

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Draft Central Electricity Regulatory Commission (Power Market) (First Amendment) Regulations, 2025

Explanatory Memorandum

1.0 BACKGROUND

- 1.1 In exercise of the powers conferred under section 178 of the Electricity Act, 2003 read with all other relevant provisions, the Central Electricity Regulatory Commission (hereafter referred to as "the Commission") notified the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 (hereafter referred to as "the Principal Regulations") vide notification No. L-1/257/2020/CERC with effect from 15th August 2021.
- 1.2 Subsequent to the notification of the Principal Regulations, a number of developments have taken place in the power market, including, but not limited to: (i) Notification of Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022, dated 7th June 2022, with subsequent amendments in 2023 and 2024; (ii) Commission's directions in the Order dated 28.4.2025 with respect to changes in the price discovery mechanism in the case of Contingency contracts; (iii) Grant of registration to two OTC Platform Operators; and (iv) Issue of Draft Guidelines for Virtual Power Purchase Agreements dated 22nd May 2025. These developments and the representations received from the OTC Platform Operators have necessitated certain amendments to the Principal Regulations, which form the basis of the proposed Draft (First) Amendment to the Principal Regulations.

2 KEY ASPECTS CONSIDERED FOR AMENDING PRINCIPAL REGULATIONS

Connectivity and GNA Regulations

- 2.0 The Commission notified the Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022 (Connectivity and GNA Regulations), dated 7th June 2022, with subsequent amendments in 2023 and 2024. Since these regulations were notified after notification of the Principal

Regulations, the Principal Regulations are required to be amended suitably to reflect the provisions of GNA in place of the provisions relating to LTA/MTOA and STOA appearing in the Principal Regulations.

Changes in Price Discovery Mechanism in Contingency Contracts

- 2.1 Day Ahead Contingency (DAC) contracts were introduced on the power exchanges in 2009. In the recent past, some of the stakeholders have raised concerns regarding the price discovery mechanism in DAC. The Ministry of Power (MoP) has also raised the issues relating to high prices and potential deficiencies in the price discovery mechanism in DAC contracts.
- 2.2 To address the concerns raised by the stakeholders, the Commission, vide Order dated 28th April 2025 in the Petition No. 8/SM/2024, decided to initiate the process of modification of the price discovery mechanism in the case of Contingency Contracts. The Commission, through the said Order, also proposed to issue amendment(s) to the Principal Regulations to this effect. Therefore, the Principal Regulations are required to be amended suitably to reflect the changes in the price discovery mechanism in DAC contracts.

OTC Platform

- 2.3 Part-6 of the Principal Regulations specifies the provisions relating to Over the Counter (OTC) Platform. Clause (1) of Regulation 44 of the Principal Regulations provides that the Commission is required to notify the guidelines for registration and filing applications for establishing and operating the OTC Platform.
- 2.4 Regulation 41 of the Principal Regulations specifies the "Objectives of OTC Platform" as under:
 - (1) To provide an electronic platform with information of the potential buyers and sellers of electricity;
 - (2) To maintain a repository of data related to buyers and sellers and provide such historical data to market participants; and
 - (3) To provide such services as advanced data analysis tools to market participants.
- 2.5 Regulation 46 of the Principal Regulations specifies the "Obligations of the OTC Platform"

as under:

- (1) The OTC Platform shall not engage in the negotiation, execution, clearance, or settlement of the contracts.
 - (2) The OTC Platform shall maintain neutrality without influencing the decision-making of the Market Participants in any manner.
- 2.6 The Commission notified the "Guidelines for Registration and Filing Application for Establishing and Operating Over the Counter (OTC) Platform" (hereafter referred to as the "OTC Guidelines") vide notification No. L-1/257/2020/(PMR-3)/CERC on 11th May 2022.
- 2.7 As of June 2025, there are two operational OTC Platforms in the Indian power market. These include, M/s New Age Markets in Electricity Private Limited (NAME), which was granted registration vide Commission's Order dated 29th September 2022 in Petition No. 157/MP/2022, and M/s GNA Energy Private Limited (GNAEPL), which was granted registration vide Commission's Order dated 31st May 2023 in Petition No. 380/MP/2022. These OTC Platforms operate under the regulatory framework provided in the Principal Regulations and the OTC Guidelines.
- 2.8 The OTC Platform Operators have made several representations to the Commission regarding the challenges being faced by them under the current regulatory framework, which restricts their ability to cater to the diverse needs of market participants in an efficient way. The OTC Platform operators laid emphasis on the co-existence of the OTC Platform with power exchanges and traders, while demarcating the role of each of these institutions.
- 2.9 Key issues highlighted by the OTC Platform Operators include:
- (1) The inability of OTC Platforms to close and execute agreements since buyers and sellers are required to engage other offline service providers to close and execute an agreement, which increases the cost of the transaction.
 - (2) OTC Platforms lack appropriate price discovery mechanisms for bilateral contracts, such as reverse auctions and e-bidding on tenders. This is a deterrent to state utilities, which are using OTC Platforms as they are unable to meet the regulatory requirements of the respective State Electricity Regulatory Commissions (SERCs)

