

RULES OF HINDUSTAN POWER EXCHANGE LIMITED

HINDUSTAN POWER EXCHANGE LIMITED

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(INDIA)

TABLE OF CONTENTS

1. PRELIMINARY
2. DEFINITIONS
3. MANAGEMENT OF THE EXCHANGE
4. MEMBERSHIP OF THE EXCHANGE

CHAPTER 1

PRELIMINARY

1. Introduction

- 1.1. This document contains the Rules of Hindustan Power Exchange Limited (hereinafter 'HPX' or 'Exchange') for clarity for all the participants. The Rules contained herein shall be termed as 'the Rules of Hindustan Power Exchange Limited' or for the sake of brevity as 'HPX Rules' or 'these Rules'.
- 1.2. The purpose of formulation of these Rules is to provide the framework for the management of the Exchange, and procedure for admission of members and their representation on the exchange.
- 1.3. These Rules shall be subject to and read consistent with the provisions of the Electricity Act, 2003, the Rules made thereunder by the Central Government and Regulations, Codes, and directives issued thereunder by the Central Electricity Regulatory Commission (hereinafter referred as the 'Commission') including the Central Electricity Regulatory Commission (Power Market) Regulations, 2021, Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 and Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 as amended from time to time and the Bye-laws of the Exchange.
- 1.4. In case of any inconsistency between these Rules and clarifications, circulars, directives issued under these Rules of the one part and any of the provisions of the Electricity Act, 2003, the Rules made thereunder by the Central Government and Regulations, Codes, and directives issued thereunder by the Commission including the Central Electricity Regulatory Commission (Power Market) Regulations, 2021, Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 and Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 of the other part, the latter shall prevail to the exclusion of the former.

- 1.5. These Rules may be amended or changed from time to time by the Exchange as and when required. The amendment to the Rules shall be applicable and published by the Exchange only after receipt of approval of the Commission.
- 1.6. The Exchange may issue clarifications, circulars or directives, as may be required from time to time, to remove any difficulty or ambiguity in implementing the provisions of any of the Rules. Such clarifications, circulars or directions issued shall have binding force.
- 1.7. In the event of any conflict between Bye Laws, Rules and Business Rules, the content of Bye Laws shall supersede the other two and the contents of Rules shall supersede that of Business Rules. Without prejudice to the generality of the above, in case of any ambiguity or any confusion with regard to any of the provisions of Rules, the clarification given by Exchange shall be binding.
- 1.8. These Rules shall be governed by and construed in accordance with the laws of India. In case of any dispute between the Exchange and the Exchange Member in relation to or arising under these Rules, the courts at New Delhi, India shall have the exclusive jurisdiction, irrespective of the place of business or residence of the Exchange Member.

CHAPTER 2

DEFINITIONS

2. Unless the context otherwise specifically requires the words. and expressions used in these Rules which are defined in the Electricity Act, 2003, the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 and its subsequent amendments or the Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 and its subsequent amendments or the Bye Laws shall have the same meaning as assigned to them therein. Subject to the above in these Rules, unless the context otherwise requires,
- 2.1. **Act** means the Electricity Act, 2003.
 - 2.2. **Base Capital** means and includes the initial margin, additional margin, any other credit amounts, bank guarantee, and other collateral, by whatever name called, specified to be part of the base capital.
 - 2.3. **Board** means Board of Directors of the Company.
 - 2.4. **Company** means Hindustan Power Exchange Ltd.
 - 2.5. **CERC** means Central Electricity Regulatory Commission.
 - 2.6. **Exchange** means Exchange of the Company.
 - 2.7. **Notice Board** refers to the board displayed at the registered office of the Exchange or the Web Site and also the bulletin board, market news and Information corner displayed on the trading system of the Exchange or the news and circulars, notifications, etc. downloaded / broadcast at the trading system of the Members.
 - 2.8. **NLDC** means National Load Despatch Centre.
 - 2.9. **Register of Exchange Members** means the register containing the names and other details of the Exchange Members registered with the Exchange.
 - 2.10. **RLDC** means Regional Load Despatch Centre.
 - 2.11. **SERC** means State Electricity Regulatory Commission.
 - 2.12. **SLDC** means State Load Despatch Centre.
 - 2.13. **PMR** means Power Market Regulations issued by CERC.

