

IWPA/CERC/2021-22/035

October 8, 2021

**Shri Sanoj Kumar Jha**  
**Secretary**

Central Electricity Regulatory Commission

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Dear Sir,

**Sub: Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021**

**Ref: No. L – 1/260/2021/CERC dated 07<sup>th</sup> September, 2021**

1. At the outset, the Indian Wind Power Association, whose members collectively own around 26,000 MW out of the total 39,000 MW of installed wind energy capacity in the country, respectfully compliments the Hon'ble Commission for the comprehensiveness of the subject Draft Regulations. The objective of the Regulations, as we see it, is built on the fundamental that users should not deviate from their schedule of drawal / injection of electricity. Any effort by users to control frequency or congestion would not be appreciated as this would be the sole responsibility of RLDC/NLDC. It is in the light of the above objective, and the provisions of the Electricity Act and the Indian Electricity Grid Code, insofar as they relate to Renewable Energy / Wind Energy, that we have looked at the Regulations and now put forth our views for consideration of the Hon'ble Commission.
2. With the objective of maintaining grid discipline and grid security, as envisaged under the Grid Code, through a commercial mechanism, through drawal and injection of electricity by the users of the grid, the Hon'ble CERC introduced the "The Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) Regulations, 2014 and the same came into force on 17.2.2014.
3. Based on various representations from IWPA and others to provide for greater deviation limit for better absorption of wind power, the Hon'ble CERC was kind enough and provided a deviation limit of 250 MW for RE rich states in its third amendment to its DSM Regulation which really helped SLDCs of RE rich states to evacuate more RE power.

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4. Subsequently another amendment was brought in to the DSM Regulations restricting the deviation in one direction to 6 time blocks and this resulted in grid curtailment of RE power to comply with the sign change. Aggrieved by this, we have been requesting to exempt the sign change requirement for RE power over the last 2 years. It is a known fact that RE power, being infirm, is bound to have deviations. The generation can be higher or lower than the forecast and hence deviation can be on both sides i.e. generation can be higher or lower. IWPA has been requesting to restore the method of providing absolute deviation limit for RE rich states to maximise RE evacuation.
5. With increase in RE penetration, RE rich states need supportive policies that would help maximise RE absorption without placing any additional financial burden on the host states in the form of DSM charges. The present draft seeks to do away with under drawal and states will be penalised even if they under draw by 1 MW, which is impossible for the RE rich states to comply with. This draft amendment, if implemented in the present form, will very severely affect the evacuation of wind power as SLDCs would curtail the RE power the moment they under draw, thus defeating the Government of India mandate to enhance the penetration of Renewable Energy. Under/over drawal is inevitable, particularly for RE rich states, as RE power tends to have sudden variations.
6. We from IWPA, therefore, request the Hon'ble CERC to provide a deviation limit of 250 MW for both under and over drawal for "RE rich states" (with RE installed capacity between 1000 MW and 10,000 MW) and a deviation limit of 500 MW for both over and under drawal for "RE Super rich states" (with an installed capacity above 10,000 MW). If deviation limits for both under and over drawal are not provided, it will directly impact the RE evacuation as SLDCs will start rampantly curtailing the RE power, as experienced in the past. Grid curtailment will affect project viability and the very purpose of RE power in reducing carbon emissions would not be realised. Therefore, kindly evolve a mechanism to receive/pay for Underdrawal / over drawal that is reasonable to the RE rich states.
7. With this preamble and without prejudice to the above, we offer our comments as below.

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(i) IWPA strongly objects to the proposal to withdraw the deviation limit for under drawal and requests that the same be provided for in the final amendment

(ii) **Definitions and Interpretation**

**Clause 3 (t): ‘Renewable Rich State’ or ‘RE-rich State’** means a State whose combined installed capacity of solar and wind power projects under the control area of the State is 1000 MW or more;

**IWPA suggests that the above clause be re-worded to read:**

**‘Renewable Rich State’ or ‘RE-rich State’** means a State whose combined installed capacity of solar and wind power projects under the control area of the State is **between** 1000 MW ~~or more~~ and 10,000 MW;

**‘Renewable Super-rich State’ or ‘RE Super-rich State’** means a State whose combined installed capacity of solar and wind power projects under the control area of the State is 10,000 MW or more

**Rationale:**

In the previous DSM Regulations, the “Renewable-rich State” was defined as below.

“Renewable-rich State” has been defined as a State that has 1000 MW or more of installed wind/solar capacity. Two categories have been considered, based on the total installed capacity:

Renewable rich States Category	Combined Installed capacity of wind and solar projects	Deviation limit under DSM Regulations
A	>1000 MW up to 3000 MW	200 MW
B	> 3000 MW	250 MW

But in the draft, it has been simply defined as “ a state with combined solar and wind power installed capacity of 1000 MW and above. The states like Tamil Nadu and Gujarat already have more than 10,000MW of combined solar and wind power installed capacity. It would be a real discrimination if 1,000 MW of infirm power is treated in the same manner as 10,000 MW of infirm power as far as grid safety and stability is concerned. The previous DSM Regulations treated above 3000MW capacity differently giving more deviation allowance.

