

MB POWER (MADHYA PRADESH) LIMITED

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MBPMPL/ANP-I/CERC/21-22/647

20th October 2021

The Secretary,

Central Electricity Regulatory Commission (CERC) 3rd &
4th Floor, Chanderlok Building,
36, Janpath, New Delhi-110001.

Sub: Comments/ Suggestions of MB Power (Madhya Pradesh) Limited on the Draft Central Electricity Regulatory Commission Deviation Settlement Mechanism Regulations, 2021.

Dear Sir,

We write in reference to the Public Notice(s) dated 07.09.2021 and 08.10.2021 issued by this Hon'ble Commission vide which comments/ suggestions/ objections of the various stakeholders have been invited on the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matter) Regulations, 2021.

We, MB Power (Madhya Pradesh) Limited, are a Generating Company having an operational 1200 MW (2X600 MW) coal based Thermal Power Project in district Anuppur of Madhya Pradesh. We are hereby furnishing our detailed comments/ concerns/ suggestions on the said Draft Regulations (enclosed herewith as ***Annexure-I***) for the kind consideration of the Hon'ble Commission.

We hope that the Hon'ble Commission would acknowledge a genuine merit in our comments/ concerns/ suggestions and would consider the same favorably while finalizing these Regulations.

Thanking You

Yours Faithfully,



Abhishek Gupta

General Manager (Regulatory & Commercial)

MB Power (Madhya Pradesh) Limited

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Annexure-1:

Comments of MB Power (Madhya Pradesh) Limited on the Draft CERC (Deviation Settlement Mechanism and Related Matter) Regulations, 2021

1. Under the currently prevailing DSM Regulations, the generators are paid for over-injection based on the premise that they are assisting the grid frequency to be maintained within the permissible band. It has now been proposed that the system operator will manage frequency through the ancillary services. The generator can provide assistance in maintaining the frequency by participating in the Ancillary Service Mechanism and act on the instruction of the system operator rather than acting on its own driven by the price signal linked to frequency.

In the Draft Regulations, to account for metering error and operation of governor control on RGMO/FGMO some inadvertent deviation may take place and accordingly for up to only 2% over-injection, the charges for deviation has been proposed as zero. Over-injection beyond 2% will attract charges for deviation at the rate of 10% of normal rate of charges for deviation.

Regulation 5.2(f) of the IEGC specifies that the coal/lignite based generating stations with capacity of 200 MW & above; hydro stations with capacity of 25 MW & above and Open Cycle/Combined Cycle generating stations with capacity of 50 MW & above, shall keep their governors in RGMO. RGMO shall have feature such that there is no reduction in generation in case of improvement of frequency below 50.05 Hz. For any fall in frequency, generation from the generating station should increase by 5% subject to ceiling limit of 105% of MCR and subject to machine capability. Further, coal/lignite based generating stations with capacity of 200 MW & above; hydro stations with capacity of 25 MW & above and Open Cycle/Combined Cycle generating stations with capacity of 50 MW & above operating at or up to 100% of their MCR shall have capability of (and shall not in any way be prevented from) instantaneously picking up to 105%, 105% & 110% of the MCR respectively when frequency falls suddenly

In view of the above, there seems to be no justification to fix the limit of over injection and under injection to only 2% when thermal and hydro generating stations are required to operate in RGMO/FGMO with the above conditions specified in the IEGC. As such the limit for under injection and over injection needs to be increased to at least 10% for thermal and hydro generating stations. Further, the thermal generating stations cannot be denied the payment of energy charge (towards the coal consumed) for deviation due to

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over-generation when the over-generation has been caused due to compliance of the provision of IEGC. Similarly, any the generating unit under-injecting due to governor action as per the provisions of IEGC should not be penalized.

It may further be noted that under the Draft Regulations, over-drawl by a buyer is penalized @ 110% of the proposed normal rate of charges for deviation. In an event of simultaneous over-injection by a generating station and over drawl by a buyer, levy of deviation charges on both such generating station and buyer and denying payment to the generator for over injection up to the specified limit due to governing action or metering error will result in unreasonable payment into the deviation charges pool account.

