Uniform Price Step Auction for Daily, Weekly, and Monthly Contracts. The Petitioner has submitted that since liquidity will initially be low in the longer duration contracts, continuous matching method may be required. However, later when there is an increase in the liquidity, auction methodology may be used. Only one methodology will be implemented at a time and in case of any change in methodology, market participants will be informed well in advance. The Petitioner has submitted that for Uniform Price Step Auction; either closed auction or open auction may be adopted at any point of time.

36. We note that presently adequate liquidity is not there in the Weekly contracts offered by the Petitioner's Exchange. For these weekly contracts, the Petitioner, since inception is using Uniform Price Step Auction. However, the Petitioner has never approached the Commission to change its price discovery and matching mechanism to Continuous trade session on account of low liquidity in these contracts. This could be indicative of the fact that Uniform Price Step Auction can also be used in low liquidity scenarios. Moreover, since the Uniform Price Step Auction has merits over the Continuous trade Session in terms of transparency and efficiency in price discovery, we approve the use of Uniform Price Step Auction only as a matching methodology for price discovery in Daily, Weekly

and Monthly Contracts. We further direct the Petitioner to use open auction for Uniform Price Step Auction so that the participants while bidding for these contracts can take informed decisions after seeing buy and sale bids offered by other anonymous participants.

37. The approval given herein for the price discovery and the matching methodology for Daily and Weekly Contracts shall supersede the earlier approvals of the Commission for these contracts. Accordingly, henceforth Daily and Weekly Contracts will follow only the Uniform Price Step Auction based on open auction for the price discovery.

38. For Any-Day(s) single sided Contracts, the Petitioner has proposed Reverse Auction wherein the buyer shall specify its requirement in terms of quantum in MW and duration. Sellers shall bid their offers specifying the quantum in MW and Price in Rs/MWh against the requirement of the buyer during the auction window. Then, the bidding shall take place in two stages, i.e., Initial Price Offering (IPO) and Reverse Auction. For Any-Day(s) single sided Contracts, the Petitioner has also proposed Forward Auction wherein the seller shall specify its offering in terms of quantum in MW and duration. Buyers shall bid specifying quantum in MW and Price in Rs/MWh against the offer of seller during the auction window. Then, the bidding shall take place in 2 stages, i.e., Initial Price Offering (IPO) and Forward Auction.

39. We note that the Petitioner's proposal of Reverse Auction on buyer's requisition is similar to the contracts currently executed at DEEP Portal wherein under the Reverse Auction mechanism, multiple sellers compete against each other for matching with the requisition of a buyer. We are of the view that such contracts at the Exchange will facilitate discovery of competitive prices, and also provide counterparty risk management by ensuring timely payment on the day close to delivery. On the other hand, the Petitioner's proposal of Forward Auction follows the price discovery on the basis of incremental price quotes by the buyers wherein the highest prevailing buy price shall be selected. We feel the proposal of Forward Auction does not strictly go with the spirit of efficient price discovery. Therefore, in the interest of the consumers, we only approve Reverse Auction as price discovery matching methodology for Any-Day(s) single sided Contracts.

40. As discussed above, henceforth, the contracts and their price discovery methodologies in the term ahead market (including green term ahead market) at the Petitioner's Power Exchange shall be as follows for different contracts:

Name of the Contract	Approved Price Discovery Methodology
Daily Contract	Uniform Price Step Auction
Weekly Contract	Uniform Price Step Auction
Monthly Contract	Uniform Price Step Auction
Any-day Single Sided Contract	Reverse Auction

(iii) Timeline - commencement of bidding and duration of bidding session

41. The Petitioner, in terms of Regulation 25 of the PMR 2021, was required to provide timelines of the proposed contracts, including commencement of bidding and duration of bidding session till the delivery commences. During the second hearing, among other things, it was noticed that the Petitioner has not submitted the requisite details on timelines of the proposed contracts. Accordingly, vide ROP for the hearing dated 12.04.2022, the Commission directed the Petitioner to submit the same. However, we note that the Petitioner in its latest submission provided only the bidding hours for the respective contracts and not the complete details, including days of commencement of bidding. Therefore, we are inclined to stipulate timelines including commencement of bidding and duration of bidding session for the approved contracts as under:

Name of the Contract	Commencement of Bidding	Last day of bidding	Bidding Time
Daily Contracts	On Daily Basis	Two days before delivery day	00:00 – 24:00 hours
Weekly Contract	Monday of the week prior to delivery	Friday of the week prior to delivery	12:00 – 17:00 hours
Monthly Contract	First Day of the zero month	For the first month (M_1) contract – ten days prior to the close of zero month (M_0); For the second month (M_2) contract – five days prior to the close of zero month (M_0); For the third month (M_3) contract – last day of zero month (M_0).	12:00 – 17:00 hours
Any Day Single Sided Contract	On Daily Basis	Two days before delivery day	00:00 – 24:00 hours

42. In Paragraph 34 of this Order, these contracts are approved for the maximum duration of three months. Considering the month prior to these three months as the zero month, trading for these contracts can be commenced in zero month. That means Daily, Weekly, and Any day Single Sided Contracts for the third month can be traded on rolling basis in zero month (M_0), first month (M_1), second month (M_2) and third month (M_3) subject to the timelines specified in above table. A monthly contract would be available for trading as per the timelines specified in the above table. The Petitioner is directed to make Daily, Weekly and Monthly Contracts available only for pre-specified time blocks notified to the market participants well in advance with the help of circulars.

