



RULES OF INDIAN ENERGY EXCHANGE LIMITED

Statutory Disclaimer

“These rules and the bye laws, including the business rules have been approved by the Central Electricity Regulatory Commission. However, as observed by the Commission, notwithstanding the approval of the rules and bye-laws by the Commission, the persons enrolling themselves as members or clients of the power exchange or transacting trade on the power exchange shall do so after satisfying themselves of all the commercial aspects including the fees and charges leviable covered under the rules and bye laws, uninfluenced by the fact that the Commission has approved them since these are the matters exclusively between parties.”

Indian Energy Exchange Limited

Plot No. C-001/A/1, 9th Floor, Max Towers, Sector 16 B, Noida, Gautam Buddha Nagar,
Uttar Pradesh – 201301

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CHAPTER -1

1. PREAMBLE

1. Preamble and Interpretation

- 1.1 These Rules shall be known as 'The Rules of Indian Energy Exchange Limited' and are for the sake of brevity and convenience, herein referred to as 'these Rules' or "the Rules of the Exchange".
- 1.2 These Rules are designed to provide the framework for the management of the Exchange, and admission of members and their representation on the exchange.
- 1.3 These Rules shall be subject to and consistent with the provisions of the Electricity Act, 2003, the Rules made thereunder by the Central Government and Regulations, Codes, and directives issued thereunder by the Commission including and in particular the Central Electricity Regulatory Commission (Power Market) Regulations, 2021, CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 and Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 as amended from time to time and the Bye Laws of the Exchange.

In case of any inconsistency between the contents of these Rules of the one part, and any of the provisions of the Electricity Act, 2003, the Rules made thereunder by the Central Government and Regulations, Codes, and directives issued thereunder by the Central Commission including and in particular the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 ; CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010, Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 and Bye Laws, of the other part the latter will prevail to the exclusion of the former.
- 1.4 These Rules may be amended or changed from time to time by the Exchange and wherever required with the approval of the Commission and shall further be subject to such modification or change as may be directed by the Commission from time to time.
- 1.5 The Exchange may issue clarifications or directives, as may be required from time to time, to remove any difficulty or ambiguity in implementing the provisions of any of the Rules and such clarification shall have a binding force.
- 1.6 These Rules shall be governed by and construed in accordance with the laws of India. In case of any dispute between the Exchange and the Exchange Member in relation to or arising under these Rules, the courts at New Delhi, India shall have the exclusive jurisdiction, irrespective of the place of business or residence of the Exchange Member.

CHAPTER – 2

2. DEFINITIONS

2. Definitions

2.1. Unless the context otherwise specifically requires the words. And expressions used in these Rules which are defined in the Electricity Act, 2003, the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 or the Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 or the Bye Laws shall have the same meaning as assigned to them therein. Subject to the above in these Rules, unless the context otherwise requires, the following expression shall have the meaning as assigned to them hereunder.

(a) Associate in relation to a Member of the Exchange means associate company or related party as defined in sub-sections (6) and (76) of Section 2 of the Companies Act, 2013 (18 of 2013) respectively.

(b) Board means the Board of Directors of the Indian Energy Exchange Limited.

(c) Base Capital means and includes the initial security deposit, additional security deposit, margin money, any other credit amounts, bank guarantee, and other collateral, by whatever name called, specified to be part of the base capital.

(d) Notice Board refers to the board displayed at the registered office of the Exchange or the Web Site and also the bulletin board, market news and Information corner displayed on the trading system of the Exchange or the news and circulars, notifications, etc. downloaded / broadcast at the trading system of the Members.

(e) Register of Exchange Members means the register containing the names and other details of the Exchange Members registered with the Exchange.

(f) SERC means State Electricity Regulatory Commission.

