

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson  
Shri A.K. Singhal, Member  
Shri A.S. Bakshi, Member  
Dr. M.K. Iyer, Member**

**Date of Order: 24 .03.2017**

**IN THE MATTER OF**

Determination of Fee and Charges payable under Regulation 12 of the Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016.

**ORDER**

The Commission , in exercise of powers conferred under sub-Section (1) of and clause (y) of sub-section (2) of Section 178 read with Section 66 of the Electricity Act, 2003 (36 of 2003), paragraph 5.9 of the National Electricity Policy, sub-Rule (4) of Rule 12 and clause (b) of Rule 13 of the Energy Conservation (Energy Consumption Norms and Standards for Designated Consumers, Form, Time within which, and Manner of Preparation and Implementation of Scheme, Procedure for Issue of Energy Savings Certificate and Value of Per Metric Ton of Oil Equivalent of Energy Consumed) Rules, 2012, as amended from time to time (hereinafter referred to as 'PAT Rules') notified by the Ministry of Power, Government of India for the development of market in energy for exchange of transferable and saleable Energy Savings Certificates (hereinafter referred to as 'ESCerts'), notified the Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 (hereinafter referred to as 'ESCerts Transaction Regulations') on May 27, 2016.

2. The Ministry of Power, Government of India, vide order dated January 05, 2016 assigned the function of Registry to POSOCO and accordingly, authorized POSOCO to establish the necessary framework for this purpose.

3. Regulation 5 of the ESCerts Transaction Regulations provides the functions of the Registry as under:

- i. Registration of Eligible Entity;
- ii. Maintaining records of ESCerts viz., issuance, dealing, etc;
- iii. Dissemination of information in coordination with the Bureau ;
- iv. Assistance in development of IT Platform for maintaining database of ESCerts;
- v. Signing of Non Disclosure Agreement with the Administrator ; and
- vi. Any other function, as assigned by the Commission in consultation with the Bureau, after assessment of the prevailing market conditions.

4. Regulation 12 of the ESCerts Transaction Regulations empowers the Commission to determine by order, the fees and charges payable by the eligible entities to the Registry for the purpose of meeting the cost and expense towards the management of Registry and software platform. The relevant portion of the ESCerts Transaction Regulations is extracted as under:

*"7. Fees and Charges*

*The Commission in consultation with the Bureau may from time to time determine, by order, the fees and charges payable by the Eligible entities to the Registry for the purpose of meeting the cost and expense towards the management of Registry and software platform."*

5. Regulation 7 of the ESCerts Transaction Regulations empowers the Bureau of Energy Efficiency (BEE) to act as the Administrator and specify the detailed procedure for various activities in pursuance of the PAT Rules. The relevant extract is reproduced below:

*"12. Functions of Administrator –*

*For the purpose of transaction of ESCerts issued under the ECA 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.*

*Provided that the Bureau shall undertake public consultation on the proposed procedure, seek the approval of the same from the Commission and issue detailed procedure after the approval of the Commission."*

6. In accordance with the above mentioned Clauses of the ESCerts Transaction Regulations, BEE submitted the Detailed Procedures for the approval of the Commission after undertaking public consultation of the same. The Commission

thereafter, approved the procedures on February 14, 2017 and directed BEE to issue the same.

7. Clause 9.1 of the Detailed Procedures stipulate the following charges required to be paid by Eligible Entities:

- i. One time Registration Fee ;
- ii. ESCert Fee to be paid by the Designated Consumers to whom ESCerts have been issued by the Ministry of Power

8. In pursuance of the above mentioned Clauses of the ESCerts Transaction Regulations, the Commission, on January 31, 2017, directed the Registry to submit requisite information on cost and expenses to be incurred towards management of the Registry.

9. Accordingly, the Registry has submitted its estimates for Fee and Charges and has proposed the following :

- i. Registration Fee of Rs. 15,000/- per application;
- ii. ESCert Fee of Rs. 7/- per ESCert to be paid by the Designated Consumers to whom ESCerts have been issued by the Ministry of Power; and
- iii. Taxes and duties on Fees and Charges shall be applicable as per the prevailing norms.

