



एनटीपीसी लिमिटेड  
(भारत सरकार का उद्यम)

**NTPC Limited**  
(A Govt. of India Enterprise)

केन्द्रीय कार्यालय/ Corporate Centre

Ref No. 01.CD.737-D  
Date: 08.08.2018

To,

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

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

Sir,

Hon'ble Commission vide its notification dated 29.06.2018 has published the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) (Fourth Amendment) Regulations, 2018. Hon'ble Commission invited comments/ suggestions on the draft Deviation Settlement Mechanism Regulations

In this regard, please find enclosed comments/ suggestion of NTPC on the draft Deviation Settlement Mechanism Regulations.

Thanking you,

Yours faithfully,

(Pramod Kumar)  
Executive Director (Commercial)

**Subject: Suggestion/ Comments on CERC draft amendment to Deviation Settlement Mechanism and related matters Regulations**

CERC vide notification dated 29-06-2018 CERC has proposed to amend the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) Regulations, 2014

**NTPC Comments on the proposed amendments:**

**1. A new proviso is being introduced at Clause (1) of Reg 7.:**

*“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.”*

**Comment:**

Deviation due to governor action (primary response) are beyond the control of the generator, the same needs to be excluded from suggested 1% volume limit of over injection over a day otherwise it may amount to penalize generator for providing primary response. Also where AGC has been implemented AGC injections may be excluded from volume limits.

It is further suggested, since there is no upside for generator and only downside (loss), deviation due to unit tripping/ plant emergencies, which are beyond the reasonable control and unintentional need to be kept outside the 1% limit.

**For Example:** In case of 500 MW unit

Total deviation allowed in terms of energy during a day: 1% = 120 MWh (500 x 1% x 24hr)

In case of unit Tripping the revised DC/Schedule is effective from 4<sup>th</sup> Time Block

DSM for three time blocks: 375 MWh (500 x 3 x 0.25)

It is evident from above that in case of unit tripping the total deviation for three time blocks is greater than the 1% limit in energy terms during the day. Alternatively, the volume limit may be increased to 5% to take care of such exigencies.

Also, in above proviso the term “**daily base DSM payable/ relievable**” needs clarification and may be defined.

As per Clause (3) of Principal regulation 7, the additional charges for deviation for under injection during a time block in excess of volume limit of 12% is applicable on the quantum of deviation beyond 12% as per the rate specified in the Regulation. Similarly, it is understood that additional charge of 20% payable/ receivable shall be applicable on the quantum of deviation over and above allowable limit of 1%. However, the same needs to be clarified.

In case, a generator deviates in excess of allowed limit of 1% of daily schedule in energy terms, a methodology may be specified for computing the rate at which the additional 20% charges would be levied as the deviation of 1% or more shall be sum total of both positive as well as negative deviations in 96 time blocks.

In case there is deviation in excess of 1% from schedule in energy terms during a day as well as there is deviation >12% in a time block, clarity need to be provided in regard to levy of additional DSM charge.

## 2. Proposed Amendment at Clause (3) of Reg 5:

*“(3) The Cap rate for the charges for the Deviation for the generating stations regulated by CERC using coal/lignite or gas supplied under Administered Price Mechanism (APM) as the fuel, shall be the value coinciding with the energy charges on imported coal on Deviation Price Vector shall be equal to its energy charges as billed for the previous month.”*

### Comment:

For Generators the deviation rate is proposed to be capped to Energy Charge Rate of their previous month. In such a case, there is no encouragement for generator to inject more than the schedule even when the frequency on the lower side and the generator has sufficient margin in the machines for grid support. The generator would not be inclined to increase generation unless it receives schedules in RRAS which would be effective after a gap of one time block. Capping the deviation rate for generator at its ECR may not be in the interest of the grid operation.

Further, it is observed that the fuel price are subject to upward revision due to levy and/ or increase in rate of taxes, duties etc., upward revision by CIL and also due to increase in railways freight rate. In such cases, if deviation is linked to ECR of previous month, in case of inadvertent deviation the generator won't be able to recover even the fuel cost for that month from which such changes become effective.

Moreover, it is not possible to run the unit at a fixed MW output. There are inadvertent deviations. Due to these inadvertent deviations generator will always be losing as it shall recover ECR or lower (as per the frequency linked rate).

Accordingly it is suggested that the cap rate may be ECR plus some mark-up i.e. 50 paise per unit or 20% margin to take care such variations in fuel prices and inadvertent deviations.

**3. Proposed Amendment at Clause (i) of Reg 5:**

*"Note:-*

- i. The Deviation Settlement Mechanism (DSM) rate vector will have a dynamic slope determined by joining the identified price points at 50 Hz. (daily average ACP), frequency of 49.85 Hz (Rs. 8 per unit) and 50.05 Hz (zero) on a daily basis."*

**Comment:**

The proposed amendment envisages daily average ACP of the day ahead market to be used as the basis for market linked DSM price at 50 Hz. In case of market splitting the daily average ACP will be different for different areas. A regional entity, which supplies/procures power from/ to different regions may see different price vectors. Accordingly, a clarification may be provided that for the purpose of DSM, rate vector will be based on the daily average ACP of the area in which the regional entity is physically located.

**4. Clause (10) of Principal regulation 7 is being substituted as below :**

*"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 negative or negative to positive as the case may be.*

*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."*

**Comment:**

In case of unit trippings and other emergencies in plant there is under injection for prolonged period. Such emergencies needs some time to analyze and take corrective

action. Most of the times it is decided to revise the DC to avoid deviation for prolonged period. The revised DC/ SG becomes effective only from the fourth time block (i.e. 6<sup>th</sup>-7<sup>th</sup> time block from the time of occurrence emergency/tripping), accordingly it is suggested that Penalty of change in sign should not be applicable to generators in the event of unit tripping/ emergencies in plant. Alternatively, revision of DC/SG can be made effective from 2<sup>nd</sup> time block.