

**Tata Power Comments on “Draft CERC Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021”**

We welcome the Draft (DSM) Regulations, 2021 as it will lead to a more robust and secure grid and promote operational efficiency. The Draft Regulations proposes to do away with the provisions related to “Additional Deviation Charges” and “Sign Change Requirement”, which is a much-needed step. The “Sign Change Requirement” of the current DSM Regulations is leading to imposition of huge DSM penalties on DISCOMs and in turn is leading to more RE power curtailment by DISCOMs.

We also note from the Draft Regulations that Generators and DISCOMs would no longer be paid from the Deviation Pool in case of over-injection/ under-drawal, as the case maybe. Instead, both these entities may participate in the Ancillary Market to get paid for providing Ancillary Services. While it is easier for the generators to participate in the Ancillary Market to provide both UP and DOWN Ancillary Services, the same is not true for DISCOMs. As per Ancillary Regulations, DISCOMs may participate through providing Demand Response. However, in current scenario Demand Response (variation in electricity consumption by end consumers as per system requirements) does not exist. Other possible Demand Response services like energy storage systems are also at nascent stage of development. Hence, we propose that till the time Demand Response is not fully developed, DISCOMs may continue to be paid for under-drawal, at least equivalent to Ancillary Service charges when the same is aiding system maintain frequency within the band.

Please find below our detailed comments on the Draft (DSM) Regulations, 2021

S.No.	Clause No & Details	Comments/Suggestions	Rationale for Suggestions
1.	<b>3 (1) (j)</b> 'Contract rate' means the tariff for sale or purchase of power, as determined under Section 62 or adopted under Section 63 or approved under Section 86(1)(b) of the Act by the Appropriate Commission or the price as discovered in the Power Exchange, as the case may be;	'Contract rate' means the tariff for sale or purchase of power, as determined under Section 62 or adopted under Section 63 or approved under Section 86(1)(b) of the Act by the Appropriate Commission or the price as discovered in the Power Exchange <b>or the price as mentioned in the Power Purchase Agreement/Letter of Intent</b> , as the case may be;	<b>Bilateral Power Purchase Agreements, signed between Consumers (including group captive and captive consumers) and generators</b> need to be covered under the definition
2.	<b>7 Normal Rate of Charges for Deviations</b> .....Provided that for a period of one year from the date of	.....Provided that for a period of one year from the date of effect of these regulations or such further period as may be notified by the	DAM market does not provide the real time scenario of the grid condition. RTM Market is very close to the delivery period and can give a correct scenario of

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	effect of these regulations or such further period as may be notified by the Commission, the normal rate of charges for deviation for a time block shall be equal to the highest of [the weighted average ACP of the Day Ahead Market segments of all the Power Exchanges; or the weighted average ACP of the Real Time Market segments of all the Power Exchanges; or the Weighted Average Ancillary Service Charge of all the regions] for that time block.....	Commission, the normal rate of charges for deviation for a time block shall be equal to the highest of <del>[the weighted average ACP of the Day Ahead Market segments of all the Power Exchanges;</del> or the weighted average ACP of the Real Time Market segments of all the Power Exchanges; or the Weighted Average Ancillary Service Charge of all the regions <b>(as and when it is available)</b> ] for that time block.....	real time situation. RTM market has been consistently trading at around 1600 Mus on monthly basis and the liquidity has been increasing month on month. Averaging is being suggested to avoid the extreme prices which RTM is witnessing currently.  In view of the above RTM prices may be taken for determining the normal rate of deviation. In the absence of RTM price in any time block, DAM price for the time block may be considered for determining the normal deviation rate
3.	<b>8 (1) Charges for Deviation</b> Deviation by way of under injection. For a general seller other than an RoR generating station, or a generating station based on municipal solid waste <b>(i)</b> @ normal rate of charges for deviation up to 2% Deviation-general seller (in %); <b>(ii)</b> @ 110% of the normal rate of charges for deviation beyond 2% Deviation-general seller (in %)	<b>Clarification is sought that for deviation beyond 2%, charges to be calculated shall be 110% over &amp; above the normal deviation charges or 10% over &amp; above normal deviation charges. For example, assuming Normal Deviation Charges to be Rs 2/kWh, will Deviation Charges beyond 2% limit be Rs 2.20/kWh or Rs 4.20/kWh?</b>  <b>It is requested that the calculation of Deviation Charges may be explained through suitable illustrations</b>	Illustration will help in better understanding of the Regulations
4.	<b>8 (1) Charges for Deviation</b>	Following is suggested:	i. Prime fuel for coal-based generators is coal. Physical and

