

Market coupling set to reshape landscape

We recently hosted an expert session with Mr. Harish Saran, Managing Director of Hindustan Power Exchange Limited (HPX), to discuss the potential impact of the Central Electricity Regulatory Commission's (CERC) implementation of market coupling on the power exchange sector. Mr. Saran brings over 37 years of extensive experience across power generation, transmission, commercial operations, marketing, and trading.

During the session, Mr. Saran provided valuable insights into the evolving market landscape. He shared key insights on the upcoming market coupling directive issued by CERC, which is scheduled for implementation by Jan'26. Key takeaways from the session include:

- There is potential for volume redistribution in the day ahead market (DAM) segment post-market coupling, as customers begin to access more competitive prices.
- While transaction fees may decline, customer acquisition will hinge on service differentiation.
- RTM coupling is more complex and is expected to take longer to implement than DAM coupling.
- Green DAM (G-DAM) is currently excluded from the coupling framework.
- IEX's dominance in the DAM segment stems from its first-mover advantage and established monopoly, with risk-averse customers preferring its proven platform—especially during peak demand.
- Over time, the adoption of MBED could shift long-term contracts to exchanges, significantly boosting DAM volumes.

CERC's market coupling mandate set to bring uniform pricing

According to Mr. Saran, CERC's directive to implement market coupling by Jan'26 marks a pivotal shift in the power trading landscape. He highlighted that this reform is designed to establish uniform pricing across all three power exchanges, which will significantly enhance price discovery, boost competition, and reshape the dynamics of DAM.

Exchanges to achieve market coupling tech readiness in five months

Market coupling for DAM is scheduled to begin by Jan'26, with all exchanges expected to achieve technological readiness within the next five months. Mr. Saran explained that price discovery will be conducted by a market coupling operator (MCO), selected on a round-robin basis, while the individual exchanges will continue to manage their respective volumes. The entire integration process will be supervised by Grid India, which will also serve as a backup MCO in case the primary MCO faces any operational issues.

MCO to lead price discovery under market coupling

Mr. Saran clarified that under the market coupling framework, price discovery will be conducted by the MCO using bid inputs from all participating exchanges—not Grid India. He emphasized that market participants will continue to place bids through their respective exchanges, as direct submissions to the MCO will not be permitted. Participants will also maintain margin deposits with the exchange where they hold membership. The MCO role will rotate on a round-robin basis, ensuring that each exchange has an equal opportunity.



Mr. Harish Saran

Mr. Saran is a seasoned professional in the power sector with over 35 years of experience in generation, transmission, and power trading. He has worked as Whole-Time Director on the Board of PTC India Ltd, where he was designated as Director (Marketing) and was responsible for all Marketing and BD/Consultancy functions. He joined Hindustan Power Exchange Ltd as MD in Jun'25. HPX is India's third power exchange, jointly promoted by BSE Ltd, ICICI Bank Ltd, and PTC India Ltd.

Market coupling to drive volume redistribution in DAM among exchanges

IEX currently holds 99.9% of DAM volumes. However, with the introduction of market coupling, there is potential for volume redistribution as customers gain access to more competitive prices. Mr. Saran emphasized that HPX is well-positioned to benefit from this shift, given its advanced technology infrastructure and strong momentum in the term ahead market (TAM) and long-duration contract (LDC) segments. In FY25, HPX recorded ~10BUs of traded volume, capturing over 25% share in TAM. This growth is attributed to deep customer-supplier engagement and a focused sales team, which comprises 25% of HPX's 72-member workforce. Mr. Saran expressed confidence that HPX will continue to gain market share going forward, driven by improved liquidity and service offerings post-coupling.

Downward pressure on transaction fees

Mr. Saran noted that transaction fees form a small component of the overall power cost, and are not a major concern for most consumers as they place greater importance on service quality and platform reliability. While he acknowledged that there may be some downward pressure on transaction fees post-coupling, he believes that service differentiation will be the decisive factor in customer acquisition. Additionally, he pointed out that higher liquidity across exchanges following market coupling will offer greater choice and flexibility for buyers, reinforcing the need for strong customer engagement.

