Comments on draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2021

S. No.	Clause Reference	Comments
1.	**Clause 7: Normal Rate of Charges for Deviation** 1. The normal rate of charges for deviation for a time block shall be equal to the Weighted Average Ancillary Service Charge (in paise/kWh) computed based on the total quantum of Ancillary Services deployed and the total charges payable to the Ancillary Service Providers for all the Regions for that time block. Provided that for a period of one year from the date of effect of these regulations or such further period as may be notified by the Commission, the normal rate of charges for deviation for a time block shall be equal to the highest of [the weighted average ACP of the Day Ahead Market segments of all the Power Exchanges; or the weighted average ACP of the Real Time Market segments of all the Power Exchanges; or the Weighted Average Ancillary Service Charge of all the regions] for that time block. Provided further that in case of non-availability of ACP for any time block on a given day, ACP for the corresponding time block of the last available day shall be considered.	1) Detailed Procedure needs to be specified for calculation of Weighted Average Ancillary Service Charge (in paise/kWh) for each time block. 2) When the actual injection is higher or lower than the scheduled generation, the deviation charge shall not exceed a specified Cap Rate (Paise/kWh). which can be fixed by the Commission. 3) CERC should provide a mock trial run period for 6 months for the smooth transition of linking of 'Normal Deviation Charges' to 'Weighted Average Ancillary Service Charges' methodology. 4) Tariff of Ancillary Services Provider (ASP) will have a direct impact on revenue of RE-stakeholder. Hence, calculation of ASP tariff should be transparent & should be available on the related websites easily and any dispute related to Normal Rate should be marked to specific email id & contact details. 5) Solution to any discrepancy should be provided before the due date of DSM payment. If it's not resolved within the timeline, the due date should be extended. 6) CERC (Ancillary Services) Regulations, 2021 is still in the draft phase. The 'regional entities' or 'directly affected parties' cannot quantify their impact on them. Hence, CERC should wait at least 1 year after the finalization of Ancillary Service Regulations 2021 and analyze its impact on the power market and act accordingly.

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		7) CERC should define an agency or platform where daily block-wise ancillary service charges will be published in detail. This data should be made available in advance in a manner accessible to all the stakeholders.
2.	**Clause 8: Charges for Deviation** 1. For a general seller other than an RoR generating station, or a generating station based on municipal solid waste. **Deviation by way of over injection** (i) Zero up to 2% Deviation-general seller (in %) (ii) @ 10% of the normal rate of charges for deviation beyond 2% Deviation-general seller (in %). **Deviation by way of under injection** (i) @ normal rate of charges for deviation up to 2% Deviation-general seller (in %) (ii) @ 110% of the normal rate of charges for deviation beyond 2% Deviation-general seller (in %).	1) Deviation limit of 2% for deviation-general seller needs to be reviewed as any fall in grid frequency, generation from the unit should increase as per generator droop up to a maximum of 5% of the generation subject to ceiling limit of 105% of the MCR of the unit having regard to machine capability as per clause 5.5(a) of IEGC 5th amendment regulations. 2) Owing to differences between meter readings of SCADA – SEM, it has become difficult to adhere to the deviation limit. Requested to increase the deviation limit in terms of MW or as a percentage of scheduled capacity or graded deviation limit to be provided commensurate with the generation capacity. 3) When station/unit is under RSD, any import may be net off with subsequent export, as RSD is proposed by LDC and Generator shall not be penalized for RSD auxiliary consumption with the normal deviation charge rate. 4) The adherence to the volume limit would not be possible in case of a forced outage, which would result in a huge penalty for the concerned generating station. Therefore, the penalty should be exempted at the time of the forced outage. Also, at the time of unit synchronization, it is not possible to

