



No. IEX/RA/031/21-22

Date: 03.07.2021

To,

The Secretary  
Central Electricity Regulatory Commission  
3<sup>rd</sup> & 4<sup>th</sup> Floor, Chanderlok Building  
36, Janpath  
New Delhi - 100 001,  
Fax: 011-23753923

**Sub: IEX Comments on Draft Central Electricity Regulatory Commission (Ancillary Services) Regulations, 2021.**

Dear Sir,

This has reference to Public Notice dated 29.05.2021 inviting suggestions and comments from stakeholders on the **Draft Central Electricity Regulatory Commission (Ancillary Services) Regulations, 2021.**

Accordingly, comments on behalf of Indian Energy Exchange are hereby attached for kind consideration of the Hon'ble Commission:

Thanking You!

Yours Sincerely,

A handwritten signature in blue ink, appearing to be 'Jogendra Behera', written over a light blue horizontal line.

**(Jogendra Behera)**

Vice President (Market Design & Economics)

Enclosures: As above

# IEX COMMENTS ON DRAFT CERC (ANCILLARY SERVICES) REGULATIONS, 2021

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Hon'ble Commission vide Public Notice dated 29.05.2021 has invited suggestions and comments from stakeholders on the Draft Central Electricity Regulatory Commission (Ancillary Services) Regulations, 2021 Accordingly, the IEX comments are as provided below:

## **1. Definition of Ancillary Services Market:**

The Draft regulations proposed to introduce market based Ancillary Services, therefore it is essential to provide definition of 'Ancillary Services Market' to bring clarity in the scope of this market.

## **2. Separate market segment for Ancillary Services:**

The Draft regulations have used terms 'Day Ahead Market' (DAM) and 'Real Time Market' (RTM) for the proposed market based Ancillary services. It is submitted that these terminologies are defined in the Power Market Regulations, 2021 which inter-alia provides that only Day Ahead Contract and Real Time Contracts based on collective transaction forms part of 'Day Ahead Market' and 'Real Time Market' respectively. Therefore, it is submitted that for market based ancillary services, 'Day Ahead Ancillary Market' and 'Real Time Ancillary Market' may be specified in place of considering the Ancillary Contract as a part Day Ahead Market and Real Time Market. This will avoid confusion between these markets.

## **3. Clarity on Bidding Timelines and Bidding structure:**

It is proposed that there would be Day Ahead Market and Real Time Market for ancillary services and Power Exchanges are required to facilitate bid collection for these markets however, the timelines, delivery period for RTM, whether RTM session will only be provided on request of NLDC, or the sessions need to be available irrespective of NLDC demand have not been dealt with in the Regulations. It is submitted that the bidding timelines and a broad structure may be specified in the Regulations for clarity and details may be provided in the Procedure to be issued by NLDC. It may also be clarified whether bidding structure would also have facility of block bids and any other features available in DAM or RTM.

## **4. Eligibility for TRAS-UP & TRAS DOWN should be ascertained by NLDC:**

Regulation 14 of the Draft Regulations provides for eligibility criteria of TRAS providers wherein it has been specified that the TRAS provider should be capable of varying TRAS within 15 minutes and

sustain the service for at least 60 minutes. As it is not possible on part of the Exchange to ascertain whether the eligibility conditions are being met by the entity or not, the System Operator should certify the eligibility of an entity based on which only the entity should be allowed to submit their sell bids in the Ancillary Services Market. Accordingly, suitable provision may be incorporated in the Ancillary Services Regulations. NLDC may also provide the process and necessary formats of certification in its Detailed Procedure.

#### **5. Overlapping of Bids should be the responsibility of Ancillary Service Provider:**

Regulation 16(3) of the Draft Regulations provides that the capacity offered, as a sell bid in Power Exchange(s) for providing TRAS-Up or TRAS-Down from a Service Provider in the same time-block, shall be separate and non-overlapping. It is submitted that the responsibility of ensuring that 'there is no overlapping between TRAS UP and TRAS DOWB capacity' should lie with the Service Provider and in case of any breach, it should be ascertained by the NLDC for any further action as the NLDC only would have the complete visibility of the overall scheduling of the plant.

