

Date: 31-07-2018

To
The Secretary
Central Electricity Regulatory Commission
3 rd & 4 th Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001

Sub: Comments/suggestions on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) (Fourth Amendment) Regulations, 2018

Dear Sir,

At the outset, we thank CERC for providing us an opportunity to give our comments/suggestions on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) (Fourth Amendment) Regulations, 2018 vide its notification No. L-1/132/2013-CERC dated 29.06.2018.

Accordingly, please find attached comments on the same on behalf of Dhariwal Infrastructure Limited, a Generating Company having its Registered Office at Kolkata and a 2 x 300 MW Coal-fired Power Generating Station at Tadali, near Chandrapur, Maharashtra.

Submitted for your kind consideration.

Thanking you

Yours faithfully,
For Dhariwal Infrastructure Limited



Authorized Signatory

Encl:

DHARIWAL INFRASTRUCTURE LIMITED

Comments on Draft CERC (Deviation Settlement Mechanism & related matters) (4th Amendment) Regulations, 2018

Regulation	Particulars	Comments and Suggestions
2.1	<p><i>The following sub-clause shall be added after sub-clause (c) of clause (1) of Regulation 2 of the Principal Regulations:</i></p> <p><i>“(ca) Area Clearing Price (ACP)” means the price of 15-minute time block electricity contract established on the Exchange arrived at after considering all valid purchase and sale bids in particular area(s) determined after market splitting, i.e. dividing the market across constrained transmission corridor(s).”</i></p>	<p>Presently we have five regions for DSM Settlement (NR, SR, WR, ER & NER) and we have 13 bid areas for Power Exchange in day ahead market (N1, N2, N3, S1, S2, S3, W1, W2, W3, A1, A2, E1 & E2). In view of the proposed amendment, we request the Hon’ble Commission to kindly clarify the following for better understanding:</p> <ol style="list-style-type: none"> a. Whether the DSM settlement will now be done on area basis and whether further settlement will be done at regional pool level, e.g., presently DSM settlement for NR region constitutes all states in Northern region. Whereas introduction of ACP concept will result into bifurcation of these Northern region states into three areas, i.e., N1, N2 & N3. We feel that there will be difficulty in settlement of DSM bills between two regions or areas having different DSM rates. b. Applicability of different DSM rates in different areas for the market constituents, may increase the Deviation pool adjustment. c. There may be a huge surplus in the Deviation Pool Account Fund. <ul style="list-style-type: none"> • Further, the Hon’ble Commission is requested to kindly mention the indicative purpose of usage of surplus amount transferred to Power System Development fund from the Deviation Pool Account Fund.
2.2	<p><i>“Day Ahead Market (DAM)” means a market where physical delivery of electricity occurs on the next day (T+1) of the date of transaction (T) and is governed by the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (as</i></p>	<p>We request the Hon’ble Commission to direct the System Operators (RLDC/SLDC/ALDC) to declare the Area Clearing Price (ACP) for the given region on day ahead basis to have clarity of it to every market participant.</p>