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		maintain ramp rates. Thus, deviation charges for the same needs to be exempted. 5) Facility of scheduled revision to be given to short-term generators also like long-term/medium-term PPAs generators in case of partial generation on account of technical abnormality to lessen the burden of deviation charges. 6) Practically, it is difficult to maintain exact zero deviation because of real-time coal quality and parameter variation, mill changeover, etc. Deviation Charge in case of **under-injection**: ✓ Up to 12% or 150 MW: Normal Rate ✓ Beyond 12% or 150 MW: 110% of Normal Rate 7) Whenever a unit trips from one station, an option of supplying power from the fleet is to be allowed. 8) After unit tripping, revision in the declaration may be allowed immediately from the second block itself to avoid penalties. This requires IEGC amendment. 9) Deviation Charge in case of **over injection**: ✓ Up to 2%: Incentive at Normal rate ✓ 2% to 12%: Zero payment to the generator ✓ Beyond 12% schedule: Penalty of 10% the of Normal rate 10) Variation in Generation due to RGMO shall be compensated to the Generator. No penalty shall be levied for variations on account of RGMO. If there is over- injection due to FGMO

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		there should not be any penalty but there should be an incentive. 11) Pursuant to Clause 8 of the proposed regulation and clause 3.10.2 of explanatory memorandum wherein CERC has cleared that WS seller will not be paid for over injection in any instance. This gives an open offer to WS sellers to always over-schedule their power irrespective of DSM charge levied on them if the highest discovered weighted average ancillary service charge of ACP is less than PPA/contract rate and vice versa. Hence, the tariff of Ancillary Services is going to go play a significantly key role (price) in the future of the power market. 12) The draft regulation is silent on monthly billing mechanism/ payment flow and its adjustment toward DSM. Hence, we urge CERC to bring clarity on the monthly billing mechanism of CTU project and lay down strict guidelines on payment defaulters. 13) Over injection should be paid off with ASP price for WS seller.
3.	**Clause 8: Charges for Deviation** 2) Deviation by way of under drawl	Shortfall in deviation and ancillary service pool account will be covered from other regions and further through RLDC fees and charges.
4.	**Clause 8: Charges for Deviation** 3) a) The charges for deviation for injection of infirm power shall be zero	*1)* Infirm power is to be compensated the same as CERC DSM Regulation dated 06.01.2014 *(i.e., Regulation 5(5) specifies the cap rate for infirm power injected by generating stations using different fuel sources.*

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		✓ *Domestic coal/ Lignite/Hydro: 1.78 / kWh* ✓ *APM gas as fuel: 2.82/ kWh (Or specified by CERC)* ✓ *Imported Coal: 3.03 / kWh* ✓ *RLNG: 8.00 / kWh*
5.	**Clause 10: Schedule of Payment of charges for deviation** 1) The payment of charges for deviation shall have a high priority and the concerned regional entity shall pay the due amounts **within 7 (seven) days** of the issue of statement of charges for deviation by the Regional Power Committee, failing which overdue payment surcharge **@0.04%** shall be payable for each day of delay. 2) Any regional entity which at any time during the previous fiscal year fails to make payment of charges for deviation within the time specified in these regulations, shall be required to open a Letter of Credit (LC) equal to 110% of their average payable weekly liability for deviations in the previous fiscal year in Favour of the concerned Regional Load Despatch Centre within a fortnight **from the start of the current fiscal year**.	1) Payment should be followed as per the present DSM regulation of 2014 ***(i.e., within 10+2 days)***, or may consider **7 + 2 working days** to credit in the pool account, in case of deficiency DSM Revised DSM should be also publish within 7 working days to adhere to the pool account reconciliation. 2) If any regional entity fails to make payment of Charges for Deviation including Additional Charges for Deviation by the time specified in these regulations during the current fiscal year, it shall be required to open a Letter of Credit equal to 110% of weekly outstanding liability in Favour of respective Regional Load Despatch Centre **within a fortnight from the due date of payment.** 3) LC encashment rules should be as per DSM regulation 2014. *(i.e., In case of failure to pay within the specified time of 12 days from the due date, the RLDC shall be entitled to encash the LC of the concerned constituent to the extent of the default and the concerned constituent shall recoup the LC amount within 3 days.)*
6.	**Other Comments**	In case of a grid disturbance, no deviations shall be levied.