

## Comments on Amendments in IEX Business Rules, Rules and Bye Laws

#	Section/ Clause	IEX View/ Text of the Amendment	Comment
1.	Clause 14.3 (New Clause)	<i>Client Account: In addition to settlement account, trade member will have to open a client account in the same bank as that of the settlement account. The member may receive the client's funds in its settlement account or client account. However, member should make payments to its clients towards their receivable amount from its clients only</i>	<p>Allowing the fund transfer directly from each client to settlement account of trader member would have tracking issues. The present system of fund transfer to client account should be continued.</p> <p>This addition of new clause would put burden on trader members in tracking the funds. The trader member should be free to settle accounts with its clients from any account.</p>
2.	Clause 18.6	Client registration form deleted from the Business Rules	If any change is required in the form, same may be modified in the business rules and approval of Hon'ble CERC may be taken.
3.	Clause 18.9 (k)	<i>The Exchange member shall communicate, by any suitable mode, each of the transaction done by them for their respective client on the trading system of the Exchange. As proposed by IEX, requirement of contract note has been ceased.</i>	We agree to the proposed changes.
4.	Clause 18.11	<i>Member should collect/pay money from/to its clients through banking transaction only.</i>	We agree to the proposed changes.
5.	Clause 22.1.a, b, g, i, j	MPLS based VPN is main service, for which IEX decides the service provider and SSL based VPN service is a backup	To ensure that clients are not burdened with service charges of monopoly MPLS service provider, IEX should declare MPLS and VPN as equal priority services for trading on IEX.
6.	Clause 24.1 & 25.2	<p><i>Settlement of contract in case of real time curtailment. Mismatch between scheduling request issued by Exchange and final schedule issued by NLDC.</i></p> <p><i>IEX has proposed that in above scenario, the outstanding contract will be settled as decided by the Exchange from time to time.</i></p>	<p>IEX has submitted that due to various activities in case of real time curtailment which creates operational difficulty particularly dealing with Industries and CPPs.</p> <p>In this regard, few of the activities mentioned by IEX like identification of region, importing region etc. may be integrated/ automated, if possible to reduce the overall time. However, pro-rata basis settlement should be continued because power generator and consumers as being aware of day to day transmission congestion/expected curtailment, would place their buy/sell bids accordingly.</p>

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			Wording introduced in IEX business rules would give them arbitrary power. So, this needs to be amended, as above.
7.	Clause 30.4	<i>Submission of monthly report: Each member shall furnish detail of member service charges on monthly basis separately in respect of transaction in day ahead market, TAM, REC market and EScerts market in the format appended at Annexure-VIII, Annexure-IX, Annexure-X and Annexure XI respectively, as applicable, of these business rules, so as to reach the exchange on or before the end of the succeeding month.</i>	<p>As a part of Honorable CERC regulatory procedure for statutory provisions, Form-IV is submitted by all the trading licensees on monthly basis.</p> <p>All the relevant details of DAM, TAM REC is submitted by trading licensee through form IV. Accordingly, the trader member should be exempted for submitting the monthly report to IEX.</p> <p>As such the data or reports are available with exchange further to any successful trade between entities. Hence this requirement may be reviewed.</p>
8.	Clause 58.	<i>Modification and cancellation of orders: Member shall be permitted to modify or cancel his orders, during the trading hours. In case if a member after closure of market hours, requests Exchanges to cancel order due to reason like error in punching of bid, plant shutdown, cancellation or modification of NOC by SLDC, the Exchange shall cancel the order on request of the member. No order will be cancelled in case if the provisional matching is already done except in case any statutory requirement.</i>	<p>We agree with proposed modification by IEX and would also request to incorporate other standard force majeure scenarios. However, in addition to proposed modification, we also hereby propose that in certain situation like earthquake, fire, natural calamities etc. affecting the communication, IEX should extend the bidding window beyond 12:00 hrs. The decision of such extension should be made by IEX/PXIL before closure of bidding window, on request of member.</p> <p>Such extension of bidding window would be available to all the participants and it would ensure level playing fields to all market players. It may be noted that only cancellation of order shall be allowed (modification not to be allowed).</p> <p>Further, regarding REC bidding, we would like to submit that bidding system of RECs (purchase of RECs) should be robust enough to check if the buy bids are placed twice by member/client using the same portfolio code, under same category (i.e. Non-Solar/Solar). System should raise alerts to members in such cases so that timely corrective action may be taken. This would avoid excess purchase of RECs by obligated entities.</p>

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9.	Annex -V	Contract note deleted, as obligation report covers all transaction details	Clarification required: Is the obligation report (which is not a bill of supply for exempted goods) sufficient document for GST compliance?
10.	Sch A 5.1.b	Maximum number of block bids and maximum quantity per block shall be prescribed by Exchange	The prescribed numbers should be clearly communicated and updated for easy reference by clients.
11.	Sch A 7	Modification and cancellation of orders after "market hours"	Market hours may be replaced by trading hours.

#### **Additional points for consideration of the Hon'ble CERC**

- A. *As per clause no. 17, Business rules of IEX, the exchange will charge a transaction fee as may be specified from time to time on the transaction carried out through the exchange. Such transaction fee will be computed on value basis or volume basis, as may be decided from time to time, which will be computed on both purchases and sales separately. This will be billed separately on periodic basis and will be recovered from the settlement account of the member or the clients, as applicable.*

In the current situation, IEX is a practical monopoly and hence Hon'ble CERC may like to review this clause and fix the transaction fee being charged by IEX. Currently IEX is charging 4 paisa on each unit of energy being traded on its platform, which is same as electricity traders in short term market. With the interest free security deposits, advance payment mechanism and pay-out after pay-in, IEX has no credit risk or cost of funds unlike the trading companies, which are taking delivery of electricity and bearing these costs. Since the time IEX had doubled the transaction fee, the volume on IEX has almost doubled, hence a cap on transaction fee at 1 p/kwh seems appropriate.

- B. While incorporating the provision for curtailment during real time transmission constraint, the factors like wastage of natural resources (water in case of hydro plants or excess coal consumption during technical minimum operation of thermal units) may also be considered