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	<i>amended from time to time), Rules, Bye-Laws as approved by the Commission."</i>																																									
3.1	<p><i>The table along with the note in parenthesis below the table in clause (1) of Regulation 5 of the Principal Regulations shall be substituted by the following;</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Average Frequency of the time block (Hz)</th> <th rowspan="2" style="text-align: center;">Charges for Deviation (Paise/kWh)</th> </tr> <tr> <th style="text-align: center;">Below</th> <th style="text-align: center;">Not Below</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">50.05</td> <td style="text-align: center;">0.0</td> </tr> <tr> <td style="text-align: center;">50.05</td> <td style="text-align: center;">50.04</td> <td rowspan="4" style="text-align: center;">Slope determined by joining the price at Not Below 50.05 Hz and identified price at 50.00 Hz, and as detailed in the note below this Regulation Daily average Area Clearing Price discovered in the Day Ahead Market segment of power exchange</td> </tr> <tr> <td style="text-align: center;">50.04</td> <td style="text-align: center;">50.03</td> </tr> <tr> <td style="text-align: center;">50.03</td> <td style="text-align: center;">50.02</td> </tr> <tr> <td style="text-align: center;">50.02</td> <td style="text-align: center;">50.01</td> </tr> <tr> <td style="text-align: center;">50.01</td> <td style="text-align: center;">50.00</td> <td></td> </tr> <tr> <td style="text-align: center;">50.00</td> <td style="text-align: center;">49.99</td> <td rowspan="8" style="text-align: center;">Slope determined by joining the price identified at 50.00 Hz and price at below 49.85 Hz, and as detailed in the note below this Regulation</td> </tr> <tr> <td style="text-align: center;">49.99</td> <td style="text-align: center;">49.98</td> </tr> <tr> <td style="text-align: center;">49.98</td> <td style="text-align: center;">49.97</td> </tr> <tr> <td style="text-align: center;">49.97</td> <td style="text-align: center;">49.96</td> </tr> <tr> <td style="text-align: center;">49.96</td> <td style="text-align: center;">49.95</td> </tr> <tr> <td style="text-align: center;">49.95</td> <td style="text-align: center;">49.94</td> </tr> <tr> <td style="text-align: center;">49.94</td> <td style="text-align: center;">49.93</td> </tr> <tr> <td style="text-align: center;">49.93</td> <td style="text-align: center;">49.92</td> </tr> <tr> <td style="text-align: center;">49.92</td> <td style="text-align: center;">49.91</td> <td></td> </tr> </tbody> </table>	Average Frequency of the time block (Hz)		Charges for Deviation (Paise/kWh)	Below	Not Below		50.05	0.0	50.05	50.04	Slope determined by joining the price at Not Below 50.05 Hz and identified price at 50.00 Hz, and as detailed in the note below this Regulation Daily average Area Clearing Price discovered in the Day Ahead Market segment of power exchange	50.04	50.03	50.03	50.02	50.02	50.01	50.01	50.00		50.00	49.99	Slope determined by joining the price identified at 50.00 Hz and price at below 49.85 Hz, and as detailed in the note below this Regulation	49.99	49.98	49.98	49.97	49.97	49.96	49.96	49.95	49.95	49.94	49.94	49.93	49.93	49.92	49.92	49.91		<p>We request the Hon'ble Commission to continue with the present frequency band.</p> <ul style="list-style-type: none"> While we appreciate the intent of the Hon'ble Commission to further narrow the frequency band, however, in our humble opinion, such sudden move to a narrower band is not reasonable. Participants will need more time to prepare themselves for operating under such a narrower frequency band. The proposed frequency operating range including the proposed daily deviation limits would result in frequent and continuous corrective actions at all levels, i.e., grid operator, generating stations/sellers and the buyers/beneficiaries. Further, such actions would have marginal impact on the grid operation, and may, at times, even have negative impact on overall situation considering the corrections at individual level. For instance, DISCOMs who are not adequately equipped will find load shedding the most suitable option to avoid deviation charges, making consumers to suffer. Further, the same would also discourage timely and useful actions by the grid participants for safe and stable grid operation, i.e., under-injection when grid frequency is high and over-injection when grid frequency is low. Further, we would like to submit that the proposed changes have a considerable impact on the market as well as require substantial changes by all its constituents, not just behaviorally but also in terms of technical and IT infrastructure. Moreover, we believe that power sector has not reached the level of maturity which is apt for introduction of such stringent Regulations at this point of time.
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3.2	<i>In sub-clause (i) of Proviso to clause (1) of Regulation 5 of the Principal Regulations the words "Cap Rate of Rs. 303.04 Paise/kWh as per the methodology" shall be substituted by the words "Cap Rate as per the methodology".</i>	<ul style="list-style-type: none"> • We request the Hon'ble Commission to introduce the definition of APM in the final Regulations and clarify which Generators would qualify under the same. • Presently, the cap rate under Administered Price Mechanism (APM) is Rs 3.03/kWh and the respective frequency is 49.94 Hz for the Generating stations using coal/lignite or gas supplied under APM as the fuel, whereas for a typical pit-head thermal power plant, the Energy Charge Rate (ECR) is about Rs 1.50-2.00/kWh. In this context, clarity is required as to why the pit head Generating stations will be willing to inject under DSM during low frequency grid conditions. • The settlement rate for DSM under APM has been proposed to be considered on the basis of previous month ECR. Further, for APM Generating stations supplying power under Section 62 (regulated route) of the Electricity Act 2003, the ECR is considered provisionally which will be subjected to change after truing-up exercise. In view of the same, there will be a requirement of correction of DSM bills for every month after truing-up exercise which will raise unnecessary complications. • We request Hon'ble Commission that the cap rate should be corresponding to the 49.94 Hz frequency as per the dynamic slope determined on daily 														
3.6	<i>In clause (3) of Regulation 5 of the Principal Regulations, the words "shall be the value coinciding with the energy charges on imported coal on Deviation Price Vector" shall be substituted by the words "shall be equal to its energy charges as billed for the previous month".</i>															