Customer education and service key to challenging monopoly in DAM segment

Mr. Saran explained that IEX's dominance in DAM is largely attributed to its first-mover advantage and established monopoly. He noted that many customers, particularly during periods of acute demand, tend to be risk-averse and prefer to transact on well-established and proven platforms. He emphasized the critical importance of educating Commercial & Industrial (C&I) buyers about energy markets, stating that exchanges that invest in market awareness initiatives and deliver superior customer service will be better positioned to expand their market share going forward.

RTM coupling complex; MBED to drive significant volume growth in DAM

Coupling the RTM is more technically complex and is expected to take longer to implement compared to the DAM. Mr. Saran explained that customers typically fulfill their primary demand through DAM, turning to RTM only to balance their remaining needs, as DAM offers greater certainty of power availability. G-DAM is currently excluded from the market coupling process. He also noted that while over 85% of the country's power is tied up in long-term PPAs, only about 10% is traded on exchanges. However, with the potential introduction of market-based economic dispatch (MBED), long-term contracts could gradually shift to exchanges, significantly boosting volumes on the exchanges, particularly in the DAM segment.

Our valuation and view on IEX

Overall, the energy exchange space remains in flux as the implementation of market coupling for DAM and other segments unfolds in the next few quarters, which underpins our cautious view on the space. We continue to favor IEX for its competitive technological platform, robust new product leadership, and strong management. We expect near-term stock performance to remain under pressure amid evolving competitive dynamics (battle for market share and redefinition of transaction fees) in the sector. **We value IEX at a 28x FY27E EPS, in line with its long-term average, and reiterate our Neutral rating on the stock with a TP of INR135.**

IEX – Valuation table

Particulars	Units	Amount
FY27 EPS	INR	4.9
Valuation multiple	(x)	28
Target Price	INR	135
CMP	INR	145
Upside / (Downside)	%	(-7%)

Source: MOFSL

Key charts

Exhibit 1: Mechanism of market coupling

Mechanism of Market Coupling



Source: JMK Research

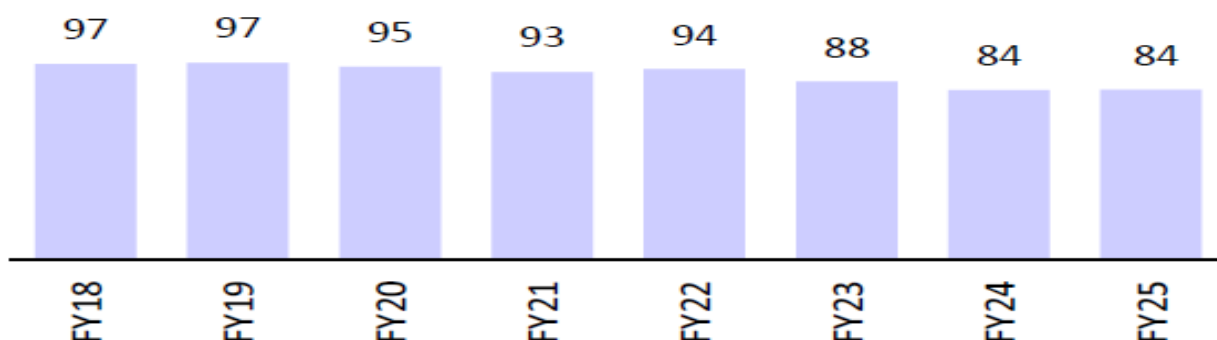
Exhibit 2: All India power demand to reach ~2,300BUs by FY30



Source: IEX

Exhibit 3: IEX's market share among exchanges

■ Market share of IEX of electricity volumes traded on exchanges (%)