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	<p>For a general seller other than an RoR generating station or a generating station based on municipal solid waste</p> <p>Deviation by way of over injection.</p> <p>(i) Zero up to 2% Deviation-general seller (in %);</p> <p>(ii) @ 10% of the normal rate of charges for deviation beyond 2% Deviation-general seller (in %)</p> <p><b>Deviation by way of under injection.</b></p> <p>(i) @ normal rate of charges for deviation up to 2% Deviation-general seller (in %);</p> <p>(ii) @ 110% of the normal rate of charges for deviation beyond 2% Deviation-general seller (in %)</p>	<p>i. ± 2% Deviation from Scheduled Generation (SG) should not be considered as a deviation from SG for coal-based power generator &amp; it should not attract any deviation charges</p> <p>ii. For over-injection beyond 2%, the deviation shall be charged at 10% of PPA Tariff - VC and not @ normal rate of charges for deviation. The quantum of risk should be a known definite quantum and cannot be linked to Ancillary Services rate till the latter is mature enough.</p> <p>iii. For under-injection – @ normal rate of charges for deviation from 2% to 5% Deviation-general seller (in %); @ 110% of the normal rate of charges for deviation beyond 5% Deviation-general seller (in %)</p>	<p>chemical properties of coal don't remain constant. Generators shall not be penalized for such deviations. The explanatory memorandum also recognizes that generators may have inadvertent deviation and hence under-injection till 2% shall also attract no penalty.</p> <p>ii. For over-injection, the generator is in any way unable to recover its variable cost. This under-recovery is sufficient penalty for such generators. No penalty has been imposed on other set of sellers in case of over-generation and same shall be extended to General Sellers too. However, if any penalty is to be imposed it may be linked to the PPA tariff - VC and not to DAM/RTM/Ancillary Service charges.</p> <p>iii. Mill / Feeder tripping is a very common phenomenon in Thermal power plant, especially in monsoon and cannot be avoided. In case of any Mill / Feeder tripping the load will drop by 2-5%</p>

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		<p>iv. During Activation of RGMO in either direction, there is a chance of deviation from SG which may be more than 2% of SG also. Such deviation from SG shouldn't be considered as a violation &amp; no Deviation charge should be applicable to generator</p> <p>v. In case of Forced outage, the DSM charges should be 50% of normal deviation rate up to 6th time block from declaration of the force outage by the generator and thereafter same as normal deviation charges.</p>	<p>iv. Generators operating as per RGMO are supporting the Grid and should not be penalized for any deviations</p> <p>v. Since there is narrow band for under injection i.e., upto 2% (earlier it was 12% or 150MW whichever is less). In case of forced outage of unit, the generator may have to bear impact of DSM during under injection. <b>During forced outage, which is unintentional, the generators have option to purchase power from 7<sup>th</sup> / 8<sup>th</sup> time block. In order to reduce the impact of DSM during Forced Outage, it is proposed that the DSM charges should be 50% of normal deviation rate up to 6<sup>th</sup> time block and thereafter same as normal deviation charges.</b></p>
5.	<p><b>8 (1) Charges for Deviation by way of under injection</b> For a general seller being an RoR generating station</p>	<p>For a general seller being an RoR generating station (i) @ normal rate of charges for deviation up to 12% <b>or 48 MW,</b></p>	<p>Due to unpredictable nature of generation for ROR Hydro, the ROR plants does not have control over power generation as the same is dependent on water inflow. For</p>

