

Ref: HFEPL/RAPS/KK/CERC/SEC/2020-21/01

Date: 13th August 2020

To,
The Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building, 36, Janpath, New Delhi -110 001

Subject: Comments on Draft Central Electricity Regulatory Commission (Power Market) Regulations, 2020

Reference: Public Notice Public Notice No. L-1/257/2020/CERC dated 6th August 2020

Dear Sir,

Hero Future Energies Pvt Ltd., Independent power producer primarily having focus on the investment in developing the generating capacities based on solar and wind resources across the country. The Hero Future Energies Pvt Ltd are at present is having 1.5 GW of solar and wind capacity commissioned.

Central Electricity Regulatory Commission (CERC) has come up with public notice requesting suggestions/comments/objections on Central Electricity Regulatory Commission (Power Market) Regulations, 2020. Please find enclosed our comments / suggestions in the Annexure A.

We sincerely request you to consider these suggestions while notifying the (Power Market) Regulations, 2020.

Thanking You
For Hero Future Energies Pvt Ltd



Authorised Signatory

Enclosed: A.A.

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Annexure A

Comments on Draft Central Electricity Regulatory Commission (Power Market) Regulations, 2020

Sr. No.	Issues	Comment																																				
1	Green Energy Products Should be introduced in the Market Regulation as a separate product covered under a separate Article.	The commission is already in cognisance of petition 25/MP/2019 regarding green energy products on the energy exchange. There is no clarity on whether the prayers in the petition will be allowed or not. In the absence of a separate RE product for exchange in the draft regulation, there remains uncertainty on alternative markets for RE power sales. The commission will appreciate that Renewable Energy is playing vital role in transforming the Indian Electricity Sector. RE share is increasing regularly, approx. 24% of total installed capacity in the country (as on 31 st July 2020). A large number of consumers prefer to purchase RE power for short term to fulfil their RPO instead of opting for REC. Introduction of RE products for exchange in the market regulations itself will not only provide consumers and sellers a platform to fulfil their energy requirement but also give RE power the appropriate space in statue it deserves.																																				
2	More number of power exchanges and competition in setting up power exchanges needs to be encouraged	<p>Since the notification of CERC (Power Market) Regulation, 2010 only one exchange has sustained operation by virtually commanding more than 95% of market share (by volume). Competition has been missing in this space and there is monopoly of Indian Energy Exchange only.</p> <div style="text-align: center;"> <table border="1" style="margin: 0 auto;"> <caption>% Share of Volumes Traded on Exchanges</caption> <thead> <tr> <th>Fiscal Year</th> <th>IEX (%)</th> <th>PXIL (%)</th> </tr> </thead> <tbody> <tr><td>FY 08-09*</td><td>95%</td><td>5%</td></tr> <tr><td>FY 09-10</td><td>88%</td><td>12%</td></tr> <tr><td>FY 10-11</td><td>82%</td><td>18%</td></tr> <tr><td>FY 11-12</td><td>93%</td><td>7%</td></tr> <tr><td>FY 12-13</td><td>97%</td><td>3%</td></tr> <tr><td>FY 13-14</td><td>95%</td><td>5%</td></tr> <tr><td>FY 14-15</td><td>96%</td><td>4%</td></tr> <tr><td>FY 15-16</td><td>98%</td><td>2%</td></tr> <tr><td>FY 16-17</td><td>99%</td><td>1%</td></tr> <tr><td>FY 17-18</td><td>97%</td><td>3%</td></tr> <tr><td>FY 18-19</td><td>97%</td><td>3%</td></tr> </tbody> </table> <p>* IEX period from June 2008 to March 2009 and PXI period from October 2008 to March 2009 Source: CERC</p> </div> <p>The commission may consider coming out with detailed analysis on the reasons for competition in the energy exchange space not taking off in a large country like India. Such analysis can help in better structuring the market regulation by introducing specific provisions encouraging competition.</p> <p>We as generators prefer multiple exchanges, as different exchanges give different price option for the same product. For a generator it is</p>	Fiscal Year	IEX (%)	PXIL (%)	FY 08-09*	95%	5%	FY 09-10	88%	12%	FY 10-11	82%	18%	FY 11-12	93%	7%	FY 12-13	97%	3%	FY 13-14	95%	5%	FY 14-15	96%	4%	FY 15-16	98%	2%	FY 16-17	99%	1%	FY 17-18	97%	3%	FY 18-19	97%	3%
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		<p>the price of power that determines the preference for an exchange. Now if market coupling is introduced to arrive at a common all India price for the same product, there will be no incentive for a generator, to enter another exchange as the price would ultimately be the same. Hence, market coupling may not encourage competition amongst exchanges rather accentuate monopoly of one exchange only. Although, new entrants may come, they will struggle with volumes just as statistics above show for PXIL.</p> <p>We note that market coupling has been introduced in European Market to attain a uniform price in cross country trade in Western/Central Europe. In this cross-country European market, many countries are interconnected to each other and trade power among themselves. Hence, this concept is typical to cross country trade through separately owned transmission utilities. However, in India there is no cross-country trade and that there is single owner of inter state transmission system namely PGCIL.</p> <p>The requirement of the country today is multiple power exchanges and market coupling will not encourage this. We request the commission to kindly reconsider introduction of this concept at this point in time.</p>
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