

## **Energy Savings Certificates (ESCCerts) Trading under PAT Scheme**

The Perform Achieve and Trade (PAT) mechanism has been designed to further accelerate as well as incentivize energy efficiency. It is a market based mechanism to enhance cost effectiveness of improvements in energy efficiency in energy-intensive large industries and facilities, through energy savings certificates (ESCCerts) that could be traded.

To facilitate trading of ESCCerts, an institutional framework has been established. The framework defines the different roles assigned to different entities that will be playing a vital role in the ESCCerts trading mechanism. The entities involved with the role assigned to them are given below:

- 1. Bureau of Energy Efficiency (BEE) – Administrator**
- 2. CERC – Market Regulator**
- 3. POSOCO – Registry**
- 4. IEX and PXIL – Trading Platforms**

CERC along with BEE formed the CERC – BEE Committee way back in February 2014, even before the issuance of advisory to CERC from Ministry of Power. From the time of inception of this committee, several meetings were conducted by CERC to finalize the ESCCerts exchange regulations and role of registry.

On 5<sup>th</sup> of January 2016, Ministry of Power issued advisory to CERC for discharging the function of a Market Regulator as well as direction to POSOCO to discharge the function of Registry for trading/exchange of Energy Saving Certificates (ESCCerts) under Perform Achieve and Trade (PAT) Scheme.

Being the market regulator for trading/exchange of ESCCerts, CERC drafted out the regulations for trading of ESCCerts and conducted public hearing on the CERC (Terms and Conditions for Exchange of Energy Savings Certificates) Regulations, 2016 on 4/03/2016.

After considering the comments/suggestions given in public hearing, CERC notified these regulations as the Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 on 27<sup>th</sup> May, 2016. Notified regulation is available of CERC and PATNet websites.

The objective of these regulations is to define a framework for dealing in Energy Savings Certificate through Power Exchanges. These regulations shall be applicable to ESCCerts offered

for transaction on Power Exchange(s) including contracts in ESCerts as approved by the CERC (Commission) in accordance with the provisions of Power Market Regulations.

The '**Transaction of ESCerts**' means Sale or purchase of ESCerts under the Perform, Achieve and Trade (PAT) scheme on Power Exchanges, and includes delivery of ESCerts and the **Market** for transaction of ESCerts means a forum / platform where buyers and sellers, buy or sell ESCerts through a Power Exchange.

For exchanging of ESCerts on any Power Exchange(s), the Designated Consumer needs to register with Registry as an Eligible Entity. This registration can be done by Designated Consumer through their PATNet Portal. On successful submission of **Registration Form** by the DC to the Registry, the concerned DC becomes the Eligible Entity. As per the regulations, **Eligible Entity** means any designated consumer registered with Registry who has been issued or deemed to have been issued ESCerts and desire to sell or purchase such ESCerts for compliance with the energy consumption norms and standards specified under clause (g) of section 14 of the EC Act.

## **RESPONSIBILITIES OF DIFFERENT ENTITIES INVOLVED IN TRANSACTION OF ESCerts**

### **REGISTRY –**

The functions of the Registry shall be to undertake:

1. Registration of Eligible Entity;
2. Maintaining records of ESCerts viz., issuance, dealing, etc
3. Dissemination of information in coordination with the Bureau
4. Assistance in development of IT Platform for maintaining database of ESCerts
5. Signing of Non Disclosure Agreement with the Administrator
6. Any other function, as assigned by the Commission in consultation with the Bureau, after assessment of the prevailing market conditions.

### **COMMISSION –**

The Commission may, from time to time issue directions to the Administrator and the Registry in regard to the discharge of their functions related to transaction of ESCerts.

### **ADMINISTRATOR –**

For the purpose of transaction of ESCerts issued under the EC Act, the Bureau shall act as the Administrator and subject to provisions of these regulations, it shall-

- a) Define detailed procedure for the following, in pursuance of the Energy Conservation Rules in consultation with the Registry:
  - i. Interface activities between Power Exchanges and Registry, Administrator and Registry and Registry and Designated Consumer (s);
  - ii. Registration of eligible entities; and
  - iii. Dealing, transfer and other residual matters.
  
- b) provide assistance to the Commission in the matters involving transaction of ESCerts on Power Exchanges.
- c) disseminate relevant market information to all stakeholders
- d) monitor to ensure that transaction in ESCerts takes place in a transparent manner, and report instances of non-compliance of these Regulations to the Commission
- e) provide relevant information regarding Designated Consumer(s) to the Registry
- f) adhere to all compliance under EC Act pertaining to ESCerts
- g) signing of Non Disclosure Agreement with the Registry
- h) coordinate with the Software developer/agency who maintains the IT portal
- i) intimate the Registry regarding the extinguishment of ESCerts from the accounts of the concerned Eligible Entity; and
- j) coordinate with the Power Exchanges and Registry for smooth interface for transaction of ESCerts; and
- k) discharge such other functions as may be assigned under these Regulations.

### **SCOPE OF TRADING FOR EXCHANGE OF ESCerts**

The scope of trading for exchange of Energy Savings Certificates as per the current provisions of PAT Rules 2001 under the PAT Scheme is as follows,

### **TYPE OF TRADING FOR EXCHANGE OF ESCerts**

The exchange of ESCerts may take place in two types, which are defined as follows:

#### **A. COMPLIANCE PERIOD – TRADING**

The trading shall be done between the period starting from the last date of submission of the performance assessment document in Form A subsequent to the issuance of Energy Savings Certificates and ending on the last date of submission of status of compliance to concerned State Designated Agency with a copy to Bureau in Form D, .i.e. the compliance

period, which is stated in the PAT Rules. The frequency of trade including date and day shall be as declared by the Commission in consultation with the Administrator from time to time.

## B. POST-COMPLIANCE PERIOD – TRADING

The trading shall be done between the period starting after the last date of submission of status of compliance to concerned State Designated Agency with a copy to Bureau in Form D for the current cycle till the last date of submission of status of compliance to concerned State Designated Agency with a copy to Bureau in Form D for next PAT Cycle. The frequency of trade including date and day shall be as declared by the Commission in consultation with the Administrator from time to time.

## C. NON TRADING PERIOD

One month from the date of last trading session for each cycle as declared by the Commission and the period from the last date of submission of FORM A and FORM B to the date of issuance of ESCerts shall be the no trading period.

PAT CYCLE			
CURRENT CYCLE		NEXT CYCLE	
COMPLIANCE PERIOD	NO – TRADING PERIOD	POST - COMPLIANCE PERIOD	NO – TRADING PERIOD
STARTING FROM			
After Issuance of ESCerts (As declared by the Commission)	Last Trading Session (As declared by the Commission)	After Last Date of Acceptance of Compliance Form (FORM D)	Last Date of Submission of PAD (FORM A) & Certificate of Verification (FORM B)
ENDING ON			
Last Trading Session of (As declared by the Commission)	Last Date of Acceptance of Compliance Form (FORM D)	Last Date of Submission of PAD (FORM A) & Certificate of Verification (FORM B)	After Issuance of ESCerts (As declared by the Commission)
CATEGORY OF TRADABLE ESCerts			
Issued ESCerts of Current Cycle & Banked ESCerts of Previous Cycle	N. A.	Banked ESCerts of Previous Cycle	N. A.