CHAPTER- 3

3. GOVERNANCE STRUCTURE OF POWER EXCHANGE

- 3.1. The Board of Directors of the Exchange shall have the following categories of Directors:-
 - 3.1.1. Shareholder Director;
 - 3.1.2. Independent Director; and
 - 3.1.3. Managing Director.
- 3.2. The number of Independent Directors shall not be less than the number of Shareholder Directors on the Board of the Exchange.
Provided that for this purpose, the Managing Director shall be included in the category of Shareholder Directors.
- 3.3. The Independent Directors shall be appointed by the Board of the Exchange in accordance with the Power Market Regulations with the approval of the Commission.
- 3.4. The Managing Director shall function as the Chief Executive of the Power Exchange and all powers in respect of day-to-day affairs of the Power Exchange shall be vested with him.
- 3.5. The Managing Director or any employee of the Power Exchange shall not be directly or indirectly associated with any member of the Power Exchange or client or participant of the Power Exchange or with a holding or subsidiary company thereof.
- 3.6. The Managing Director shall ensure that the details of individual bids of members of the Power Exchange are not shared with the Board of Directors.
- 3.7. The names of persons to be appointed as Shareholder Directors shall be approved by the Board of Directors of the Power Exchange, followed by shareholders' approval and thereafter shall be submitted to the Commission for information.
- 3.8. The manner of election, appointment, tenure, resignation and vacation of Shareholder Directors shall be governed by the relevant provisions of the Companies Act, 2013.
- 3.9. No member of any Power Exchange or their client shall be on the Board of Directors of the Exchange.

CHAPTER- 4

4. MANAGEMENT OF THE EXCHANGE

- 4.1. The management of the Exchange shall at all times be under the supervision and control of the Board and shall be conducted in compliance with such directions as the Board may issue from time to time.
- 4.2. The Board shall be constituted in accordance with Memorandum and Articles of Association of the Exchange, subject to fulfillment of requirements under the CERC (Power Market) Regulation, 2021.
- 4.3. The powers and duties of Managing Director or an Exchange Committee or office bearers of the Exchange are dealt within Memorandum and Articles of Association of the Exchange. The Managing Director or an Exchange Member or office bearers of the Exchange shall carry out such other duties as are assigned under the Power Market Regulations.
- 4.4. Subject to its overall supervision and control, the Board may constitute, and/or reconstitute committees to undertake various functions of the Exchange. The committees shall have such responsibilities and powers as may be delegated to it by the Board from time to time. The Board will have the power to withdraw services of a committee member at any point of time, if it so desires.
- 4.5. Unless otherwise decided by the Board such committees will generally have three persons with one of the person being designated as Chairperson. The Board shall from time to time fill in any vacancy in the membership of any committee.
- 4.6. The quorum for every meeting of the committee shall be one-third of the total strength of each Committee or two (2), whichever is higher. In case the quorum is not present to transact any matter the same shall be referred to the Board for decision.
- 4.7. The meetings of the committees, panels and advisory boards may be conducted by means of telephone or audio-visual conferences during which all participants and committee members are able to hear and to be heard at all times by all other participants and committee members. The participation to such conferences shall be deemed to constitute presence in person to such meetings.
- 4.8. The decision of the committee shall be by majority and in case of equality of votes the Chairperson shall have a casting vote.
- 4.9. Subject to the powers vested in the committee the Board may delegate powers to the Chief Executive Officer (Managing Director), other Directors, officers of the Exchange and others as may be considered appropriate.

- 4.10. The Managing Director, or Director or any employee or other persons of the Exchange to whom the powers are delegated as provided in the Articles of Association of the Exchange shall not be directly or indirectly associated with any Member or Client or participant of the Exchange or with a holding or subsidiary company thereof. The Exchange Member may however be appointed as a member of any Committee constituted by the Board subject to the restrictions/limitations imposed by the Power Market Regulations.
- 4.11. The Exchange may avail services of any consultant or advisor as long as there is no dealing with price sensitive information of the Exchange and there is no conflict of interest between assignments undertaken for other persons served by the consultant or advisor and the Exchange.
- 4.12. A member of any committee who is on the committee by virtue of being an Exchange Member or of the Clearing House shall cease to hold such office forthwith if he ceases to be an Exchange Member and/or Member of Clearing House, as the case may be; or upon suspension, expulsion or declaration as defaulter by the Exchange.