for buying and selling power.

- 2.10 The Commission has considered the representations received from the OTC Platform Operators and felt the need to make certain changes in the existing regulatory framework so as to effectively utilize their technological capabilities. This shall facilitate the introduction of more innovative products in the power market and cater to the diverse and emerging needs of the market participants. The Commission hereby clarifies that the role and activities of the OTC Platforms shall be distinct and non-overlapping with those of other market institutions, like power exchanges and trading licensees. The OTC Platforms shall facilitate buyers and sellers to execute bilateral contracts without taking any counterparty risk. The roles of these three sets of institutions will therefore be distinct and non-overlapping, and each of these institutions is expected to contribute to the power market development. The OTC Platforms shall provide an electronic platform for the buyers and sellers to undertake bilateral transactions, without taking any counterparty risk. Trading licensees shall continue to provide their services to market participants, whereas the OTC Platforms can complement their role by providing an electronic platform for better transparency and price discovery. The Commission expects that the proposed changes to OTC platforms may bring more transparency in transactions involving bilateral contracts and promote innovative market instruments/ contracts, including contracts relating to VPPAs, BESS, trading of RECs, and Capacity Contracts.
- 2.11 The Principal Regulations do not mandate comprehensive data transparency obligations for OTC Platforms, which creates challenges in market monitoring and extending regulatory oversight. The proposed amendment provides for an enhanced role for OTC Platform Operators alongside a stringent regulatory oversight process and provisions for audit and inspection.

Virtual Power Purchase Agreements

- 2.12 The Government of India has set an ambitious target of 500 GW of non-fossil fuel capacity by 2030 to meet the country's energy security transition needs. To achieve these objectives, the Government has notified minimum Renewable Energy Consumption Obligations (RCOs) for Designated Consumers. The obligations specify the required share of electricity from non-fossil sources of their total electricity consumption for consumer categories, like

distribution licensees, open-access consumers, and captive users. These RCO targets can be met either through direct consumption of renewable energy or by purchasing Renewable Energy Certificates (RECs).

- 2.13 With a view to facilitating RCO Compliance by the obligated entities, MoP vide communication dated 3rd March 2025, requested CERC to develop a regulatory framework for VPPAs as Non-Transferable Specific Delivery (NTSD) based Over the Counter Contracts. Subsequently, the Commission issued the "Draft Guidelines for VPPAs" vide public notice dated 22nd May 2025, to provide a broad regulatory framework for VPPAs. The proposed amendments to the Principal Regulations are aimed at recognizing VPPAs as a market instrument.

3.0 **PROPOSED AMENDMENTS TO PRINCIPAL REGULATIONS**

- 3.1 In view of the above, the Commission proposes to amend the Principal Regulations, incorporating changes with regard to the Connectivity and GNA Regulations, the Price Discovery mechanism in Contingency Contracts, OTC Platforms, and VPPAs. The amendment to the Principal Regulations shall be called the Central Electricity Regulatory Commission (Power Market) (First Amendment) Regulations, 2025, and will come into effect from the date of publication in the Official Gazette.

