

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 8/SM/2024

Coram:

Shri Jishnu Barua, Chairperson

Shri Ramesh Babu V., Member

Shri Harish Dudani, Member

Date of Order: 28.4.2025

IN THE MATTER OF:

Directions by the Commission to the Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2021

ORDER

In exercise of the powers conferred under Section 66 read with Section 178 of the Electricity Act, 2003 and the National Electricity Policy, the Commission notified the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 (hereinafter 'PMR 2021') on 15.02.2021, which came into force with effect from 15.08.2021. These regulations apply to the Power Exchanges, market participants other than Power Exchanges, and the OTC Market.

2. Regulation 4 of the PMR 2021 enlists the various types of contracts for trading, and Part 3 (i.e., Regulations 5 to 7) provides the features of each of these contracts, covering aspects like Price Discovery, Scheduling & Delivery, etc.

3. At present, the following types of contracts for electricity are available at the Power Exchanges:

- a. Day Ahead Contracts, including Green Day Ahead and High Price Day Ahead contracts
- b. Real-Time Contracts



- c. Intraday Contracts, including Green Intraday and High Price Intraday contracts
- d. Day-Ahead Contingency Contracts, including Green Day-Ahead Contingency and High Price Day-Ahead Contingency contracts
- e. Term Ahead Contracts (Daily/Weekly/Monthly/Any-Day Single Sided Contracts), including Green Term Ahead and High Price Term Ahead contracts

4. Initially, when the two Power Exchanges, viz., Indian Energy Exchange (IEX) and Power Exchange India Ltd. (PXIL), started operations in 2008, only Day Ahead contracts were offered on their platform. Later, vide Orders dated 31.08.2009 in Petition No. 120/2008 (of IEX) and Petition No. 166/2008 (of PXIL), the Commission approved the introduction of additional contracts, i.e., Day-ahead Contingency contracts, Intra-day contracts, Daily contracts & Weekly contracts.

5. To serve the growing volumes of electricity trade and increasing penetration of renewable energy in the grid, the Commission approved the introduction of a Real-Time Market (RTM) vide Order dated 29.05.2020 in Petition No. 225/RC/2020 (of IEX) and 304/MP/2020 (of PXIL). RTM provides buyers & sellers with an organized platform for trading electricity closer to real-time.

6. Further, the Commission, vide Orders dated 07.06.2022 in Petition No. 219/MP/2021 and 229/MP/2021 of IEX and PXIL, respectively, approved the introduction of longer duration contracts up to 3 months duration in the Term-Ahead market and Green Term-Ahead Market. The introduction of these contracts has been made possible due to the outcome of the Hon'ble Supreme Court of India Order dated 06.10.2021, which disposed of the jurisdictional matter between CERC and SEBI in terms of the agreement reached between the two, which provided that the CERC will regulate all the physical delivery contracts, whereas the SEBI will regulate the financial contracts. These contracts are allowed as non-transferable specific delivery-based forward contracts (NTSD contracts) at power exchanges in both conventional and renewable energy segments. The Commission approved these contracts for a maximum duration of three months by following a gradual approach. The Commission allowed the revision in timelines of the existing Daily and Weekly contracts, as well as the introduction of Monthly and Any day single-sided contracts on the exchange platform.

7. The Table below provides details of matching mechanisms and bidding timelines in various types of contracts on the Power Exchanges.

Table 1: Matching Mechanism and Bidding Timelines in Power Exchanges

Contract Type	Matching Mechanism	Bidding/Trading Time		
		IEX	PXIL	HPX
Integrated-Day Ahead Market	Double Sided Closed Auction with Uniform Price	10:00 - 11:00	10:00 - 11:00	10:00 - 11:00
Real-Time Market		22:45 - 23:00 (Session 1) and onwards	22:45 - 23:00 (Session 1) and onwards	22:45 - 23:00 (Session 1) and onwards
Intra-day	Continuous Matching	00:15 - 19:30 Delivery 3.5 hrs ahead	00:15 - 20:30 Delivery 2.5 hrs ahead	00:00 - 20:30 Delivery 2.5 hrs ahead
Day Ahead Contingency		13:00 - 23:30 Delivery 3.5 hrs ahead	13:00 - 23:00 Delivery 2.5 hrs ahead	13:00 - 23:30 Delivery 2.5 hrs ahead
Term Ahead Market - Daily	Uniform Price Step Auction	12:00 - 17:00	12:00 - 17:00	12:00 - 17:00
Term Ahead Market - Weekly		12:00 - 17:00	12:00 - 17:00	12:00 - 17:00
Term Ahead Market - Monthly		12:00 - 17:00	12:00 - 17:00	12:00 - 17:00
Any Day Single Sided Contracts (ADSS)	Reverse Auction	00:00 - 24:00	00:00 - 24:00	00:00 - 24:00

