



**FICCI Representation on
'Draft CERC (Deviation Settlement
Mechanism and related matters) (Fifth
Amendment) Regulations, 2019'**

Submitted to:

Central Electricity Regulatory Commission



Recommendations on 'Draft CERC (Deviation Settlement Mechanism and related matters) (Fifth Amendment) Regulations, 2019'

- A) A Draft Concept Note on 'CERC (Deviation Settlement Mechanism and related matters) (Fifth Amendment) Regulations, 2019' was published by Central Electricity Regulatory Commission (CERC) on 18th April 2019 vide notification no. L-1/132/2013-CERC. CERC had invited comments/suggestions from the stakeholders on the Concept Note.
- B) In this regard, we have solicited the feedback of our industry members. Based on the feedback, FICCI's comments/suggestions are the following:

S. No.	Regulation	Comments/ Suggestions
1	<p>Regulation 3.2 Clause (3) of Regulation 5 of the Principal Regulations shall be substituted as under:-</p> <p><i>"The Cap rate for the charges for deviation for the generating stations, irrespective of the fuel type and whether the tariff of such generating station is regulated by the Commission or not, shall not exceed 303.04 Paise/kWh."</i></p>	<p>We request the Hon'ble Commission to revisit the cap rate for the charges for deviation for all the generating stations, irrespective of the fuel types and whether the tariff of such generating station is regulated by the Commission or not.</p> <p>It is submitted that as per DSM 3rd Amendment Regulations, the deviation charge was capped at ₹3.03/kWh for Generating stations using coal/lignite or gas supplied under APM as the fuel that correspond to price at 49.94 Hz frequency at the then prevailing static DSM price vector.</p> <p>As per draft DSM 4th amendment Regulations, there was no provision for capping of deviation charges for all generating stations. In this context, it is submitted that non-pit head Generating stations would majorly incur Energy Charge Rates (ECR) exceeding ₹3.00/kWh. Fixed capped rate will not permit these generators to over-inject when the frequency is low and help the grid. It is proposed that to cater to these stations the prevailing</p>



S. No.	Regulation	Comments/ Suggestions
		average rate of power traded at the exchange for the day as the DSM rate be applied as the energy charge rate.
2	<p>Regulation 4.5 (a) Up to 31.03.2020, if the sustained deviation from schedule continues for 12-time blocks, the regional entity (buyer or seller), shall correct its position by making the sign of its deviation from schedule changed or by remaining in the range of +/- 10 MW with reference to its schedule, at least once, latest by 13th time block.</p>	<p>The Additional deviation charge in case of sign change violation as introduced under 4th amendment was very stringent and had severe impact of penalty amount imposed on Generating station and Discoms.</p> <p>Further, forced outage cases are uncontrolled and not in Force majeure condition in 4th amendment, which resulted to huge penalty for concerned generating station.</p> <p>It is requested that penalty imposed under 4th amendment under sign change violation may be waived off retrospectively starting from 1st Jan'19 with due consideration of 5th amendment.</p>
3	<p>Regulation 4.5(b)</p> <p><i>From 01.04.2020, if the sustained deviation from schedule continues for 6 time blocks, the regional entity (buyer or seller), shall correct its position, by making the sign of its deviation from schedule changed or by remaining in the range of +/- 10 MW with reference to its schedule, at least once, latest by 7th time block.</i></p> <p><i>Provided that violation of the requirement under this clause shall attract an additional charge as specified below:</i></p> <p>Additional Charge Payable</p> <p><i>From first to fifth violation- For each violation, an additional charge</i> <i>@ 3% of daily base DSM payable / receivable</i></p> <p><i>From sixth to tenth violation- For each violation, an additional charge</i></p>	<p>As per proposed methodology till 31st March 2020, the Additional deviation charge in case of sign change violation shall be calculated on the time block DSM payable/ receivable as the case may be.</p> <p>However, from 01.04.2020, this has been changed to daily base DSM instead of time block DSM as mentioned above.</p> <p>There would be instances when due to unforeseen circumstances in latter periods post deviation / violation, daily DSM payable/receivable amount will come out very high for the day. In such case, the penalty imposed against each violation would also be very high as the post facto instances would have a huge impact for the violation occurring before such instances. Otherwise, the concerned entity would be forced to minimize the daily DSM payable/receivable irrespective of grid frequency.</p>



S. No.	Regulation	Comments/ Suggestions
	<p>@ 5% of daily base DSM payable / receivable From eleventh violation onwards- For each violation, an additional charge @ 10% of daily base DSM payable / receivable</p>	<p>It is therefore suggested that Additional deviation charge in case of sign change violation should only be calculated on the time block DSM payable/ receivable as the case may be, but not on Daily DSM.</p>
4	<p>Regulation 4.5(b) From 01.04.2020, if the sustained deviation from schedule continues for 6 time blocks, the regional entity (buyer or seller), shall correct its position, by making the sign of its deviation from schedule changed or by remaining in the range of +/- 10 MW with reference to its schedule, at least once, latest by 7th time block.</p>	<p>It is requested that date of applicability of revised methodology for sign change violation and other parameters for generation companies should be 1 year from Gazette Notification/Implementation Date of 5th Amendment instead of 01.04.2020.</p> <p>Given the readiness of distribution utilities and their financial position, the Commission may consider allowing them a two-year time period from Gazette Notification or Implementation Date of 5th Amendment (instead of 01.04.2020) and supporting them in adopting tools and techniques which are important before adoption of such strict penal measures for management of deviation from the schedules.</p>
5	<p>Regulation 4.5 (b) 3rd Proviso <i>Provided also that payment of additional charge for failure to adhere to sign change requirement a specified under clauses (a) & (b) of this regulation shall not be applicable to:</i> <i>a. renewable energy generators which are regional entities.....</i></p>	<p>We request the Hon'ble Commission to include a Co-generation based plants with all types of fuel to be exempted as per the sustained deviation violations as specified under clauses (a) and (b).</p>
6	<p>New Regulation</p> <p><i>Proposal for revision in existing Clause 6 of Regulation 7 of the Principal Regulations and subsequent 4th amendment reference sl. 4.14</i></p> <p><i>"In addition to charges for deviation.... provided that additional charge for deviation for under injection of</i></p>	<p>We request the Hon'ble Commission to consider an amendment to the existing provision considering the following operational constraint:</p> <p>Load ramp up/down in coal-fired generating stations normally takes a considerable duration depending on boiler response. Depending on coal quality/boiler inertia, it may so happen that if the grid frequency suddenly falls below 49.85 Hz, the generator may not be</p>



S. No.	Regulation	Comments/ Suggestions
	<p><i>electricity ...when the grid frequency is 'below 49.85 Hz' by generating station shall be equivalent to 100% of cap rate of deviation of Rs. 303.04 paise/kWh"</i></p>	<p>able to immediately increase the load to over-injection in order to avoid penalty. Hence, we request the Hon'ble Commission to exempt penalty for under-injection for the first block and impose the same at cap rate from the next consecutive blocks.</p> <p>The proviso may be suitably amended.</p>