


● PRAYAS

Initiatives in Health, Energy,
Learning and Parenthood



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Date : October 20, 2003

To,
The Secretary,
CERC
New Delhi.

Subject: Comments on Application by Reliance Energy Trading for Interstate Trading License, Public notice dt. 20th September 2003

Sir,

We wish to make following points in this context.

1. The CERC should decide how it intends to fulfill its legal obligations in relation to section 60, and 79 (j) of E Act 2003; that deal with 'Market Domination' and 'fixation of trading margin' respectively. Until, the CERC is clear about the procedure and details of method and manner in which it is going to keep a routine watch for such aspects, no trading license should be granted. It is possible that CERC / licensee would agree to comply with such conditions whenever they are notified by the CERC. But still we strongly feel that that CERC should get clarity in a time bound fashion and only then issue the license.

The Regulatory Commissions in countries like USA have extensive process to check if certain activities by any entity or mergers and acquisitions will have undesirable impacts on competition. It is also becoming a well-established practice to make public the database of transactions. The CERC should expeditiously publish a base paper on its plan and hold a public hearing.

2. The biggest limiting factor that limits the competition is the information asymmetry. And it the very basic purpose of the E-Act 2003 to encourage competition. It is also amongst the functions of the CERC. To fulfill this function, any license issued by CERC should have a condition that all transactions by a trader (quantity, period, purchase price, sale price, purchaser and seller) should be made public. To protect the commercial interest of the parties the transaction should be made public only after one week after it is signed. The CERC should issue format for such public disclosure. The information should be made public on the CERC web site.
3. As we have witnessed, the risks arising out of trading and market imperfections can be very serious. We are sure that the CERC must be in the process of studying the best practices to mitigate these risks. The CERC should come out with suggested best practices to minimize such risks – either in terms of suggestions for desired policy action, regulations and license conditions. Based on this document the CERC should initiate a public process of inviting comments.

4. We also request the CERC to prepare draft trading license and invite public comments on the same before issuing the license.

We respectfully request CERC to give due considerations to the issues of public interest mentioned above.

Thanking you,

Girish Sant
For Prayas

CC: Mr Chalasani, Reliance Energy Trading Pvt. Ltd.