In view of the above, it is strongly proposed that for thermal generating stations:

Under Injection

- a) For under-injection $\leq 5\%$, the deviation charges be levied at the current capping of Rs 3.03/kWh.
- b) For under-injection $> 5\%$ and $\leq 10\%$, the deviation charges be levied at the proposed normal rate of charges for deviation.
- c) For under-injection $> 10\%$, the deviation charges be levied at the proposed 110% of normal rate of charges for deviation.

Over Injection

- d) For over-injection $\leq 5\%$, no deviation charges be imposed and the generators be paid @ the current levels of Rs 3.03/kWh.
 - e) For over-injection $> 5\%$ and $\leq 10\%$, no deviation charges be imposed and the generators be paid @ at the proposed normal rate of charges for deviation
 - f) For over-injection $> 10\%$, the deviation charges be levied at the proposed 10% of normal rate of charges for deviation
2. The Draft Regulations are premised on the rationale that frequency control is to be essentially achieved through Ancillary Services as such no incentive is proposed for over-injection in grid during low frequency and/or under-injection in grid during high frequency.
 3. Accordingly, it is proposed that till the Ancillary Services markets get matured, to ensure grid stability, certain incentives be allowed for the generators for over-injection in grid during low frequency and/or under-injection in grid during high frequency and these incentives may be phased out in a staggered manner.

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4. It is submitted that there are certain events beyond the reasonable control of a generator resulting in deviation. As such, following events resulting in deviation may be exempted from levy of deviation charges:
- a) **RSD**: When the generating station/unit is under RSD, any import may be net off with subsequent export, as RSD is essentially on account of the directions of the beneficiary/ LDC and as such Generator should not be penalized for RSD auxiliary consumption in terms of deviation charges.
 - b) **Forced Outage**: Generators shall not be penalized in case of Forced Outage of such Generators who are under Forced Outage at least till 8 time blocks. Since Exchange Transactions cannot be revised for the day and STOA revision can be implemented only from 7th block onwards. Further at least 5-6 time blocks will be required to procure power even in RTM.
 - c) **Transmission Line Outage**: Generators shall not be penalized in case of deviation resulting out transmission line outage.
 - d) **Technical Minimum Schedule not provided by the beneficiaries**: No deviation charges be levied on those generators who are not given Technical Minimum schedule by their beneficiaries, as in such case, generator will have no option but to over inject for efficient operations of the generating station.
5. **Publication of DSM Rates by POSOCO/ RLDC**: In the Draft Regulations, the deviation charge is linked with the highest spot price in either of the DAM, RTM or 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 needs to be aware the charges/penalties applicable for deviation. **To avoid such ambiguity, the applicable deviation charges should be published by a competent authority (POSOCO/ RLDC) prior to the start of respective time block.**
6. CERC (Ancillary Services) Regulations, 2021 is still in the draft phase. The 'regional entities' or 'directly affected parties' cannot quantify its impact on them. Hence, the **Hon'ble CERC is requested to wait at least 1 year after the finalization of Ancillary Service Regulations 2021 in order to analyze its impact on the power market and then provide a mock trial run period for 6 months for the smooth transition of linking of 'Normal Deviation Charges' to 'Weighted Average Ancillary Service Charges' methodology.**

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7. Facility of schedule revision may be provided to short-term generators, similar to long-term/medium-term PPAs generators, in case of partial generation on account of technical abnormality in order to lessen the burden of deviation charges.
8. Payment Due date: As per Clause 10.1 of the draft Regulations, 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 time period allowed for the payment of deviation charges as per the existing Regulations is 12 days. As the Hon'ble Commission is well aware, the generators' cashflow depends on payment from the Discoms, and these payments have been consistently delayed, thereby putting pressure on the working capital of the generators. 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 apart from such cashflow issue from Discoms, 7 days timeline appears to be very less and there is every chance that delays may happen due to unforeseen factors. We request the Hon'ble Commission to retain the period of 12 days for payment.