

22 October 2021

To

Mr. Sanoj Kumar Jha
Secretary,
Central Electricity Regulatory Commission

Subject: Comments on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021

Dear Sir,

This has reference to the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021 as notified on 7 September, 2021.

Based on our analysis of the draft Regulations and Explanatory memorandum, please find attached a few comments on certain provisions of the Regulations for your kind perusal.

Thanking you,
Yours Sincerely,



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Comments on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021.

S.No	Regulation no.	Details mentioned in Regulation no.	Comments / observations
1.	8 – Charges for Deviation	<p>Charges for deviation payable to Deviation and Ancillary Service Pool Account:</p> <p>(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 %):</p>	<p>As per present framework, penalty for under-injection for RE is levied as below:</p> <ul style="list-style-type: none"> For deviation $\leq 15\%$: At the Fixed Rate for the shortfall energy for absolute error upto 15% For deviation $>15\%$ but $\leq 25\%$: At the Fixed Rate for the shortfall energy for absolute error upto 15% + 110% of the Fixed Rate for balance energy beyond 15% and upto 25% For deviation $>25\%$ but $\leq 35\%$: At the Fixed Rate for the shortfall energy for absolute error upto 15% + 110% of the Fixed Rate for balance energy beyond 15% and upto 25% + 120% of the Fixed Rate for balance energy beyond 25% and upto 35% For deviation $> 35\%$: At the Fixed Rate for the shortfall energy for absolute error upto 15% + 110% of the Fixed Rate for balance energy beyond 15% and upto 25% + 120% of the Fixed Rate for balance energy beyond 25% and upto 35% + 130% of the Fixed Rate for balance energy beyond 35% <p>However, as per the proposed framework, under injection beyond the limit of 10% during a time block shall attract charges for deviation at the rate of 10% of the normal charges for deviation applicable during that time block.</p> <p>For instance, consider a RE generator with a PPA rate of Rs 3 / kWh having a shortfall of 10 Mus in the following slabs: $\leq 15\%$: 3 Mus $>15\%$, $\leq 25\%$: 2 Mus $>25\%$, $\leq 35\%$: 2 Mus $>35\%$: 3 MUS</p> <p>Charges payable for shortfall as per existing mechanism: $Rs (3*3+2*3*1.1+2*3*1.2+3*3*1.3) *10^6 = Rs 3.45$ crs</p>

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			<p>Assuming that the normal rate of charges of deviation as per proposed mechanism is Rs 3 / kWh, charges payable for shortfall as per proposed mechanism: $Rs (10*3 + 8*0.3)*10^6 = Rs 3.24 \text{ crs}$</p> <p>Hence, as per our preliminary observation, it seems that the proposed framework may inadvertently result in higher relaxation for WS Sellers at certain time periods only, when the normal rate of charges of deviation are discovered to be relatively less.</p> <p>Requesting the honorable Commission to kindly evaluate the possibility of the above scenario.</p>