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	(i) @ normal rate of charges for deviation up to 12% Deviation-general seller (in %); (ii) @ 110% of the normal rate of charges for deviation beyond 12% Deviation-general seller (in %).	<b>whichever is higher (For schedule &lt; 400 MW)</b> Deviation-general seller (in %); (ii) @ 110% of the normal rate of charges for deviation beyond 12% Deviation-general seller (in %). OR <b>RoR seller may be given additional option for purchase through RTM for under injection up to 12% or 48 MW)</b>	RoR having schedule up to 400 MW, the variation of 12% is a small margin and it will impact the generator towards higher deviation charges. Hence, provision of 48 MW may be given to the generators within which normal deviation charges may be applicable. <b>Alternately, they may be given option to correct their position in real time.</b>
6.	<b>Clause 8 (1): Charges for Deviation</b> For a general seller being a generating station based on municipal solid waste. Deviation by way of under injection. i. Zero up to 20% Deviation-general seller (in %); ii. @ normal rate of charges for deviation beyond 20% Deviation-general seller (in %). limit.	<b>The Proviso provided for WS sellers shall be added for MSW generators otherwise same shall lead to gaming by MSW generators.</b> <i>Provided that such seller shall pay back to the Deviation and Ancillary Service Pool Account for 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 schedule, or (b) in the absence of a contract rate at the rate of the Area Clearing Price of the Day Ahead Market for the respective time block.</i>	The clause allows the deviation limit of 20% at the time of under injection by MSW generators without paying any charges. <b>The same may lead to gaming as the generator may continuously provide its schedule at 100% of its capacity and under inject 20% of the power without paying any DSM Charge/penalty and will be recovering full tariff from the beneficiaries.</b> For Municipal Solid waste, Ministry of Power Policy dated 23rd July'2021 envisages scheduled generation as Actual. The provision of WS sellers at the time of under injection may be added for MSW generators to avoid gaming.
7.	<b>Clause 8 (1): Charges for Deviation</b> For WS Sellers – No deviation charges payable by WS Sellers for	It is suggested that WS Sellers should be paid for over-injection as below: (i) Deviation till 15% - 100% of PPA Tariff	Wind and Solar generation are infirm in nature and is completely dependent on weather parameters such as wind speed, radiation, cloud cover, rainfall etc. (which

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	over-injection. WS Sellers will not be paid any charges for over-injection	(ii) Beyond 15% deviation - 90% of the PPA Tariff	is not in the control of sellers). Even with best efforts Over Injection is expected to happen, hence the surplus energy supplied by seller should be paid at the contract rate. Moreover, non-payment of over-injected units tantamount to dilution of MUST RUN status.  Also, as WS Sellers are asked to return the amount for under-injected units, they may be paid for over-injection too
8.	<p><b>Clause 8: Charges for Deviation</b> Charges payable by WS Sellers for under injection –</p> <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 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 schedule, or (b) in the absence of a contract rate at the rate of the Area</p>	<p>Charges payable by WS Sellers for under injection –</p> <p>(i) Zero up to <b>15% 10%</b> Deviation-WS seller (in %);</p> <p>(ii) @ 10% of the <b>PPA Tariff normal rate of charges</b> for deviation beyond <b>15% 10%</b> Deviation-WS seller (in %):</p> <p>Provided that such seller shall pay back to the Deviation and Ancillary Service Pool Account for 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 schedule, or (b) in the absence of a contract rate at the rate of the Area Clearing Price of the Day Ahead Market for the respective time block.</p>	<p>Wind and Solar generation are infirm in nature and is completely dependent on weather parameters such as wind speed, radiation, cloud cover, rainfall etc. (which is not in the control of sellers). Even with best efforts Under Injection is expected to happen in some time blocks.</p> <p>Linking the DSM penalty to DAM/RTM/Ancillary Prices will impose high penalties on WS Sellers for such inadvertent deviations. In view of the above we propose to link the penalty to PPA Tariff</p>

