

Integrated Research and Action for Development

To,

31st March'2017

Ms. Shubha Sarma
Secretary CERC
3rd & 4th floor, Chanderlok Building,
36, Janpath, New Delhi-110001.

Subject: - Supplementary submission on CERC Notification (Draft) dated 16/02/2017.

Reference: - Our Comments on CERC Notification (Draft) submitted vide our letter dated 16th March'2017. (Enclosed as annexure-1)

Dear Madam,

As you are aware, we had submitted our comments on CERC Notification (Draft) dated 16/02/2017. The same is enclosed at annexure-1. We are grateful to CERC for having given us an opportunity to present the comments.

As discussed during the presentation, we have prepared the supplementary submission and it is attached as annexure 2. We will like to put up the same for the kind consideration of the Honorable commission.

We will also like to request you to kindly give us an opportunity to present the supplementary submission also. The time duration of the presentation will be 5 to 10 minutes. In particular, we will like to present the concept of a separate platform for the Cross Border trade and the issues related to bilateral trade between two countries, involving wheeling of power through a third country's grid.

Thanking you,
Yours's faithfully,

Handwritten signature of S.K. Ray

S.K. Ray
Technical Specialist IRADe
+919971792136 skray@irade.org

Enclosure – Annexure – 1 Comments on Notification (Draft) submitted earlier.
Annexure – 2 Supplementary Submission on Notification (Draft) as mentioned above.

Handwritten notes:
25/5/17
31.3.17
DC(Engg.)
L-488/JC(RA)
31.03.2017

Handwritten notes:
cc: chief (Sec) / Mr. Sharma
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SR 0

ANNEXURE- 2

Supplementary Submission on CERC Notification (Draft) No 13/2/7/2015-PM/CERC dated 16th Feb'2017

Reference – Our earlier Comments on CERC Notification (Draft) submitted on 17th March'2017 (attached as annexure – 1)

Issue/ Context – 1

Reference - Chapter – 3 Clause 8. Trade through Indian Power Exchange

In the definition “Cross Border Trade of Electricity” is defined as trade involving export and import of electricity between India and neighbouring countries of India.

It does not include trade between two neighbouring countries through Indian grid.

In the “Chapter – 3 Clause 8. Trade through Indian Power Exchange” the participating entities have been allowed to participate in the Term Ahead Market.

The manner in which the term ahead market is operated at present, it is possible that trades between two neighbouring countries may also get cleared with the power being wheeled through the Indian Grid.

Thus there appears to be some contradiction in the definition and clause 8

Supplementary submission

- A) The definition of “Cross Border Trade of Electricity” may be modified to include trade between any participants in the Term Ahead Market.

For the Indian domestic market also, having an option of wheeling of power to and fro from the North Eastern Region (NER) through the national grid of Bangladesh may be useful. This may be considered while deciding the issue. Not allowing wheeling of power between two neighbouring country through Indian grid may have undesirable consequences in future for India also. Hence revision of the definition may be a considered.

Alternatively

- B) The term ahead markets may be operated as **separate platform** in where only the eligible entities may participate. Such a separate platform will also ensure that the bids from cross border are cleared against the bids of eligible Indian buyers and sellers only.

There are certain other reasons for recommending a separate platform as mentioned in the subsequent paras.

In case transactions between two neighbouring countries through Indian Nation grid is permitted, there should be a provision of giving priority to Indian domestic trade in case of transmission constraints. The Indian domestic market should not be adversely impacted by the trade between two neighbouring countries.

Issue/ Context -2 - No further submission

Issue/ Context – 3

The bidding in the Day Ahead market and the term ahead market is independent. This may lead to a situation where an Indian seller may sell power at a comparatively lower rate in the term ahead market to a neighbouring country after an unsuccessful bid in the day ahead market where only domestic participants are participating and cross border participants are not participating. Similar situation can happen in case of an Indian buyer also. This will lead to comparatively cheaper power being sold to the neighbouring countries as compared to Indian entities in the domestic market. Similar situation may occur in case of power being bought by Indian entities.

Suggestion – 3

It is suggested that a provision may be suitably included so that the Indian participant seller should not be allowed to decrease the rate and buyer not allowed to increase the rate while trading in the Term Ahead market where cross border power is being traded.

This provision will ensure that the power sold by Indian entities in the domestic market is not costlier than power sold in the cross border market by the same entity. The reverse will be true in case of buying entities.

Supplementary submission – The following suggestions may be considered:-

- 1) In the term ahead market also, the first opportunity to trade at the revised rate should go to Indian entities only and the trade then can be offered to the neighbouring countries in the suggested separate platform for the Term Ahead Market.
- 2) To ensure this, the idea of a separate platform as mentioned in “**Supplementary submission to issue-I**” may be considered. In this particular case, there will continue to be a platform for domestic trade as there is at present. Once the trade is not satisfied in this platform, the trade can be forwarded to the separate platform where cross border agencies can also bid.
- 3) The timings of the separate platform operation will have to be decided so that the trades on this platform takes place after the trading in the domestic platform.

Reasoning – The neighbouring countries are bundled/semi-bundled entities, they will trade their costlier power in the cross border market after utilizing the cheaper power within the country. Similarly they will also act likewise in case of buying power. In order to ensure a level playing field and in safeguarding of the interest of the Indian participants, this condition needs to be enforced by suitable regulation as we don't have a single buyer/ seller model in India.

Issue- 4 No further submission

Brief reasons for suggesting a separate platform for trading in the cross border term ahead market is summarized as below:-

- 1) It will ensure that the Indian participants get priority in the power trades originating in the Nations.
- 2) This will ensure that the impact of Cross Border trade in electricity have minimum impact on the domestic market.
- 3) A separate platform will allow ease of ensuring that only the eligible entities participate in the cross border electricity trades.

Additional Information sharing:-

As a part of our research activities, we have developed the concept of a separate platform for trading of cross border trade. The platform presently takes into consideration collective transactions as in case of the Day Ahead Market. However the platform can be used with little changes for the Term Ahead market also.

The said platform is being used currently in conducting research to ascertain the feasibility and desirability of an exchange through which cross border trades can take place. We have focussed on the year 2015-2016 for conducting the research on this concept and the platform..

We will like to share with CERC the details of our activity in this domain and are hopeful that the outcome of the research shall be useful in shaping the exchange operation of the cross border trade including the Day Ahead Market which may be introduced at a later stage in line with the MoP policies and CERC regulations.

END OF SUBMISSION