43. The Petitioner is directed to commence the physical delivery of electricity on a day more than one day ahead (T + 2 or more) of the last day of bidding in accordance with the Regulation 2(ba) of the PMR 2021.

44. The approval given here in the contract timelines for Daily and Weekly Contracts shall supersede the earlier approvals of the Commission for these contracts. Accordingly, Daily and Weekly Contracts approved prior to this Order shall not run on the Exchange after the introduction of these contracts with modified timelines and contract specifications. However, the transactions made under the present form of Daily and Weekly Contracts, before the launch of these contracts with new timelines will not be affected and shall be delivered and settled as per the earlier terms and conditions.

(iv) Delivery Mechanism and Delivery Duration

45. For the contracts as approved above, the delivery duration proposed by the Petitioner is: i) T+2 to T+365 days for daily contracts, ii) TW+1 to TW+52 for weekly contracts, iii) TM+1 to TM+12 months for Monthly contracts, iv) T+2 to T+365 days for any day single sided contracts for user defined days and time blocks, wherein T denotes the trading day, TW denotes the Trading Week and TM denotes the trading month.

46. With respect to Paragraph 34 and Paragraph 42 of this Order, we approve these contracts for the maximum duration of three months, considering the month in which transaction is made as the zero month. Accordingly, the approved delivery duration for these contracts

(for the pre-specified time blocks notified to the market participants well in advance) is: i) T+2 to T+90 days for daily contracts, ii) TW+1 to TW+12 for weekly contracts, iii) TM+1 to TM+3 months for Monthly contracts; and iv) T+2 to T+90 days for any day single sided contracts for user defined days and time blocks, wherein T denotes the zero day of trading, TW denotes the zero week of Trading and TM denotes the zero month of the trading and physical delivery of electricity starts on a day more than one day ahead.

47. A table summarizing the timelines including commencement and duration of bidding, and delivery duration for the approved contracts is provided as under:

Name of the Contract	Commencement of Bidding	Last day of bidding	Bidding Time	Delivery Duration	Remarks
Daily Contracts	On Daily Basis	Two days before delivery day	00:00 – 24:00 hours	T+2 to T+90 Days	For pre-specified time blocks notified to the market participants well in advance through circulars
Weekly Contract	Monday of the week prior to delivery	Friday of the one week prior to delivery	12:00 – 17:00 hours	TW+1 to TW+12 Weeks	
Monthly Contract	First Day of the zero month	For the first month (M_1) contract – ten days prior to the close of zero month (M_0); For the second month (M_2) contract – five days prior to the close of zero month (M_0); For the third month (M_3) contract – last day of zero month (M_0).	12:00 – 17:00 hours	TM+1 to TM+3 Months	
Any Day Single Sided Contract	On Daily Basis	Two days before delivery day	00:00 – 24:00 hours	T+2 to T+90 Days	For user defined days and time blocks

48. We hereby direct that the delivery mechanism for these contracts shall be in accordance with the CERC (Open Access in inter-State Transmission Regulations), 2008 as amended from time to time including reenactment thereof; CERC (Indian Electricity Grid Code) Regulations, 2010 as amended from time to time including reenactment thereof; CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 as amended from time to time including re-enactment thereof; CERC (Power Market Regulations), 2021 as amended from time to time including reenactment thereof; Procedure for Scheduling of Bilateral Transaction and Procedure for Short Term Open Access in inter-

State Transmission System through National Open Access Registry (NOAR) as amended from time to time including reenactment thereof.

(v) Risk Management Mechanism including Margin and Final Price Settlement Mechanism

49. In the revised submission dated 11.05.2022, the Petitioner proposed that for Daily, Weekly, and Monthly contracts the Initial Margin equivalent to 5% and 1% of the order value would be collected for contracts up to 15 days and beyond 15 days respectively; whereas Additional Margin equivalent to 50%, 25%, 20% of the trade value would be collected for the contracts up to 7 days, 15 days, and beyond 15 days respectively. For Any Day Single Sided Contracts, the sellers will be required to provide an Initial Margin calculated at the rate Rs. 30000/MW/Month or part thereof whereas the Additional Margin would be in line with the Daily, Weekly, and Monthly contracts.

