

CERC's market coupling: IEX moat under siege

The Central Electricity Regulatory Commission (CERC) has issued a draft second amendment to the Power Market Regulations (PMR 2021), introducing market coupling. The Grid Controller of India will serve as the market coupling operator, enabling unified price discovery via a structured power market coupling procedure (PMCP). Implementation will roll out in phases across the day-ahead market (DAM), real-time market (RTM), and other segments. From a market standpoint, this development is materially negative for Indian Energy Exchange (IEX). Market coupling threatens to erode IEX's price discovery edge, squeeze its DAM & RTM market share, heighten competition, and compress trading margin, thereby dragging earnings.

CERC's draft amendment pushes power market coupling: The CERC has released a draft second amendment to the PMR 2021 focused on market coupling. Stakeholders can submit comments until 16 May 2026. The proposal names the Grid Controller of India as the market coupling operator (MCO), responsible for unified price discovery. Core to this framework is the proposed PMCP – a comprehensive operational blueprint that Grid India must develop with CERC approval from a notified date. The PMCP will detail roles, standardized bid formats with secure data protocols, price discovery algorithms, and end-to-end processes for bid aggregation, scheduling, settlement & governance. Rollout will occur in a phases across the DAM, RTM, and other segments. We expect final notification in the next 2-3 months, with Grid India tasked to finalize the PMCP within six months of the amendment's notification for full implementation.

Past pitfalls and policy pushback: The market coupling proposal arrives amid ongoing regulatory friction and legal battles in India's power trading landscape. Indian Energy Exchange (IEX) has opposed it, stating it would weaken price signals, stifle competition, and deter investments in exchange platforms. Economic rationale remains weak: shadow pilot results showed slight welfare gains—about INR 380mn, up 0.3%, in DAM, and INR 7.2mn, up 0.01%, in RTM. Prior CERC findings echo this, citing negligible benefits amid IEX's dominant market share. Compounding issues is the ongoing insider trading investigation by the Securities and Exchange Board of India (SEBI). The Appellate Tribunal for Electricity has ordered recusal of involved officials, yet the draft amendment ignores compliance, fuelling doubts on transparency and regulatory credibility.

Intensifying pressure on IEX: Market coupling erodes IEX's core moat as the premiere price discovery platform, marking a materially negative shift. It will likely redirect volume to rival exchanges, challenging IEX's spot market dominance of nearly 85%. This longstanding overhang materializes with CERC's recent push: we expect a sharp erosion in DAM and RTM segments where IEX holds 99.8% market share. To sustain volume amid rising competition, IEX may slash trading margin, putting further pressure on earnings. FY26 electricity volume had increased 17% YoY to 141BU on IEX. We recommend **Accumulate** with a TP of INR 145, assuming a trading margin of 3 paise/unit and a market share of 70% in FY28E.

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