



To,  
Shri Sanoj Kumar Jha  
Secretary,  
Central Electricity Regulatory Commission  
New Delhi

Date: 22.10.2021

**Subject:** Comments/suggestions on draft Central Electricity Regulator Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021.

Dear Sir,

We sincerely appreciate Govt. of India and Central Electricity Regulatory Commission's effort in promoting renewable energy in the country. We are grateful for your continued guidance, and assurance you have offered, in helping the renewable sector progress by enabling a robust and healthy environment to thrive in the country.

We would like to thank you for the opportunity to raise our key concerns & suggestions on the aforementioned subject. We have enclosed our comments and suggestions on the matters pertaining to in the document.

As these regulations will have huge financial implications especially on older projects of renewable energy, therefore, we request to have a stakeholder consultation before finalizing these regulations.

We express our sincere gratitude that most of the industry grievances in the past have been addressed time to time by MoP and CERC, which has helped the industry make significant progress in deployment and scaling up of renewable projects across the country. We hope this progress continues in order for India to achieve its ambitious renewable energy targets.

Thanking you for your understanding, support and consideration.

With Sincere Regards

**Samitla Subba**  
**VP – Policy and Communications**

**Azure Power Suggestions / Comments on Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2021**

S. No.	Clause	Draft Clause	Require Changes	Rationale
1	8 (1)	<p><b>Charges for Deviation</b> Charges for deviation in a time block by a seller shall be payable by such seller as under:</p> <p>For WS seller <b>Deviation by way of over injection – Zero</b></p> <p><b>Deviation by way of under injection</b> (i) Zero up to 10% Deviation-WS seller (in %); (ii) @ 10% of the normal rate of charges for deviation beyond 10% Deviation-WS seller (in %): Provided that such seller shall pay back to the Deviation and Ancillary Service Pool Account for the total shortfall in energy against its schedule in any time block due to under injection, (a) at the contract rate at which it has been paid based on schedule, or (b) in the absence of a contract rate at the rate of the Area Clearing Price of the Day Ahead Market for the respective time block.</p>	<p><b>The draft regulation should not be applicable on the renewable energy projects which are already operational and bid out.</b></p> <p><b><u>Modified clause for New projects/Bids /Tenders:</u></b></p> <p>For WS seller <b>Deviation by way of over injection –</b> (i) Up to 12% Deviation- At the Fixed Rate for the excess energy for absolute error upto 12% (ii) Beyond 12% Deviation - At the Fixed Rate for the excess energy for absolute error upto 12% + 90% of the Fixed Rate for balance energy beyond 12%</p> <p><b>Deviation by way of under injection</b> (i) Up to 12% Deviation- At the Fixed Rate for the shortfall energy for absolute error upto 12% (ii) Beyond 12% Deviation - At the Fixed Rate for the shortfall energy for absolute error upto 12% + 110% of the Fixed Rate for balance energy beyond 12%.</p>	<p>The tariff determined for these operational and bid out projects are considering prevalent CERC Deviation Settlement Mechanism (DSM) Regulation. Any major changes in the DSM regulation will impact the viability of these projects as these changes are not considered at the time of bidding /auction.</p> <p>If we take historical data for our operational projects to calculate DSM penalty as per draft regulation 2021, we see penalty on overall revenue increasing from 0.5-0.6% to 4-4.5% considering Zero payment in case of Over Injection from schedule. This will put viability of our projects on risk.</p> <p>Also, the idea of Deviation Settlement Mechanism is to discipline all the generators in their Schedule and Actual generation. Curtailing anything</p>

			<p>Penalty should be over Fixed rate i.e. linked to PPA tariff, to place deviation impact equally on all the projects.</p>	<p>above schedule is penalizing generators for which they have absolutely no control. Renewable energy sources in nature are unpredictable and should be treated accordingly. Therefore, there should be deviation band allowed both under injection and over injection. The commission may tighten the current band as suggested to get more discipline in the system, to move towards better grid stability and reliability.</p> <p>We request CERC not to impose draft regulation on already operational and bid out projects.</p>
2	7	<p><b>Normal Rate of Charges for Deviations</b></p> <p>(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:</p> <p>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</p>	<p>The base penalty rate which is Normal Rate in the draft petition should be fixed and not be linked with market rates which is Weighted Average Ancillary Service Charges.</p> <p>The normal rate of charges of deviation for Wind and Solar projects is requested to be linked to its PPA tariff rate.</p>	<p>Penalty based on market driven rates is unpredictable during the bid submission or auction while determining tariff. Developers need some certainty and visibility of penalty which they can take into consideration while bidding.</p> <p>Since Weighted Average Ancillary Service Charges vary and depend on lot of external factors like seasonality, availability of coal etc, on which renewable energy generator do not have any control.</p>





		<p>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:</p> <p>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:</p> <p>(2) The normal rate of charges for deviation shall be rounded off to the nearest two decimal places.</p>		<p>Linking penalty with such mechanism will impact developers negatively and put huge impact on the viability of these projects.</p> <p>Request CERC not to link with market driven price mechanism (Weighted Average Ancillary Service) and the penalty should be as per the percentage of the project tariff. This will place all the projects at the same position when it comes to penalty.</p>
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