Exchange Committees

- 4.13. The Exchange shall maintain the following Committees as specified in the CERC (Power Market) Regulations, 2021 as amended from time to time and in addition thereto such other committees as may be considered appropriate

A) Risk Assessment and Management Committee (RAMC)

This Committee shall be headed by an Independent Director of the Board and stipulate risk containment measures and monitor adherence of the same. The functions of the Committee will be to stipulate risk containment measures and monitor adherence of the same the following -

- a. The Exchange adopts best practices while formulating prudent and dynamic risk management processes based on the changing risk profiles of the market.
- b. Members, transacting on behalf of other Clients, to have a prudent risk management and timely margin collection system from their clients. The quantum of margins collected by members from client shall be at the discretion of the members and as per bye laws of Power Exchange.
- c. The Risk Assessment and Management Committee shall review risk management framework and process of the Power Exchange on a six monthly basis in January and July each year. The RMC report shall be submitted to the board of directors. The decision of the board of directors on the subject along with the RAMC report shall be submitted to the Commission not later than end of March and end of September each year respectively.

B) Market Surveillance Committee (MSC):

The Market Surveillance Committee (MSC) shall be headed by an Independent Director of the Board and having members from the executive team of the Exchange. No member of this committee shall be a member of the Exchange.

This Committee shall be responsible for overseeing the Market in the manner stipulated by the Commission or other authorities from time to time.

- a. The Committee shall perform the following functions-
 - To ensure fair, transparent and unbiased market platform to members.
 - To ensure that interest of clients are safeguarded.
 - To ensure that movement in price and volume is monitored closely and efficiently.
 - To ensure that the risk management tools adopted by the surveillance department are efficient.
 - To ensure market safety and promote market integrity.

- b. The Market Surveillance Committee shall submit quarterly surveillance report to the Commission within 30 days after the end of every quarter and shall include the following but not limited to:
 - (a) Transaction pattern of members of Power Exchange over a specific time period;
 - (b) Daily, weekly, monthly volatility analysis of prices;
 - (c) Price setter analysis of buyer and seller;
 - (d) Dominant position by Market Participants;
 - (e) Monitoring of Circular Trading;
 - (f) Analysis of sudden high transaction volumes of members of Power Exchange;
 - (g) Analysis of default by any member of Power Exchange;
 - (h) Analysis of transactions to check that the market splitting as approved by the Commission is being followed in case of congestion in transmission corridor;
 - (i) Analysis of market concentration in daily transactions; and
 - (j) Analysis of marginal buyers and sellers, whose volume was cleared at the margin.

C) Settlement Guarantee Fund(SGF) Management Committee

The SGF Management Committee shall be headed by an Independent Director of the Board and with adequate representation from the members of the Power Exchange. The Committee shall be responsible for management of SGF as stipulated by the Commission / other regulatory authorities from time to time, monitor adherence of regulatory directions in respect of SGF, contribution of Members to the SGF Management Committee, its investment and utilization & recoupment of SGF in case it is utilized to meet residual defaults. Details of investment of the Settlement Guarantee Fund shall be submitted to the Commission on an annual basis with the Annual Report of the Exchange.

D) Grievance Redressal Forum

The Exchange shall constitute a Grievance Redressal Forum, headed by an Independent Director. The Forum shall resolve complaints lodged by members against Power Exchange and by clients against its members. The details of complaints lodged, status of resolution of the grievance and the conflict resolution mechanism followed and the result of grievance resolution shall be disclosed on the website of the Exchange.