Amendment to Regulation 2 of the Principal Regulations

- 3.2 The Commission notified the Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022 (Connectivity and GNA Regulations) dated 7th June 2022, with subsequent amendments in 2023 and 2024. Since these regulations were notified after the notification of the Principal Regulations, the Principal Regulations are required to be amended suitably to reflect the provisions of GNA. A new sub-clause (o-i) is proposed to be inserted after sub-clause (o) under Clause (1) of Regulation 2 of the Principal Regulations as under:

"(o-i) "Connectivity and GNA Regulations" means the Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022, as amended from time to time and any re-enactment thereof;"

- 3.3 To bring changes in the price discovery mechanism of Contingency contracts as decided

in the Commission's Order dated 28.4.2025 in Petition No. 8/SM/2024, Continuous matching has been omitted. Sub-clause (p) of Clause (1) of Regulation 2 of the Principal Regulations is proposed to be substituted as under:

"(p) "Contingency Contract" means a contract wherein transactions occur on day (T) after the finalization of day ahead transactions and the delivery of electricity is on the next day (T+1);"

- 3.4 The "Draft Guidelines for VPPAs" issued vide CERC Public Notice dated 22nd May 2025, provides an alternative mechanism for Designated Consumers to meet their RCO Compliance. The criteria for notifying the Designated Consumers are provided under the Energy Conservation (EC) Act 2001. Accordingly, for the purpose of defining "Designated Consumer", a new sub-clause (t-i) is proposed to be inserted after sub-clause (t) under Clause (1) of Regulation 2 of the Principal Regulations as under:

"(t-i) "Designated Consumer" means the designated consumer as defined in the Energy Conservation Act, 2001;"

- 3.5 To provide clarity with regard to "Connectivity and GNA Regulations" or "GNA" in the Principal Regulations, a new sub-clause (v-i) is proposed to be inserted after sub-clause (v) under Clause (1) of Regulation 2 of the Principal Regulations as under:

"(v-i) "General Network Access (GNA)" shall have the same meaning as defined under the Connectivity and GNA Regulations;"

- 3.6 Sub-clause (w) of Clause (1) of Regulation 2 of the Principal Regulations regarding Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access, and Medium-term Open Access in inter-State Transmission and related matters) Regulations, 2009, is proposed to be deleted, as the same has been subsumed under Connectivity and GNA Regulations.

- 3.7 To incorporate OTC platforms as one of the platforms where buyers and sellers can buy or sell electricity or RECs, or ESCerts, the definition of "Market" is required to be amended. Accordingly, Sub-clause (ae) of Clause (1) of Regulation 2 of the Principal Regulations is proposed to be substituted as under:

"(ae) "Market" means a platform or a place where buyers and sellers, either directly or

through Trading Licensees, or through Power Exchanges, or through OTC Platforms, buy or sell electricity or Renewable Energy Certificates or Energy Savings Certificates or any other product as may be decided by the Commission;

- 3.8 To incorporate typographical correction by using the first letter in uppercase for Grid-Connected Entities, sub-clause (ai) (1) of Clause (1) of Regulation 2 of the Principal Regulations is proposed to be substituted as under:

“(ai) (1) Grid-connected entities;”

- 3.9 To incorporate the members of OTC Platforms in the list of Market Participants in Principal Regulations, sub-clause (ai) (6) of Clause (1) of Regulation 2 of the Principal Regulations is proposed to be substituted as under:

“(ai) (6) OTC Platform and its members;”

- 3.10 The definition of "Member" in the Principal Regulations is proposed to be amended in view of the proposed activities on OTC Platforms. Sub-clause (ak) of Clause (1) of Regulation 2 of the Principal Regulations is proposed to be substituted as under:

“(ak) "Member of Power Exchange or an OTC Platform" means a person who has been admitted as such by a Power Exchange or an OTC Platform in accordance with these regulations or OTC Guidelines and in accordance with bye-laws, rules, and business rules of the concerned Power Exchange or OTC Platform;”

- 3.11 Sub-clause (am) of Clause (1) of Regulation 2 of the Principal Regulations of the Central Electricity Regulatory Commission (Open Access in inter-State Transmission) Regulations, 2008, is proposed to be deleted, as the same has been subsumed under Connectivity and GNA Regulations.

- 3.12 To include the OTC Platform in the definition of the OTC Market, sub-clause (ao) of Clause (1) of Regulation 2 of the Principal Regulations is proposed to be substituted as under:

“(ao) "Over the Counter (OTC) Market" is a market where OTC Contracts are transacted between the sellers and the buyers directly or through a Trading Licensee or on an OTC Platform;”

3.13 With a view to enabling OTC Platforms to facilitate transactions between the buyers and the sellers, promote transparency, and facilitate the innovative market instruments such as Virtual Power Purchase Agreements (VPPAs), Battery Energy Storage Systems (BESS), Renewable Energy Certificates (RECs), Capacity Contracts, etc., sub-clause (ap) of Clause (1) of Regulation 2 of the Principal Regulations is proposed to be substituted as under:

"(ap) "Over the Counter (OTC) Platform" is an electronic platform for exchange of information amongst the buyers and sellers of electricity, and for facilitating the buyers and the sellers to engage in transactions as specified in these Regulations and the Guidelines for OTC Platform;"

3.14 The Commission notified "Guidelines for Registration and Filing Application for Establishing and Operating Over the Counter (OTC) Platform" ("OTC Guidelines") vide notification no. L-1/257/2020/(PMR-3)/CERC on 11th May 2022. To incorporate the term "OTC Guidelines" in the definitions of the Principal Regulations, a new sub-clause (ap-i) is proposed to be inserted under Clause (1) of Regulation 2 of the Principal Regulations as under:

"(ap-i) "OTC Guidelines" means the Guidelines for Registration and Filing Application for Establishing and Operating Over the Counter (OTC) Platform, 2022, as amended from time to time;"

3.15 CERC issued the "Draft Guidelines for Virtual Power Purchase Agreements" in May 2025. In view of this, a new sub-clause (a) is proposed to be inserted under Clause (2) of Regulation 2 of the Principal Regulations as under:

"(a) "Virtual Power Purchase Agreement (VPPA)" means the Non-Transferable Specific Delivery (NTSD) based Over-the-Counter (OTC) contracts entered between a Consumer or Designated Consumer and a RE generator, wherein the Designated Consumer guarantees payment of the mutually agreed price (VPPA price) to the RE generator for the entire duration of the agreement. The RE generator shall sell electricity through Power Exchange or any other mode authorized under the Electricity Act 2003, and the difference between the VPPA price and the market price shall be settled bilaterally between the contracting parties as per mutually agreed terms;"

3.16 CERC issued the "Draft Guidelines for Virtual Power Purchase Agreements" in May 2025.

In view of this, a new sub-clause (b) is proposed to be inserted under Clause (2) of Regulation 2 of the Principal Regulations as under:

"(b) "VPPA Price" means the price of electricity as mutually agreed between a Consumer or a Designated Consumer and an RE generator either directly or through a Trader or by listing on an OTC Platform;"

Amendment to Regulation 4 of Principal Regulations

3.17 To incorporate the type of contracts to be allowed on the OTC markets, Clause (2) of Regulation 4 of the Principal Regulations is proposed to be substituted as under:

"(2) Contracts in the OTC Market, including:

(a) Delivery-based Energy Contracts

(b) Capacity Contracts

(c) Renewable Energy Certificates

(d) Contracts relating to Virtual Power Purchase Agreements (VPPAs)

(e) Battery Energy Storage System (BESS) Contracts

(f) Banking of Power

(g) Any other contracts, as approved by the Commission."

Amendment to Regulation 5 of Principal Regulations

3.18 Consequent to the promulgation of the Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022, the phrase "Open Access Regulations," wherever it appears in the Principal Regulations is proposed to be changed to "Connectivity and GNA Regulations." in sub-clause (b) of Clause (1), sub-clause (b) of Clause (2), and sub-clause (b) of Clause (3) of Regulation 5 of the Principal Regulations.

Amendment to Regulation 6 of the Principal Regulations

3.19 Consequent to the promulgation of the Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022, the phrase "Open Access Regulations" is proposed to be replaced in Clause (1) of Regulation 6 of the Principal Regulations as under:

"Connectivity and GNA Regulations"

Amendment to Regulation 7 of the Principal Regulations

- 3.20 The proposed scope of activities on OTC Platforms requires changes in the price and other terms of the contract in the OTC market. Accordingly, Clause (1) of Regulation 7 of the Principal Regulations is proposed to be substituted as under:

"(1) The price and other terms of contract in the OTC Market shall be determined either through mutual agreement between the buyer and the seller directly, or through a Trading Licensee, or on an OTC Platform, or through a competitive bidding process, or as determined by the Appropriate Commission."

- 3.21 The scheduling of OTC contracts is proposed to be dealt with as per the provisions in the Connectivity and GNA Regulations and the Grid Code. Accordingly, Clause (2) of Regulation 7 of the Principal Regulations is proposed to be substituted as under:

"(2) The application for scheduling of contracts in the OTC market, wherever applicable, shall be in accordance with the Connectivity and GNA Regulations and the Grid Code."