**Tata Power Comments on “Draft CERC Central Electricity Regulatory Commission  
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	Clearing Price of the Day Ahead Market for the respective time block.		
9.	<p><b>Clause 8 (2)</b> Charges for deviation in a time block by a buyer shall be payable by such buyer as under Deviation by way of under drawal – Zero</p>	<p>(i) DISCOMs shall be paid for under drawal equivalent the weighted average Ancillary Service Charge for that time block OR at least compensated for what they have to pay their generators for the scheduled energy. Provided, that Distribution utilities should not be held accountable in the event of imposition of DSM amount due to unavailability of transmission network either at central or state level.</p>	<p>DISCOMS are not being paid for under-drawal. Let’s consider an under-frequency scenario caused by some DISCOMS overdrawn. This must be matched by Ancillary-UP from generators. Currently, reliance on providing Ancillary services has been placed largely on thermal generators in the absence of enough variety in the ancillary segment. What happens in a coal crunch scenario or any other such eventuality which may happen? It is the DISCOM who can support the grid through under-drawal. In the absence of Demand Side resources, such DISCOMS can be paid Ancillary Service Charge. At least, they should be compensated for payment of SG charges to their scheduled generators. Otherwise it would result in enrichment of the pool at the cost already stressed DISCOMS. This may be corrected. It</p> <p>Further, as per CERC Terms and Condition of Tariff Regulations'19, the transmission system can recover its full cost at an availability of 98% however DSM Regulations don’t have such cushion for utilities. And hence for</p>

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		(ii) Moreover, gradually, the timelines for real time market should be compressed further, so that entities may trade to near time and correct their positions and avoid deviations which is the central theme of these Regulations	transmission system unavailability, there should not any deviation charge for resultant deviation by DISCOMS.
10.	<b>Clause 8 (3) (b)</b> The charges for deviation for drawal of start-up power before COD of a generating unit or for drawal of power to run the auxiliaries during shutdown of a generating station shall be payable at the normal rate of charges for deviation.	The charges for deviation for drawal of start-up power before COD of a generating unit or for drawal of power to run the auxiliaries during shutdown of a generating station shall be payable at the normal rate of charges for deviation. <b>Provided that for WS Seller, charges for start-up power and drawal of power to run the auxiliaries during shutdown of a generating station shall be payable at the PPA Tariff</b>	The current practice of charging start up power at PPA Tariff shall be continued for WS Seller
11.	<b>Clause 9 (6)</b> Deviation and Ancillary Service Pool Account shall be charged for: (i). the full cost of despatched SRAS-Up including the variable charge or the energy charge or the compensation charge, as the case may be, for every time block on a	If renewable generators or generators eligible for RPO/HPO compliance are used for providing Ancillary Power at time of SRAS-Up and TRAS-Up, the same should get accounted for RPO & HPO of the concerned DISCOM which is overdrawing the power.	As RPO/HPO compliance is mandatory for DISCOMS, the power scheduled to the beneficiary from RE sources or the Plants eligible for RPO/HPO at the time of over drawl shall be accounted for in RPO and HPO of DISCOMS



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	<p>regional basis as well as the incentive for SRAS, payable to the concerned SRAS Provider as referred in the Ancillary Services Regulations.</p> <p>(ii). the full cost towards TRAS-Up including the charges for the quantum cleared and despatched and the commitment charge for the quantum cleared but not despatched as referred in the Ancillary Services Regulations.</p>		
12.	<p><b>Clause 9 (7)</b>            .....Provided that in case the surplus amount in the Deviation and Ancillary Service Pool Accounts of all other regions is not sufficient to meet such deficit, the balance amount shall be recovered through the RLDC Fees and Charges</p>	<p>It is suggested that instead of recovering the deficit amount through RLDC Fees and Charges, the same may be recovered from the entity which has caused the Ancillary Services to be despatched</p>	<p>Recovery from RLDC Fees and Charges would unfairly burden the non-defaulting entities too. Instead, the causer of such deficit should be asked to pay</p>
13.	<p><b>Clause 10 (1)</b>            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.</p>	<p>The payment of charges for deviation shall have a high priority and the concerned regional entity shall pay the due amounts within <b>10 (ten) 7-(seven)</b> days of the issue of statement of charges for deviation by the Regional Power Committee, failing which late payment surcharge <b>@ SBI MCLR + 3.5% @0.04%</b> shall be payable for each day of delay.</p>	<p>The current due date of making DSM charges payment within 10 days of issue of statement of charges should be continued</p> <p>The late payment surcharge may be linked to SBI MCLR</p>