Arbitration Panel

- 4.14. The Exchange shall maintain an Arbitration Panel consisting of persons amongst whom the Exchange will appoint arbitrators to adjudicate and settle disputes between Members inter-se, and between Members and their Clients in relation to the Contracts and matters concerning the transactions undertaken in the Exchange.

Advisory Board

- 4.15. The Exchange may appoint an advisory board consisting of experts having experience in electricity markets or power sector. Such experts may be Members of the Exchange or professionals. The Exchange may also form Regional Advisory Panels/Councils consisting of representative of institutions like SERCs, STUs, SLDCs, Distribution Licensees, Generators, BEE and others within the Regions. The Regional Advisory Councils will advise on matters related to contract specifications of different Contracts and Open Access in the Region.

Acts done by the Board or committees valid notwithstanding defective appointment

- 4.16. All acts done by any or a committee thereof, or by any person acting as a Director or member of a committee shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Director and such person had been appointed and was qualified to be a Director or committee member as the case may be.

CHAPTER - 5

5. MEMBERSHIP OF THE EXCHANGE

General

- 5.1. The Exchange may classify the Members in different categories on the basis of qualifications, eligibility criteria and payment terms for the Contracts admitted to the Exchange and provide for different rights and privileges for trading, clearing and settlement of Contracts. A person, who wishes to be a Member, may apply for any category of membership, subject to his fulfilling the membership criteria.
- 5.2. The membership category shall determine and/ or be the basis of all rights and privileges of a Member, subject to the Bye-Laws, these Rules and Business Rules as applicable and amended from time to time.
- 5.3. The Membership of the Exchange is classified into three categories as under:

- 5.3.1. **Proprietary Member** means a person who is a grid connected entity and shall include distribution licensee, deemed distribution licensee, generator, end user, open access consumer, eligible entity and obligated entity and admitted to the Exchange as per Regulation 21(1)(b) of the CERC (Power Market) Regulations,2021

Proprietary Member shall have right to trade contracts for its own account, and clear the same Contracts through the Clearing House as a Clearing Member.

- 5.3.2. **Trader Member** means a person holding a valid and subsisting Interstate Trading License from the Commission and admitted to the Exchange as per Regulation 21(1)(a) of the CERC (Power Market) Regulations,2021

Member who is an Electricity Trader shall trade and clear on their own account or trade and clear on behalf of their clients. This category of members may provide any credit or financing or working capital facility to their clients. A Trader Member or any of its Associates shall not be a Facilitator Member.

- 5.3.3. **Facilitator Member** means a person who is neither a grid connected entity nor holding a valid and subsisting Interstate Trading License from the Commission and admitted to the Exchange as per Regulation 21(1)(c) of the CERC (Power Market) Regulations,2021

The Facilitator Member shall not be entitled to trade for himself. He shall have the right to act for and/ on behalf of his Clients but shall not settle and clear the contracts on the Exchange for such Clients in accordance with the Power Market Regulations. In particular, the Facilitator Member shall only provide the following services:

- a) IT infrastructure for bidding on electronic exchange platform or skilled personnel.
- b) Facilitation of clearances for delivery of power:

The Facilitator Members shall not provide any credit or financing or working capital facility to their clients.

5.3.4. The Member admitted in the Exchange as per the above clause 5.3.1, 5.3.2 and 5.3.3 may undertake transactions in one or more type of contracts/products approved by the Commission, e.g. Electricity, REC, ESCERTs etc., subject to the conditions specified by the Exchange from time to time.

5.4. **Criteria for Exchange Member**

Any person, as may be approved by the Exchange, fulfilling the following criteria will be eligible to become an Exchange Member:

- a. Compliance with the capital adequacy norms as may be prescribed by the Exchange for the Category of membership of the Exchange, from time to time;
- b. Compliance with the registration and other provisions as may be prescribed by the Exchange from time to time.
- c. Payment of such fee, charges, deposits and other monies, as may be specified by the Exchange.
- d. Such other requirements and/or criteria for admission as an Exchange Member and to alter any such Rules including those specified above, as the Exchange may consider appropriate to specify from time to time.

