

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

**Introduction:**

Hon'ble CERC has issued public notice under sub-section (3) of Section 178 of the Act read with Electricity (Procedure for Previous Publication) Rules, 2005 inviting comments/ suggestions/objections from the stakeholders and interested persons on the Draft Regulations on (Deviation Settlement Mechanism and Related Matters) (DSM) Regulations, 2021 notified on 07.09.2021.

Damodar Valley Corporation (DVC), undertakes electricity generation, transmission, distribution, and retail supply of electricity to the specified consumers within the Command Area, namely, the State of West Bengal and the State of Jharkhand.

DVC has listed below its suggestions/comments to the proposed Draft DSM Regulation 2021 for kind consideration of this Hon'ble Commission considering the integrated electricity business nature of DVC and challenges faced by DVC to serve its consumers, financial implications.

Sr. No.	Regulation & Reference	Proposed in Draft DSM Regulation- 2021	DVC's Comments/ Suggestion
1.	5(2). Adherence to Schedule and Deviation	Any deviation shall be managed by the Load Despatch Centre as per the Ancillary Services Regulations, and the computation, charges and related matters in respect of such deviation shall be dealt with as per the following provisions of these regulations.	DVC proposes that, there should be more clarity on areas covered under the ancillary services regulation and computation of various charges for entities like DVC which has an integrated business operation in power generation, transmission & distribution.
2.	7 (1) Normal Rate of Charges for Deviations	<p>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 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>DVC proposes that, as the charges for deviation would be based on the discovered price of weighted average ancillary service charge, it is requested to hon'ble commission to provide detail in order to reduce the uncertainty and risks involved in the price discovery as this would be helpful to avoid abnormal variation of Normal Rate of Charges for Deviations during high demand season.</p> <p><u>Justification:</u> The draft regulation does not provide any cushion on process to be followed to limit the abnormality in the Normal rate of charges for deviation may arise during any period of time considering the past trends witnessed during festive seasons /seasonal variation etc .</p>

3	8 (1) Charges for Deviation	<p>1. Charges for deviation in a time block by a seller shall be payable by such seller as under:</p> <table border="1" data-bbox="465 213 1240 651"> <thead> <tr> <th data-bbox="465 213 680 277">Seller</th> <th data-bbox="680 213 965 277">Deviation by way of over injection</th> <th data-bbox="965 213 1240 277">Deviation by way of under injection</th> </tr> </thead> <tbody> <tr> <td data-bbox="465 277 680 651">For a general seller other than an RoR generating station or a generating station based on municipal solid waste</td> <td data-bbox="680 277 965 651">           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 %)         </td> <td data-bbox="965 277 1240 651">           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 %).         </td> </tr> </tbody> </table>	Seller	Deviation by way of over injection	Deviation by way of under injection	For a general seller other than an RoR generating station or a generating station based on municipal solid waste	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 %)	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 %).	<ul style="list-style-type: none"> <li>• DVC propose that, the <b>over /under injection charges deviation may be increased from 2% to 5% and the rate of deviation till 5% shall be same as normal rate as defined in this draft DSM Regulation 2021.</b></li> <li>• Further, deviation beyond 5% shall be as per the proposed DSM Regulation 2021.</li> <li>• <u>Justification</u></li> <li>• As the variation of 2% is very stringent to maintain every time by a generator and it is also acknowledged by Hon'ble CERC in the Explanatory Memorandum that, there could be some metering errors, inadvertent deviations from schedule may occur on account of operation of governor control that need to be factored in while accounting for deviation of such generators.</li> <li>• In RGMO mode the generator shall not have any control over generation deviation because of extreme over/under frequency (50.05/49.8 HZ).</li> </ul>
Seller	Deviation by way of over injection	Deviation by way of under injection							
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4	8 (2) Charges for Deviation	<table border="1" data-bbox="465 687 1240 1123"> <thead> <tr> <th data-bbox="465 687 707 810">Buyer</th> <th data-bbox="707 687 887 810">Deviation by way of under drawal</th> <th data-bbox="887 687 1240 810">Deviation by way of over drawal</th> </tr> </thead> <tbody> <tr> <td data-bbox="465 810 707 1123">Buyer (with schedule up to 400 MW)</td> <td data-bbox="707 810 887 1123">Zero</td> <td data-bbox="887 810 1240 1123">           ((i) @ normal rate of charges for deviation up to 12% Deviation-buyer (in %) or 150 MW Deviation-buyer (in MWh) in a time block, whichever is lower;             (ii) @110% of normal rate of charges for deviation beyond the above limit.         </td> </tr> </tbody> </table>	Buyer	Deviation by way of under drawal	Deviation by way of over drawal	Buyer (with schedule up to 400 MW)	Zero	((i) @ normal rate of charges for deviation up to 12% Deviation-buyer (in %) or 150 MW Deviation-buyer (in MWh) in a time block, whichever is lower;  (ii) @110% of normal rate of charges for deviation beyond the above limit.	<p><b><u>Additional Proposal:</u></b></p> <p>Currently DVC is having major open access consumers having national importance like Railways, JBVNL. There deviation charges are currently guided by CERC DSM Regulations 2014 and amendment thereof as DVC has an integrated T&amp;D network.</p> <p>DVC has witnessed continuous overdrawl from its grid in respect of these open access consumers. DVC is obligated to supply these open access consumers having national importance and emergency load, which cannot be curtailed even if the overdrawl is beyond permissible limit. DVC has to arrange these excess power overdrawl from its own power generation sources to keep the emergency load of open access consumers live.</p> <p>Unlike existing DSM Regulations, the new proposed Draft DSM Regulations 2021 does not have any provision where the open access consumers have to pay any penalty for continuous overdrawl beyond permissible limit. Further, under the new proposed DSM Regulations 2021, these open access consumers have got the liberty to overdraw power at a nominal cost, which is limited to only 110% of weighted average ACP i.e. normal charge of deviation.</p> <p>However, the power DVC has to arrange from its own sources and for which tariff is determined by Hon'ble CERC only. As per the current</p>
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situation, the average cost of DVC's pooled power is much higher than the weighted average ACP.

Thus, this practice of overdrawl is leading towards increase in huge financial loss for the distribution business of an integrated Power business company like DVC.

DVC Proposes that, there should be some stringent penalty to control these types of overdrawl from the schedule declared by these type of consumer categories.

<b>Volume</b>	<b>Additional Deviation Charge (%)</b>
Less than 12% of schedule	Normal ACP or Average Cost of Supply of the Open Access provider whichever is higher
More than 12% of schedule	110% of Average Cost of Supply of the Open Access provider or ACP whichever is higher

This way the distribution company get proper compensation due to the deviation caused by the open access consumer.