

DHARIWAL INFRASTRUCTURE LIMITED

Appendix: Comments on Draft (DSM & Related Matters) Regulations, 2021

Regulation	Particulars	Comments and Suggestions
<p>Regulation 7</p> <p>Normal Rate of Charges for Deviations</p>	<p><i>Normal Rate of Charges for Deviations</i></p> <p><i>(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:</i></p> <p><i>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:</i></p> <p><i>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:</i></p> <p>.....</p>	<p>We request the Hon’ble Commission, not to link the Normal Rate of Charges for Deviation with the Weighted Average Ancillary Service Charge until the market of Ancillary Services completely matures and reflects participation of entities for substantial quantum in the overall country and further request the Hon’ble Commission to kindly consider the following observations:</p> <ul style="list-style-type: none"> • As the implementation of Ancillary Services Regulations is yet to be completely mature, the discovery of rates in the Ancillary Services framework may not be linked to normal rates of Charges for Deviation. Further, even an intermittent time span of monitoring the market for only one year may not be enough for the reasonable development of the Ancillary Services Market. Hence, in our humble opinion, the philosophy of this Hon’ble Commission that the charges for deviation should be linked to the costs of deploying ancillary services shall be done away with, till that time the Market reflects a larger participation in the overall country. • Further, the proposal of linking the Normal Rate of Charges of Deviation for one year with 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 may create uncertainty and unpredictability. • To optimally manage the operations, sellers as well as the buyers needs to be aware the charges/penalties applicable for deviation. To avoid such ambiguity, the Deviation Charges may be published by a competent authority (POSOCO/RLDC) prior to the start of respective time block.

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Appendix: Comments on Draft DSM (Fourth Amendment) Regulation,2018

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		<ul style="list-style-type: none"> Under competitive bidding scenario one has to bid tariff at competitive rate to win the bid. The generators while quoting tariff consider many factors impacting the tariff or may impact the tariff and one of the factors is DSM charges. The present amendment to DSM Regulation makes it difficult for bidders to determine the impact of DSM Regulations. Now, the DSM rate is totally market dependent (Rate discovered in DAM and RTM & Ancillary Services) which is unpredicted. This will decrease the predictability of assessment of deviation charges as Area Clearing Price in power exchanges varies significantly from around ₹ 3/unit to ₹ 16 /unit on time block wise. <p>In view of above, we suggest that the deviation charges should be capped at the contract rate at which it has been paid based on schedule, or in absence of a contract rate such deviation charges may be considered at rate of ACP of the DAM for the respective time block.</p>									
Regulation 8 (1) Charges for Deviation	<p>Charges for Deviation (1) Charges for deviation in a time block by a seller shall be payable by such seller as under:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Entity</th> <th colspan="2" style="text-align: center;">Charges for deviation payable to Deviation and Ancillary Service Pool Account</th> </tr> <tr> <th style="text-align: center;">Seller</th> <th style="text-align: center;">Deviation by way of over injection</th> <th style="text-align: center;">Deviation by way of under injection</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">For a general seller other than an RoR generating station or a</td> <td style="vertical-align: top;">(i) Zero up to 2% Deviation general seller (in %); (ii) @ 10% of the normal rate of</td> <td style="vertical-align: top;">(i) @ normal rate of charges for deviation up to 2% Deviation-general seller (in %);</td> </tr> </tbody> </table>	Entity	Charges for deviation payable to Deviation and Ancillary Service Pool Account		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	(i) Zero up to 2% Deviation general seller (in %); (ii) @ 10% of the normal rate of	(i) @ normal rate of charges for deviation up to 2% Deviation-general seller (in %);	<p>We request the Hon'ble Commission to do away with the proposal of initial capping of recovery of full deviation Charges for only up to 2% of the schedule in case of over-injection and under-injection and suggest that the deviation charges should be capped at the contract rate at which it has been paid based on schedule, or in absence of a contract rate such deviation charges may be considered at rate of ACP of the DAM for the respective time block.</p> <ul style="list-style-type: none"> While the Hon'ble Commission intends to further narrow the deviation bands to penalize even marginal deviations, in our humble opinion, such sudden move to a narrow deviation band, (of up to only 2%) is not reasonable. Market Participants such as General Seller will need more
Entity	Charges for deviation payable to Deviation and Ancillary Service Pool Account										
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	(i) Zero up to 2% Deviation general seller (in %); (ii) @ 10% of the normal rate of	(i) @ normal rate of charges for deviation up to 2% Deviation-general seller (in %);									

