

**KARNATAKA ELECTRICITY REGULATORY COMMISSION
BANGALORE-560 001**

**NOTIFICATION No. Y/02/4 dated 09.11.2004
(Notified in Karnataka Gazette on 02.12.2004, page nos.2093-2096)**

**Karnataka Electricity Regulatory Commission (Eligibility Conditions and Duties
of Electricity Trader) Regulations, 2004.**

Preamble

Where as the trading in Electricity has been recognised as a Licensed Activity under Section 12 of the Electricity Act, 2003. The Appropriate Commission has to grant trading license to a person on an application made pursuant to Section 15 of the Act. The Act also provides that under Section 52, the Appropriate Commission has to specify the eligibility conditions such as technical requirement, capital adequacy requirement and creditworthiness, for being a trader. The electricity trader shall also discharge the duties specified by the Appropriate Commission under Section 52(2). In exercise of powers conferred under Section 52 read with section 181 of the Electricity Act, 2003 and all other powers enabling in this behalf, the Karnataka Electricity Regulatory Commission hereby makes the following Regulations:

1. Short Title, Commencement and Interpretation

- (a) These regulations shall be called the Karnataka Electricity Regulatory Commission (Eligibility conditions and Duties of Electricity Trader) Regulations, 2004.
- (b) These regulations shall come into force from the date of notification in the official Gazette.
- (c) These Regulations shall be applicable to the Intra State Traders within the State of Karnataka.

2. Definitions

- (a) “**Act**” means the Electricity Act, 2003;
- (b) “**Applicant**” means a person who has made an application to the Commission for grant of Licence for intra-state trading;
- (c) “**Agreement**” means the agreement entered into between the electricity trader and the seller of electricity on the one hand and the electricity trader and a buyer of electricity on the other;

- (d) **“Authority”** means the Central Electricity Authority
- (e) **“Commission”** means the Karnataka Electricity Regulatory Commission

- (f) **“Electricity Trader”** means a person who has been granted a licence to undertake trading in electricity under section 12 of the Act.

- (g) **“Grid Code”** means the Grid Code specified by the Commission under clause (h) of sub-section (1) of section 86 of the Act and also the Grid Code specified by the Central Electricity Regulatory Commission under the provisions of the Act.

- (h) **“Intra-state trading”** means buying and selling of electricity by an electricity trader within the State of Karnataka;

- (i) **“KER Act”** means Karnataka Electricity Reforms Act 1999 (Act 25 of 1999)

- (j) **“Licence”** means a licence granted under Section 14 of the Act to undertake intra-state trading in electricity as an Electricity Trader;

- (k) **“Licensee”** means a person who has been granted a Licence under Section 14 of the Act to undertake intra-state trading in electricity as an Electricity Trader;

- (l) **“Licensed Business”** means the business of trading of electricity pursuant to a licence granted under Section 14 of the Act

- (m) **“Net worth”** at any point of time is the sum total of Owners Equity and Reserves and Surplus if any;

- (n) **“Other Business”** means any business of the Licensee other than the licensed business of intra-state trading;

- (o) **“Person”** shall include any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person.

- (p) **“Trading”** means purchase of electricity for resale thereof and the expression “trade” shall be construed accordingly.

- (q) **“Year”** means a period of twelve months from 1st April of a calendar year to 31st March of the following calendar year.

Words and expressions which are not defined in these Regulations shall have the same meaning as found in the Act and KER Act 1999. In case of any inconsistency between Act and KER Act, the meanings assigned to them in the Act shall prevail.