8. Lately, some concerns have been raised by the stakeholders regarding price discovery in the Day-Ahead Contingency contracts. The issues relating to high prices in Day-Ahead Contingency contracts and potential deficiencies in the price discovery mechanism in the case of TAM have also been pointed out by the Ministry of Power. Moreover, the Commission's staff has also observed some anomalies in the operation of the Term-Ahead Market, including Any-Day Single-Sided contracts.

9. The Commission has examined the trend in volume and price of Contingency and Term Ahead Contracts in Power Exchanges over the years and the emerging issues in these market

segments/contracts. Each of these market segments/contracts is dealt with in the subsequent paragraphs.

Intraday and Day-Ahead Contingency Contracts

10. While the Intra Day market in the Power Exchanges was specifically introduced to address the need for meeting energy requirements closer to real-time, the Day Ahead Contingency market (DAC) was introduced primarily with the objective of addressing the unexpected changes or contingencies that occur after closing of the Day Ahead Market (DAM).

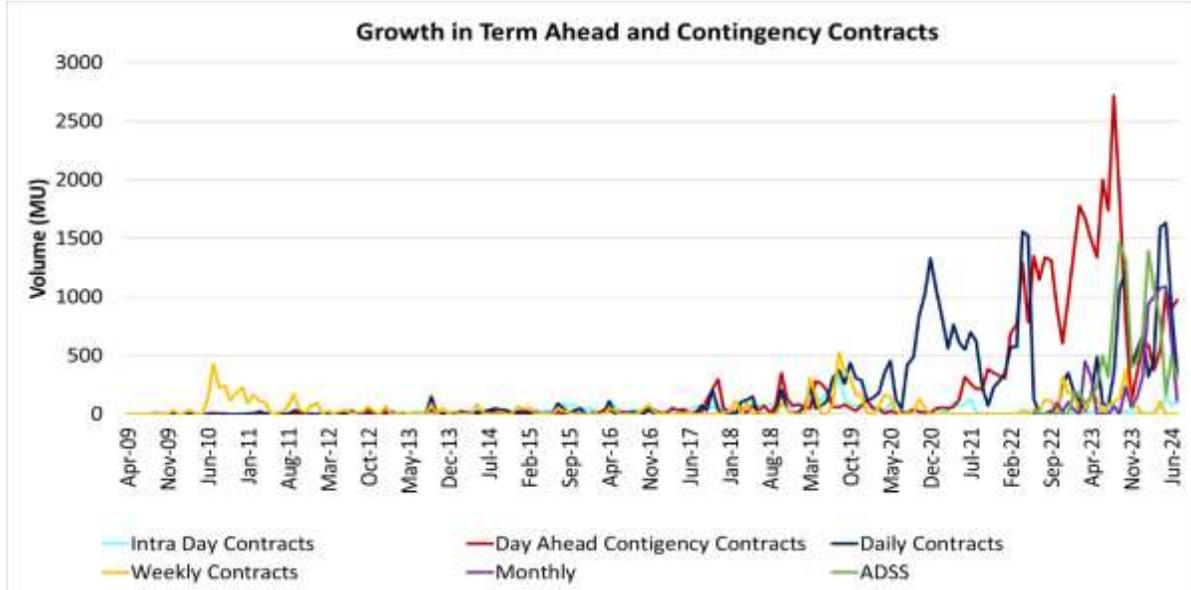
11. In order to provide the grid-connected entities with mechanisms to respond optimally and in pursuance of the development of the market, the staff of the Commission published a staff paper on "Extended Market Session on Power Exchanges" on 8th July 2014, which proposed two options – (1) 24x7 intraday/contingency contracts, (2) Operating Day ahead auction in the evening on Power Exchanges. Subsequently, the Commission vide Order dated 8.4.2015 in Petition No. 6/SM/2015, after public consultation & deliberations, directed the Power Exchanges to operate a 24x7 intraday/contingency market. The directions given in the Order were implemented by IEX and PXIL w.e.f. 20.7.2015.

