

**MEDIA RELEASE:**

## **PXIL highlights key power market regulatory reforms and insights**

The dialogue took place at PXIL's 2<sup>nd</sup> Market Advisory Committee and Stakeholder Consultation meeting

**National, 14th August 2020:** Ahead of the public hearing of the Central Electricity Regulatory Commission (Power Market) Regulations 2020, the Power Exchange India Limited (PXIL), conducted its 2<sup>nd</sup> Market Advisory Committee and stakeholder consultation meeting to discuss key market regulatory reforms concerning the power industry. The event threw light on crucial topics - Key aspects of Draft Power Market Regulations 2020, Decision support tools for Real-Time Market (RTM), Significance of market coupling and dual price discovery, Efficiency and convergence of prices. The meeting was attended by more than 80 participants from Distribution Companies, IPPS, SLDCs, Captive generators and other stakeholders from the market.

**Dr. Kirit S. Parikh, Chairman, MAC & Independent Director, PXIL**, in his opening remarks emphasised on the need of converging prices in the collective segment, congratulated the market participants for having demonstrated the need to have competition between exchanges, and, finally, on the benefits the proposed market coupling is likely to bring to the market and market participants. Dr. Parikh further added that Government has been promoting competition in procurement of various services. Electricity sector, in general, and electricity procurement, in particular, falls under the guiding principles to foster competition and transparency.

In the opening remarks, while talking about market coupling, pricing and need for market participation, **Mr. Prabhajit Kumar Sarkar, MD & CEO, PXIL** said that *"The rapidly changing framework of the entire power sector demonstrates the key role that power markets have to play. The underlying need for competition in the power markets is therefore gaining acute significance in the industry. A competitive marketplace can thrive on a strong foundation of an enabling market structure like market coupling, fair rules that allow competition to thrive and ensuring ease of participation on various marketplaces."*

One of the important aspects discussed during the meeting was that the two existing Power Exchanges operate in the same geographical area with completely independent order books and independently run price discovery systems. Consequently, different prices also known as dual prices are discovered for market participants for the same time and geography in the two Exchanges. This difference in prices between the two exchanges is sometimes used by participants to compute notional gains and losses, which in turn is used to determine whether to continue participation or not. Such loss / gain computation is a fallacious exercise because the price differences itself are notional and an outcome of the change in participation from one exchange to another.

**Mr. Anshul Garg, Head, Power Sales & Trading, Adani Power** emphasised that competition will foster exchanges to enhance the service levels, innovate for the market which in turn will reduce the overall costs for procurement. **Mr. Baba, Director TTIC, JK PDD**, echoed the sentiment and mentioned that monopolistic structures are inherently inefficient. He also suggested bringing down the gate closure

time, in RTM segment, closer to delivery so that sudden changes in demand/generation can be handled effectively.

**Mr. Rajesh Mahajan, Head, KISPL**, also brought forth the increased role power exchanges will have to play as the markets for longer duration contracts and financial markets open up in the sector.

While sharing his views on pricing and market participation, **Mr. Kapil Dev, Vice President & Business Head, PXIL** said, *“We believe that prices cannot be the glue to stick liquidity in one product or one exchange. And efficiency in the convergence of prices can only be achieved through higher consistency and sustained participation. I think market participants need to continue participation on both the exchanges which would lead to better overall returns for the buyer and the seller depending on the market dynamics.”*

The power market of India is expected to grow exponentially in the future considering its scale and size which has created a dire need for multiple exchanges and competing marketplaces to be available for participants. And, as the power market progress, PXIL is determined to play a critical role in providing competitive efficiency in innovation, services, cost, management and all such parameters which can enable to create a thriving and optimized power market.

#### **About PXIL:**

Power Exchange India Limited (PXIL), launched in 2008 is India’s first institutionally promoted Power Exchange promoted by NSE (National Stock Exchange of India Ltd.) & NCDEX (National Commodity and Derivatives Exchange). PXIL has revolutionized the way Indian power markets operate by providing innovative and credible solutions for market operations. PXIL’s electronic transaction platform facilitates the trading of electricity at a national level, with users ranging from State Utilities and State Procurement agencies, industrial consumers, independent power producers as well as captive power producers. Thanks to the institutional ownership and leveraging the strength of the promoters of running an exchange for over 20 years, robust risk management, ethical business principles and sound governance form the bedrock of PXIL’s operations.

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