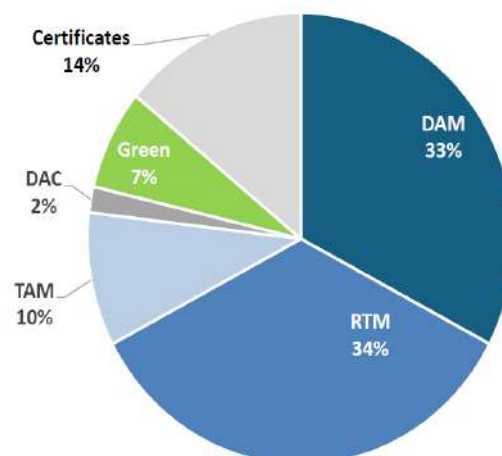
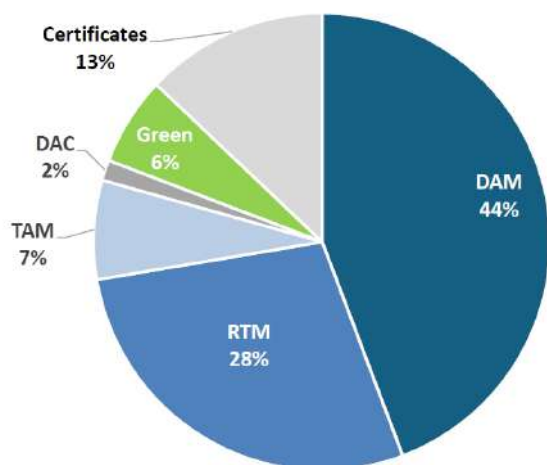


Source: IEX, MOSL

Exhibit 4: IEX's volume break-up in FY25 and 1QFY26

Total Volumes FY'25: 121 BUs

Q1 FY'26 - Electricity Volumes: 32.4 BUs; Certificates: 52.7 Lakh



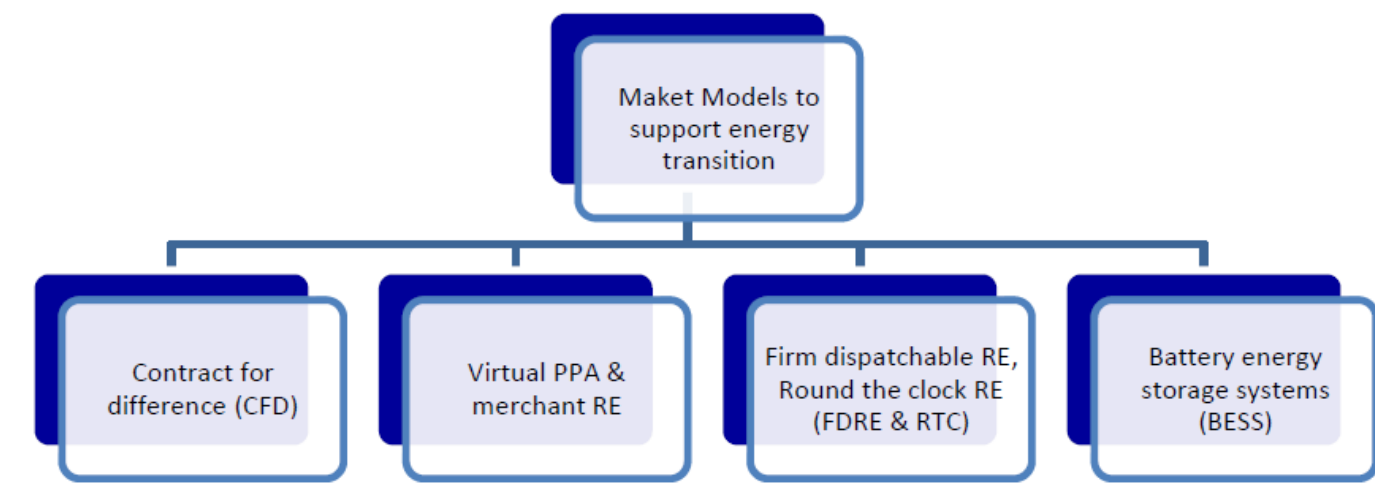
Source: IEX

Exhibit 5: Fossil vs non-fossil energy share in installed capacity as of 30.06.2025

Sector	Capacity (in GW)	Percentage
Thermal	242.04 GW	(49.92%)
Non-Fossil Fuel (RE+ LH+Nuclear)	242.78 GW	(50.08%)
Total	484.82 GW	(100%)

