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TPL/SUGEN/COMMERCIAL/18-19/095
February 15th, 2019

To
The Secretary,
Central Electricity Regulatory Commission,
4th Floor, Chandralok Building,
36, Janpath,
New Delhi – 110 001

Sub. : Submission on Discussion Paper on "Market Based Economic Dispatch of Electricity: Re-designing of Day-Ahead Market (DAM) in India"

Dear Sir,

This is in reference to Public notice no. RA-14026(11)/3/2018-CERC dated 31st January, 2019.

We humbly submit our comments and suggestions on the Discussion Paper on "Market Based Economic Dispatch of Electricity: Re-designing of Day-Ahead Market (DAM) in India". Please refer Annexure-1. We look forward to the Hon'ble Commission's positive consideration of such suggestions.

Yours faithfully,

For **Torrent Power Limited**

Authorised Signatory

Encl.: Annexure-1

- Investments of power sector (mainly generation and transmission) assets are capital intensive and have a long-gestation period. Further, there are associated investment like fuel supply & transportation infrastructure, operation & maintenance supply / service infrastructure etc. Further, the majority of investment is done through debt financing.
- In view of the above, the certainty of operation is very important for various commitments like return on investment, debt payment, minimum fuel offtake, O&M agreement with OEM, transmission agreement. It is worth noting that there are also back to back commitment taken by fuel supplier, transmission service provider and O&M service provider. Hence, the plant / investment done for base load demand / operation cannot be sum up in variable cost of generation.
- In addition to the above, there are other considerations like (a) proximity & availability of inputs like water, fuel, manpower for O&M (b) environmental issue of location / state (c) reliability of power generation through distributed generation (d) reliability of transmission network by creating notional island of load-supply centre (f) supply risk mitigation by having generation on different fuel and technology etc. Such considerations also cannot be sum up in variable cost of generation.
- We welcome any development (proposal) which duly takes care of above-mentioned consideration and not only variable cost of generation (specifically after the investment committed / obligations assumed in the value chain of power supply).
- We have reviewed the subject approach paper and submit that there are more questions than answer. We humbly request the Hon'ble Commission to provide clarity on such questions. If such clarity is provided then the stakeholders would provide relevant and holistic observations on the subject paper. Please refer below given questions for your kind consideration.

(A) Issues in terms of EA 2003, Tariff Policy, Power Procurement Policy, MYT etc

1. Whether tariff discovery as per the subject paper falls within the framework of Tariff Policy (specifically for base load power supply and procurement)?
2. Whether tariff discovery proposal of the subject paper upholds the sanctity of competitively discovered tariff (composite tariff i.e. capacity, variable and transmission)?
3. Whether power procurement (as proposed in the subject paper) supersedes the policies of long term, medium term and short term power procurement notified by the Government of India?
4. Whether power procurement (as proposed in the subject paper) supersedes any guidelines (including MYT framework) notified by the State?

(B) Issue of Existing Generator (due to uncertainty of power dispatch)

1. Whether a generator be provided flexibility from minimum offtake commitment under the fuel supply agreement (specifically base load generators having long term fuel supply agreement)?
2. Whether a generator be provided a relief from its commitments under the O&M contract?
3. Whether a generator be provided flexibility in its commitments under the fuel supply (e.g. coal mine development & extraction contract, coal washery contract, LNG regasification capacity) or the fuel transportation (e.g. ship or pay charges) contract?
4. Whether beneficiaries be directed to reimburse any such liability (not covered in the fixed cost)?
5. Whether a generator be allowed similar flexibility under the transmission agreement with CTU/TSP?
6. How does generator plan / budget to maintain other critical inputs like water, oil, consumable, working capital fund due to uncertainty of power dispatch?
7. Need better clarity to ensure technical minimum offtake / reserve shutdown process for marginal generators?
8. Is it not disadvantageous for existing plants (with all commitment) located at load centre to compete with Pit-head plant/ merchant plant (with limited / no commitment) including availability risk for the existing plant?

(C) Issue for New capacity addition (New generator /transmission and other associated facility)

1. What would be bid evaluation criteria of DISCOM for future power procurement?
2. How would a new generator commit under the EPC contract, fuel supply contract and O&M contract without visibility of power offtake requirement i.e. base load, peak and as & when requirement?
3. How does a new generator arrange finance without operational certainty? Why should bank be ready to fund the project in such situation?
4. How will the planning of new transmission corridor be done (as the proposed mechanism is akin to day ahead power exchange market)?
5. What would be the impact of dilution of benefits / trade-off of fuel transportation vs. power transmission at the time of dispatch?
6. How would a new generator be responsible for changes in limitation of resources (i.e. transmission, water, land etc) e.g. transmission limitation compelled to install plant near demand centre changed after sometime leading to undue competitive advantage for plants being installed afterwards.

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(D) Issue for Transmission

1. What would be the criteria for transmission planning in the proposed mechanism?
2. How would generation concentration at pit-head be managed as the plants are dispatched on pool basis?
3. Does the propose mechanism lead to long and heavy transmission network (due to dilution of locational signal)?

(E) Issue for system operation & DISCOM

1. What about the concept of control area and demarcation of responsibility? Is it not better that the demand and supply be managed at local level?
2. Let us say the current demand of 150,000 MW is met through having 200,000 MW generation on-bar i.e. approx. 50,000 MW for meeting primary, secondary and tertiary response. However, the proposed mechanism may reduce such reserve? What would be the impact of such reduced reserve?
3. How would be a reliable island of demand-supply be created?

In view of above, we submit that there are many aspects which require more deliberations in the proposed MBED mechanism based on technical, financial and legal issues involved. Hence, we humbly request the Hon'ble Commission that the proposed mechanism may not be considered without further deliberations with various stakeholders across the country to understand the concerns.