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		<b>Further, in case entities are to be paid for over-injection, such payments shall be made within 14 days of issue of statement of charges</b>	
14.	<b>Clause 10 (2)</b> Any regional entity which at any time during the previous financial year fails to make payment of charges for deviation within the time specified in these regulations, shall be required to open a Letter of Credit (LC) equal to 110% of their average payable weekly liability for deviations in the previous financial year in favour of the concerned Regional Load Despatch Centre within a fortnight from the start of the current financial year	Any regional entity which at any time during the previous financial year fails to make payment of charges for deviation within the time specified in these regulations, shall be required to open a Letter of Credit (LC) equal to 110% of their average payable weekly liability for deviations in the previous financial year in favour of the concerned Regional Load Despatch Centre within <b>30 days a fortnight</b> from the start of the current financial year	The last DSM statement for a financial year ending on 31 <sup>st</sup> March may be issued by 15 <sup>th</sup> April (as the regulations give a gap of 9 days from end of week to publishing of DSM statement). In case default is in last bill, the defaulter may be given time of 30 days to open the LC
15.	<b>New Clause below Clause 9 (7) to be added</b>	<b>The surplus amount, if any in the Deviation and Ancillary Service Pool Accounts as on last day of the month, shall be transferred to "Power Systems Development Fund" specified by the Commission in the first week of the next month and shall be utilized, for the purpose specified by the Commission.</b>	Any surplus in the Pool Account may be used for grid strengthening, development of battery storage as grid asset (which can work as primary ancillary service provider) etc or any other purpose specified by Hon'ble Commission
16.	<b>General Comment</b>	Schedule revision of Wind and Solar shall be synchronized with gate closure in RTM	For Solar and Wind generators revision in schedules get effected from the 4 <sup>th</sup> time block. Whereas for DISCOMS the gate

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			<p>closure in RTM is before 6- &amp; 7-time blocks. Any deviation in generation of Solar and Wind after the gate closure in RTM will lead to Under/Over Drawl and in case of over drawl DISCOM will be liable to pay the DSM charges as per the current draft. The Schedule revision of Solar and Wind generators should be synchronized with gate closure in RTM for maintaining the grid stability and both should be brought closer to real time. It would also serve the interests of RE generators to have their revised schedules becoming effective closer to the time of revision.</p>
17.	<b>General Comment</b>	No DSM penalty shall be applicable on generators while they are Ramping Up or Ramping Down	<p>As per current Tariff Regulations, thermal generators should have a minimum ramp rate of 1%. Based on this ramp rate schedules of generators are revised. For example, consider a 1000 MW generator having a ramp rate of 1%. The schedule in Time Block-1 (T-1) is 700 MW. Based on Ramp Rate of 1%, the schedule is revised to 850 MW in T-2. Technically it is not possible to ramp up the generation from 700 MW in T-1 to 850 MW in T-2 in a linear way – this will vary depending on the load, the make and the system configuration. The most a generator can do is that by the end of T-2, it achieves the</p>

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			<p>schedule of 850 MW. This would apply to all time blocks when ramping up/ down is taking place. This constraint in Ramp operations has been recognized in the Ramp Up/Ramp Down Operating Procedure published by POSOCO.</p> <p>Based on the above, it is suggested that no DSM charges shall be payable for time blocks when Ramp Up/Ramp Down operation is in progress. The actual generation should be deemed to be the schedule during the time block.</p>
18.	<b>General Comment</b>	SERCs may also be asked to notify Deviation Settlement Regulations which are consistent with the CERC DSM Regulations and CERC Ancillary Service Regulations	
19.	<b>General Comment</b>	For smooth operation of proposed DSM Regulation, it is imperative that we have a well-functioning Ancillary Service Market. We request that along with the Ancillary Services mentioned in the CERC Ancillary Service Regulations, the Hon'ble Commission may also notify Regulations related to creation of Spinning Reserves in the system	