

PCBL/2021-22/CERC/01

08th October 2021

Mr. Sanoj Kumar Jha,
Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor,
Chanderlok Building,
36 Janpath,
New Delhi - 110 001.

Sub: - Comments/Suggestions on "Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021".

Dear Sir,

This has reference to the public notice No. L-1/260/2021/CERC dated 07th September 2021 inviting comments / suggestions / objections from all stakeholders and interested persons on "**Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021**" issued by Hon'ble Central Electricity Regulatory Commission.

Accordingly, in this regard, kindly find our comments/suggestions/objections enclosed as Annexure to this letter for your kind consideration.

Thanking You.

Yours faithfully,

SP Jain

Suraj Prakash Jain
Divisional Head-Power

Enclosed: As stated above

Communication by email to 1. secy@cercind.gov.in 2. rashmi@cerc.gov.in

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Comments / Suggestion / Objection by Phillips Carbon Black Limited (PCBL)

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

Sr.no	Clause no	Clause refers to	Comments/Suggestions
1	Regulation 8(1)	Charges for deviation in a time block by a seller shall be payable by such seller as given in the table	<p>As per Electricity Act, Section 61. Tariff Regulation, the appropriate commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely. 61(h) The promotion of co-generation and generation of electricity from renewable sources of energy.</p> <p>In view of the above, we request Hon'ble commission to also consider a separate category titled "A general seller based on CO-GENERATION" for DSM charges like what is already proposed for a general seller based on Municipal Solid Waste, being an RoR generating station or for WS seller based on wind or solar energy. DSM Charges for co-generation should be same, as applicable to a generating station based on municipal solid waste.</p> <p><u>Clarification and Examples:</u></p> <ol style="list-style-type: none"> 1. Many co-generation plants are based on purely industrial waste gases and are not allowed to use any auxiliary supplementary fuel to maintain constant power output. For such co-generators, it will be extremely difficult to comply with proposed DSM regulation due to in-firm nature of power generation. Example – In Carbon Black Industry, such as ours, co-generation is purely based on industrial waste gas (known as tail gas) and are not allowed to use any auxiliary/ supplementary fuel to maintain constant power output. Also, the quantity of waste gas (tail gas) and its calorific values keeps varying as per the production run rate / grade mix of carbon black being produced and hence the in-firm power generation process is similar in nature like MSW waste to energy project. Waste to energy plants like based on tail gas, operate in a manner where the steam generation follows the fuel. i.e., turbine does not "demand" steam from boiler but generates only as much steam is being provided by the boiler. This is known as "fuel follow" or "boiler follow" mode. In contrast, conventional power plants operate in "turbine follow" mode where the boiler delivers the steam requirement for turbine to match the schedule. 2. Co-generation may be forced to vent waste gas into atmosphere to maintain constant power schedule to avoid DSM Penalty, which may lead to chances of atmospheric pollution, impact on the nearby society and underutilization of GREEN energy sources which helps in reducing fossil fuel consumption in the country by displacing equivalent amount of fossil fuel-based electricity in the grid.

			<p>3. If co-generation plants, which offers high energy efficiency, are not treated at par with other proposed renewable source like RoR, MSW, Solar and wind for DSM regulation, it will be contrary to the provision of electricity Act which mandates promotion of both co-generation and renewable energy sources. If co-gen is not included separately /along with other renewable sources like RoR, MSW, solar and wind, it will also be discriminatory treatment to co-generation projects and may prove counterproductive to energy efficiency drive of the country to reduce carbon footprint.</p> <p>4. The following argument has been given in explanatory notes: “It is a fact that the generators (other than RoR, MSW and wind and solar generators) have much better control over their generation. They can decide time block schedule, taking into account fuel availability and technical parameters, and determine with precision their generation output. Thus, there is no case for such generators to deviate from their schedule.”</p> <p>Above argument is erroneous as due consideration has been missed out clearly for co-generators / projects which are normally small capacity and is purely based on industrial waste gases with no auxiliary fuel for precise control as per schedule. We request suitable consideration for such projects as well, which may be covered under proposed co-generation or other suitable category as honourable commission deem fit.</p> <p>5. Also, it is impractical to treat all sellers from big to small under the same DSM rule. For example, a small co- generator, exporting surplus power of 5 MW to grid, for them 2% from schedule is only 100 KW maximum which could be inadvertent easily due to various technical issues and constraints and practically they cannot avoid penalty, which will be detrimental to their project economy and violate legitimate expectation from the project, when it was set up as many states has upper cape on the sale price of power from co-generation. For such small co-generators, we request honourable commission to relax provision and allow deviation up to 1 MW or 20% of schedule, whichever is higher for DSM regulation, on ground of practical difficulty.</p>
2	Regulation 8(1)	General comment/suggestion /objection on DSM charges	<p>Proposed DSM Charges is impractical for small sellers such as captive generators, co-generators, other generators selling surplus power to the grid as per open access regulation. For example, a small generator, exporting surplus power up to 25 MW to the grid, for them 2% deviation from schedule is merely 500 KW (maximum). Such small deviation, which could be due to various operational / technical constraints, meter related issues etc. will not affect grid stability significantly. For such small generators, we request honourable commission to relax provision and allow deviation up to 1 MW or 20% from the schedule, whichever is higher, free from DSM charges on practical ground.</p>