12. With regard to the Intra Day contracts, it has been observed that the segment of the market has not been able to attract much liquidity since its introduction (Chart-1 below). This was also discussed in the CERC discussion paper on "*Re-designing Real-Time Electricity Markets in India*" published in July 2018, wherein some of the plausible reasons for such low response observed were discussed, i.e, (i) inertia of DISCOMs and absence of delegation of decision-making power at operators' level, (ii) the price discovery methodology, viz., continuous trading based on pay-as-you bid principle as against the auction based on uniform clearing price, being restrictive to the growth, and (iii) absence of gate closure.

13. With the introduction of the RTM in June 2020, a market closer to real-time, with sale/purchase based on the methodology of uniform clearing, has been made available to market participants, and the concept of gate closure has also been brought in. Thus, the concerns related to the intra-day market were considerably addressed with the introduction of

RTM. There has been a significant growth in the RTM volume compared to the intra-day market.

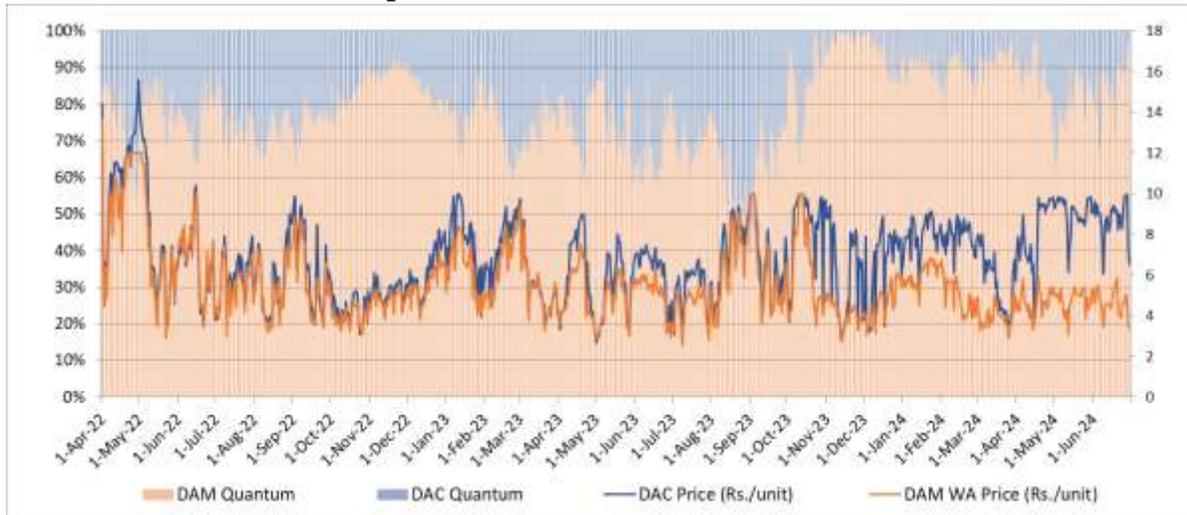
Chart 1: Growth in Term Ahead and Contingency Contracts



14. The Day Ahead Contingency market had also not witnessed much volume till the year 2020, except for minor spikes in between. In comparison to the Intra-day market, however, there has been a noticeable increase in DAC volume from 2020-21 onwards (refer to Chart-1).

15. We have examined the trend in the daily volume and weighted average price of transactions in DAM and DAC for the period from April 2022 to June 2024, as shown in the chart below.

Chart 2: Comparison of transactions in DAM and DAC



16. From the above trends, it has been observed that the prices in DAC generally follow the same trend as prices in DAM, though with a slight premium owing to it being for contingency measures. However, from October 2023 onwards, there has been significant variation in the prices, with prices in DAC remaining consistently higher than DAM.

