

At the outset, Statkraft would like to thank the Honourable Commission to consider revising the DSM regulations based on market prices to reflect approximate balancing cost. However, the Regulations propose deviation charges to be levied by way of under/ over injection and over drawal without considering the mutually cancelling deviations among the involved entities helping in maintaining the grid. Over-supply and under-drawal by one set of entities gets automatically balanced by under-supply and over-drawal by another set of entities, and vice-versa. This keeps on happening dynamically, and it would be most unfair to blame either set of entities for the ensuing deviations.

Clause wise comments are submitted as below:

| S.No | CERC Draft DSM regulations   | Statkraft's Comments/ Suggestion   |
|------|--|--|
| 1    | <p><b>5. Adherence to Schedule and Deviation</b><br/>           (1) ...<br/>           (2) Any deviation shall be managed by the Load Despatch Centre as per the Ancillary Services Regulations, and the computation, charges and related matters in respect of such deviation shall be dealt with as per the following provisions of these regulations.</p> | <p>The proposed mechanism of penalizing the connected entities on deviating from the schedule provides no incentive for the counterparties to initiate quick actions to support the grid instantly or in the moment of grid fluctuation.</p> <p>In our view, neither Real Time Market ACP nor Day Ahead Market ACP are correct reflection of the grid conditions during the time-block when deviation happens. Hence it makes sense for the Honourable Commission to implement these regulations only when Ancillary Services regulations are implemented and AS market is operational for at least 6 months. As such in the meantime the AS market shall be firmed up and participants would have enough time to adopt to new operational and commercial impacts.</p> |

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| 2    | <p><b>Charges for Deviation</b><br/>           (1) Charges for deviation in a time block by a seller shall be payable by such seller as under:</p>  | <p>It is hereby submitted that the deviations are inevitable for solar, wind and small hydro sources as no forecasting tool predicts the output accurately, it is submitted that these green power resources should be supported and promoted by way of position correction way out to manage the commercial impacts.</p> <p>In our humble view, RE generators should be allowed to buy in RTM and correct their position to avert the financial consequences. Hence, corresponding Regulations would also be required to be drafted to include the same.</p> |
| 3.   | <p>The charges for inter-regional deviation and for deviation in respect of cross-border transactions, caused by way of over-drawal or under-injection shall be payable at the normal rate of charges for deviation</p> | <p>It is suggested that there should be seamless applicability of the deviation charges as more distinctions may lead to more distractions or complications as our power system is complex in itself.</p>   |