FICCI Welcomes the Proposed FDI limit of 49% in Power Exchanges

NEW DELHI, September 14, 2012: While India has an installed power generation capacity of about over 200 GW, the nation has to face massive outages due to inability to meet peak demand and T&D losses. Electricity remains the most important feedstock of our economy, forming a critical input to almost all sectors of the Industry. Development of a power market which enables affordable and reliable power is essential to promote healthy competition and a level playing field to industrial entities. Power exchanges provide one such platform for a rational price discovery.

FDI in Power Exchanges will facilitate greater infusion of technology; bring capital investments which will enable the Power Exchanges to evolve from nascent stage that they are currently in to more matured and competitive platforms. An increased FDI to 49% will help bring in power trading models and know-how which have been successfully tested in European and US markets.

An increased participation of players in the exchange would help achieve the 5% Spinning Reserve target to meet any unscheduled power outage at National level as mentioned in National Electricity Policy 2003 (5.2.3).

It is a foregone conclusion that in the immediate future, power generation in India will be utilizing imported coal for some of its generation, which will be costlier than power generated from domestic coal. It is necessary that a mechanisms in the form of Power Exchanges exist which facilitate selling of power at commercially determined rates. This will enable a higher PLF for the plants and consequently better resource utilization.

It is important that concurrent financial reforms for DISCOMs be undertaken on expedited basis so that they are in a position to off take power from Power Exchanges. Looking forward there is a need to introduce long term contracts through the exchange, which would make power more affordable to the DISCOMs. However this can only be enabled by removal of the power exchanges from non-transferable specific delivery contracts as mentioned in the Forward Contracts Regulation Act, (FCRA) 1952 and transfer of regulatory supervision of long term contracts from the Forward Markets Commission (FMC) to the Central Electricity Regulatory Commission (CERC) as in the case of short term contracts.

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