10. The Registry has submitted that expenditure is estimated to be incurred on the basis of the following:

- i. Management of Registry: Registry will utilize the collected fees and charges for the purpose of meeting the cost and expense towards the deployment of manpower, consultants, auditors, infrastructure, including IT, legal, etc. Accordingly, it estimated an expenditure of Rs. 2.05 crore over a period of 3 years.
- ii. Software Platform: Required software and hardware shall be provided and maintained by the Administrator. Administrator shall undertake activities such as development of software, procurement of servers, maintenance expenditure, capacity building of the stakeholders, security audit, etc. Registry estimated that Administrator would incur about Rs. 1.25 crore on the above mentioned activities

11. A summarisation of the estimated expenditure is given below:

<b>Sl.No.</b>	<b>Item</b>	<b>Expenditure (Rs. in Lakh)</b>
<b>1</b>	<b>Management of Registry (A)</b>	<b>205</b>
(a)	Manpower Charges	147
(b)	Infrastructure-IT and others	58
<b>2</b>	<b>Software Platform (B)</b>	<b>202</b>
(a)	Software Development Expenditure	8.50
(b)	Asset Enhancement Expenditure	135

<b>Sl.No.</b>	<b>Item</b>	<b>Expenditure (Rs. in Lakh)</b>
(c)	Software Maintenance Expenditure	18.5
(d)	Capacity Building Expenditure	40
<b>3</b>	<b>Total (A+B)</b>	<b>407</b>

12. Considering the number of Eligible Entities for Registration and quantum of ESCerts to be issued in PAT Cycle-1, the Registry estimated the following revenue proposed to be recovered from the Fees and Charges :

<b>Sl.No.</b>	<b>Particulars</b>	<b>Fee (Rs.)</b>	<b>No. of Eligible Entities/ESCerts</b>	<b>Total Fee Collected (Rs in Lakh .)</b>
1	Registration Fee	15000	420	63.00
2	ESCert Fee	7	3850000	269.50
<b>3</b>	<b>Total Revenue</b>			<b>332.50</b>

13. It is observed that the Registry has proposed Fee and Charges in a manner so as to recover the entire expenditure estimated to be incurred for meeting the cost and expense towards the management of the Registry and software platform.

14. The Commission, after perusing the cost estimates submitted by the Registry, directed the Registry to submit the detailed head-wise estimates for expenditure proposed to be incurred towards management of Registry and software platform. In response, the Registry submitted the following details:

<b>S.No.</b>	<b>Item</b>	<b>Expenditure (Rs. in Lakh) ( for 3 years)</b>
<b>1</b>	<b>Manpower Cost</b>	
(i)	AGM (about 10% of Rs. 40 lakh/Per Annum)	12
(ii)	1 Manager/Deputy Manager (≈ Rs. 19 lakh/Per Annum)	57
(iii)	2 Engineer - 1 for Approval and 1 for Verification of the applications (≈ Rs. 10 lakh/Per Annum/per Engineer)	60
(iv)	1 Engineer(IT) (30 % of ≈ Rs. 10 lakh/Per Annum)	9
(v)	1 Non executive @ Rs 25000 per Month	9
<b>(vi)</b>	<b>Sub-Total</b>	<b>147</b>
<b>2</b>	<b>Infrastructure - IT and others</b>	
(i)	Data Card and operating charges - 4 nos	2.00
(ii)	Laptop, Software, AMC- 4 Nos	6.00
(iii)	Desktop Computer, software, AMC- 4 Nos	5.00
(iv)	Photocopier, Scanner, Fax, Printer and AMC	5.00
(V)	Furniture/Almirah	8.00
(vi)	Hiring of Agency for Scanning of Documents	5.00
(vii)	Miscellaneous- travel, books, library, Auditor, legal, etc.	27.00
<b>(VIII)</b>	<b>Sub-Total</b>	<b>58.00</b>
<b>3</b>	<b>TOTAL</b>	<b>205.00</b>