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	generating station based on municipal solid waste	charges for deviation beyond 2% Deviation-general seller (in %)	(ii) @ 110% of the normal rate of charges for deviation beyond 2% Deviation-general seller (in %).	<p>time to prepare themselves for operating under such a narrower deviation band. The proposed initial capping of percentage ranges of deviation would result in frequent and continuous corrective actions at all levels, i.e., grid operator, generating stations/sellers and the buyers/beneficiaries. Further, such actions may even have negative impact on overall situation as the same would also discourage timely and useful actions by the grid participants for safe and stable grid operation, i.e., under-injection when grid frequency is high and over-injection when grid frequency is low. The proposed provision is a complete contrary to the ABT mechanism which provide incentive and disincentive (penalty) mechanism both for the Market Participant, but the said provision restricts the Market Participant to only disincentive (penalty) mechanism. In view of the same we request; the Hon'ble Commission to do away with the proposed capping of 2%.</p> <ul style="list-style-type: none"> • It is further submitted that the Generators also contribute towards grid stability through RGMO. While the Generators shall make effort to adhere to the schedule but during an upward RGMO event, the Generator will automatically end up over injecting. It would be wrong to devoid the Generator of any compensation in such events, since the Generator has actually supported to maintain the grid stability through over injection. In view of the same, we request the Hon'ble Commission to allow thermal generators to recover fuel costs as Normal Deviation Charge, up to 5% of the deviation in case of over injection. • For a thermal generator having schedule under LTOA /MTOA /STOA, even in case of unit trip can revise the schedule only from 7th /8th time block (As per clause 6.5.18 of IEGC Regulations 6th Amendment, 2019).

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		<p>As per the proposed DSM Regulations, even in case of unit trip, the generator would have to pay penalties for under injection for at least 6-time blocks. Such event of unit trip is entirely uncontrollable for any generator, and current regulations does not have any provisions for early revision in schedule. In such scenario, although generator is willing to revise the schedule, however it is forced to deviate from the schedule. Hon'ble Commission is requested to keep suitable cap rate for under injection by generating station in case of unit tripping till the time schedule is revised to zero.</p> <ul style="list-style-type: none"> • For commercial implication let's understand it with an illustration, suppose the contracted VC for a plant under LT/MT PPA is Rs. 2.5/kWh and the normal charge of deviation for a particular time-block is Rs. 10.0/kWh. In case of under-injection, the generator would get revenue of Rs. 2.5/kWh for the scheduled quantum but as per the proposed draft it would have to pay the DSM charge of Rs. 11.0/kWh (110% of normal rate of charge). This results in effective penalty of Rs. 8.5 /kWh (11.0 – 2.5). However, if the same plant is tied up in spot market which will be closed to Normal rate of deviation i.e., Rs.8.0/kWh would have to pay penalty of Rs. 3.0/kWh (11.0 – 8.0). In view of same, we suggest that the normal deviation charges with suitable cap rates should be levied on generating stations for over injection/under injection up to 5% deviation as this may certainly happen during real time operational on account of uncontrollable factors which are unintentional.
Regulation 10 Schedule of	<i>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</i>	We request the Hon'ble Commission to allow the existing time period for the payment of Deviation Charges within 12 days instead of 7 days as proposed in the draft Regulation in view of undue pressure on generators

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Payment of charges for deviation	<i>of the issue of statement of charges for deviation by the Regional Power Committee, failing which late payment surcharge @0.04% shall be payable for each day of delay.</i>	who are already facing cashflow issues due to delayed payments from Discoms. <ul style="list-style-type: none">• Existing time period allowed for the payment of Deviation Charges is 12 days. Generators cashflow depends on payment from Discoms. As the Hon'ble Commission is aware of the fact that Discoms payment have been consistently delayed putting pressure on working capital of the sellers. In fact, for many generators such working capital limit has already exhausted. Proposed reduction in payment period from 12 days to 7 days would put undue pressure on generators who are already facing cashflow issues due to delayed payments from Discoms. • Further, even if there is no such cashflow issue from Discoms, 7 days seems to be very less, and delays might happen undesirably due to external factors. We request the Hon'ble Commission to allow 12 days of payment period along with 2 days of grace period for at least 5 instances of delayed payment.