17. Such higher prices in the DAC segment have raised both policy and regulatory concerns. During various consultations, stakeholders have also hinted at potential manipulations in the Day-Ahead Contingency contracts.

18. The Commission has always been sensitive to any form of connivance or malpractice by the market participants. The Commission also notes that continuous matching was initially allowed in the contingency contracts on the assumption of inadequate liquidity in these segments. However, the DAC has witnessed significant growth over the period, presenting a case for the discovery of a single price rather than price discovery based on continuous matching. Further, without a single price for the same time block/hour, the market becomes fragmented, with disparity of price for different participants, which also increases the price uncertainty.

19. Therefore, the Commission feels that there is a need to review the (i) continuation of existing contracts and (ii) current matching mechanism for Contingency contracts in light of

the performance of these market segments/contracts over the years and with the introduction of other competing contracts, like RTM.

Term Ahead Market Contracts

20. The Commission notes that, pursuant to the settlement of the issue of the longer duration contracts (beyond T+11 days) in 2021, the exchanges sought approval on the longer duration TAM & GTAM contracts beyond 11 days. After examining the Petitions and following due process, the Commission, vide Orders dated 7.6.2022 in Petition No. 219/MP/2021 and 229/MP/2021 for IEX and PXIL, and vide Order dated 30.12.2022 in Petition No. 206/MP/2022 for HPX, approved TAM & GTAM contracts for the maximum duration of three months, considering the month in which transaction is made as the zero month.

21. As observed from Chart-1 and also affirmed by the performance report on longer duration contracts submitted by Grid Controller of India Ltd. ('Grid-India') for the period September 2022 to October 2023, the liquidity in the longer duration contracts has increased over time.

22. The Commission has noticed that subsequent to the approval for Daily Contracts/ Weekly Contracts with modified timelines and the introduction of Monthly Contracts (up to 3 months) for pre-specified time blocks notified to the market participants well in advance, the Power Exchanges, through various circulars, have notified the time blocks for these contracts available for the market participants. To date, a variety of slots, like Base/round-the-clock, peak, off-peak, evening, night peak, hourly, etc., have been notified by the Power Exchanges. Many of these slots have overlapping time blocks, and some slots offer a very high level of granularity. The Commission is of the view that by notifying so many slots, the Power Exchanges are effectively letting the buyer/seller define the delivery days and time blocks. This does not augur well with the spirit of the term "pre-specified" intended by the Commission in the direction of Petition No. 229/MP/2021, 219/MP/2021, and 206/MP/2022. The Commission notes that all three Power Exchanges have attempted to introduce all possible slots of time blocks to cater to the specific needs of the market participants by issuing a number of circulars. The Commission does not consider such an approach as proper and is of the view

that there is an urgent need to put a check on it by ensuring that only established, pre-specified slots are made available on the exchange platform, thereby improving liquidity.

Any-Day Single-Sided Contracts (ADSS)

23. The Commission, in Orders dated 7.6.2022 and 30.12.2022 referred above, also approved the introduction of Any-Day Single Sided Contract (ADSS) for user-defined days and time blocks for the buyers. It is understood that the ADSS contracts are called upon by the buyers, as per their requisition. However, it has been observed that the Power Exchanges are also providing the option of specifying timelines like bid validity, acceptance window, etc., to the buyers, which might lead to non-serious participation and act as a deterrent to the performance of these contracts. Therefore, there is a need for a defined duration for all the stages involved in the ADSS contracts, including bid receiving window, bid validity, bid acceptance, etc., for all buyers across the exchange platforms.

24. In this backdrop, the Commission had proposed certain directions to address the concerns in Contingency, TAM and ADSS Contracts, vide draft order in Suo-Motu Petition No. 8/SM/2024 and invited comments and suggestions vide public notice dated 04.10.2024 from the stakeholders, including power exchanges. In response to the public notice, 38 stakeholders, including CEA, have submitted their comments and suggestions to the Commission.

Analysis and Decision

25. After duly considering the comments and suggestions received from the stakeholders on the draft Suo-Motu order in Petition No. 8/SM/2024, this Order is being issued accordingly. The proposals put forth in the draft order, comments/suggestions received from the stakeholders, and the Commission's decision are dealt with in the subsequent paragraphs.

