

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:4458  
ANSWERED ON:20.08.2010  
POWER TRADING  
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**Will the Minister of POWER be pleased to state:**

- (a) whether the profit of companies engaged in the power trading in the country has increased from the year 2004-05 to 2009-10;
- (b) if so, the details thereof; and
- (c) the reaction of the Government thereto?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF POWER(SHRI BHARATSINH SOLANKI)

(a) to (c) : The profit of a company depends upon its overall performance in terms of the revenue generated and the various costs incurred in the business and its management. In so far as trading in electricity is concerned, the Electricity Act, 2003 envisages regulation of trading margin, if necessary, which has a bearing on the revenue generated by a company engaged in trading in electricity. Fixation of trading margin is based inter alia on a reasonable return on network. Central Electricity Regulatory Commission (CERC) does not monitor the profits of individual trading companies.

The CERC has fixed the trading margin after due consideration of the various risks involved in the business of inter-State trading.

As per the existing regulations issued by the Commission in January, 2010, the trading margin has been fixed as 7 paise per kWh in case the sale price of electricity exceeds Rs.3 per unit and the trading margin of 4 paise per kWh where the sale price is less than or equal to Rs.3 per kWh. These margins are presently applicable only for short-term purchase and short-term sale of electricity by the inter-State electricity traders. The regulations also provide that trading margin specified under these regulations shall be the cumulative value of the trading margin charged by all the traders involved in the chain of transactions between the generator and the ultimate buyer, that is to say, trading margin in case of multiple trader-to-trader transactions shall not exceed the ceiling trading margin specified under these regulations.

The Commission fixed the trading margin for the first time in 2006. The Commission monitors the trading margin being charged by the inter-State traders. A statement indicating the trading margin charged by the major electricity traders for the period from 2006-07 to 2009-10 is as under :

**Volume and Trading Margin of Electricity Transacted by Trading Licensees**

Period    Volume (BUs)    Trading Margin (Rs)

2006-07    15.02    0.04

2007-08    20.96    0.04

2008-09    21.92    0.04

2009-10    26.82    0.04