5.5. Every Exchange Member shall comply with and be bound by the Bye-Laws, these Rules and Business Rules that may be made in accordance therewith, from time to time, and shall accept as final any decision made by the Exchange or by a committee approved by the Board .

5.6. Prospective Exchange Members or their Authorized Persons shall, during the admission process, if required by the Exchange, appear personally before the Exchange, for an interview and/or test as may be prescribed.

5.7. A decision on each membership application is entirely at the discretion of the Exchange and shall be final and conclusive.

5.8. The membership can be surrendered either by resignation from the membership of the Exchange or transfer of the membership by nomination. In case of resignation, the Exchange Member shall be entitled to receive back his deposit, if any, after the Exchange and the Clearing House have recovered all outstanding dues from the Member who has tendered his resignation, subject to such lock in period as may be specified by the Exchange. The admission fee paid by the Exchange Member shall be non-refundable.

General conditions

5.9. No person shall be eligible to be qualified as a Member of the Exchange, if such person:

- (a) does not have a minimum net worth as the Exchange may from time to time determine and consider acceptable;
- (b) has been declared or rendered incompetent to enter into contract under any law in force in India;
- (c) has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge;
- (d) has been convicted of an offence involving moral turpitude or any other crime;
- (e) has compounded with his creditors;
- (f) has been found to be of unsound mind, by a court of competent jurisdiction;
- (g) has applied to be adjudicated as an insolvent and the application is pending;
- (h) in case of individual if he is a minor;
- (i) suffer from any disqualification as may be specified by the Exchange or the committee thereon from time to time.

Membership application

5.10. Every person who wishes to become an Exchange Member shall apply to the Exchange for admission as an Exchange Member, in the form prescribed for the purpose.

Admission fee

5.11. Every person applying for the membership of the Exchange shall pay, along with the membership application, non-refundable admission fee or any other fee/deposit as may be specified by the Exchange, from time to time. Where, however, a retiring Member of the Exchange or the legal heir(s) of a deceased Exchange Member nominate(s) a person eligible for admission as an Exchange Member under these Rules, to succeed the established business of the retiring or deceased Exchange Member who is his father, uncle, brother or son or any other person in the opinion of the Exchange is a close relative, such nominee shall be admitted as an Exchange Member provided he/she is found otherwise qualified, eligible and fit for the membership of the Exchange under these Rules.

Transfer

5.12. The Exchange may prescribe the procedure for transfer or transmission of membership or change the category of membership of a Member. Membership of the Exchange shall be transferable only to any eligible person, body corporate, company, partnership firm, institution or such other person, as may be approved by the Exchange

- 5.13. The membership of the Exchange shall be transferable on payment of such fees as the Exchange may prescribe from time to time provided that such transfer shall be affected only from the date of approval by the Exchange. The Exchange shall have the power to refuse transfer of membership if the interests of the Exchange, it is expedient to do so.

Grounds for expulsion or disqualification

- 5.14. The Exchange may expel a Member of the Exchange, if in its opinion to be recorded in writing, such Member has in or at the time of his application for admission to membership of the Exchange or during the course of the inquiry made by the Exchange preceding his admission:
- a. made any willful misrepresentation;
 - b. suppressed or concealed any material information required of him as to his financial position, including financial liabilities, character and antecedents; or
 - c. has directly or indirectly given false particulars or information or made a false declaration.

Certificate of admission to membership of the Exchange

- 5.15. On admission a Certificate of Membership duly signed will be issued to the newly admitted Member.
- 5.16. Every Exchange Member shall promptly notify the Exchange in writing about any change in the information provided by the Member at the time of admission or at a later stage to the Exchange. The Exchange shall indicate the changes in respect of which the Member should take prior written approval from the Exchange. In case the Member fails to do so, then the Exchange shall be entitled to impose such penalty and/or take further disciplinary action as may be considered appropriate.