3. Eligibility Conditions for being an Electricity Trader

3.1. Technical Requirements

- a. The Electricity Trader shall at any point of time engage at least one Engineer with minimum 10 years of Experience in Power sector and a person having background in Finance / commerce / accounts with minimum of 10 years' experience for carrying out the business of trading.
- b. The details of the persons employed by the Electricity Trader shall be furnished to the Commission before the commencement of the business of trading.
- c. Before commencement of the business of trading, the Electricity Trader shall establish adequate communication facilities like telephone, fax, computer, Internet facilities etc., to carryout the business of trading efficiently.
- d. The Electricity Trader shall have a website of his own and post the necessary information for carrying out trade.
- e. The Electricity Trader shall comply with the technical requirements before commencement of the trading activities notwithstanding the fact that the Commission has granted the Licence for intra-state trading.

3.2 Capital adequacy Requirement and Creditworthiness:

- (a) The net worth of the Applicant shall not be less than the amounts specified hereunder:

Sl. No.	Category of the Trading License	Volume of Electricity proposed to be traded per year (in MU)	Net worth (Rs. in crores)
1	A	Upto and including 100 MU	1.5
2	B	101 MU to 200 MU	3.00
3	C	200 MU to 500 MU	7.5
4	D	Above 500 MU	Rs.7.5 crores plus Rs. 2 Lakhs for each additional MU

- (b) The Applicant shall demonstrate his Net worth duly certified by an auditor to the satisfaction of the Commission at the time of application.

- (c) The Trading Licensee shall, from the second year of his operation demonstrate his Creditworthiness duly certified by an auditor to the satisfaction of the Commission
- (d) The Applicant shall not be a defaulter as notified by RBI or other relevant authority
- (e) The Electricity Trader, whose annual trading is above 500 MU, shall make endeavors to maintain investment grade credit rating from an independent Credit Rating Agency throughout the period of Licence.
- (f) All trading transactions shall be done through proper payment security mechanism.

4. Duties and Obligations of the Licensee

4.1 The Electricity Trader shall have following duties and obligations:

- (a) The Electricity Trader shall comply with the requirements of laws in force and, in particular, the Act, the Rules and the Regulations, Standards, Grid Code, National Electricity Policy and Plan, State Government Policies, Orders and directions issued by the Commission from time to time.
- (b) The Electricity Trader Shall comply with the KERC (Licensing) Regulations, 2004 and also with the conditions of Licence specified there in.
- (c) If the volume of trade increases from a lower category to a higher category, the Licensee shall inform the Commission of any such increase within 1 month and increase his net worth accordingly. Non-reporting of the above, within the stipulated time shall be construed as breach of terms and conditions of the Licence.
- (d) The trading margin, if any, fixed by the Commission, from time to time for the intra-state trading, shall be applicable to the Electricity Trader.
- (e) To enable the Commission to determine trading margin, wherever necessary, the Electricity Trader shall file details as may be specified by the Commission.
- (f) The Electricity Trader shall be governed by the technical requirements, capital adequacy and creditworthiness requirements specified by the Commission in these regulations.
- (g) Any person authorized by the Commission, shall be entitled to inspect and verify the records of the Electricity Trader and the Electricity Trader shall render all necessary assistance to such person.

- (h) The trading shall be carried out bilaterally between the parties by entering into appropriate contracts. Necessary safeguards with regard to supply of electricity through trading, or payment for the electricity traded shall be included in the agreements between the parties. Notwithstanding any difference that may arise between the parties, the continuity of supply shall not be disrupted without prior notice of at least 7 days.
- (i) Electricity Trader shall ensure that appropriate meters are in place for the purpose of energy accounting and comply with the specifications as specified by the Authority. The Meters shall be capable of recording necessary parameters every 15 minutes with storage facility of at least 45 days. The meters shall have remote reading and local downloading facility.
- (j) The Electricity Trader shall have requisite Agreements with Transmission Licensee/s and Distribution Licensee/s for transmission or wheeling of electricity as the case may be.
- (k) The Electricity Trader shall declare to the Commission the maximum trading volume it would handle in a month and its future plans of trading during the next 5 years.
- (l) The Electricity Trader shall pay the Licence fee as specified under these regulations in accordance with the time-schedule specified in the Conditions of Licence. If the volume of trade increases from a lower category to a higher category, the Licensee shall accordingly pay the specified Licence fee.
- (m) The Commission may issue such directions as it considers appropriate to an Electricity Trader if such Licensee enters into any agreement leading to abuse of its dominant position or enters into a combination, which is likely to cause or causes an adverse effect on competition in electricity industry, and the Licensee shall comply with such directions.
- (n) The Electricity Trader shall comply with any direction issued by State Load Dispatch Centre (SLDC), Regional Load Dispatch Centre and the National Load Dispatch Centre and also of CEA. SLDC shall coordinate with other agencies in this regard.
- (o) The Electricity Trader shall maintain a separate statement of accounts for the business of intra-state trading as specified by the Commission.
- (p) The Electricity Trader shall comply with the requirements specified by the Commission under Section 66 of the Act from time to time.

