



No. 10/4/2015
Government of India
Ministry of Power

'F' Wing, IInd Floor, Nirman Bhavan
New Delhi - 110 011

Date: 5/1/2016

To,

The Secretary,
Central Electricity Regulatory Commission (CERC),
3rd & 4th Floor,
Chanderlok Building, 36 Janpath,
New Delhi -110001

Subject: Advisory for discharging the function of a Market Regulator for trading/exchange of Energy Saving Certificates (ESCerts) under Perform Achieve and Trade (PAT) Scheme by CERC-reg.

Madam,

I am directed to refer to the above subject and to say that for facilitation of Trading/Exchange of Energy Saving Certificates on Power Exchange under the Perform Achieve and Trade (PAT) scheme(which is a market based mechanism to enhance cost effectiveness of improvements in energy efficiency in energy intensive large industries and facilitates through certification of energy savings) under National Mission for Enhanced Energy Efficiency (NMEEE), CERC may discharge the functions of a Market Regulator in accordance with its Power Market Regulations 2010, in view of the following:

- I. Whereas the National Action Plan on Climate Change (NAPCC) was released by the Central Government on 30th June 2008 which enunciates eight Missions, one of which was the National Mission for Enhanced Energy Efficiency (NMEEE); emphasizing on promoting innovative policies and regulatory regimes for creating and sustaining markets for energy efficiency to be achieved in a time bound manner.
- II. Whereas the Central Government inter-alia introduced the Perform Achieve and Trade (PAT) scheme under the under the National Mission for Enhanced Energy Efficiency (NMEEE), which is a market based mechanism to enhance the cost effectiveness of improvements in energy efficiency in energy-intensive large industries on 30th March, 2012.
- III. Whereas the Central Government through the Ministry of Power vide S. O. number 687(E) dated 30th March, 2012 specified the Energy Consumption norms and standards for the 478 DCs for the period from 2012-2015 covering 8 sectors. Aluminium, Chlor-Alkali, Textile, Pulp & Paper, Iron & Steel, Fertilizer, Cement and Thermal Power plants under the Energy Conservation Rules 2012 (common parlance being PAT Rules) notified vide G.S.R. number 269 (E) dated 30th March 2012.

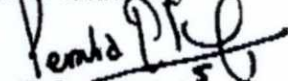
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Among other measures taken by the Central Government to facilitate the implementation of the NMEEE, the EC (Energy Conservation) Act was amended on 24th August 2010 to give powers to the Central Government to issue Energy Savings Certificates (ESCerts) u/s 14 A while also giving powers u/s 14 B to specify the value of energy.

- IV. Whereas section 14A (1) of the EC Act and the Rule 12 of the PAT Rule 2012 gives powers to the Central Government to issue the Energy Saving Certificate (ESCerts) in electronic form with each ESCert being equivalent to one metric ton of oil equivalent of energy (toe) consumed and the Power exchanges are designated as the trading platforms through which the ESCerts shall be traded.
- V. Whereas the Rule 4 (b) of the PAT Rules 2012, gives the procedure for calculating the energy inputs for the plants by converting various forms of energy into 1 ton of oil equivalent (toe) which includes electricity in addition to other fuels.
- VI. Whereas the Rule 16 of the PAT Rules details the valuation of 1 mtoe (metric ton of oil equivalent) with the average price of coal, oil (as declared by Indian Oil Corporation Ltd), gas (as declared by Gas Authority of India Ltd) and average price of one unit of electricity for industrial sector in the States of Chhattisgarh, Gujarat, Maharashtra, Madhya Pradesh and Tamil Nadu (as specified by the respective Electricity Regulatory Commissions).
- VII. Whereas the Ministry of Power has proposed to amend the Section 66 of the Electricity Act, 2003 and has introduced the Electricity (Amendment) Bill, 2014 in the Lok Sabha on 19th December, 2014 to promote development of a market (including trading) in power and a market for encouraging energy efficiency in power. Pending enactment of the said Bill, it has been decided by the Ministry of Power to issue an advisory authorizing Central Electricity Regulatory Commission (CERC) to discharge the function of market regulator to facilitate exchange of ESCerts on the Power Exchange.

2. Therefore in consideration of above and pending amendment in Electricity Act, 2003 advisory is issued to CERC by Central Government to discharge the functions of a Market Regulator of ESCerts and issue necessary Regulations/ Orders / Guidelines for development of market of Energy Saving Certificate (ESCerts) and facilitate its trading/ exchange on Power Exchanges.

Yours faithfully,


(P.T. Bhutia)
Director EC

[Tele-fax :23063497]

Copy to : I) DG, BEE
iii) Director (R&R)