#### **6. Approval of Ancillary Contract should not be required:**

Power Market Regulations, 2021 (PMR 2021) defined 'Contract' as an agreement between seller and buyer for sale and purchase of electricity or Renewable Energy Certificate or Energy Savings Certificate or any other product as may be decided by the Commission. Further, as per PMR 2021, the "Ancillary Services Contract" means a contract for providing Ancillary Services and Regulation 4(1)(iv) provides for Ancillary Services Contract at Power Exchanges.

The essentials of a contract to be traded on the Exchange requires buyer, seller, matching of quantity, duration and price. The Exchange acts as a counterparty to each contract executed on its platform and provide clearing and settlement services. However, by virtue of design of the proposed Ancillary market, the contract will be executed at NLDC end as matching and settlement of these contracts will be carried out by NLDC. Ancillary Services Contract will essentially be a contract between Ancillary Service Provider and NLDC. The Exchange will only be collecting the bids as per the bid formats specified by NLDC and pass on to the NLDC for price discovery and settlement. In view of the above, the Exchange may be allowed to provide such services as per the Regulatory framework and bidding structure provided by NLDC without requiring any formal approval of the Commission.

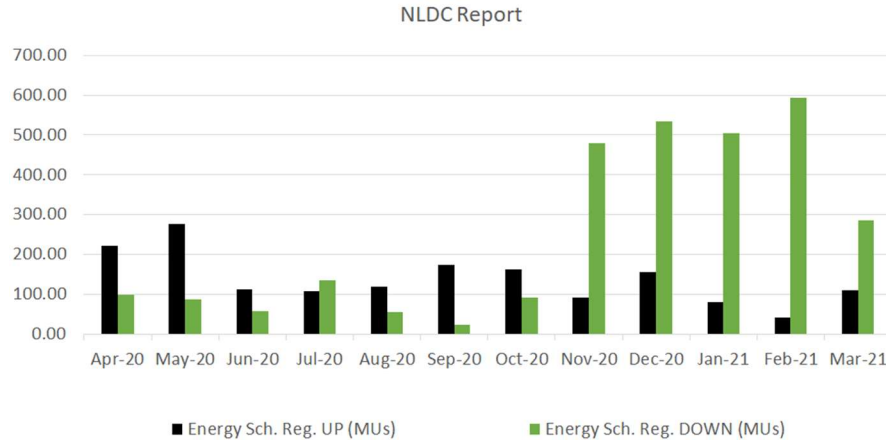
#### **7. Indemnification of the Power Exchanges in Ancillary Contract:**

As discussed above, the Exchange will be only collecting the bids as per the formats to be specified by the NLDC whereas the price discovery, dispatch instructions and settlement for providing the Ancillary Services shall be carried out by the NLDC. As the Exchanges will be acting as per regulatory requirement only collecting the bids for the NLDC without acting as counterparty to the Ancillary contract, the Exchanges should be indemnified against any loss arising out of such transaction by NLDC

& Ancillary Services Provider. Accordingly, suitable provision should be incorporated in the Ancillary Services Regulations similar to the provision of indemnity provided to NLDC under PMR 2021.

#### 8. Rationale for differential price discovery for TRAS Up and TRAS Down:

Regulation 17 of the Draft Regulations have specified that the price discovery for TRAS Up shall be based on principle of Uniform Market Clearing Price whereas for TRAS Down it shall be based on the principle of Pay as bid. The rationale for adopting a differential approach towards price discovery in TRAS Up & TRAS Down is not very clear. As we understand, the uniform market clearing price mechanism bring forth marginal response from the market participants helping the system to discover efficient prices. The explanatory memorandum has mentioned that the Hon'ble Commission has proposed pay-as-bid principle on the understanding that the market size of this segment would be small, and the concept of system marginal price might not be relevant in this context. However, as per the recent trend shown below, RRAS Down is seen to be far more than the RRAS up quantum.



#### 9. Clarity on applicability of Transmission charges & losses for intra-state Service Providers:

The scope of the proposed Regulations has been widened by allowing intra-state generators/entities to participate and become provider of Ancillary Services. Regulation 22 of the Draft Regulations provides that no transmission charges or transmission losses or transmission deviation charges shall be payable for SRAS and TRAS. It may be clarified that whether intra-state transmission charges, losses and DSM charges will be applicable or not.

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