

Ref: HFE/CERC/DSM21/COMM/FY21-22/005

08th Oct 2021

To

Sh. Sanoj Kumar Jha
Secretary,
Central Electricity Regulatory Commission,
3 rd & 4 th Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001
Tel: 011-23353503

Subject: Suggestions/comments on draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2021.

Dear Sir,

At the outset, we extend our gratitude to the Hon'ble Central Electricity Regulatory Commission for issuing the draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2021 and seeking stakeholder's comments on the same.

We would like to introduce 'Hero Future Energies Private Limited' (HFEPL), the renewable energy arm of Hero group and an Independent Power Producer (IPP) primarily focusing on investment in developing the generating capacities based on solar and wind resources across the country. The HFEPL portfolio is having 1.53 GW commissioned capacity and 325 MW under development stage for commissioning.

Hero Future Energies Private Limited hereby submits its suggestions/comments on 'CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2021' and same are attached as **Annexure-I** to this letter. We humbly request Hon'ble CERC to consider our suggestions while finalising the said Regulations.

This letter is signed digitally, we request you to consider this communication as formally signed and submitted.

Thanking you.

For Hero Future Energies Pvt. Ltd.



Ashish Nandan
Head - Regulatory Affairs and Commercial

Enclosure : As above.

HERO FUTURE ENERGIES PVT. LTD.

CIN: U40101DL2012PTC243852

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Annexure - I

Suggestions/comments on Draft (Deviation Settlement Mechanism and Related Matters) Regulations, 2021

Applicability:

Retrospective application of this regulation on WS generators will have huge financial implications on all existing WS generators and WS generators whose bid has been completed before the notification of this regulations as they have considered existing Deviation Settlement Mechanism for arriving at bid tariff. Therefore, we propose that, this Regulation should be made applicable only to the upcoming projects, whose bidding is concluded post notification of these regulations and for existing WS generators current Deviation Settlement regulation should be applicable.

Reasonable deviation limit for Wind & Solar generators:

The variability of Wind and Solar which is completely dependent on laws of nature cannot be avoided and so far, there has been no technological breakthrough to provide 100% accurate weather forecast. Therefore, we humbly request that at least $\pm 15\%$ deviation limit be allowed for both Solar & Wind technologies. This is the minimum reasonable limit considering the spatial resolution, time lag from transmission of data, margin of error and technological limitations etc. In fact, we would recommend to allow more than $\pm 15\%$ deviation limit for wind technologies considering the fact that in wind sites, neither gusts of wind nor sudden drop in wind can be predicted easily, causing over injection and under injection respectively.

Provision to reduce deviation in schedule through spot market purchase:

Due to invariable nature of RE power and lack of 100% accuracy in weather forecasting, it is difficult for WS generators to follow injection schedule and avoid deviation. In order to accommodate these deviations, we propose that WS generators should be allowed to buy/sell power from spot markets on real time basis to settle the deviation in injection schedules at any given time and reduce the impact of deviations on grid.

Normal Charges:

In the proposed draft, deviation charge is linked with spot price in DAM/RTM/Ancillary market, this may cause ambiguity on applicable charges for a particular time block. To optimally manage the operations, sellers as well as the buyers need to be aware of the charges/penalties applicable for deviation. To avoid such ambiguity, the deviation charges may be published by a competent authority in advance. Further, since older projects have much higher tariff compared to newer projects therefore same fixed deviation charges for both types of projects will have different impact on their cash flows and revenue. Thus, it would be prudent to have deviation charges for deviation beyond $\pm 15\%$ linked to range of applicable tariff e.g. projects below Rs.2/kWh tariff will have penalty of Rs. 0.05/kWh, for projects having tariff between Rs. 2/kWh - Rs.5 /kWh will have a penalty provision of Rs 0.10/kWh and projects having more than Rs. 5/kWh will have penalty of Rs.0.20/kWh.

Further clause wise suggestions/ comments are mentioned in table below

Sr. No.	Clause No.	Provision	Suggestion/Comment	Rationale
1.	Clause 8 (Table 1)	<p>Over Injection: For WS Seller, Deviation charge by way of over injection is zero.</p> <p>Under Injection: (i) Zero up to 10% Deviation-WS seller (in %); (ii) @ 10% of the normal rate of charges for deviation beyond 10% Deviation</p>	<p>Over Injection: We propose to allow 15% deviation for WS seller by way of over injection and any deviation more than 15% can be zero.</p> <p>Under Injection: We propose 15% deviation should be allowed for under injection and @10% of the normal rate of charges for deviation beyond 15% Deviation</p>	<p>Considering intermittent nature of RE power (Wind & Solar) and lower accuracy in existing weather forecasting tools and related operational challenges it is very difficult to forecast accurately for WS generators.</p> <ul style="list-style-type: none"> The proposed regulation does away with the principle of treating over injection (or positive Error) and under injection (or negative Error) on equal footing for reasons not mentioned in the Statement of Reasons. It appears that the regulations are biased against over injection and presupposes the availability of excellent weather data to preclude any over-injection error by the wind/solar generator. this bias against over injection would result into larger errors and consequent grid instability. The draft amendment without any band for over injection may lead to grid instability as generators will go for overscheduling upto 10% and under inject considering zero receivable in over injection. The solar/wind generators in order to avoid revenue losses would be compelled to give higher schedules (higher than forecast) so that Errors are in the negative side and low as far as possible defeating the whole purpose of DSM.

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2.	Clause 10 (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 late payment surcharge @0.04% shall be payable for each day of delay.	The settlement of charges for deviation shall have a high priority and the concerned regional entity shall settle the due amounts within 12 (Twelve) working days from the issuance of statement of charges for deviation provided that in case of any discrepancy in deviation charges the same shall be raised by the WS generator within 3 working days of issuance of statement of deviation charges and the discrepancy shall be resolved by the concerned Regional Power Committee before completion of 12 working days from issuance of statement of deviation charges , failing which late payment surcharge @0.04% shall be applicable for each day of delay.	Considering the involvement of huge amounts and complex calculations in Deviation settlement, 7-day timeline is very low. Further since it has been observed that at times there are few discrepancies in Deviation charges declared by Regional Power Committee, thus a timeline should be fixed for resolution of the same before due date of payment
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