



31st July 2018

TPTCL-TPTCLM-GEN-CERC-NS-FY19-STRL-0001

Secretary,
Central Electricity Regulatory Commission
3rd and 4th Floor Chanderlok Building,
36, Janpath
New Delhi 110001
Tel No.:011-23753915 / Fax No.:011-23753923

Dear Sir,

Sub: Comments on Draft CERC Deviation Settlement Mechanism and related matters (Fourth Amendments) Regulations, 2018

Reference public notice No. L-1/132/2013-CERC, dated 29th June 2018 as issued by the Hon'ble Commission, please find enclosed Annexure for our comments on draft CERC (Deviation Settlement Mechanism and related matters) (Fourth Amendment) Regulations, 2018.

Thanking you,

Yours sincerely,
For Tata Power Trading Company Ltd.

(Bikram Singh)
Head - Marketing

Encl: a/a

Tata Power Trading Company Limited

Registered Office: Corporate Centre, 34, Sakinaka Road, Sakinaka, Mumbai - 400 009
Regd. Office: Corporate Centre, 34, Sakinaka Road, Sakinaka, Mumbai - 400 009
Corporate Identification Number (CIN) U0100MP1200 (PLC) 137 (0)



TPTCL Comments on Draft CERC DSM (Fourth Amendment) Regulations, 2018

Clause 5 (Charges for Deviation) of the Principal Regulations

It has been proposed to change the DSM prices in accordance with discovered day ahead market prices. Thus, DSM prices would vary every day in the frequency band of 49.85 Hz to 50.05 Hz. In the amendments, DSM prices at 50.0 Hz which is at present equivalent to Rs 1.78 per kWh will be replaced by average Area clearing price (ACP) of the respective region.

Charges for deviation for each 0.01 Hz step shall be equivalent to the slope determined by joining the price at 50.05 Hz and 50.0 Hz. Similarly joining the price at 50.0 Hz and 49.85 Hz. The price at 49.85 Hz is proposed as Rs 8.00 per kWh and at 50.05 Hz as Rs 0.0 per kWh.

Comments:

It is observed that with the progressive tightening of the frequency band, volume limits on deviation along with other deterrents and enforcement of DSM regulations have contributed to significant improvement in frequency profile which is now close to 50 Hz. Currently as per the existing volume limits for deviation, the regional entity may deviate from schedule up to 150 MW or 12% of schedule, whichever is lower, when the frequency is between 49.7 Hz and 50.1 Hz with a minimum of deviation allowed as 48 MW under CERC Order dated 20.1.2015 in Petition No. 6/RP/2015.

Now, as per amendments proposed, rules of the game will change, and regional entities would change their approach towards deviations from the schedules finalized by SLDCs/RLDCs. Under market linked DSM pricing, many generators would now tend to go for over-injection at frequency of 50 Hz as discovered average ACP will be higher than the current variable charges of majority of thermal stations (variable charges of Rs 1.78/kWh) at 50.0 Hz. Also, buyers would not go for over drawing at this frequency, because of high impact of DSM price as compared to current DSM price at 50.0 Hz. It is more likely that buyers would under draw in the said scenario. These actions both by generators and DISCOMs i.e. over injection and Under drawl at the same time would lead to frequency moving above 50.0 Hz.

In case, area clearing price is lower as compare to prevailing DSM rate at 50.0 Hz, it is expected that buyers would prefer overdrawing because of relatively high saving in purchase of balancing power. Further, generators would avoid over injection due to no gain and prefer to under inject to save on high variable charges. These actions would lead to grid frequency dropping below 50.0 Hz.

Tata Power Trading Company Limited

"Shatabdi Bhawan", 2nd Floor, B-12&13, Sector-4, Noida-201301 (U.P) Tel: 91 120 610 2000, Fax No. 91 120 254 0050
Website : www.tatapowertrading.com Email : TPTCLMarketing@tatapower.com
Regd. Office : Corporate Centre, 34, Sant Tukaram Road, Camac Bunder, Mumbai 400 009
Corporate Identification Number (CIN U40100MH2003PLC143770)



It has been observed that grid connected entities do optimize their revenue and cost during real time operations. In order to optimize the revenue and cost, the grid connected entities are expected to behave as illustrated above.

Hence, introducing ACP linked dynamic DSM pricing would create a situation wherein actions by grid connected entities would take the grid frequency away from 50.0 Hz.

Under the current mechanism, actions by grid connected entities in order to optimize their revenue and cost are leading the grid frequency, closer to 50.0 Hz.

Hence, the proposed methodology is not suitable and existing DSM price mechanism may be continued.

Clause 7(1): Limits on Deviation Volume

A new proviso shall be added as under

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."

Comments:

We would like to bring to your kind attention the scheduling of power under Short Term Open Access (STOA). In STOA, it is not possible for generators to revise the schedule at short notice and the revised schedule is accepted after 2 days of request, vis-à-vis only 4 -time blocks required to revise the schedule under long term access and medium term open access. It is also relevant to mention here that sale of power from Power Projects in neighboring countries is not allowed in Day Ahead market of Power Exchanges.

In view of above, it is not possible to adhere to the volume limit proposed to be imposed on Run of the River Hydro (RoR) Projects. RoR Hydro Projects are considered amongst the cleanest source of energy & such deviation limit will discourage development of such projects. These Generators due to their dependency on rain fall are already facing challenges in maintaining the schedules under STOA.

It is therefore requested that proposed new proviso regarding limits on deviation volume i.e. generators not to exceed deviation of 1% of the schedule during the day, should not be introduced for Hydro projects especially RoR projects in India and such projects in neighboring countries.

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"Shatabdi Bhawan", 2nd Floor, B-12&13, Sector-4, Noida-201301 (U.P) Tel: 91 120 610 2000, Fax No. 91 120 254 0050

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Clause 7(10): Change in sign of deviation

The Principal Regulation shall be substituted as under.

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

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."

Comments:

In absence of the provision of revising the schedule for Hydro Power Plants under STOA, the proposed amendments of change in sign of the deviation, would not be fair to generations which do not have pondage and generation is dependent on rain fall. In case of Wind and Solar generators, intraday revisions have been allowed in DSM Regulations. While generations from Thermal power plants are capable of matching the schedule during the day and moreover such plants, under long term contract, can revise the schedule with a notice period of just 4-time blocks.

Hence, impact of deviation in the case of Wind, Solar & Thermal based generation are at minimum.

It is therefore requested that proposed amendment regarding additional charges of 20% on the daily base DSM in the event of sustained deviation in one direction should not be made applicable for Hydro projects especially RoR projects in India and such projects in neighboring countries.

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"Shatabdi Bhawan", 2nd Floor, B-12&13, Sector-4, Noida-201301 (U.P) Tel: 91 120 610 2000, Fax No: 91 120 251 0003

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