



Ref: APPCPL/CERC/2025-26/DEL/0093/20250711/1

Dated: 11.07.2025

To,
The Secretary,
Central Electricity Regulatory Commission (CERC),
6th, 7th & 8th Floors, Tower B, World Trade Centre,
Nauroji Nagar, New Delhi- 110029.

Kind Attention: - Shri Harpreet Singh Pruthi

Sub: Submission of comments/ suggestions/ objections on draft 'Central Electricity Regulatory Commission (Power Market) (First Amendment) Regulations, 2025'.

Ref: - CERC Notice No. L-1/257/2020/CERC dated: 17.06.2025

Respected Sir,

This is with reference to the above notice vide which the Commission has invited comments/ suggestion/ objections from all the stakeholders in the reference to the draft 'Central Electricity Regulatory Commission (Power Market) (First Amendment) Regulations, 2025' (hereinafter referred as draft PMR First Amendment 2025).

In this regard, we Arunachal Pradesh Power Corporation Private Limited (APPCPL) are a category II trading licensee having license number 61/Trading Licence/2012/CERC dated 11th September 2012, as a stakeholder, would like to submit our comments/ suggestion/ objections, which are enclosed herewith;

1. Brief Comments on the draft PMR First Amendment 2025.
2. Detailed Comments on each clause of the draft amendment Regulation of PMR First Amendment 2025.

It is therefore requested to consider our comments/ suggestion/ objections favorably and we

hope that the Commission shall consider it prior to finalizing the PMR First Amendment 2025.

Thanks & Regards

For Arunachal Pradesh Power Corporation Private Limited



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Encl: 1. Comments/Suggestion/Objections as Annexure- A.

Brief Comments on the draft PMR First Amendment 2025

1. The Commission has not released any **Explanatory Memorandum** alongside the draft regulations, which is crucial for understanding the **context, rationale, and intent** behind the proposed changes. It hinders stakeholders' ability to comprehend the need for the proposed amendments.
2. A preliminary review of the draft indicates a volte face in the **Over-the-Counter (OTC) platform's** role in the power market, indicating an intention to fundamentally disrupt its current operating mechanism.
3. The proposed amendments to the definitions and composition of the **'Market' including 'OTC Market'** & the role of the **'OTC Platform'** now include transactions facilitated via the OTC platform. This marks a stark departure from the Commission's earlier stance that the OTC platform shall **only serve as an information exchange medium** and **shall not be involved in actual power transactions**, unlike power traders or the power exchanges.

This view can be clearly observed in the **Statements of Reasons (SoR)** issued earlier:

SoR dated 23.03.2021 (Ref: L-1/257/2020/CERC) (PMR 2021):

"2.4.4. It is noted that the Power Market Regulations, 2021 introduces OTC Platform, as an electronic platform, only for exchange of information amongst the buyers and sellers of electricity, while the actual finalization of the transaction and financial settlement takes place outside the OTC Platform..."

SoR dated 11.05.2022 (Ref: L-1/257/2020/(PMR-3)/CERC) (OTC Guidelines 2022):

*"3.5 OTC Platform shall provide such information to the buyers and sellers of electricity in OTC market considered necessary for such buyers and the sellers to take informed buy/sell decisions. **Under no circumstances, OTC Platform shall be involved in the actual transactions between the buyers and the sellers as in the case of power traders.** Accordingly, Clause 4 of the draft Guidelines has been retained as proposed."*

Please refer to the apprehension of PTC under the clause 3.2 of the above guidelines that the OTC Platform may be misused by being allowed to *"play the role of Power Traders without actually holding a power trading license from the appropriate regulator"*. To allay this apprehension the commission had clearly stated in the clause 3.5 of the same guidelines that *"Under no circumstances, OTC Platform shall be involved in the actual transactions between the buyers and the sellers as in the case of power traders"*

4. This expanded role equates the OTC platform's function to that of a **trader**, yet without bearing the associated transactional, financial & credit risks. This contradicts the foundational purpose for which OTC platforms were conceptualized.
5. The original objectives of the OTC platform (as per PMR 2021 and OTC Guidelines 2022) were:
 - (1) provide an electronic platform with the information of potential buyer and seller

- of electricity;
- (2) maintain a repository of data related to buyers and sellers and provide such historical data to market participants; and
 - (3) provide such services as advanced data analysis tools to market participants.

Which is now proposed to further substituted by;

- (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.”**

Even before the current proposed amendment came into being, OTC Platforms have surreptitiously attempted successfully to engage themselves in trading activity even though the current regulations specifically prohibited them from doing so and the current amendment apparently attempts to regularize such illegal activity instead of taking regulatory actions to penalize these platforms for violation of the regulation.