15. The Registry has submitted that the expenditure estimated to be incurred on software platform is as per the details provided by BEE. The basis of expenditure estimated by BEE towards software platform is as under:

- i. **Software Development Expenditure:** Development charges are estimated on account of the expenditure against the payment made to consultants for development of PATNet portal and D-CRM. As per the changing IT Structure in years to come, BEE may go for development of both PATNet portal and D-CRM. Hence, the estimated software development expenditure for PAT cycle 1 is Rs. 11 lakh.
- ii. **Asset Enhancement Expenditure:** Asset Enhancement Charges are estimated on account of the expenditure made to enhance asset required to create PATNet portal and D-CRM including backend servers. The consolidated cost estimated for this is around Rs. 54 lakh.
- iii. **Software Maintenance Expenditure:** Software maintenance charges are estimated on account of the expenditure to be incurred against the operation and maintenance of PATNet and D-CRM. Expenditure of Rs. 10 Lakh/year is estimated on this count, amounting to an expenditure of Rs. 30 Lakh over a period of three years.
- iv. **Capacity Building Expenditure:** These are estimated on account of the expenditure to be incurred against conducting capacity building programs , workshops/awareness programs for various stakeholders . It is estimated that 2 workshops would be held in a year, with an expenditure of Rs. 5 Lakh per workshop. Therefore, expenditure of Rs. 30 Lakh is proposed on this count for a period of three years.

16. As costs towards management of the Software Platform are being incurred by the Administrator, the Registry proposed that it would share 46.5% of the revenue realized from ESCert Fee with the Administrator.

17. In response to the Fees and Charges proposed by the Registry, BEE has submitted as under:

- i. As per Clause 5.3 (d) of the approved Detailed Procedures, BEE is required to depute in-house IT support staff to the Registry for providing IT assistance in Dynamic – Customer Relationship Management (D-CRM) during initial phase of implementation of ESCerts Transaction Regulations regarding compliance period, trading sessions and whenever required by the Registry. As the Commission has approved the continuous dealing of ESCerts on the Power Exchanges, IT support staff has to be deputed on regular basis. Hence, additional manpower requested by POSOCO in its cost estimates may be dropped.
- ii. Total manpower cost of Rs. 1.47 Crore estimated by the Registry is too high. Further, as only two personnel would be required for handling the Registry's work, a provision of two personnel i.e , Verifier and Approver, has been made in D-CRM.
- iii. BEE has requested that the Fees and Charges to be levied should be economical so as to encourage the Designated Consumers to participate in Energy Efficiency Schemes.

## **ANALYSIS AND DECISION**

18. We have analysed the cost estimates and the detailed justification with head-wise expenditure submitted by the Registry and BEE. It is observed that the

expenditure towards manpower charges constitutes a major portion of the expenditure .Perusal of the detailed head-wise expenditure estimated by the Registry reveals that the Registry intends to engage 6 officials for management activities as part of the duties incumbent on the Registry as specified in the ESCerts Transaction Regulations. Further, Clause 5.3 (d) of the approved Detailed Procedure stipulates that the Administrator shall depute an in-house IT support staff to the Registry. The relevant extract is reproduced below:

“

...

*d. Administrator shall depute an in-house IT support staff to the Registry for providing IT assistance in D-CRM during initial phase of implementation of ESCerts Transaction Regulations regarding compliance period, trading sessions, and whenever required by the Registry. “*

19. According to the Administrator, trading of ESCerts is a continuous activity which would be held on every Tuesday on weekly basis as stipulated in Clause 17.2 of the approved Detailed Procedures. Therefore, in-house staff provided by the Administrator would be deputed full time to the Registry, for which expenditure is already being incurred by the Administrator.