- 3.22 The implementation of VPPA is proposed to be as per the terms and conditions provided in the VPPA Guidelines. Clause (3) of Regulation 7 of the Principal Regulations is proposed to be substituted as under:

"(3) Virtual Power Purchase Agreement: The implementation arrangement and terms of contract of VPPA shall be in accordance with the guidelines as may be notified by the Commission."

Amendment to Regulation 41 of the Principal Regulations

- 3.23 In addition to the existing objectives of the OTC Platform, to facilitate the transactions between buyers and sellers on the OTC Platform, a new Clause (4) is proposed to be inserted under Regulation 41 of the Principal Regulations as under:

"(4) To facilitate the buyers and sellers to engage in transactions of the Contracts in the OTC Market referred to in Clause (2) of Regulation 4 of these Regulations."

Amendment to Regulation 43 of the Principal Regulations

- 3.24 Keeping in view the expanded scope of activities on OTC Platforms, a higher Net worth requirement for OTC Platforms Operators is proposed. Accordingly, sub-clause (b) of Clause (1) of Regulation 43 of the Principal Regulations is proposed to be substituted as under:

"(b) The minimum Net worth of the applicant shall be Rs. 35 Crore as on any date falling within 30 days immediately preceding the date of filing the application for grant of registration."

Amendment to Regulation 44 of the Principal Regulations

- 3.25 In order to provide greater regulatory certainty, the period of initial registration is increased from five years to ten years. Clause (3) of Regulation 44 of the Principal Regulations is proposed to be substituted as under:

"(3) The registration of an OTC Platform shall continue to be in force for a period of ten (10) years from the date of grant of registration unless such registration is revoked or cancelled earlier."

Provided that the OTC platform that have been granted registration by the Commission prior to the date of coming into force of these regulations shall be deemed to be registered for a period of 10 years from the date of their registration."

Amendment to Regulation 46 of the Principal Regulations

- 3.26 The enhanced scope of activities for OTC Platforms would enable the OTC Platforms to facilitate transactions between the buyers and the sellers; however, the OTC Platforms will not be permitted to undertake any counterparty risk or credit risk arising out of the transactions between the buyers and the sellers. Accordingly, Clause (1) of Regulation 46 of the Principal Regulations is proposed to be substituted as under:

"(1) The OTC Platform shall facilitate the buyers and the sellers to execute contracts as listed in Clause (2) of Regulation 4 of these regulations, without taking counterparty risk or credit risk on behalf of the buyers or the sellers."

- 3.27 In the case of existing OTC Platform Operators, a relaxation of 12 months is proposed to

meet the Net worth requirements. Accordingly, a new Clause (3) is proposed to be inserted under Regulation 46 of the Principal Regulations as under:

"(3) An OTC Platform Operator shall have a minimum Net worth of Rs 35 Crore at all times. Provided that the OTC Platform Operators which have been granted registration by the Commission prior to the date of coming into force of these Regulations shall meet the minimum Net worth criteria within a period of twelve months from the date of coming into force of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement."

Amendment to Regulation 50 of the Principal Regulations

- 3.28 Keeping in view the expanded scope of activities on OTC Platforms, the provisions regarding Intervention by the Commission in the Principal Regulations need to be amended to incorporate the OTC Platform. Accordingly, Clause (d) of Regulation 50 of the Principal Regulations is proposed to be substituted as under:

"(d) direct the Power Exchange or OTC Platform to cancel membership of a member; or"

Amendment to Regulation 53 of the Principal Regulations

- 3.29 Keeping in view the expanded scope of activities on OTC Platforms, there is a need to expand the regulatory oversight on the activities of OTC Platforms through powers to inspect, audit, and conduct inquiries. Accordingly, Clause (1) of Regulation 53 of the Principal Regulations is proposed to be substituted as under:

"(1) The Commission may at any time undertake inspection, conduct inquiries or audit of any Power Exchange or OTC Platform, either through its officers or through a third-party agency, in accordance with the provisions of the Act."

- 3.30 Keeping in view the expanded scope of activities on OTC Platforms, there is a need to expand the regulatory oversight on the activities of OTC Platforms, which requires cooperation from the OTC Platforms Operators. Accordingly, Clause (2) of Regulation 53 of the Principal Regulations is proposed to be substituted as under:

"(2) Where an inspection under clause (1) of this regulation is undertaken by the Commission, such Power Exchange or OTC Platform and every Director, Manager,

officer, and any other employee of such Power Exchange or OTC Platform shall cooperate for such inspection, inquiries, or audit."
