

## **DHARIWAL INFRASTRUCTURE LIMITED**

### **Appendix: Comments on Draft Power Market Regulations 2020**

---

At the outset, Dhariwal Infrastructure Limited (“DIL”) would like to thank the Hon’ble Central Electricity Regulatory Commission (“CERC”) for bringing out the Draft Power Market Regulation, 2020 and providing the stakeholders an opportunity to provide comments/suggestions on the same. Accordingly, the comments and suggestions on the Draft Power Market Regulation, 2020 are provided in the following matrix for the kind perusal of the Hon’ble CERC.

<b>Regulation</b>	<b>Particulars</b>	<b>Comments and Suggestions</b>
Regulation 2	<i>(af) “Market Coupling” means the process whereby collected bids from all the Power Exchanges are matched, after taking into account all bid types, to discover the uniform market clearing price for the Day Ahead Market or Real-time Market or any other market as notified by the Commission, subject to market splitting;</i>	<p><b>We welcome the step towards introduction of Market Coupling to discover the uniform and transparent market clearing price for the Day Ahead Market (DAM) or Real Time Market (RTM) to get rid of the problem of non-uniform price discovery between the multiple exchanges.</b></p> <p>Price difference in the two power exchanges in DAM and RTM becomes a deciding factor for participants to choose their participation in one exchange over the other due to perceived notional gain/loss with respect to the price difference. In this way, the proposal of uniform price for all participants through Market coupling irrespective of their choice of power exchange in case of Day Ahead market and Real Time market, is expected to remove the above issue of participation based on notional loss/gain in one exchange only.</p> <p>Further, this is also expected to bring in benefit to the stakeholders among competing exchanges in terms of better services, innovation in terms of new products and reduction of cost of services which will ultimately benefit the market participants.</p> <p>It is requested that Hon’ble Commission may kindly clarify the exact role of power exchanges post implementation of market coupling operations. Also, it would be useful for the stakeholders to</p>

## **DHARIWAL INFRASTRUCTURE LIMITED**

### **Appendix: Comments on Draft Power Market Regulations 2020**

Regulation	Particulars	Comments and Suggestions
		understand the difference in roles of traders vs the power exchanges in DAM and RTM.
Regulation 23	<p><b>Power Exchange transaction fee</b>  <i>No Power Exchange shall charge transaction fee exceeding such fee as approved by the Commission:</i></p> <p><i>Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of notification of these regulations shall be required to obtain approval of the transaction fee to be charged by the Power Exchange within a period of three months of the date of notification of these regulations.</i></p>	<p><b>We welcome the step towards regulating the transaction fees charges by the Power Exchanges.</b></p> <ul style="list-style-type: none"> <li>• The Power Exchange will have to get the transaction fee approved by the Hon'ble Commission.</li> <li>• It seems that if a majority of the power is routed through the power exchanges by design, the Hon'ble Commission now would want to have some sort of regulation on the prices being charged by Power Exchanges which we feel a step forward towards cost savings in power procurement which will ultimately benefit the end consumers.</li> </ul>
Regulation 37	<p><b>Market Coupling</b>  <b>Objectives of Market Coupling</b>  <i>(1) Discovery of uniform market clearing price for the Day Ahead Market or Real-time Market or any other market as notified by the Commission;</i>  <i>(2) Optimal use of transmission infrastructure;</i>  <i>(3) Maximisation of economic surplus, after taking into account all bid types and thereby creating simultaneous buyer-seller surplus.</i></p>	<p><b>We welcome this proposed amendment especially in view of the implementation of the concept of "Market Coupling Authority" which will help to eradicate the impenetrable nature of the monopolistic market.</b></p>
Regulation 38	<p><b>Designation of Market Coupling Operator</b>  <i>Subject to provisions of these regulations, the Commission shall designate a Market Coupling Operator who shall be</i></p>	<p><b>The Hon'ble Commission may kindly lay down a proper qualification/technical criterion for selection of the Market Coupling Operator, as the function of the Operator to ensure security, market</b></p>