Timeslots in Term Ahead Market (TAM) Contracts

26. The Commission had proposed as under:

"All Power Exchanges shall allow only the established pre-specified slots on the exchange platform for TAM contracts (including HP-TAM). These pre-specified slots shall include Base/RTC, Peak, Off-Peak (other than peak), and Night, wherein the peak period would be as defined by the NLDC. In the case of G-TAM, Power Exchanges shall have the liberty to pre-specify slots based on the generation profile of different technologies, as provided by the sellers. Exchanges should submit the pre-specified contracts for approval of the Commission".

27. The stakeholders have expressed a mixed view on limiting the pre-specified slots for TAM contracts. Among those in favour of limiting pre-specified slots, CEA has pointed out that when market participants have the option of such a large number of trading sessions, the market gets fragmented and leads to lesser liquidity. Using hourly slots leads to the creation of non-standardized bids/contracts. While it may offer flexibility, it limits the competition in the market. In the mature and developed markets, standard products are also available. Another stakeholder has submitted that multiple durations across contracts increase flexibility but reduce liquidity and bring fragmentation.

28. Stakeholders arguing against pre-specified timeslots for TAM contracts have submitted that the proposed fixed slots will limit the flexibility of DISCOMs in managing real-time demand fluctuations. It has been pointed out that each DISCOM's load profile is unique and varies as per season. Moreover, different portfolio mix of thermal, hydro, solar, and wind necessitate variation in power supply.

29. The Commission has noted the comments/suggestions of the stakeholders. The key issues to be addressed here are (i) whether user-specified time slots, as allowed by the power exchanges at present, should be continued or not, and (ii) different durations of established pre-specified time blocks which should be allowed on the power exchanges so as to meet the diverse requirements of DISCOMs.

30. On the suggestion of continuing user-specific time slots, the Commission would like to reiterate that while approving contracts up to 3 months (Orders in Petition No. 229/MP/2021, 219/MP/2021, and 206/MP/2022), the Commission had clearly directed the power exchanges to notify only pre-specified time blocks for these contracts. The Commission

is of the view that user-defined time blocks for these contracts do not go with the spirit of the directions given by the Commission.

31. Each market segment on the power exchange serves different buy/sell requirements and has been introduced accordingly. The contracts in TAM enable participants to secure power over a longer horizon, whereas the DAC segment is designed for managing energy imbalances closer to time on a day ahead basis after the Day Ahead Market (DAM). Given the distinct purpose of TAM, the Commission does not agree with the contention that pre-defined time restricts the market participants' ability to plan their procurement on a T+2 ahead basis. The Commission agrees with the stakeholders' view that allowing too many time slots, with overlapping time blocks and a high level of granularity, dilutes competition and leaves scope for manipulation on account of low market depth.

32. Therefore, the Commission directs the power exchanges to discontinue the provision of user-defined time slots (including hourly slots), in TAM, including Green TAM and High-Price TAM, within a week from the date of this order. The power exchanges shall allow only the established pre-specified slots on the exchange platform for TAM contracts, including Green TAM and High-Price TAM. However, all such contracts traded before the date of this Order shall continue to be valid.

33. On the second issue of different durations of established pre-specified time slots to be allowed on the power exchanges, we have considered the concerns raised by some of the stakeholders regarding varying peak periods, load profiles, and generation portfolio mix across different states. Accordingly, we direct the power exchanges as under:

- (i) **For TAM and HP-TAM:** Power exchanges to carry out consultation with market participants on the selection of pre-specified time slots from within RTC, Peak/Off-Peak hour, Solar/Non-Solar hour, Day/Night, that they propose to notify on their respective platforms. Post consultation, the power exchanges shall approach the Commission for approval on the pre-specified slots, within a month from the date of this Order.

- (ii) **For G-TAM:** Power exchanges to carry out consultation with market participants on the selection of pre-specified time slots based on the generation profile of different technologies. Post consultation, the power exchanges shall approach the Commission for approval on the pre-specified slots, within a month from the date of this Order.

