



TEESTA URJA LIMITED

(A Government of Sikkim Enterprise)

No. TUL/CERC-DSM/20180814²⁰

Dated: 14.08.2018²⁰

To,

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


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

Ref: CERC's Public Notice No. No. L-1/132/2013- CERC dated 29.06.2018

Sir,

With reference to Hon'ble Commission's Public Notice under reference above, please find annexed the comments of Teesta Urja Ltd. on the "Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) (Fourth Amendment) Regulations, 2018".

Yours faithfully


(Jaideep Lakhtakia)
General Manager

Enclosures: As above

Comments on CERC (Deviation Settlement Mechanism and related matters) (Fourth Amendment) Regulations, 2018

Reference Clause		Comment									
<p>Clause 3.1 : 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</p> <table border="1"> <thead> <tr> <th align="center" colspan="2">Average Frequency of the time block (Hz)</th> <th align="center">Charges for Deviation (Paise/ kWh)</th> </tr> <tr> <th align="center">Below</th> <th align="center">Not Below</th> <th></th> </tr> </thead> <tbody> <tr> <td align="center">50.01</td> <td align="center">50.00</td> <td>Daily average Area Clearing Price discovered in the Day Ahead Market segment of power exchange</td> </tr> </tbody> </table>		Average Frequency of the time block (Hz)		Charges for Deviation (Paise/ kWh)	Below	Not Below		50.01	50.00	Daily average Area Clearing Price discovered in the Day Ahead Market segment of power exchange	<p>In a competitive and well-designed electricity market, the market prices should reflect marginal cost/utility of the product at that time of transaction. It is agreeable that <i>"The deviations in real time for an entity lead to balancing of its actual supply-demand and should be priced in a way which encourage participant's behaviour to move towards organized markets. Presently, the DSM prices are much below the market prices"</i>. The Commission should consider the following facts:</p> <ul style="list-style-type: none"> • DAM in India is a voluntary market, unlike in Pool Based Markets like USA, Singapore, Korea etc. Participation in DAM is currently at the maximum 4% of total generation. • With limited participants, especially on the Buyer side with top 10 buyers holding more than 70% market share, DAM is not a representation of the entire National Supply/Demand Scenario on day-ahead basis. On the other hand, Grid Frequency is a representation of Demand-Supply for the entire Nation. • In the Explanatory Memorandum, Figure-1 (Page-5) brings out the key flaws of our market, as well as the key strengths which could guide us in designing an efficient pricing mechanism. <ul style="list-style-type: none"> - From 2012, where by DAM attained reasonable liquidity, DSM Prices and DAM Price movements are perfectly correlated on a monthly basis. This indicates that mood of the market is captured in both the prices. - Such Price Correlation between Monthly DSM Prices and DAM Prices is not visible for Daily or Hourly basis, which signals that both have different variables at play on day-to-day and intra-day movements. Linking different market prices which have different influencing parameters is a detrimental market design. - There is a proportional gap between monthly DAM Prices and DSM Prices reflecting the lower price limitation in DSM, which calls for correction of the same. <p><u>Suggestion:</u> DSM prices should not be linked to DAM prices, but do need to be revised upwards taking into account the increasing trend of prices in the current market.</p>
Average Frequency of the time block (Hz)		Charges for Deviation (Paise/ kWh)									
Below	Not Below										
50.01	50.00	Daily average Area Clearing Price discovered in the Day Ahead Market segment of power exchange									
<p>Figure 1: Weighted Average Prices in Different Market Segments</p>											

General Issues, not considered under current DSM regulations

1. During Forced Outage of Interstate Transmission Lines, there is most often a time gap between line outage and revision of schedule in Power Exchange / Short Term Bilateral. In such a situation, the Generator selling under Short Term does not have the benefit of deemed revision of schedule (as is available under LTOA and MTOA) and has to bear the Deviation charges and also Additional Deviation Charges.

In such cases, by the time the system operator i.e. NLDC / respective RLDC(s) initiates Real Time Curtailment (RTC) and the Power Exchange thereafter revises the schedule, considerable time blocks get elapsed resulting in Deviation and Additional Deviations Charges being imposed on the Generator. These charges do not go to the buyers, rather these go to the pool account.

Suggestions

- ***As per IEGC clause no 6.5 (17)- In case of any grid disturbance, schedule of Long Term and Medium Term shall be deemed to have revised to be equal to their actual generation and same for discoms as well. In the same way it is requested for deemed revision based on actual generation in case of short term also including those under power exchange considering the forced outage is not as a result of any fault of the generator.***

- ***Alternately, during such events of forced outage of Interstate Transmission Line, the generator should be levied only the Deviation Charges. There is no justification for levying Additional Deviation Charges, as the generator has no control over any outage of ISTS. Pool account should not be enriched at the cost of Generators.***

2. There are also situations where the RLDC reduces the quantum allowed under the Prior Standing Clearance of a Hydro Generator, and revives it later after restoration of the line. In the intervening period, the Hydro Generator is sometimes not able to place its day ahead schedule in Power Exchange due to the restricted NOC and by the time the line and Prior Standing Clearance gets restored, the window for placing bid under DAM gets closed.

- ***Suggestion: In such cases, generator should be allowed to over inject above 12% under low frequency (below 50 Hz) so as to minimize spillage in monsoon months.***
- ***All hydro projects under spillage conditions may be considered eligible to participate in the Reserves Regulation Ancillary Services and be allowed to inject during low frequency considering the hydro projects have inherent black start capacity with no technical***

minimum requirement. This will be helpful in restoring the frequency of the grid at desired level and to relieve the congestion in the transmission network.

3. It has been proposed to link DSM prices to DAM prices discovered in Power Exchange. It is felt that the DSM prices are going to increase with the proposed change. The volume limits along with associated surcharge/additional surcharge are to be retained for the time being.

- ***Suggestion: It is felt that along with linking the DSM price to DAM price, more intra-day power trade products and balancing power sources and services with quick response time need to be introduced in the market to help the market players to minimize deviation during the course of the day. Without these products, we will be only penalizing the DISCOMs for even inadvertent and unforeseen deviation.***

4. In case of outage of unit etc., the schedule can be revised but the revised schedule becomes effective from the 4th time block counting from the time block in which request for revision is received by RLDC.

- ***Suggestion: The time required for implementation of the revised schedule needs to be reduced to 2 time blocks to enable the Discoms and generators to revise schedule during the day in the event of a forced outage.***