

APP Comments on CERC Draft Amendment in Deviation Settlement Mechanism Regulations

#	Draft Amendment	Modifications suggested	Comments with rationale on suggested modifications
1.	<p>4.4 After the existing proviso to clause (1) of Regulation 7 of the Principal Regulations, a new proviso shall be added as under:</p> <p><i>"Provided also that the total deviation from schedule in energy terms during a day shall not be in excess of 3% of the total schedule for the drawee entities and 1% for the generators and additional charge of 20% of the daily base DSM payable / receivable shall be applicable in case of said violation."</i></p>	<p>4.4 After the existing proviso to clause (1) of Regulation 7 of the Principal Regulations, a new proviso shall be added as under:</p> <p><i>"Provided also that the total deviation from schedule in energy terms during a day shall not be in excess of 3% of the total schedule for the drawee entities and 1% for the generators and additional charge of 20% of the daily base DSM payable / receivable shall be applicable in case of said violation."</i></p>	<p>The other proposed changes/measures in these Draft Regulations are already expected to tighten the framework for the players, however, this additional penalty is likely to discourage any attempt to optimize the actual generation/ drawal w.r.t. schedules. Hence, it is proposed that such additional penalty not be made applicable as it would be difficult for any entity to manage within such overall day margins in addition to block wise deviation charges and additional charges.</p> <p>Alternately, we propose that at all if such additional penalty clause is made applicable, such changes may be introduced gradually after few months of implementation of the proposed draft, so that, the sector till then may accustom to the final changes and provide indicators for CERC to decide the way forward.</p>
2.	<p>4.19 Clause (10) of Regulation 7 of the Principal Regulations shall be substituted as under:</p> <p><i>"In the event of sustained deviation from schedule in one direction (positive or negative) by any regional entity, such regional entity (buyer or seller) shall have to make sign of their deviation from schedule changed, at least once, after every 6 time blocks. To illustrate, if a regional entity has positive deviation from schedule from 07.30 hrs to 09.00 hrs, sign of its deviation from schedule shall be changed in the 7th time block i.e. 09.00 hrs to 09.15 hrs from positive to</i></p>	<p>4.19 Clause (10) of Regulation 7 of the Principal Regulations shall be substituted as under:</p> <p><i>"In the event of sustained deviation from schedule in one direction (positive or negative) by any regional entity, such regional entity (buyer or seller) shall have to make sign of their deviation from schedule changed, at least once, after every 6 time blocks. To illustrate, if a regional entity has positive deviation from schedule from 07.30 hrs to 09.00 hrs, sign of its deviation from schedule shall be changed in the 7th time block i.e. 09.00 hrs to 09.15 hrs from positive to</i></p>	<p>Suddenly shrinking of time line for changing sign of deviation from 12 time blocks to 6 time blocks is likely to cause severe adverse impacts to the Entities and hence, we propose that such additional penalty clause is made applicable, such changes may be introduced gradually after few months of implementation of the proposed draft, so that, the sector till then may become accustomed to the final changes and provide indicators for CERC to decide the way forward.</p>

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	<p><i>negative or negative to positive as the case may be.</i></p> <p><i>Provided that violation of the requirement under this clause shall attract an additional surcharge of 20% on the daily base DSM payable / receivable as the case may be."</i></p>	<p><i>negative or negative to positive as the case may be.</i></p> <p><i>Provided that violation of the requirement under this clause shall attract an additional surcharge of 20% on the daily base DSM payable / receivable as the case may be."</i></p>	
3.	Additional points	-	<p>With the introduction of ACP as DSM price, a generator may have to suffer heavily in case of plant tripping/forced outage case. Considering the situation, a generating plant having partially/fully baseload on power exchange and in the case of plant tripping (forced outage), the plants potentially pay a lot as DSM penalties due to reasons which are beyond the control of the operators.</p> <p>Since, revision of exchange based schedule can not been done, a generator shall get ACP against their schedule on power exchange, whereas DSM payable may be 200% of ACP as per DSM regulation.</p> <p>This along with the introduction of penalty clauses in case of violation of 1% cap and the sign change violation would only add up to the losses for the plants. Thus, it would make sense if clauses are introduced to protect generators against such penalties in case of tripping into the next revision of DSM regulations.</p>
4.	Additional points	-	<p>We understand that the current draft of amendment has been prepared keeping in mind of situations where Discom/ Procurers overdraw power from the grid, instead of planning and procuring power from other mechanisms like LT, MT or ST and thus, creating imbalance in the grid. Also, the Draft envisages for value of lost load.</p> <p>In such a situation, it needs to be looked in a manner that there are events that Discoms/Procurers does not meet the actual load requirement of the respective</p>

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			<p>region and thus, suppress the demand artificially.</p> <p>In such a scenario, mere tightening of only DSM framework is not going to be a sufficient progress and also, would cause an unnecessary bleeding for the generators. In all regulations coming out of CERC/ SERCs, the onus is being put on Generators, without tightening operational efficiency of Discoms, Accordingly, along with tightening of DSM framework, CERC and SERCs should ensure/monitor strict compliance of SAIFI, SAIDI, CAIDI norms for the Discoms and subsequent firm/plan tie up to meet the actual load.</p>
5.	Additional points	-	<p>Instead of linking Charges for Deviation to Daily average Area Clearing Price discovered in DAM segment of power exchange for Average Frequency of the time block between 50 to 50.01(Hz), DAM price on 15-minute time block based on the time block in which the deviation is reported should be considered for implementation which is more reflective of the real time market situation and should capture the difference between the peak and the off-peak value in terms of different prices discovered for different time periods in a day.</p> <p>The linkage to market determined price (DAM) is presently proposed for operational band of frequency between 50 to 50.01(Hz) and could be further expanded to cover broader range of frequency band (than only 50 to 50.01(Hz)) with objective of making higher DSM volume aligned to the market prices</p>
6.	Additional points	-	<p>The dynamic linkage of DSM rate with the market prices should be kept on hold and may be reviewed –</p> <p>(a) once other market products reach desired level of market penetration, and</p> <p>(b) required level maturity in process for real time balancing of market is achieved.</p>

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			<p>In the existing situation, the market participants (including operators) will be left with sub-optimum options / solutions for managing the real time balancing need (e.g. over/ under scheduling under the long term contract, load curtailment, increased restriction on renewable generation etc).</p>