34. The Commission also directs the NLDC to declare the timings of the Solar/ Non-Solar hours at regular intervals. With regard to Peak/Off-Peak hours, the CERC Tariff Regulations 2024-29 provide for the declaration of region-wise peak and off-peak hours at regular intervals by the respective RLDCs.

Timelines for Any Day Single-Sided (ADSS) Contracts

35. The Commission had proposed as under:

"All Power Exchanges shall follow the timelines for different stages of ADSS contracts, including the bid receiving window/submission of interest quantity by sellers, IPO auction, Reverse Auction, and Bid acceptance window as follows.

<i>Bid Receiving Window</i>	<i>Max. 2 days (48 hours)</i>
<i>IPO Auction</i>	<i>Max. 2 hours (120 mins)</i>
<i>Reverse Auction</i>	<i>Min. 2 hours (120 mins) with an extension up to 24:00 Hrs of auction day</i>
<i>Acceptance Window</i>	<i>Max. 2 days (48 hours)</i>

36. The majority of the stakeholders have appreciated the proposal of defining the duration for all the stages involved in ADSS contracts for all buyers across the exchanges. The stakeholders, especially sellers, have submitted that this shall address the concern of blocking volume for a longer period and foster a transparent & organized bidding process.

37. With regard to the 'Acceptance Window', few stakeholders have requested a longer duration, citing the time required for management approvals as the main reason. In this regard, the Commission's staff had sought some clarifications with regard to ADSS through letters addressed to the power exchanges. In response to a specific query, one of the power exchanges

submitted that "*any Seller participating in RA event shall come to know if it is successful or not only after Buyer provides his acceptance/ partial acceptance/ rejection*". On examining the auction notices, it has been observed that the acceptance window of as long as 28 days has been allowed by the power exchanges. Considering the submission above, the sellers who have participated in this auction would be unsure of their selection for almost a month and thus may not have been able to participate in any other segment/auction for this capacity. The Commission is of the view that an extended window leads to the blocking of volumes and hinders timely price discovery.

38. With respect to the stakeholders' concern regarding time availability in different stages of ADSS contracts, the Commission notes that sufficient time is already available, considering the multiple stages involved in an ADSS requisition. Also, there are other market segments with shorter timelines where the buyers participate without much difficulty. The Commission advises the stakeholders to streamline their internal approval processes to ensure timely participation within the stipulated window. Therefore, for the market to operate efficiently, all the power exchanges are directed to adhere to the following stages & timelines for all the ADSS requisitions:

Bid Receiving Window	Max. 2 days (48 hours)
IPO Auction	Max. 2 hours (120 mins)
Reverse Auction	Min. 2 hours (120 mins) with an extension up to 24:00 Hrs of auction day
Acceptance Window	Max. 2 days (48 hours), excluding the day of the reverse auction

39. It has also been brought to the notice of the Commission that many of the buyers float multiple ADSS notices for the same requisition on all/multiple power exchanges. This increases the uncertainty for the sellers by limiting participation and blocking volume till the result of other auctions is declared. On perusal of the monthly submissions by the power exchanges, we observe that out of all the auctions held on the three power exchanges during the period from April 2024 to February 2025, only about 18% were accepted by the buyers. We have also examined the auction notices issued on the websites of the power exchanges.

These clearly indicate the tendency of the buyers to issue multiple notices and wait for the results of each auction during the long acceptance window before finalizing.

40. In addition to the flexibility being provided to buyers in the current design of ADSS Contracts, as discussed above, some of the power exchanges offer a waiver on the auction initiation fee in case the auction does not materialize into a trade. In our opinion, such a contract design promotes non-serious participation and creates a hindrance to the efficient operation of the market.

41. To elicit disciplined behaviour from market participants, the power exchanges are, in addition to the direction in para 38 above, directed to:

- a. Obtain a declaration from the buyer at the requisition stage if any auction notice has been issued for the same requisition (quantum and duration) on any other power exchange(s) and/or other platform. The declaration shall form part of the auction notice issued by the respective power exchange for the information of the willing sellers.
- b. Power exchanges should desist from giving any rebates/waivers on the auction initiation fee and charge a minimal non-refundable auction initiation fee irrespective of the acceptance/ partial acceptance/ rejection of the auction results, so as to allow only serious participation while at the same time not excessively burdening the participants.