Subscription

- 5.17. Every Exchange Member shall pay the annual fee, other fees, deposits or any other charges as may be fixed by the Exchange, from time to time. If any Exchange Member fails or neglects to pay any fee, deposit or other levies as required by the Exchange for a continuous period of six (6) months, the Exchange may declare such Member as a defaulter within the meaning of these Rules.
- 5.18. Provided that such defaulting Exchange Member shall be at liberty to apply for re-admission as an Exchange Member by complying with the provisions of these Rules as applicable to re-admission of defaulters.

Security Deposit

- 5.19. The Exchange may prescribe payment of initial security deposit from a Member payable at the time of his admission. A new Exchange Member shall, not later

- than such number of days as may be specified by the Exchange, from the date of intimation in writing by the Exchange conveying its decision on admission, provide security deposit of a sum and in such mode(s) as may be decided by the Exchange from time to time and shall maintain such security deposit with the Exchange at all times.
- 5.20. The Exchange may prescribe a different payment options for different Members.
- 5.21. The Exchange Member shall provide additional deposits in order to get higher limits to trade.
- 5.22. The security deposit to be paid by a Member shall be payable in such form, as specified by the Exchange subject to such terms and conditions as the Exchange may from time to time stipulate.
- 5.23. The initial security deposit and additional security deposit provided by an Exchange Member shall be subject to a first charge and paramount lien on any sum due to the Exchange or to the Clearing House.

Return of security deposit or additional security deposit to Exchange Members:

- 5.24. On the termination of his membership of the Exchange, the security deposit and the additional base capital not applied under the Rules, Bye-Laws and Business Rules shall, at the cost of the Member, be repaid subject to such terms and conditions as may be decided by the Exchange from time to time and transfer either to him or as directed by him or, in the absence of such direction to his legal heirs or legal representatives after recovering all the dues of the Exchange and the Clearing House.
- 5.25. However, the Exchange shall return back only such amount as may have been collected as a deposit in the form of refundable security deposit or additional deposit for providing trading and clearing limits, subject to settlement of all pending dues and also settlement of all outstanding Contracts. Such deposits or contributions, which are collected as non – refundable deposits, shall not be refunded.

SPECIAL PROVISIONS FOR PARTNERSHIP FIRM AS MEMBER

- 5.26. In addition to other requirements herein a partnership firm shall be eligible for admission as an Exchange Member, provided it fulfills the following:
- (a) The firm is duly registered with the Registrar of Firms;
 - (b) The deed of partnership contains a provision to the effect that the business of the firm shall at all times be carried out so as to comply with the Bye-Laws, these Rules and the Business Rules, for the time being in force;
 - (c) The partners of the firm are acceptable to the Exchange; and
 - (d) No new partner shall be admitted without the prior written approval of the Exchange.

- (e) No change in the name of an existing partnership shall be affected without prior written intimation to the Board and its approval.;
 - (f) No person shall at the same time be a partner in more than one partnership firm carrying on the business of facilitating transactions in electricity or Renewable Energy Certificates or Energy Savings Certificate and/or clearing.
 - (g) Upon dissolution of the firm or its reconstitution without the approval of the Exchange, firm shall cease to be an Exchange Member.
- 5.27. The Exchange Member, who is the partner of any partnership firm, which is an Exchange Member, shall be primarily liable and responsible for all dues, claims or demands against the partnership by the Exchange and also the liabilities of the partnership to the Exchange and its Exchange Members. Provided that the other partners shall also be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.

CORPORATE MEMBERSHIP

Bodies corporate as Exchange Members

- 5.28. The corporate entity shall furnish to the Exchange the corporate documents, board resolution and other details as may be required by the Exchange at the time admission to the membership and thereafter from time to time.

