

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:3077
ANSWERED ON:29.08.2013
LONG TERM FORWARD CONTRACTS
Kumar Shri P.

Will the Minister of POWER be pleased to state:

- (a) whether the Central Electricity Regulatory Commission (CERC) has received any proposals for introduction of long term forward contracts to meet the requirements of market participants;
- (b) if so, the details thereof and the present status thereof;
- (c) whether the said proposal will enable to trade in additional power which is currently done through bilateral contracts and is also expected to provide power price visibility thereby hedging generators against price risks; and
- (d) if so, the details thereof and the reaction of the Government thereto?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF POWER (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b) : Yes, Madam. On petitions filed by the Power Exchanges, it has been held by Central Electricity Regulatory Commission (CERC) that as the matter of regulatory jurisdiction on long term forward contract which can be traded on exchange is sub-judice in the Supreme Court, no decision can be given in the matter at this stage.

(c) & (d) : Yes, Madam. The long term forward contracts have the potential of benefiting market participants, both for generation and distribution companies. Long Term contracts insulate both generators and distribution companies from market price volatility and bring certainty. These contracts help power sector participants to manage both volumetric risk (surety of supply and procurement) and price risk (certainty of a fixed price for both buyer and seller), as the price and delivery terms are fixed between the parties at the time of transaction.