42. All the directions with regard to ADSS contracts shall be made applicable by the power exchanges for all new notices issued after 7 days from the date of this Order.

Operation of Intra-Day Contracts

43. The Commission had proposed to *withdraw Intra-Day Contracts in all the Power Exchanges from a pre-specified date, in terms of Regulation 25(3) of PMR 2021, in view of the very low liquidity in Intra Day Contracts since its introduction, the availability of the alternative Real-Time Market, and to avoid market fragmentation.*

44. Most of the stakeholders have suggested continuing Intra-Day contracts on the power exchanges. The stakeholders have submitted that the sequential operation of Intra-day contracts followed by RTM facilitates market participants in meeting their power trading requirements in an optimal manner. While RTM has attracted volume, there are instances of bids remaining uncleared, especially during peak hours, even when the market price is Rs. 10/kWh. Intra-Day contracts, on the other hand, offer better assurance of volume clearance. Additionally, Intra-Day contracts are also available for the green and high-cost generators, unlike RTM contracts.

45. A few stakeholders have favoured the discontinuation of Intra-Day contracts, pointing out the available alternative in the form of RTM and also the need to consolidate the fragmented liquidity in the market.

46. Further, it has been observed that the delivery for Intra-Day transactions is 3.5 hours ahead in IEX while it is 2.5 hours ahead in the case of PXIL and HPX. The trade window also varies across the exchanges. Stakeholders have suggested making the timelines uniform across the three power exchanges.

47. The Commission has considered the comments of the stakeholders and takes note of the utility of the Intra-Day contract for the various market participants. However, the Commission has taken note of the apprehensions raised by stakeholders that some participants come to the Continuous market with a prior understanding to perform targeted transactions. Therefore, with regard to Intra-Day contracts, including Green Intra-Day contracts and High-Price Intra-Day contracts, the Commission hereby directs the power exchanges to:

- a.* Continue operation of Intra-Day contracts on their platforms with Continuous matching.
- b.* Allow market participants the option to select 'Market' order type instead of giving a price quote/ limit price. In other words, by selecting "Market," the participant is willing to accept the desired quantum at the best available price in the market instead of specifying a particular price.

- c. Align the delivery to be 2.5 hours ahead for the Intra-Day transactions, and the trade window to be uniform across the power exchanges.

48. In the case of PXIL, it has been observed that in the Contingency segment (both Intra-Day & DAC), PXIL has been offering flexibility to participants to submit orders in pre-defined delivery duration or user-defined delivery duration. The same is provided as 'Static' and 'Dynamic' types. In the 'Static' type, fixed delivery periods are pre-defined in the trading system. In the 'Dynamic' type, flexibility is provided to participants to define the delivery period (Hour/ Time block) as per their transaction requirement, and such orders are matched when the delivery periods are similar on both sides. In this regard, CEA has suggested that such products result in non-standardized contracts and lower competition; hence, these must be stopped. The Commission agrees with the view of CEA and directs PXIL to discontinue the 'Intra-Day Dynamic' contracts with immediate effect.

Price Discovery Mechanism in DAC

49. The Commission had proposed *to modify the price discovery mechanism in the case of Contingency Contracts to Uniform Price Step Auction from the existing Continuous matching. The Commission had proposed to issue amendment(s) in PMR 2021 to this effect.*

50. Stakeholders in favour of the proposed changes have submitted that a change in the price discovery mechanism would promote a transparent and efficient price discovery. CEA has submitted that in the DAC contracts, due to a longer trade window and continuous matching, the competition is less in this segment. As such, the possibility of market participants doing transactions with mutual understanding increases, resulting in non-competitive transactions.

51. Stakeholders arguing against the proposed mechanism change have submitted that continuous matching allows for predictable quantities and transparency of price, whereas, in an auction, there are chances of pro-rata clearance. Some stakeholders have submitted that the continuous matching mechanism should be continued due to the prevailing low liquidity.

52. With regard to submissions made by the stakeholders regarding low liquidity in the DAC segment, the Commission observes that the DAC segment has witnessed considerable

growth over the last five years. As such, the Commission does not find merit in the argument that the matching mechanism may not be changed on account of liquidity.

