



RP - Sanjiv Goenka
Group

Growing Legacies



Haldia Energy Limited

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To
The Secretary
Central Electricity Regulatory Commission
3rd & 4th 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,

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 Haldia Energy Limited, a Generating Company having its Registered Office at Kolkata and a 2 x 300 MW Coal-fired Power Generating Station at Haldia, Purba Mednipur, West Bengal.

Submitted for your kind consideration.

Thanking you

Yours faithfully,
For Haldia Energy Limited

Authorized Signatory

Encl:

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Comments on Draft DSM (Fourth Amendment) Regulation, 2018

The proposal to review the Deviation Settlement Mechanism (DSM) mechanism including Linkage with Frequency, in the Light of Emerging Markets is the need of the hour. We appreciate such a proactive and timely step of Hon'ble Commission. It will surely enhance the safety, security and reliability of grid operation. However, we have some observations, as listed below, from a generator point of view for your consideration.

A. Introduction of Area Clearing Price (ACP):

Presently DSM settlement is carried out for a particular region, constituting all states under that region. Introduction of ACP concept in DSM mechanism will divide the region into further areas. There might be difficulty in settlement of DSM bills between two regions or areas having different DSM rates. It may increase the Deviation pool adjustment and lead to huge surplus in the Deviation Pool Account Fund. 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. Also, the name of Power Exchange is not mentioned in the draft Regulation.

B. Tightening of frequency band:

Tightening of frequency band is not reasonable as 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. We would like to submit that the proposed changes have a considerable impact on the market as it requires substantial changes by all its constituents, not just behaviorally but also in terms of technical and IT infrastructure.

C. Revision of frequency in case of Additional charge:

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. 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.

D. Tightening of time blocks to change the direction and Introduction of Additional Surcharge

It is humbly submitted that, perforce changing the sign of deviation in every six-time blocks is highly impractical and will lead to lot of operational problems for all stakeholders.

There are many instances every day when the grid frequency is continuously below or above 50 Hz continuously for more than 6 blocks. If the generator has to modulate the output every seventh block irrespective of the frequency then this will unnecessarily lead to grid instability in that block.

E. Penalty for deviation from schedule and associated penalty

This new proviso will be detrimental to the Generators who can support the grid during low frequency conditions. 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.

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.

F. Time for revising the schedule (new proposal)

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.