

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:1905

ANSWERED ON:17.07.2009

PLAN ON PRICE DISCOVERY METHODS

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Will the Minister of POWER be pleased to state:

(a) whether the Central Electricity Regulatory Commission (CERC) has put on hold the different price discovery methods submitted by Indian Energy Exchange (IEX) and Power Exchange India (PXI);

(b) if so, the reasons therefor;

(c) the details of the Plan submitted by IEX and PXI; and

(d) the manner in which the Government is planning to meet the demand of power deficit States?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARAT SINGH SOLANKI)

(a) & (b) : The Commission had given permission to set up and operate two power exchanges namely Indian Energy Exchange (IEX) and Power Exchange India (PXI) vide order dated 31.08.2007 and 27.05.2008 respectively. These are voluntary platforms with no compulsion. The approval was given for operation of day ahead contracts through collective transactions wherein buyers and sellers put their bids / offers simultaneously. Price is discovered for each hour of the day after matching the aggregated demand and supply curves through software. It is a uniform price discovery method. IEX and PXI have been in operation since 28.06.2008 and 22.10.2008 respectively.

Subsequently IEX (petition no. 120/2008) and PXI (Petition no. 166/2008) have approached the Commission for approval of additional contracts for bilateral transactions. These products inter-alia involve day head contingency contract, week ahead, month ahead contracts. The price discovery method suggested by the two exchanges for these products are different. Public hearing was held on 16.06.2009. The Commission vide its record of proceedings dated 1.07.2009 in petition no. 120/2008 and 166/2008 has sought various clarifications in this connection. The Commission has so far not granted permission for commencement of trading on these new products proposed by the petitioners.

(c) : Details at Annexure-I (enclosed).

(d) : The following steps have been taken by the Government to meet the demand of power deficit States:

1. A capacity addition target of 78,700 MW from conventional energy sources has been set for the 11th Plan. Out of this, a capacity of 15,325 MW has already been commissioned as on 13.7.2009.

2. A capacity of about 14,000 MW is planned to be added from renewable energy sources.

3. Development of Ultra Mega Power Projects of 4,000 MW each.

4. Harnessing surplus captive power into the grid. A capacity of 12,000 MW of captive power is likely to be added to the system during 11th Plan.

5. Launching of 50,000 MW hydro initiative for accelerated development of hydro power in the country.

6. Renovation, modernization & Life Extension of old and inefficient generation units.

7. Augmentation of manufacturing capacity of Power Project equipment manufacturers like BHEL.

8. Promoting demand side management, energy efficiency and energy conservation measures.

9. Development of an extensive network of high voltage transmission commensurate with the capacity addition programme and new inter-regional transmission capacities through the development of a National Grid.