CHAPTER 3

MANAGEMENT OF THE EXCHANGE

3. The management of the Exchange shall at all times be under the supervision and control of the Board and shall be conducted according to the decisions and directions as the Board may issue from time to time.
4. The Board shall be constituted in accordance with Memorandum and Articles of Association of the Exchange, subject to fulfillment of requirements under the CERC (Power Market) Regulation, 2021 and the Companies Act.
5. The powers and duties of Managing Director or an Exchange Committee or office bearers of the Exchange are dealt within Articles of Association and Memorandum of Association of the Exchange. The Managing Director or an Exchange Member or office bearers of the Exchange shall carry out such other duties as assigned by the Board and as per the Power Market Regulations.
6. As required the Exchange Board may constitute, committees to undertake various functions of the Exchange. The committees shall have such responsibilities and powers as may be delegated to it by the Board from time to time. Board shall have power to reconstitute the committees.
7. Normally such committees will have three persons (or in line with PMR) with one of the person being designated as Chairperson. The Board shall from time to time fill in any vacancy in the of any committee.
8. The quorum for every meeting of the committee shall be one-third of the total strength of each Committee or two (2), whichever is higher. In case the quorum is not present in the committee meeting, the matter, shall be referred to the Board for decision.
9. The meetings of the committees, panels and advisory boards may be conducted by means of video conferences or in physical (based on the requirement and the decision by Exchange) during which all participants and committee members are able to participate. During the meetings it shall be ensured that all the participants are able to hear and to be heard at all times by the committee members and all other participants. In case the participations remade through video conferences then the

participation in such video conferences shall be deemed to constitute presence in person to such meetings.

10. The decision of the committee shall be by majority and in case of equality of votes the matter shall be referred to the Board.
11. Subject to the powers vested in the committee the Board may delegate powers to the Chief Executive Officer (Managing Director), other Directors, officers of the Exchange and others as may be considered appropriate and which are as per the Power Market Regulation.
12. The senior management of the Exchange shall comprise of at least three (3) full-time professionals having qualifications and experience in – (a) power system operations; (b) finance, commerce, economics and accounts; and (c) information technology.
13. The Managing Director and CEO shall be solely responsible for running the day-day operations of the Exchange.
14. The Managing Director, or Chief Executive or the Director in charge of the day to day operations or any employee of Exchange shall not be directly or indirectly associated with any Member of the Exchange or Client or participant of the Exchange or with a holding or subsidiary or joint venture company thereof.
15. Services of any consultant or advisor availed by the Exchange as long as he is not dealing with price sensitive information of the Exchange and there is no conflict of interest between assignments undertaken for other persons served by the consultant or advisor and the Exchange.
16. A member of any committee who is on the committee by virtue of being an Exchange Member or of the Clearing House shall cease to hold such office forthwith if he ceases to be an Exchange Member and/or Member of Clearing House , as the case may be; or upon suspension, expulsion or declaration as defaulter by the Exchange.

17. Exchange Committees/Forums

The Exchange shall constitute the following Committees as specified in the CERC (Power Market) Regulations, 2021 as amended from time to time and in addition thereto such other committees as may be considered appropriate by the Board or as required under the Companies Act

17.1. Risk Assessment and Management Committee (RAMC)

The Exchange shall adopt best practices while formulating prudent and dynamic risk management framework by adopting best practices, which shall be dynamic based on the changing risk profiles of the market.

This Committee shall stipulate risk containment measures and monitor adherence of the same as per the provisions of Power Market Regulation. The Risk Assessment and Management Committee shall be headed by an independent director of the Company. The functions of the Committee will be to stipulate risk containment measures and monitor adherence of the same the following:

- a) Members, transacting on behalf of other Clients, to have a prudent risk management and timely margin collection system from their clients. The quantum of margins collected by members from client shall be at the discretion of the members and as per bye laws of Exchange.
- b) The RAMC shall review risk management framework and process of the Exchange on a six monthly basis in January and July each year. The RAMC report shall be submitted to the board of directors. The report of RAMC along with decision of the Board of Directors thereon shall be submitted to the Commission not later than end of March and end of September each year respectively.