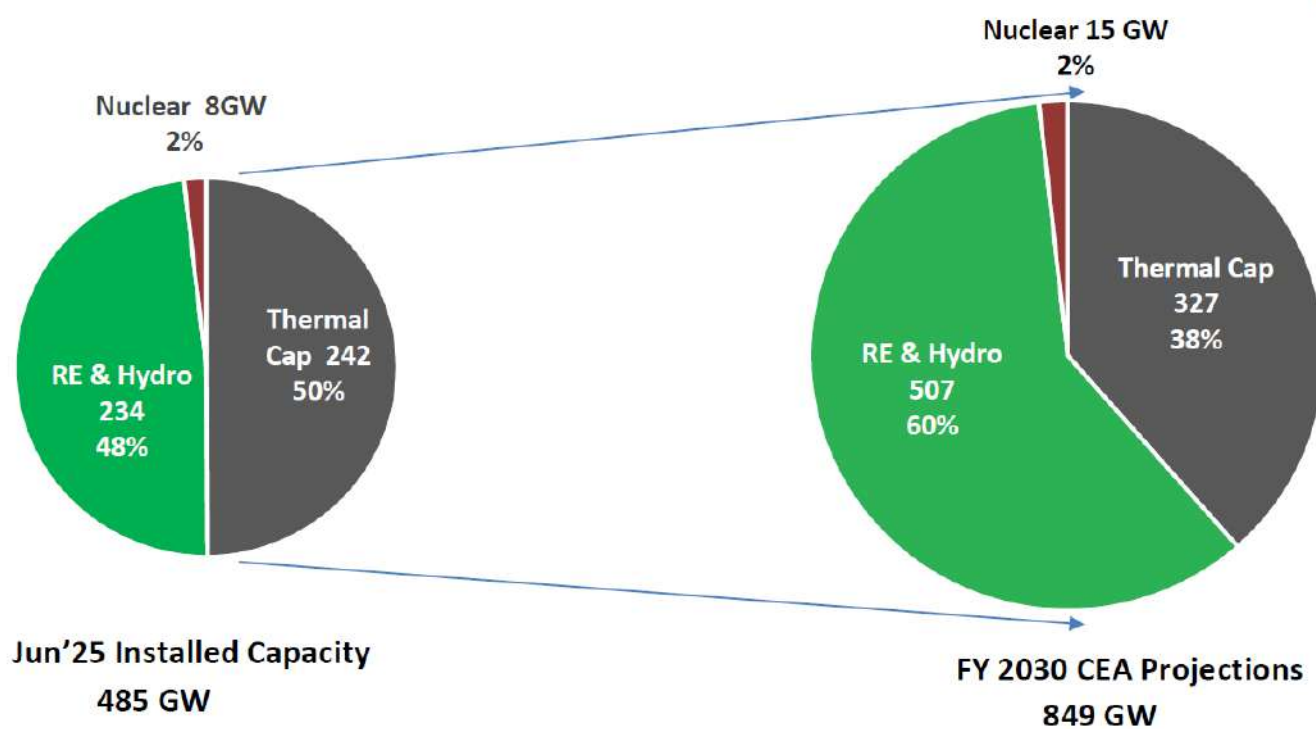
Source: PIB

Exhibit 6: Energy transition



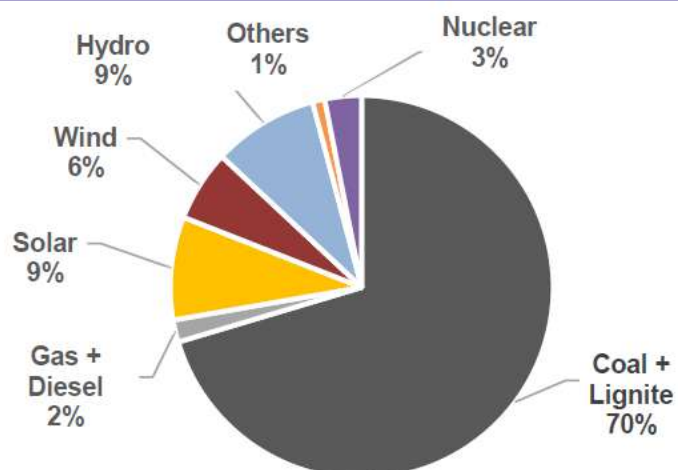
Source: IEX

Exhibit 7: India's energy sector transition



Source: IEX

Exhibit 8: Indian Generation Mix (Apr-June'26)



Source: IEX

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