In the same manner, Combined Installed Capacity of > 10,000 MW Wind & Solar projects in a state may be considered as “Renewable Super-rich State” and treated accordingly for the purpose of deviation Settlement Mechanism by permitting more charges free deviations. The current status of wind and solar capacities among the windy states is given below:

<b>Windy States - Capacity in MW</b>			
<b>State</b>	<b>Wind</b>	<b>Solar</b>	<b>Total</b>
Andhra Pradesh	4,179.00	2,882.00	7,061.00
Gujarat	6,471.00	3,703.00	10,174.00
Karnataka	4,741.00	3,191.00	7,932.00
Madhya Pradesh	2,416.00	1,560.00	3,976.00
Maharashtra	5,010.00	1,580.00	6,590.00
Rajasthan	4,292.00	3,438.00	7,730.00
Tamil Nadu	8,488.00	3,836.00	12,324.00

*Source: RLDC data as on 3/10/2021*

### (iii) Clause 8

#### Charges for Deviation

- 1 This regulation gives the impression of being a deterrent to over injection / under drawal. Hence, the possibility of wind curtailment is very high. Similarly, it is more supportive of over drawal.
- 2 Ultimately, regional entities are unlikely to monitor the Frequency signal and thus Grid discipline cannot be ensured with these penalties as all would try to under inject / over draw.

(iii) (a) **Sub Clause 8(1):** Charges for deviation in a time block by a seller shall be payable by such seller as under:

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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 WS seller	Zero	<p>(i) Zero up to 10% Deviation-WS seller (in %);</p> <p>(ii) @ 10% of the normal rate of charges for deviation beyond 10% Deviation-WS seller (in %):</p> <p>Provided that such seller shall pay back to the Deviation and Ancillary Service Pool Account for</p> <p>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</p> <p>schedule, or (b) in the absence of a contract rate at the rate of the Area Clearing Price of the Day</p> <p>Ahead Market for the respective time block.</p>

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**IWPA suggests that the above clause be re-worded to read:**

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 WS seller <b>and Captive wind and solar generators</b>	Zero	<p>(i) Zero up to <del>40</del> <b>15%</b> Deviation-WS seller (in %);</p> <p>(ii) @ 10% of the normal rate of charges for deviation beyond <del>40</del> <b>15%</b> Deviation-WS seller (in %):</p> <p>Provided that such seller shall pay back to the Deviation and Ancillary Service Pool Account for</p> <p>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</p> <p>schedule, or (b) in the absence of a contract rate at the rate of the Area Clearing Price of the Day</p> <p>Ahead Market for the respective time block.</p>

**Rationale:**

As per the definition of “seller” we believe that the seller includes “Captive solar and wind generators”. To give more clarity, the words “and captive wind and solar generators” have been added. Wind and solar being infirm power, it is reasonable to permit 15% deviation at zero charges.

**Observations:**

Wind Energy resources, which are regional entities, if they over inject from forecast, would not be paid, whereas if they under inject, then they need to pay at the rate of PPA for 10% under injection and beyond that pay 10% of deviation charge. Deviation charge would be based on the dispatched ancillary services. **With this, each RE generator would try to over forecast & if its generation is above forecast, it would be deemed curtailed [ as would be paid zero].**

**(iii) (b) Sub Clause 8(2):**

Entity	Charges for deviation payable to Deviation and Ancillary Service Pool Account	
Buyer	Deviation by way of under injection	Deviation by way of over injection
Buyer (being an RE Rich State)	Zero	(i) @ normal rate of charges for deviation up to 12% Deviation-buyer (in %) or 250 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  ii) @110% of normal rate of charges for deviation beyond the above limit.

**IWPA suggests that the above clause be re-worded to read:**

Entity	Charges for deviation payable to Deviation and Ancillary Service Pool Account	
Buyer	Deviation by way of under injection	Deviation by way of over injection
Buyer (being an RE Rich State). <b>The Buyer includes the distribution Licensee who provides open access and or Banking to captive wind / solar customers in its area of supply and the state in which such Distribution Licensee is distributing.</b>	Zero	(@ <del>Zero normal</del> rate of charges for deviation up to <del>15%</del> <del>12%</del> Deviation-buyer (in %) or 250 MW Deviation-buyer (in MWh) in a time block, whichever is lower;
		(ii) @ <del>100 %</del> <del>110%</del> of normal rate of charges for deviation beyond the above limit
Buyer (being an RE <b>Super</b> Rich State)  The Buyer includes the distribution Licensee who provides open access and or Banking to captive wind / solar customers in its area of supply and the state in which such Distribution Licensee is distributing.	Zero	@ <del>Zero normal</del> rate of charges for deviation up to <del>25%</del> Deviation-buyer (in %) or <del>500 MW</del> Deviation-buyer (in MWh) in a time block, whichever is lower
		(ii) @ <del>100 %</del> @ <del>110%</del> of normal rate of charges for deviation beyond the above limit

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### Observation

- a. RE Rich States would not be paid for under drawal, whereas they would be penalized up to 10% of Deviation charge above 250 MW of over drawal.
- b. Whereas states would always try to overdraw up to 250 MW, they would require to pay only energy charge rates of Ancillary services, beyond 250 MW. Also they would end up paying only 10% of Ancillary services which would be less than 50 paise.

We look forward to the suggested amendments being accepted by the Hon'ble Commission. We also look forward to an opportunity to a physical / virtual presentation of our views before finalization of the amendment by the Hon'ble Commission.

Thanking you,

Yours sincerely,

For Indian Wind Power Association



Ajay Devaraj  
Secretary General

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