4.2 Licence Fee: The Electricity Trader shall pay to the Commission the annual Licence fee of the amount specified hereunder, payable by means of a demand

draft/pay order drawn in favour of the Karnataka Electricity Regulatory Commission, Bangalore:

Category of the Trading Licensee	Volume of Electricity proposed to be traded per year (in MU)	Licence fee (Rs. in lakhs)
A	Upto and including 100 MU	1.00
B	101 Mu to 200 MU	2.00
C	201 MU to 500 MU	5.00
D	Above 500 MU	7.00

Provided that, for part of the year, the licence fee shall be payable pro rata on the basis of number of days.

4.3 Providing information to Commission and others: The **Electricity Trader** shall always:

- (a) Supply such information, as may be called for by the Commission from time to time.
- (b) Furnish the information as may be required from time to time to monitor the Licensee's performance and compliance of the terms and conditions of the Licence and any other legislative or regulatory requirements.
- (c) The Electricity Trader shall furnish such information to SLDC in a manner as may be specified by SLDC. Any changes to the information furnished shall be intimated before 24 hours of submission of such information to SLDC.

Provided further that the State Load Dispatch Centre shall verify the quantum of energy traded, as indicated in the reports and submit a report to the Commission on a quarterly basis in the format specified by the Commission

- (d) The Electricity Trader shall provide data and its business plan to the Commission and SLDC annually as well as on request.
- (e) The Electricity Trader shall furnish to CEA any information as required under Section 73(i) and 74 of the Act.

4.4 Reporting to the Commission: The Electricity Trader, shall, as soon as practicable report to the Commission:

- (a) Any significant changes in the circumstances which may affect the ability to meet his obligations under the Act, rules and regulations, directions/orders issued by the Commission, the Grid Code, agreement or the Licence.

- (b) Any material breach of the provisions of the Act, the rules and the regulations, directives/orders issued by the Commission, the Grid Code, agreement or the Licence.
- (c) Any major change in shareholding pattern, ownership or management of the Licensee.

5. Dispute Resolution

Any dispute related to trading of electricity between the licensees and generating companies shall be referred to the Commission for adjudication. Necessary provisions regarding dispute resolution mechanism between the parties shall be included in the agreements between the parties.

6. Miscellaneous

6.1. Power to remove difficulties

- (a) In case of any difficulty in giving effect to any of the provisions of these regulations, the Commission may by general or special order, direct the Electricity Trader to take suitable action, not being inconsistent with the provisions of Electricity Act, 2003, which appears to the Commission to be necessary or expedient for the purpose of removing the difficulty.
- (b) The Electricity Trader may make an application to the Commission and seek suitable orders to remove any difficulties that may arise in implementation of these regulations.

6.2. Issue of orders and practice directions

Subject to the provisions of the Electricity Act, 2003 and these regulations, the Commission may, from time to time, issue orders and practice directions with regard to the implementation of the regulations and procedures to be followed.

6.3. Power to amend:

The Commission may from time to time add, vary, alter, modify or amend any provisions of these regulations after following the necessary procedures.

By Order of the Commission

Sd/-

Secretary

Karnataka Electricity Regulatory Commission