

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai 400005
Tel. 022 22163964/65/69 Fax 22163976
Email: mercindia@merc.gov.in
Website: www.mercindia.org.in / www.merc.gov.in

Case No. 115 of 2015 and MA No. 9 of 2015 in Case No.115 of 2015

Date: 9 December, 2015

**CORAM: Shri. Azeez M. Khan, Member
Shri. Deepak Lad, Member**

In the matter of

Petition to allow Power Exchange India Limited to commence and operate intra-State power market in the State Maharashtra.

M/s. Power Exchange India Limited (PXIL)Petitioner
Maharashtra State Load Dispatch Centre (MSLDC) Respondent No. 1
Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) Respondent No. 2
R-Infra-D Respondent No. 3
TPC-D Respondent No. 4
BEST Respondent No. 5
Indian Energy Exchange Limited (IEX)	... Intervener (Applicant)

Present during the hearing

For the Petitioner	: Shri Alok Shankar, (Adv), PXIL
For the Respondents	: 1. Shri Jayant Kulkarni, (Rep), MSLDC 2. Shri P.H. Jambulkar, (Rep), MSEDCL 3. Shri Ghanshyam Thakkar, (Rep), R-Infra-D 4. Smt. Swati Mehendale, (Rep), TPC-D 5. Shri Vinayak Rokade, (Rep), BEST
For the Intervener	: Ms. Dipali Sheth, (Adv), IEX

Daily Order

Since the Chairperson has demitted office, Parties gave their consent to further hearing of the matter by a two Member Bench as being in continuance of the earlier proceedings.

Heard the Representatives/ Advocate of the Petitioner, Respondents, Intervener (Applicant).

The Petitioner submitted the clarifications on the queries raised by the Commission in the first hearing held on 6 October, 2015 and other submissions which are as below:

1. Proposed price discovery Mechanism:

The Petitioner submitted that the proposed pay –as –you-bid price discovery mechanism for the week-ahead product in the Intra-State market is different from the mechanism (i.e. uniform pricing) that has been approved by the CERC for the day ahead market at the national level. The Petitioner submitted the several advantages of the proposed price discovery mechanism are as below:

- a. A common market framework promotes efficiency and lowers costs. It creates a reliable power system, provides mitigation for market power and offers more choices to market participants. In the proposed price discovery mechanism, seller would be paid at uniform price and buyer paid on bid. The difference could be used for other funding. With the proposed Intra-State Power Exchange, reliability of market would improve.
- b. The Intra-State Power Exchange enhances the choice for the consumer by providing another avenue to procure energy.

2. Proposed relaxation / modification of provisions of MERC (Distribution Open Access) Regulations, 2014:

Petitioner has proposed following provisions of MERC (Distribution Open Access) Regulations, 2014 for relaxation / modification:-

- a. Non –reduction of Maximum Demand of the Consumer
- b. Requirement to procure power on RTC basis
- c. Requirement to maintain the Maximum Demand greater than or equal to seventy percent of threshold level
- d. Settlement of imbalance as per Regulation 26 of DOA Regulations, 2014
- e. Addition of necessary clauses in MERC(Open Access) Regulations, 2014 and MERC State Grid Code for processing of exchange based Intra-State week ahead transactions and their scheduling.
- f. Modification in the format for NOC for Intra-State Market and associated products

3. Petitioner’s Reply to Intervention Application of IEX:

- a. Petitioner submitted that the proposed Exchange would be limited to Intra-State trade and thus enable better utilization of Intra-State assets, better load flow at the Intra-State level, reduce transmission losses, minimize the cost of power bought and sold on Inter-State exchange by various entities located in the State of Maharashtra and ultimately lead to welfare of the consumers.
- b. Petitioner further submitted that a necessary party is one whose presence is absolutely necessary and without whose presence the issue cannot effectually and completely be adjudicated upon and decided between the parties. It submitted that the Intervener is neither a necessary party nor a proper party to the present proceedings.

4. The Commission asked the Petitioner to clarify the issue of Jurisdiction in respect of changes in Bye Laws of CERC for the set up of Intra-State Power Exchange. In reply, Petitioner submitted that, in discharge of its statutory responsibility to undertake development of power market under Section 66 of the Act and Para 5.7.1(d) of the National Electricity Policy, 2005, CERC initially issued guidelines and later notified Regulations for the power market for Inter-State transactions. Similarly, for Intra-State power market, this Commission is the Appropriate Commission. The existing Bye Laws are indent only for Intra-State operations, and any other operations would be in the domain of the State Commission.
5. R-Infra –D submitted that :
 - a. There are already two national Power Exchanges, viz. IEX and PXIL functioning since FY 2008-09 with trading volumes steadily growing from 2.77 BUs in FY 2008-09 to 29.40 BUs in FY 2014-15 with increasing number of participants every year, thereby creating liquidity in the market place leading to efficient price recovery. Any attempt to establish a State level market will not only distort the existing national level market but lead to fragmented markets across various States.
 - b. Petitioner may be directed to approach CERC for approval of weekly contracts instead of proposing separate Intra-State market and establish an entire infrastructure.
 - c. The Commission may issue a discussion paper and hold wide consultations on it. Based on the submissions of all stakeholders, the Commission may notify the Regulatory framework for setting up of Intra-State Power Exchanges in Maharashtra.
6. TPC-D submitted that comprehensive public consultation is required while approving the Intra-State Power Exchanges in the State, and that this would be beneficial to power market development.
7. SLDC submitted that the Commission should come up with a concept paper on Intra State Power Exchanges, where the role and responsibilities of SLDC need to be specified.
8. Intervener , IEX submitted that :
 - a. There are various issues and concerns in allowing a restricted Intra State Power Exchange platform to operate, such as nature of the activities on the Power Exchange, the pre-dominant collective nature of transactions in the Power Exchange, Open Access, and other aspects.
 - b. The Central Commission decided various issues such as scope of Power Exchange, operational issues of Inter-State Power Exchange at the national level, etc and it is equally important for this Commission to consider all these issues in context of the setting up of Intra-State Power Exchange. The issues at national level are different.
 - c. The Commission may first issue a Discussion Paper for wide public consultation. The Commission will then be able to consider and analyze submissions of all stakeholders so as to notify a regulatory framework which would create a level playing field for setting up of Intra-State Power Exchanges in Maharashtra.

- d. The area of jurisdiction of this Commission and the Central Commission on the Intra State Exchange operations is a crucial aspect.
- e. As per Regulations 6 and 7 of CERC PMR, 2010, a Power Exchange registered with Central Commission cannot launch a contract without seeking its approval. Therefore, even if the Commission grants permission to set-up an Intra-State Exchange, it has to approach the Central Commission for launching of contracts. This position may again lead to conflict of jurisdiction as there is no hierarchical relationship between Central Commission and this Commission.

The Commission directed the Petitioner to file its Rejoinder/additional submissions on submissions made by Intervener /Respondents within 10 days.

The Commission would decide the way forward in the matter thereafter.

**Sd/-
(Deepak Lad)
Member**

**Sd/-
(Azeez M. Khan)
Member**