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		<p>basis based on ACP of that day at 50 Hz and not on the ECR as billed for the previous month as proposed in the Draft Amendment Regulations.</p>
4.12	<p><i>In clause (4) of Regulation 7 of the Principal Regulations, the words "50.10 Hz and above" shall be substituted by the words "50.05 Hz and above".</i></p> <p><u>Existing Regulation:</u></p> <p><i>In addition to Charges for Deviation as stipulated under Regulation 5 of these regulations, Additional Charge for Deviation shall be applicable for over-injection/under drawal of electricity for each time block by a seller/buyer as the case may be when grid frequency is "50.10 Hz and above" at the rates equivalent to charges of deviation corresponding to the grid frequency of "below 50.01 Hz but not below 50.0 Hz".</i></p>	<ul style="list-style-type: none"> • The proposed DSM Regulations impose a double whammy on the utilities. If the Generating station/seller over-injects at frequency 50.05 Hz and above, it loses the entire fuel cost for the entire over-injection of energy as it is not able to recover the same. Additionally, a penalty equivalent to daily average ACP discovered in the DAM segment of power exchange is proposed to be levied on the entire volume of over-injection. <p>We request the Hon'ble Commission to revisit the proposed Regulation and devise a suitable methodology to reduce the burden of penalty due stringent proposed imposition of two-tier penalty on the Generating station/seller for such over-injection.</p>
4.19	<p><i>Clause (10) of Regulation 7 of the Principal Regulations shall be substituted as under:</i></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</i></p>	<p>It is humbly submitted that the existing provision of changing the direction in 12 time blocks is itself very difficult for implementation by the market participants. We request the Hon'ble Commission to remove this stringent provision of the proposed Amendment Regulations.</p> <ul style="list-style-type: none"> • This regulation is contradictory to the basic philosophy of DSM. Over-injection or under-injection of power under DSM regime solely depends on the grid frequency. Therefore, change of deviation from schedule in either direction is dependent on average grid frequency of 15-minute time block. Such change in sign of deviation cannot be linked to time blocks. As such, change in sign of deviation shall not help in achieving greater grid stability.

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	<p><i>be changed in the 7th time block i.e. 09.00 hrs to 09.15 hrs from positive to 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>In fact, changing the sign of deviation in every six-time blocks are highly impractical and will lead to lot of operational problems for all stakeholders.</p> <ul style="list-style-type: none"> It is also important to note that the grid scenario (i.e., System Frequency & System Voltage) during each time block may be entirely different from that in the previous blocks or the forthcoming time blocks. Hence, it may not be appropriate to co-relate the same and make the drawl/generation in the 7th time block dependent on the deviation during the previous 6-time blocks. Further, such correction to be taken from 7th time block may not be useful/required for the grid situation from 7th time block. Such corrections may worsen the grid situation. Further, the buyer/beneficiary does not necessarily have control on the deviation and may make the grid unstable.
4.4	<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>We request the Hon'ble Commission to not consider this new proviso as it will be detrimental to the Generators who can support the grid during low frequency conditions.</p> <ul style="list-style-type: none"> The proposed Regulations appears to be unfair on the Generating companies. We humbly request the Hon'ble Commission to kindly relook into the applicability of additional charge of 20% of the daily base DSM payable/receivable for the Generators as it will be extremely harsh for the Generators if they deviate more than 1% from their schedule. Further, in cases where Generators over-inject the power to help the grid when frequency is at lower end of the frequency band, this Regulation shall restrict the Generators to over-inject the power in case of lower frequency and therefore this proviso is counterproductive.

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		<ul style="list-style-type: none"> • It is humbly submitted that during eventuality like forced outage of a Generating unit, or emergency outage of any equipment, it is most likely that the Generators will violate this new proviso. It is further submitted that there are many instances where the Generating Stations may deviate from the schedule on account of grid failures, congestion in the transmission system or any other external issues. Further, in light of such uncontrollable factors, there will be unreasonable financial hardships on the Generating Company. • Therefore, in order to promote Generators to help grid at the time of low frequency, we request the Hon'ble Commission to remove this proviso.
New Proposal	<i>Time for revising the schedule</i>	<ul style="list-style-type: none"> • While the participants are being asked to adhere to a stricter DSM regime, the time blocks required for revising the schedules have been kept the same. We would like to submit that the same must be re-looked, particularly in light of very high penalty charges. It is proposed that the time required for revising the schedule may be exempted for the purpose of arriving at the Deviation Charges as that is the operational time required for system to adjust. The impact of delayed revisions is more in case of small IPPs/ CPPs scheduling power under STOA. Under the Draft Regulations, the seller would have to mostly pay for seeking revisions because of higher charges for deviation and also because of additional charges as the revision in schedule under STOA transaction becomes effective after 2 days and therefore, would severely impact the small IPPs, CPPs scheduling power under STOA, which would hamper the growth of Power Market.

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		<ul style="list-style-type: none">• In view of above, we request the Hon'ble Commission to impose the revision in the schedule within specified time blocks, preferably 4-time blocks, in all cases of CPPs/IPPs scheduling power under STOA.