50. We note that Regulation 26 of the PMR 2021 permits a Power Exchange to develop and implement a prudent risk management framework which shall be dynamic based on the changing risk profiles of the market. We find that the Petitioner has proposed Initial Margin and Additional Marginsas per the risk mitigation requirement of respective contracts. Accordingly, we approve the same.

51. Regarding the final price settlement, the Petitioner proposed that it will be equivalent to the 'Traded price x Quantity scheduled' at delivery point. The Petitioner mentioned that funds pay-in by the buyers equivalent to one day's obligation shall be collected on D-1 basis (D being delivery day) whereas funds pay-out to the seller equivalent to one day's obligation shall be disbursed on D+1 basis for each delivery day subject to confirmation of delivery by the seller. The Petitioner mentioned that netting off of the positions shall not be allowed.

52. We note that the mechanism of final price settlement as proposed by the Petitioner has been in practice since the commencement of the existing term ahead contract at the Power Exchange. We further note that no adverse feedback regarding the said mechanism has been received in this context. Accordingly, we approve the price settlement as proposed by

the Petitioner subject to the condition that the netting off of the positions shall not be allowed.

53. We hereby direct the Petitioner to schedule these contracts, viz., Daily, Weekly, Monthly and Any day Single Sided contracts on the first available day following the transaction day and to strictly abide by the following conditions of NTSD contracts:

i. the contracts are settled only by physical delivery without netting;
ii. the rights and liabilities of parties to the contracts are not transferable;
iii. no such contract is performed either wholly or in part by any means whatsoever, as a result of which the actual delivery of electricity covered by the contract or payment of the full price therefor is dispensed with;
iv. no circular trading shall be allowed and the rights and liabilities of parties to the specific delivery contracts shall not be transferred or rolled over by any other means whatsoever;
v. the trading shall be done only by authorized grid connected entities or trading licensees on behalf of grid connected entities, as participants;
vi. the contracts can be annulled or curtailed, without any transfer of positions, due to constraints in the transmission system or any other technical reasons, as per the principles laid down by CERC in this regard. However, once annulled, the same contract cannot be reopened or renewed in any manner to carry forward the same transaction.

54. We find that for monthly contracts, the Petitioner has proposed upto 15% of downward variation in the contracted quantity (MWh) excluding variations due to force majeure. As per the aforesaid condition (vi) of the NTSD contracts, the Commission directs that the contracts can be annulled or curtailed, without any transfer of positions, due to constraints in the transmission system or due to force majeure; however this will be subject to the validation by system operator and default mechanism of the Petitioner's Exchange. Accordingly, we direct that any downward revision in the contracted quantity (MWh) shall be subject to the aforesaid conditions.

55. For Any Day Single Sided contracts, the Petitioner has proposed that after the Reverse Auction, the buyer may partially or fully reject the trade within the timelines as may specified by the Exchange from time to time. During such time, the bid will remain valid and the successful bidders will not be able to change their bids. If no communication is received from the buyer or the seller within the stipulated time regarding acceptance of the trade or on nonpayment of Additional Margin, the trade shall be deemed to be rejected by the buyer or seller.

56. We find that the above proposal of the Petitioner is a part of the trading activity (i.e. before transaction takes place) and therefore, we direct the Petitioner to complete the same, two days before the day of delivery. Once a transaction takes place and contract is entered into, no partial or full rejection of the contracted quantity shall be allowed, except in the case of force majeure or constraints in the transmission corridor, subject to the validation by the system operator and default mechanism of the Petitioner's Exchange.

57. The capacity offered, as a sell bid in Power Exchange under the Daily, Weekly, Monthly and Any-day single sided contracts from a resource in the same time-block, shall be separate and non-overlapping. Non-compliance of the same by any of the parties to the transaction shall lead to its debarment as a member or client and/or revocation or suspension of registration, along with the other actions for market abuse taken under the PMR 2021 and other applicable Regulations of the Commission.

58. We hereby direct the Petitioner to make appropriate changes in its software before the commencement of these physical delivery based forward contracts and to align its Business Rules, Rules and Bye-Laws according to approvals granted in this Order and as per the detailed procedure for scheduling of bilateral transactions. We further direct the Petitioner to submit the compliance report of the same on affidavit within two weeks from the date of issuance of the Order. The Petitioner is also directed to upload the revised Business Rules, Rules and Bye-Laws on its website before the commencement of these contracts. Needless to mention, if any discrepancy is noticed or if it appears that the revised Business Rules, Rules and Bye-Laws do not conform to the Regulations and/or to this Order in any respect, necessary directions may be issued for such compliance. We also direct POSOCO to

submit a report within three months from the date of introduction of the contracts as approved in this Order, after seeking feedback from the Power Exchanges on the experience and performance of the said contracts.

59. The Petition 219/MP/2021 is disposed of in terms of the above.

Sd/-	Sd/-	Sd/-	Sd/-
(P.K. Singh) Member	(Arun Goyal) Member	(I.S. Jha) Member	(P. K. Pujari) Chairperson