17.2. Market Surveillance Committee

This Committee shall be responsible for overseeing the Market in the manner stipulated by the Commission or other authorities from time to time. This committee shall be headed by an independent director of the board and shall have members from the executive team of the Exchange. No Member of this

Committee shall be a Member of the Exchange. The Committee shall perform the following functions:

- a) To ensure fair, transparent and unbiased market platform to members.
- b) To ensure that interest of clients are safeguarded and the efficient surveillance practice in in place
- c) To ensure that movement in price and volume is monitored closely and efficiently.
- d) To ensure that the risk management tools adopted by the surveillance department are efficient.
- e) To ensure market safety and promote market integrity.

17.3. Settlement Guarantee Fund (SGF) Management Committee

The Exchange shall constitute a SGF Management Committee with adequate representation from the Members of the Exchange. The Committee shall be responsible for overseeing the management of the SGF. The Committee shall be responsible for the following:

- a) Management of SGF as per the provisions of Power market Regulation as stipulated by the CERC and other regulatory authorities from time to time,
- b) Monitor adherence of regulatory directions in respect of SGF, contribution of Members to the SGF Management Committee, its investment and utilization & recoupment of SGF in case it is utilized to meet residual defaults.

17.4. Grievance Redressal Forum

The Exchange shall constitute a Grievance Redressal Forum and a mechanism to resolve the disputes between Members, between Member (s) and Client (s) and between Exchange and Member (s). This forum shall be headed by an Independent Director of the Exchange as per PMR 2021.

18. Arbitration and Dispute Resolution

The Exchange shall endeavor to resolve the disputes between the Members interest and between members/Clients and the Exchange amicably. In case the disputes remain unresolved the same shall be settled through arbitration by a Sole Arbitration

under the provisions of the Arbitration and Conciliation Act as per Indian Council of Arbitration (ICAO, New Delhi Rules. The seat of arbitration shall be Delhi and the language shall be English.

CHAPTER 4

MEMBERSHIP OF THE EXCHANGE

19. The Exchange may classify the Members in different categories on the basis of qualifications, eligibility, payment terms for the Contracts and the risk profile of the Member. Exchange may provide for rights and privileges for trading, clearing and settlement of Contracts. A person, who wishes to be a Member, may apply for any category of membership, subject to his fulfilling the membership criteria as specified by Exchange in terms of the Power Market Regulation.
20. The membership category shall determine and/ or be the basis of all rights and privileges of a Member, subject to the Bye-Laws, these Rules and Business Rules of Exchange as applicable and amended from time to time. Subject further to the due compliance of the applicable laws and Regulations. Any subsidiary or holding or associate company of such Member shall also be treated as same entity for the purpose of transactions on the Exchange.
21. Provided further that subject to the approval of the Exchange, if an associate, subsidiary or holding company of a Member, who otherwise fulfills the requirements under the Bye Laws, these Rules and Business Rules, such entity/person shall be permitted to transact in the Exchange.
22. The Membership of the Exchange is classified into three categories as under:
- 22.1. **Proprietary Member** means a Member who is a grid connected entity and shall include distribution licensee, generator, end user and open access consumer;
- Proprietary Member shall have right to trade electricity contracts for its own account, and clear the same Contracts through the Clearing House as a Clearing Member. The Proprietary member shall also be entitled to undertake transaction on the Renewable Energy Certificates and Energy Saving Certificates.
- A **Proprietary Member (Certificate Trading)** shall have limited right to transact contracts relating to Renewable Energy Certificate under the Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 and Energy Saving Certificates under the Central Electricity Regulatory

Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016. This sub-category of Proprietary Members shall be entitled to undertake transactions in Renewable Energy Certificate contracts and Energy Saving Certificate contracts on the Exchange for its own account.

22.2. **Trader Member** means a Member holding a valid and subsisting Interstate Trading License from the Commission;

Member who is a Trader Member shall trade and clear on their own account or trade and clear on behalf of their clients. Such Member shall be entitled to transact the electricity, right to which has been obtained through an agreement from a grid-connected entity. In such cases, the electricity trader will be treated as client and the delivery shall be undertaken by the party on the other side of agreement i.e. grid connected entity. This category of members may provide any credit or financing or working capital facility to their clients. A Trader Member shall also be entitled to undertake transaction in the Renewable Energy Certificates and Energy Saving Certificates.