Authorized Persons

- 5.29. Any Exchange Member may be entitled to be represented by an Authorized Person for purposes of conducting business in the Exchange.
- a) An Exchange Member who wishes to appoint Authorized Person(s) for specific activities to be undertaken on behalf of the Exchange Member shall apply for the permission of the Exchange in such form as the Exchange may from time to time prescribe. The Exchange may permit such Authorized Person to act on behalf of the Member on such terms and conditions as the Exchange may from time to time direct.

Appointment of Approved Users

- 5.30. An Exchange Member carrying on business on the Exchange shall be entitled to appoint persons who are in his own exclusive employment or as Approved Users with the permission of the Exchange for operating the trader work stations connected with the ATS of the Exchange and entering orders in such system or segment on behalf of such Member.
- 5.31. An Exchange Member who wishes to appoint Approved Users shall apply for the permission of the Exchange.

Number of Trader Work Stations

5.32. The Exchange shall determine from time to time the number of Trader Work Stations that may be provided to a Member of the Exchange and the number of Approved Users an Exchange Member shall be entitled to employ.

Default

5.33. An Exchange Member shall be in default if he:

- (a) Falls within any one or more of the grounds specified by the Commission in Regulation 27(1)(ix) of the CERC (Power Market) Regulations, 2021, that is to say, a Member may be declared a defaulter by direction or circular of the Power Exchange or Clearing Corporation if :
 - (1) is unable to fulfil its Clearing or Settlement obligations towards the Power Exchange or its client; or
 - (2) admits or discloses its inability to fulfil or discharge its duties, obligations and liabilities towards the Power Exchange or its client; or
 - (3) fails or is unable to pay within the specified time, the damages and the money difference due on a closing-out effected against him under the rules, bye-laws and business rules of the Power Exchange; or
 - (4) fails to pay any sum due to the Power Exchange which may be stipulated from time to time; or
 - (5) fails to abide by the arbitration award as laid down under the rules, byelaws and business rules of the Power Exchange;
 - (6) or does not abide by conditions as may be laid down by the Power Exchange from time to time.
- (b) Fails to provide the monies, securities, bank guarantees, subscription and any other collaterals required to be deposited with the Exchange.; or
- (c) In the opinion of the Exchange a Member is unable to fulfill his engagements or obligations.
- (d) Fails to pay or reimburse to the Settlement Guarantee Fund or any other fund established by the Exchange in respect of the amount used from it for the purpose of fulfilling settlement obligations on his behalf; or
- (e) Fails to pay or deliver such money and arising out of an award given by the Arbitrator under the arbitration proceedings provided in the Bye-Laws of the Exchange;
- (f) Fails to pay or deliver to the Exchange all monies, within such time as directed by the Exchange.
- (g) Violates any Bye-Laws, Rules and Business Rules of the Exchange and the Electricity Act, 2003 and the Indian Electricity Grid Code and rules and regulations made thereunder, and any orders, circulars, directives of the CERC, SERC and other relevant government authority.

- (h) Fails to give information and details as the Exchange may call for from time to time
- (i) Fails to meet any other criteria which the Power Exchange may, at its discretion, stipulate.

5.34. Declaration of defaulter process

In the event a member is declared a defaulter and he fails to meet the clearing and settlement obligations, the Power Exchange shall give precedence to the payment of transmission charges, scheduling and system operation charges from the deposits of the member or client as the case may be out of his funds available with the Power Exchange. Thereafter the Power Exchange may utilize the Settlement Fund and other monies to the extent necessary to eliminate the obligation of the defaulting member in the following order-