53. With regard to international practices, some stakeholders have submitted that the European Power Exchange utilizes continuous matching for price discovery in its contingency contracts. In this regard, another stakeholder has highlighted that Europe is also introducing multiple intra-day auctions in addition to continuous trade to enhance market efficiency and bring in better price predictability.

54. The Commission is of the view that aggregation of bids in a Uniform Price Step Auction may consolidate the liquidity, prevent anti-competitive practices, and ensure transparent price discovery. Further, an open auction utilized in the Uniform Price Step Auction enables the participants to make informed decisions after seeing buy and sale bids offered by other anonymous participants.

55. The Commission, therefore, finds merit in the proposal to modify the price discovery mechanism in the case of DAC to a Uniform Price Step Auction. The Commission directs its staff to initiate the process for suitable amendment(s) in PMR 2021. Further, the power exchanges are directed to approach the Commission thereafter with proposed specifications, timelines, etc., as provided under Regulation 25 of PMR 2021, for approval.

56. We note there are some apprehensions regarding switching to the uniform price step auction, as it may delay the process of bid finalization. In this context, CEA has suggested that the trading window for DAC, which is currently from 13:00 to 23:30 hrs, may be split into three trading sessions of two hours each while implementing the Uniform Price Step Auction. The Commission finds merit in exploring the suggestion while finalizing the contract specifications proposed by the power exchanges in this context.

57. Another suggestion received is to allow both matching mechanisms based on the volume of orders, i.e., use continuous matching for small orders to ensure liquidity and switch to uniform price step auction for larger orders to minimize impact and price volatility. The Commission believes continuing Intra-day contracts with Continuous matching and switching to Uniform Price Step Auction in DAC shall serve the purpose well.

58. In the draft Order, the Commission had proposed the following direction to power exchanges till the time the amendments to PMR 2021 come into effect:

"24(e)(i) Power Exchanges to make changes in the software/ market watch so that all the parties are able to see all the buy and sell offers for 10 minutes before the order gets transferred to the order book; after the expiry of this period, best buy and sell bids get cleared."

59. With regard to the above, the Commission emphasizes that the intent has been to arrest the possibility of any malpractices and not to increase the market complexities or bring disruptions to the market. However, after duly considering the submissions made by the stakeholders, the associated costs and technological changes required, and the timelines indicated by the power exchanges to bring out these functionalities in their system, the Commission has decided not to proceed with the proposed interim direction in the context of DAC contracts.

60. In addition to the above, it has been observed that PXIL is offering 'Dynamic' type contracts in its DAC segment. The issues relating to the 'Dynamic' type contracts have already been dealt with in detail in para 48 above. Accordingly, the Commission directs PXIL to discontinue the 'DAC Dynamic' contracts with immediate effect.

Information dissemination by Power Exchanges

61. The Commission had proposed to direct *the Power Exchanges to display information regarding the number and volume of bids received (both buy and sell) on their website, in addition to the data on traded volume.*

62. Stakeholders have welcomed the proposed direction as it promotes transparency. Accordingly, the Commission directs the Power Exchanges to display information regarding the number and volume of bids received (both buy and sell) on their website, in addition to the data on traded volume, for all Contingency and TAM contracts.

63. Considering the directions given in the relevant sections of this Order, the Commission directs all the power exchanges to submit the compliance report (as applicable) on affidavit within the stipulated timelines. The power exchanges are also directed to amend the Business

Rules, Rules, and Bye-Laws, wherever necessary, with intimation to the Commission. 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 action shall be taken for such compliance.

64. The directions in this Order shall be in furtherance/addition to the directions in Orders dated 7.6.2022 in Petition No. 219/MP/2021 (of IEX) and 229/MP/2021 (of PXIL) and Order dated 30.12.2022 in Petition No. 206/MP/2022 (of HPX).

65. Petition No. 8/SM/2024 is disposed of in terms of the above directions.

Sd/-
(Harish Dudani)
Member

Sd/-
(Ramesh Babu V.)
Member

Sd/-
(Jishnu Barua)
Chairperson