A **Trader Member (Certificate Trading)** shall have limited right to transact contracts relating to Renewable Energy Certificate under the Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 and Energy Saving Certificates under the Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016. This sub-category of Trader Members shall be entitled to undertake transactions in Renewable Energy Certificate contracts and Energy Saving Certificate contracts on the Exchange for its own account or on behalf of its clients also.

22.3. **Facilitator Member** Any person who is neither a Trader Member nor a Proprietary Member and admitted as a member of the Power Exchange for providing one or more of the following services to its clients to facilitate transactions at the Power Exchange shall be called a Facilitator Member:

- a) IT infrastructure for bidding on electronic exchange platform or skilled personnel.
- b) Facilitation of clearances for delivery of power

Provided that the Facilitator Member shall not provide any credit or financing or working capital facility to its clients.

The Professional Members shall also be entitled to undertake transactions in Renewable Energy Certificates and Energy Saving Certificates in the same manner as in the case of other transactions.

A **Facilitator Member (Certificate Trading)** shall have limited right to transact contracts relating to Renewable Energy Certificate under the Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 and Energy Saving Certificates under the Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016. This sub-category of Facilitator Members shall be entitled to undertake transactions in Renewable Energy Certificate contracts and Energy Saving Certificate contracts on the Exchange on behalf of its clients only.

22.4. All the Members of the Exchange shall be eligible for transaction of ESCerts at the Exchange Platform. However, if any Member is interested in only carrying out transaction in ESCerts, the same shall also be considered as per CERC (Power Market) Regulation, 2021 and amendments thereof. Additional eligibility conditions, if any, shall be specified by the Exchange from time to time through circulars.

22.5. The Member admitted in the Exchange as per the above clauses may undertake transactions in one or more type of contracts/products approved by the Commission, e.g. Electricity, REC, ESCERTs etc., subject to the conditions specified by the Exchange from time to time.

23. Criteria for Exchange Member

Any person, as may be approved by the Exchange, fulfilling the following criteria will be eligible to become an Exchange Member:

- 23.1. Compliance with the capital adequacy norms as may be prescribed by the Exchange for the Category of membership of the Exchange, from time to time;
 - 23.2. Compliance with the registration and other provisions as may be prescribed by the Exchange from time to time.
 - 23.3. Payment of such fee, charges, margins etc., as may be specified by the Exchange.
 - 23.4. Such other requirements and/or criteria for admission as an Exchange Member and to alter any such Rules including those specified above, as the Exchange may consider appropriate to specify from time to time.
24. Every Exchange Member shall comply with and be bound by the Bye-Laws, these Rules and Business Rules that may be made in accordance therewith, from time to time, and shall accept as final any decision made by the Exchange or by a committee approved by the Board .
25. A decision on each membership application is entirely at the discretion of the Exchange and shall be final and conclusive.
26. The membership can be surrendered through resignation from the membership of the Exchange. The membership can also be surrendered through transfer of the membership by nomination. In case of resignation, the Exchange Member shall be entitled to receive back his margin, if any, after the Exchange and the Clearing House have recovered all outstanding dues from the Member who has tendered his resignation, subject to such lock in period as may be specified by the Exchange. The admission fee paid by the Exchange Member shall be non-refundable.

27. General Conditions

No person shall be eligible to be qualified as a Member of the Exchange, if such person:

- 27.1. does not have a minimum net worth as the Exchange may from time to time determine and consider acceptable;
- 27.2. has been declared or rendered incompetent to enter into contract under any law in force in India;