The market would have expected an independent regulator to keep a closer watchful eye on such blatant violation of the existing regulation instead of actually awarding violators by allowing them a bypass path to obtaining a trading license.

Currently, OTC platform operators are observed to engage directly with Discoms, buyers, and sellers for transaction execution, akin to traders, rather than limiting their role to information dissemination. **The proposed amendment under point (4) endorsing transaction facilitation conflicts with the original purpose of OTC platforms.**

6. It is noted that OTC platform operators are charging **success-based fees (in paise/unit)** (or by any other name) post-transaction – thereby renaming the trading margin charged by electricity traders who conduct market research, negotiations, tailored solutions and take transactional risks within the limitation of capped trading margin as per the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020.

Charging of a success fee clearly demonstrates the illegal engagement of the OTC Platform in actual trading activity of a trading licensee even though the nomenclature of the trading margin has been changed.

This **model lacks Commission approval** and undermines the non-commercial, information repository nature of OTC platforms. Various fees such as Admission fees, Membership fees, Subscription fees, Deposit & Any Other fees are mentioned in business rules, are approved by the Commission but exact values are not specified. However, no success based fee (or trading margin) forms part of their Business rules or Bye-laws and therefore there is a violation of their own business rules & Bye-laws.

The above fees have been approved by the Commission solely for maintaining repository of the data base and not for any actual trading activity.

This clearly indicates the ill intent and complete lack of discipline on part of these OTC Platforms to adhere to the existing Regulations. It is therefore utterly surprising that the Commission has chosen to close its eyes to this blatant violation and also chosen to regularise this entire violation by this proposed amendment.

7. OTC platforms are being proposed to be allowed to levy multiple charges—such as admission fees, annual subscription fees (from both traders and clients), one-time security deposits, processing fees, and **transaction fees** based on the per-unit energy delivered—**without assuming any commercial risk** if the proposed amendment to allow transactions on the OTC Platform are upheld. This gives them the same status as a Power Exchange without investment in either a software for carrying out multiple trades or having the regulatory framework for utilizing power flow through the existing grids.

This is in spite of three exchanges already existing in the market and it is clear that the market suffers from having a surfeit of exchanges (two of the three exchanges are already having a lower transaction level than required to flourish). Therefore the need for introducing another quasi-exchange in an already lopsided market appears beyond logical comprehension.

8. The trading community is already facing significant challenges due to the lack of regulatory support, the promotion of direct trades by respective State Commission, and the allowance of trades with zero trading margin. Permitting yet another category of platform operators to function as traders risks further destabilizing the power market, leading to inefficiencies, confusion, and potential chaos without yielding meaningful results.
9. The proposal by the commission does not in any manner explain the need for a quasi-trader or a quasi-exchange status being awarded to a platform solely designed as an information repository and a provider of analytic tools. The market already has nearly 80 licensed traders of different categories and at least three exchanges. It would be pertinent to mention that of these 80 traders the volumes traded for most are negligible or zero and of the three exchanges, two are yet to achieve an optimal level of trading activity.
10. The commission would be aware of the fact that a repository of market information, which can benefit buyers and sellers of energy and information which forms the backbone of a Licensed Traders Business, being allowed to take over the activity of a trader is a clear conflict and the commission's indulgence for OTC Platforms creates an atmosphere of distrust in the existing market players.

11. The three exchanges which work under strict regulatory frameworks and continue to invest to provide a hands-off trading platform with negligible or no bias, would also feel shortchanged by the commission approval for a back-door entry to an OTC Platform with repository of information uncontrolled by the regulatory framework and this conflict of interest being panned over by the commission is totally surprising.
12. As per the existing OTC guidelines (Clause 6.1 (iv)), traders and power exchanges are barred from being eligible to make application for establishing and operating an OTC Platform.

Even in the exchanges, traders are allowed a very limited stakeholder status but even this limited stakeholder status being denied to traders and power exchanges in the OTC Platforms unfortunately seems to indicate an undue favoritism for certain individuals/organizations/ group of persons and casts a shadow on the unbiased and independent status of a Regulatory Commission.

Conclusion:

The proposed amendments **deviate from the core principles** underlying the establishment of OTC platforms. By expanding their role to include transaction facilitation in lieu of a trading margin (by whatever other name it may be called), the Regulatory Commission risks:

- Undermining the distinction between traders and OTC platforms, creating a conflict with its stand as committed by the commission in its own guidelines of OTC Platform,
- Allowing OTC platforms to function as quasi-traders and quasi-exchange, undermining the role of electricity traders and exchanges,
- Creating barriers to entry for new market participants,
- Introducing inconsistencies with well thought out earlier regulatory decisions and stakeholder apprehensions.

