

GUJARAT URJA VIKAS NIGAM LIMITED

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✓ To,
Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chandralok Building,
36 Janpath
New Delhi 110 001

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Sub: GUVNL Comments on the CERC Draft Deviation Settlement Mechanism (4th Amendment) Regulations 2018

Sir,

This has reference to Hon'ble CERC public notice dated 29.06.2018 circulating the Draft CERC Deviation Settlement Mechanism (4th Amendment) Regulations 2018 and seeking comments on the Draft Regulations from all stakeholders latest by 31st July, 2018.

In this regard, the comments of GUVNL on the Draft DSM Regulations 2018, are as follows:

1. Deviation Settlement Mechanism (DSM) rate should not be linked with the area market price discovered in the Power Exchange (PX). The quantum of power traded in power market contributes only @ 3% of the total power demand in the country. Moreover, there is a possibility that sellers will push the market upward by quoting higher rates being assured that if power is not cleared in market, the same can be disposed off under DSM within the permissible limits.
2. If the average clearance price in an area is discovered @ Rs. 8.00 / unit then it would lead to a scenario where the slope joining the frequency at 50.00 Hz and 49.85 Hz would be a straight line and the DSM rate will remain flat @ Rs. 8.00 / unit for the entire frequency range between 49.85 & 50.00 Hz.
3. Different Area Clearing Price could be discovered in Power Exchange for a day within regions / across regions in the country. Therefore, the DSM rate for the frequency between 50.00 & 50.01 Hz could be different for different region across the country and accordingly the resultant slope to determine the rates at various frequency level would be different. This would create a gap in the

DSM pool account since drawl and injection could be at different rate for the same frequency.

4. As per Regulation 7 (4) of the Principal Regulation, for any over-injection/under drawl of electricity for each time block by a seller/buyer as the case may be when grid frequency is "50.10 Hz and above" the additional DSM charges shall be 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.e presently @ Rs. 1.78 / unit.

After linking the DSM with average market price, the above additional charge may go as high as Rs. 8.00 /unit which would be exorbitantly high penalty for over injection / under drawl which would be over and above the fuel cost for generator / energy charge for the schedule for the procurer.

Therefore, the DSM rate should not be linked to average market clearing price but it should be a pre-defined rate in line with the present mechanism and considering the present fuel cost.

5. It is proposed that the "Cap Rate of 303.04 Paise / kWh shall be shall be substituted by the words "Cap Rate as per the methodology" i.e. shall be the Cap rate being equivalent to the energy charges as billed for the previous month. However, this could lead to a scenario that there is no penalty on generator for non adherence to the schedule as the DSM rate is same as the fuel cost. Therefore, there should be a predefined Cap rate based on the present fuel cost under Administered Price Mechanism.
6. Commission may also review the ceiling limit of 12% or 250 MW for deviation by the Renewable Rich State considering the very high renewable energy projects being developed in the States.

You are requested to kindly put up the submission, views and comments of GUVNL before the Hon'ble Commission for consideration.

Thanking you.

Yours faithfully,


(K. P. Jangid)
General Manager (Comm.)