- 27.3. has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge;
 - 27.4. has been convicted of an offence involving moral turpitude or any other crime;
 - 27.5. has compounded with his creditors;
 - 27.6. has been found to be of unsound mind, by a court of competent jurisdiction;
 - 27.7. has applied to be adjudicated as an insolvent and the application is pending;
 - 27.8. in case of individual if he is a minor;
 - 27.9. suffer from any disqualification as may be specified by the Exchange or the committee thereon from time to time.
28. **Membership application:** Every applicant who wishes to become an Exchange Member shall apply to the Exchange for admission as an Exchange Member, in the form prescribed for the purpose.
29. **Admission Fee:** Every applicant applying for the membership of the Exchange would require to pay, along with the membership application, non-refundable admission fee or any other fee/margin as may be specified by the Exchange, from time to time. Where, however, a retiring Member of the Exchange or the legal heir(s) of a deceased Exchange Member nominate(s) a person eligible for admission as an Exchange Member under these Rules, to succeed the established business of the retiring or deceased Exchange Member who is his father, uncle, brother or son or any other person in the opinion of the Exchange is a close relative, such nominee shall be admitted as an Exchange Member provided he/she is found otherwise qualified, eligible and fit for the membership of the Exchange under these Rules.
30. **Transfer**
- 30.1. The Exchange may prescribe the procedure for transfer of membership or change the category of membership of a Member considering the application from the existing member. Membership of the Exchange shall be transferable only to any eligible person, body corporate, company, partnership firm, institution or such other person, as may be approved by the Exchange.
 - 30.2. The membership of the Exchange shall be transferable on payment of such fees as the Exchange may prescribe from time to time provided that such transfer

shall be affected only from the date of approval by the Exchange. The Exchange shall have the power to refuse transfer of membership if in the interest of the power market or the Exchange, it is expedient to do so.

31. Grounds for expulsion or disqualification

The Exchange may expel a Member of the Exchange, if in its opinion to be recorded in writing, such Member has in or at the time of his application for admission to membership of the Exchange or during the course of the inquiry made by the Exchange preceding his admission:

- 31.1. made any willful misrepresentation;
- 31.2. suppressed or concealed any material information required of him as to his financial position, including financial liabilities, character and antecedents; or
- 31.3. has directly or indirectly given false particulars or information or made a false declaration.

32. Certificate of admission to membership of the Exchange

- 32.1. On admission a Certificate of Membership duly signed will be issued to the newly admitted Member.
- 32.2. Every Exchange Member shall promptly notify the Exchange in writing about any change in the information provided by the Member at the time of admission or at a later stage to the Exchange. The Exchange shall indicate the changes in respect of which the Member should take prior written approval from the Exchange. In case the Member fails to do so, then the Exchange shall be entitled to impose such penalty and/or take further disciplinary action as may be considered appropriate.

33. Subscription

- 33.1. Every Exchange Member shall pay the annual fee, other fees, margins or any other charges as may be fixed by the Exchange, from time to time. If any Exchange Member fails or neglects to pay any fee, margin or other levies as required by the Exchange for a continuous period of six (6) months, the Exchange may declare such Member as a defaulter within the meaning of these Rules.

- 33.2. Provided that such defaulting Exchange Member shall be at liberty to apply for re-admission as an Exchange Member by complying with the provisions of these Rules as applicable to re-admission of defaulters.

34. Margin

- 34.1. The Exchange may prescribe payment of initial margin from a Member payable at the time of his admission. The Exchange may use Security Deposit as Initial Margin and consider it as the minimum Margin required for submitting bids. A new Exchange Member shall, not later than such number of days as may be specified by the Exchange, from the date of intimation in writing by the Exchange conveying its approval on admission, provide margin of a sum and in such mode(s) as may be decided by the Exchange from time to time and shall maintain such margin with the Exchange at all times.
- 34.2. The Exchange may prescribe different payment options for different Members.
- 34.3. The Exchange Member shall provide additional margin in order to get higher limits to trade.
- 34.4. The margin to be paid by a Member shall be payable in such form, as specified by the Exchange subject to such terms and conditions as the Exchange may from time to time stipulate.
- 34.5. The initial margin and additional margin provided by an Exchange Member shall be subject to a first charge and paramount lien on any sum due to the Exchange or to the Clearing House.

35. Return of initial margin or additional margin to Exchange Members

- 35.1. On the termination of his membership of the Exchange, the initial margin and the additional margin not applied under the Rules, Bye-Laws and Business Rules shall, at the cost of the Member, be repaid subject to such terms and conditions as may be decided by the Exchange from time to time and transfer either to him or as directed by him or, in the absence of such direction to his legal

heirs or legal representatives after recovering all the dues of the Exchange and the Clearing House.

- 35.2. However, the Exchange shall return back only such amount as may have been collected as a margin in the form of refundable margin or additional margin for providing trading and clearing limits, subject to settlement of all pending dues and also settlement of all outstanding Contracts. Such margins or contributions, which are collected as non – refundable margins, shall not be refunded.