The absence of an Explanatory Memorandum (which is the usual practice) and which clearly conveys the thinking of the commission for any amendment or new regulation casts confusion and doubt in the minds of the stakeholders about the intent of such amendments or regulations.

We, therefore strongly oppose any changes proposed for the role of OTC Platforms in Trading and seek a strict action on their activities highlighted above (like engaging in trades and charging success based fees).

We respectfully urge the Commission to consider these concerns and uphold the original intent and role of OTC platforms as defined in the PMR 2021 and OTC Guidelines 2022.

Our clause wise comments are mentioned in Annexure- A.

Annexure-A: Detailed Comments on each draft amendment Regulation of draft PMR First Amendment 2025

<u>Clause No. of draft Amendment</u>	<u>Draft Regulation proposed by Hon'ble CERC</u>	<u>Comments/ suggestion/ objections by APPCPL</u>
Clause No. 2.1	2(1)(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;"	No comments
Clause No. 2.2	2(1)(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);"	No comments
Clause No. 2.3	2(1)(t-i) "Designated Consumer" means the designated consumer as defined in the Energy Conservation Act, 2001;"	No comments
Clause No. 2.4	2(1)(v-i) "General Network Access (GNA)" shall have the same meaning as defined under the Connectivity and GNA Regulations;"	No comments
Clause No. 2.5	2(1)(w) Sub-clause (w) of Clause (1) of Regulation 2 of the Principal Regulations shall be deleted	No comments
Clause No. 2.6	2(1)(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;	We oppose this amendment for change in role of the OTC Platforms due to reasons outlined in our objection above.
Clause No. 2.7	2(1)(ai) (1) Grid connected entities;"	No comments
Clause No. 2.8	2(1)(ai) (6) OTC Platform and its members;"	No comments
Clause No. 2.9	2(1)(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;	No comments
Clause No. 2.10	2(1)(am) Sub-clause (am) of Clause (1) of Regulation 2 of the Principal Regulations shall be deleted	No comments
Clause No. 2.11	2(1)(ao) "Over the Counter (OTC) Market" is a market where OTC	We oppose this amendment for change

<u>Clause No. of draft Amendment</u>	<u>Draft Regulation proposed by Hon'ble CERC</u>	<u>Comments/ suggestion/ objections by APPCPL</u>
	Contracts are transacted between the sellers and the buyers directly or through a Trading Licensee or on an OTC Platform ;	in role of the OTC Platforms due to reasons outlined in our objection above.
Clause No. 2.12	2(1)(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; "	We oppose this amendment for change in role of the OTC Platforms due to reasons outlined in our objection above.
Clause No. 2.13	2(1)(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;	No comments
Regulation No. 2.14	2(2)(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;"	No comments.
Clause No. 2.15	2(2)(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;	We oppose this amendment for change in role of the OTC Platforms due to reasons outlined in our objection above.
Clause No. 3	4(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	No comments

<u>Clause No. of draft Amendment</u>	<u>Draft Regulation proposed by Hon'ble CERC</u>	<u>Comments/ suggestion/ objections by APPCPL</u>
	(g)Any other contracts, as approved by the Commission.”	
Clause No. 4	5 The words “Open Access Regulations” appearing multiple times, shall be replaced with the words “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.	No comments
Clause No. 5	6 The words “Open Access Regulations” shall be replaced with the words “Connectivity and GNA Regulations” in Clause (1) of Regulation 6 of the Principal Regulations	No comments
Clause No. 6.1	7(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.”	We oppose this amendment for change in role of the OTC Platforms due to reasons outlined in our objection above.
Clause No. 6.2	7(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	No comments
Clause No. 6.3	7(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.”	No comments
Clause No. 7	41 The objectives of the OTC Platform shall be: (1) To provide an electronic platform with the information of 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; (3) To provide such services as advanced data analysis tools to Market Participants. (4) To facilitate the buyers and sellers engage in transactions of the Contracts in the OTC Market referred to in Clause (2) of Regulation 4 of these Regulations.	We oppose this amendment for change in role of the OTC Platforms due to reasons outlined in our objection above.
Clause No. 8	43(1)(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.	No comments.

<u>Clause No. of draft Amendment</u>	<u>Draft Regulation proposed by Hon'ble CERC</u>	<u>Comments/ suggestion/ objections by APPCPL</u>
Clause No. 9	44(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 which 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.	No comments
Clause No. 10.1	46(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 counter-party risk or credit risk on behalf of the buyers or the sellers.	We oppose this amendment for change in role of the OTC Platforms due to reasons outlined in our objection above.
Clause No. 10.2	46(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.	No comments
Clause No. 11	50(d) direct the Power Exchange or OTC Platform to cancel membership of a member; or	No comments
Clause No. 12.1	53(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.	No comments
Clause No. 12.2	53(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.	No comments