- (1) Liquidation of collaterals: Contributions or deposits, including margins in any form by the defaulting member or client.
- (2) Liquidation of security deposit: Membership deposit given by the defaulting member to the Power Exchange.
- (3) Insurance money: Insurance taken by Power Exchange of an amount as considered appropriate by the Power Exchange for protection against defaults.
- (4) Initial contribution by the Power Exchange towards Settlement Guarantee Fund.
- (5) Current year's Profits of the Power Exchange including Fines, penalty collected from members.
- (6) Retained earnings of the Power Exchange.
- (7) Contribution towards settlement guarantee fund by all members or clients: All non-defaulting members or client's contribution in proportion of deposits towards Settlement Guarantee Fund.
- (8) Balance obligations remaining outstanding after above funds will be met by contribution from members or clients in proportion to their contribution to the SGF.
Provided that once the Clearing Corporation is hived off, the default remedy mechanism shall be handled by the Clearing Corporation and the Power Exchange shall not be held liable on this account.

5.35. Upon the Exchange Member being a defaulter, the Exchange shall initiate a process to declare such Member a defaulter after giving a reasonable opportunity to such Member. A show cause notice to that effect shall be forthwith issued by the Exchange to such Member and a copy of the same may be posted on the website of the Exchange. The following consequences shall follow upon being declared as a defaulter.

- a) the Exchange Member shall hand over all his books, documents, papers, assets, cheque books and other documents, as may be specified by the Exchange.
- b) the Exchange Member shall file with the Exchange, within such time of the declaration of his default as the Exchange may direct, a written statement

containing a complete list of his debtors and creditors and the sum owing by and to each of them.

- c) the Exchange Member shall submit to the Exchange such statement of accounts, information and particulars of his affairs as the Exchange may from time to time require and if the Exchange so desires, he shall appear before the Exchange at its meeting in connection with his default.
- d) automatically and without any further act deed or thing to be done all monies, securities, bank guarantees lying with the Exchange in respect of the Exchange Member shall vest in the control of the Exchange in trust for the benefit and on account of the creditors, who may have a claim and the Exchange shall deal with such monies, securities or bank guarantees and claims, as provided in regulation 27(1)(x) of CERC (Power Market) Regulations, 2021, Bye-Laws and relevant Rules herein and specifically as provided.
- e) he shall at once cease to be an Exchange Member and as such cease to enjoy any of the rights and privileges of membership of the Exchange but the rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.
- f) he shall not be readmitted to the membership of the Exchange directly or indirectly for a minimum period of 1 (one) year from the date, he is declared a defaulter. Provided the Exchange may at its discretion readmit the defaulter within such shorter period as it may consider appropriate.

Power of the Exchange to define the grounds of suspension and expulsion

- 5.36. The Exchange may at its discretion, may issue circulars for defining the conduct or acts or omissions which renders an Exchange Members, liable to expulsion, suspension, fine or withdrawal or suspension of rights and privileges of membership of the Exchange and other consequences in addition to those specified hereinabove as defaults on the part of the Members and the consequences thereof. No decision of the Exchange expelling or suspending an Exchange Member shall be passed or voted upon until and unless the Member has been given an opportunity to explain the charges against him. Such Member may appear at such meeting or state his case in writing addressed to the Exchange.
- 5.37. Notwithstanding anything contained in these Rules and subject to the CERC (Power Market) Regulations, 2021, Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 and the Bye Laws, the Exchange reserves the right to suspend a Member pending declaration of default of such Member.

6. VERSION CONTROL

Version	Date of Submission	Modifications
1.	06.05.2010	Compliance of CERC(Power Market) Regulations,2010
2.	04.10.2010	Compliance of the directions and observations made in CERC order dated 26.08.2010, except the observation at Ser No. 53 of the tabular statement attached to the said order.
3.	01.08.2011	In compliance of CERC order dated 03.06.2010 in Petition No. 26/2010.
4.	17.05.2017	Compliance of Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016.
5.	20.11.2018	Compliance of CERC order dated 09.10.2018 in Petition No. 33/RC/2017 regarding Amendment of Business Rules, Rules & Bye-laws.
6.	03.05.2022	CERC Order dated 26.04.2022 in Petition No. 46/MP/2022 regarding compliance of provisions of CERC (Power Market) Regulations, 2021