36. Partnership firm as Member (Special Provisions)

- 36.1. In addition to other requirements herein a partnership firm shall be eligible for admission as an Exchange Member, provided it fulfills the following:

- a) The firm is duly registered with the Registrar of Firms;
- b) The deed of partnership contains a provision to the effect that the business of the firm shall at all times be carried out so as to comply with the Bye-Laws, these Rules and the Business Rules, for the time being in force;
- c) The partners of the firm are acceptable to the Exchange; and
- d) No change in the name of an existing partnership shall be affected without prior written intimation to the Board and its approval;
- e) No new partner shall be admitted without the prior written approval of the Exchange.
- f) No person shall at the same time be a partner in more than one partnership firm carrying on the business of facilitating transactions in electricity or Renewable Energy Certificates or Energy Savings Certificate and/or clearing.
- g) Upon dissolution of the firm or its reconstitution without the approval of the Exchange, firm shall cease to be an Exchange Member.

- 36.2. The Exchange Member, who is the partner of any partnership firm, which is an Exchange Member, shall be primarily liable and responsible for all dues, claims or demands against the partnership by the Exchange and also the liabilities of the partnership to the Exchange and its Exchange Members. Provided that the other partners shall also be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.

37. **Corporate Membership:** The corporate entity shall furnish to the Exchange the corporate documents, board resolution and other details as may be required by the Exchange at the time admission to the membership and thereafter from time to time.

38. Authorized Persons

38.1. Any Exchange Member may be entitled to be represented by an Authorized Person for purposes of conducting business in the Exchange.

38.2. An Exchange Member can appoint an Authorized Person(s) to undertake specific activities on behalf of such Member. For this purpose Exchange Member shall apply to the Exchange for the permission to appoint Authorized Representative in such form as the Exchange may from time to time prescribe. The Exchange may permit such Authorized Person to act on behalf of the Member on such terms and conditions as the Exchange may from time to time direct.

39. Appointment of Approved Users

39.1. An Exchange Member carrying on business on the Exchange shall be entitled to appoint persons who are in his own exclusive employment or as Approved Users with the permission of the Exchange for operating the trader work stations connected with the ATS of the Exchange and entering orders in such system or segment on behalf of such Member.

39.2. An Exchange Member who wishes to appoint Approved Users shall apply for the permission of the Exchange.

40. **Number of Trader Work Stations:** The number of Trader workstations that may be provided to the Exchange Member shall be determined by Exchange from time to time.

41. Default

An Exchange Member or client shall be in default if the member/client:

- 41.1. Falls within any one or more of the grounds specified by the Commission in CERC (Power Market) Regulations, 2021, that is to say, a Member/client may be declared a defaulter by direction or circular of the Exchange if he:
- a) is unable to fulfill his clearing or settlement obligations; or
 - b) admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities towards the Exchange or its clients; or
 - c) fails or is unable to pay within the specified time the damages and the money difference due on a closing – out effected against him under the Rules, Bye Laws and Business Rules of the Exchange;
 - d) fails to pay any sum due to the Exchange which may be stipulated from time to time; or
 - e) the member fails to pay or deliver all moneys, electricity or other related assets due to member who has been declared a defaulter within such time of declaration of default of such member in such manner and to such person as the Exchange or Clearing Corporation may direct; or
 - f) fails to abide by the arbitration award as laid down under the Rules, Bye Laws and Business Rules of Exchange; or
 - g) does not abide by conditions as may be laid down by the Exchange from time to time.
- 41.2. Fails to provide the monies, securities, bank guarantees, subscription and any other collaterals required to be deposited with the Exchange.; or
- 41.3. In the opinion of the Exchange a Member is unable to fulfill his engagements or obligations.
- 41.4. Fails to pay or reimburse to the Settlement Guarantee Fund or any other fund established by the Exchange in respect of the amount used from it for the purpose of fulfilling settlement obligations on his behalf; or

- 41.5. Fails to pay or deliver such money and arising out of an award given by the Arbitrator under the arbitration proceedings provided in the Bye-Laws of the Exchange;
- 41.6. Fails to pay or deliver to the Exchange all monies, within such time as directed by the Exchange.
- 41.7. Violates any Bye-Laws, Rules and Business Rules of the Exchange and the Electricity Act, 2003 and the Indian Electricity Grid Code and rules and regulations made thereunder, and any orders, circulars, directives of the CERC, SERC and other relevant government authority.
- 41.8. Fails to give information and details as the Exchange may call for from time to time
- 41.9. Fails to meet any other criteria which the Exchange may, at its discretion, stipulate.