20. We are in agreement with the submission of BEE that Fees and Charges to be levied on the Eligible Entities should not be prohibitive or onerous. Eligible Entities should be encouraged to participate in trading with the larger objective of promoting energy efficiency. At the same time, revenue realized from Fees and Charges should

enable the Registry and the Administrator to meet their costs and expenses. Therefore, we direct the Registry to rationalize its expenses towards manpower charges.

21. Further, it is observed that BEE has proposed expenditure of Rs. 30 Lakh for a period of three years towards Capacity Building. BEE is a statutory body set up by the Government of India under the provisions of the Energy Conservation Act, 2001 and has been conducting various Capacity Building Programmes and Workshops to sensitise the stakeholders on various issues. As BEE is already incurring expenditure towards Capacity Building Programmes, we are of the view that funding for Capacity Building Programmes need not be realized from the levy of Fees and Charges for transaction of ESCerts.

22. After the detailed scrutiny of the estimates made by the Registry and the Administrator, we specify the fees and charges for registration and issuance of ESCerts as under:

- a) The Fees and Charges determined through this Order shall be payable by the Eligible Entities to the Registry.
- b) The application for Registration of Designated Consumer as 'Eligible Entity' shall be accompanied by one-time Registration Fee at the rate of Rs. 15,000/- per application. Registration Fee shall be a one-time fee levied at the time of Registration of a Designated Consumer.

- c) The Eligible Entities issued ESCerts , shall pay an ESCerts Fee at the rate of Rs. 5/- per ESCert.
- d) The taxes and duties on fees and charges shall be applicable as per the prevailing norms.
- e) The Registry shall share 50% of the revenue realised from ESCerts fee with the Administrator.
- f) The Fees and Charges determined through this Order shall be applicable upto Financial Year 2019-20, or as may be determined by the Commission in consultation with the Registry and the Administrator.

23. One time registration fee of Rs 15000/- for each eligible entity would yield a revenue of Rs. 63 lakh for 420 Eligible entities in the PAT Cycle-1. Similarly, levy of ESCerts fee of Rs 5/- per ESCert is likely to generate Rs 192.50 lakh for the estimated 38.50 lakh ESCerts . Hence, the total revenue in PAT Cycle-1 is expected to be in the range of Rs 255.50 lakh . This revenue shall be shared between BEE and POSOCO in a ratio of 50:50. The Commission has rationalised the expenditure claimed by the Registry and BEE as it is of the view that both BEE and POSOCO, being statutory government organisations, already have their own financial resources and the fees and charges approved by the Commission should be sufficient to meet the expenses of these organizations for the transaction of ESCerts . As Designated Consumers need to be encouraged to take steps to achieve their

energy efficiency targets, we feel it is justified to keep the fees at an economical threshold.

## **ACCOUNTING OF FEES AND CHARGES**

24. The Registry shall open a bank account called as 'ESCerts Fees and Charges' and all revenue and expenses incurred under ESCerts transaction mechanism should be recorded separately in the same books of account.

25. The Fees and Charges paid by Eligible Entities shall be collected by the Registry.

26. As the software platform is being maintained by the Administrator, the costs incurred towards management of the software platform shall be paid by the Registry to the Administrator by sharing the revenue raised from ESCert Fee in a 50:50 ratio. The Administrator's share of the revenue shall be transferred to the Administrator by the Registry and the remaining Fees and Charges collected by the Registry shall be utilized by the Registry. Accordingly, the Registry shall specify the ratio in which ESCert Fee shall be shared between the Administrator and the Registry in the template for service tax invoice(s) so that the Eligible Entities may deduct the TDS, if required, from the Administrator/Registry. Subsequently, the Registry shall transfer the payable amount received from Eligible Entities to the Administrator.

**Sd/-**  
**(M.K. Iyer)**  
**Member**

**Sd/-**  
**(A.S. Bakshi)**  
**Member**

**Sd/-**  
**(A.K.Singhal)**  
**Member**

**Sd/-**  
**(Gireesh B. Pradhan)**  
**Chairperson**