## DHARIWAL INFRASTRUCTURE LIMITED

### Appendix: Comments on Draft Power Market Regulations 2020

Regulation	Particulars	Comments and Suggestions
	<p><i>responsible for operation and management of Market Coupling.</i></p>	<p><b>coupling algorithm, quality service and product innovation, will be crucial towards aiding market growth.</b></p> <p>Further, the Hon'ble Commission may also clarify whether the market coupling operator is going to be a state-owned body or private entities shall also be eligible. As presently there are only two exchanges in operation in India, namely, IEX and PXIL and they have been efficient in facilitating trading through their platform by use of their price discovery engines. Given, the successful operation of market-places maintained by such bodies for garnering business potential, private entities may also be considered while selecting the Market Coupling Operator by the Hon'ble Commission.</p>
Regulation 42	<p><b><i>OTC Platform</i></b>  <i>The objectives of the OTC Platform shall be:</i>  <i>(1) To provide an electronic platform with the information of potential buyers and sellers of electricity;</i>  <i>(2) To maintain a repository of data related to buyers and sellers and provide such historical data to Market Participants;</i>            .....</p>	<p><b>We appreciate the intent of the Hon'ble Commission for proposing an amendment of introducing an OTC Platform for direct exchange of information amongst the buyers and sellers of electricity which would facilitate a smoother operation of trading of power through Open Access Route, as the demand of power for the open access consumers is expected to grow rapidly in the near future.</b></p> <ul style="list-style-type: none"> <li>• It in this context, we humbly submit that the Hon'ble Commission may please clarify on the type of the repository of data of potential buyers and sellers that is envisaged to be incorporated in the OTC Platform for the participants to access information while transacting power on OTC Market. However, among other things, we propose that the region of location of buyers/sellers and the quantum/price at which transactions were executed may please be incorporated in the OTC Platform, which would enable the participants to select their counterpart on the basis of delineation</li> </ul>

## DHARIWAL INFRASTRUCTURE LIMITED

### Appendix: Comments on Draft Power Market Regulations 2020

Regulation	Particulars	Comments and Suggestions
		of tentative cost of power sale/purchase prior to entering into contracts.
Additional Point	<i>Proposal for amendment in the existing (Deviation Settlement Mechanism and related matters) (Fifth Amendment) Regulations, 2019.</i>	<p><b>We request that the Hon’ble Commission may please revisit the existing framework of DSM Regulations, if the concept of Market Coupling gets introduced, which would result into a uniform discovery of Day Ahead Price across all Power Exchanges.</b></p> <p>As per the existing framework of DSM Regulations, the daily simple average Area Clearing Price of the Power Exchange (Day Ahead transactions) having a market share of 80% or more in energy terms on a daily basis is taken into consideration for linking to the DSM price vector, wherein if no single Power Exchange is having a market share of 80% or more, the weighted average day-ahead price is used for linking to the DSM price. It is understood that the concept of Market Coupling would introduce a Multi-Power Exchange model with a uniform area clearing price discovery across all Power Exchanges <i>inter alia</i>, for Day Ahead transactions by maximising the overall economic surplus which is presently spread out on various Power Exchanges. Post introduction of Market Coupling, there may not be a requirement of linking the DSM Price Vector based on the market share of Power Exchanges due to discovery of uniform Area Clearing Price, and hence, we humbly request the Hon’ble Commission to amend the same, at an appropriate stage.</p>
Additional Point	<i>Proposal of State level Power Exchange</i>	<b>Presently at Power Exchanges, the rates are quoted at Regional Periphery. Thus, STU network connected Generators have to bear injection charges &amp; losses, while a consumer in the same state grid has to bear withdrawal charges &amp; losses. Therefore, we humbly request the Hon’ble Commission that existing power exchanges in</b>

## DHARIWAL INFRASTRUCTURE LIMITED

### Appendix: Comments on Draft Power Market Regulations 2020

---

Regulation	Particulars	Comments and Suggestions
		<p>addition to auctions at regional periphery can also take bids at state grid periphery or SERCs may be asked to promote state level Power Exchanges.</p> <p><b><u>Benefits of State level Power Exchange</u></b></p> <ul style="list-style-type: none"><li>• State-embedded entity will be benefitted as with a good mix of seller and buyer within a state would effectively avoid the cost to be borne towards the PoC charges &amp; Losses. A more competitive rate would be expected to evolve as because actual load flow studies shows, power is flowing within the nearest node.</li><li>• Small Open Access Consumers &amp; small Generators can participate in State Exchange when compared with presently centrally operated Power Exchange.</li><li>• Any entity can bid simultaneously to both the exchanges; thus, competition would increase subject to NoC from SLDC/RLDC.</li><li>• Presently, Power Exchanges promote the market essentially based on Inter-state power flow. Thus, any ISTS network augmentation, if required, is readily addressed. In case of a State exchange, similar network augmentation at state level would also be promoted and strengthened.</li><li>• As a result, availability of Inter- state system will increase, &amp; RTM market will be benefitted.</li></ul>