42. Declaration of defaulter process

In the event a member is declared a defaulter and he fails to meet the clearing and settlement obligations, the Exchange shall give precedence to the payment of charges due to system operator and payment of transmission charges from the margins of the member or the client as the case may be. Thereafter the Exchange may utilize the Settlement Guarantee Fund and other monies to the extent necessary to eliminate the obligation of the defaulting member or client in the following order:

- 42.1. Liquidation of collaterals: Contributions or deposits, including margins in any form, by the defaulting member or client.
- 42.2. Liquidation of security deposit (initial margin): Membership security deposit given by the defaulting member to the Exchange.
- 42.3. Insurance money: Insurance taken by Exchange of an amount as considered appropriate by the Exchange for protection against defaults.
- 42.4. Initial contribution by the Exchange towards Settlement Guarantee Fund.
- 42.5. Current year's profits of the Exchange including Fines, penalty collected from members.
- 42.6. Retained earnings of the Exchange.

- 42.7. Contribution towards settlement guarantee fund by all members or clients: All non-defaulting members or client's contribution in proportion of deposits towards Settlement Guarantee Fund.
- 42.8. Balance obligations remaining outstanding after above funds will be met by contribution from members or clients in proportion to their contribution to the SGF.
43. Upon the Exchange Member or Client being a defaulter the Exchange shall initiate a process to declare such Member/client a defaulter after giving a reasonable opportunity to such Member/client. A show cause notice to that effect shall be forthwith issued by the Exchange to such Member/client and a copy of the same may be posted on the website of the Exchange. The following consequences shall follow upon being declared as a defaulter:
- 43.1. the Exchange Member/client shall hand over all his books, documents, papers, assets, cheque books and other documents, as may be specified by the Exchange.
- 43.2. the Exchange Member/client shall file with the Exchange, within such time of the declaration of his default as the Exchange may direct, a written statement containing a complete list of his debtors and creditors and the sum owing by and to each of them.
- 43.3. the Exchange Member/client shall submit to the Exchange such statement of accounts, information and particulars of his affairs as the Exchange may from time to time require and if the Exchange so desires, he shall appear before the Exchange at its meeting in connection with his default.
- 43.4. automatically and without any further act deed or thing to be done all monies, securities, bank guarantees lying with the Exchange in respect of the Exchange Member shall vest in the control of the Exchange in trust for the benefit and on account of the creditors, who may have a claim and the Exchange shall deal with such monies, securities or bank guarantees and claims, as provided in CERC (Power Market) Regulations, 2021, Bye-Laws and relevant Rules herein and specifically as provided.

43.5. he shall at once cease to be an Exchange Member/client and as such cease to enjoy any of the rights and privileges of membership of the Exchange but the rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.

43.6. he shall not be readmitted to the membership of the Exchange directly or indirectly for a minimum period of 1 (one) year from the date, he is declared a defaulter. Provided the Exchange may at its discretion readmit the defaulter within such shorter period as it may consider appropriate.

44. Power of the Exchange to define the grounds of suspension and expulsion

44.1. The Exchange may at its discretion, may issue circulars for defining the conduct or acts or omissions which renders an Exchange Members, liable to expulsion, suspension, fine or withdrawal or suspension of rights and privileges of membership of the Exchange and other consequences in addition to those specified hereinabove as defaults on the part of the Members and the consequences thereof. No decision of the Exchange expelling or suspending an Exchange Member shall be passed or voted upon until and unless the Member has been given an opportunity to explain the charges against him. Such Member may appear at such meeting or state his case in writing addressed to the Exchange.

44.2. Notwithstanding anything contained in these Rules and subject to the CERC (Power Market) Regulations, 2021, Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 and the Bye Laws, the Exchange reserves the right to suspend a Member pending declaration of default of such Member.