MP ENSYSTEMS

13 July 2021

To,
Secretary
Central Electricity Regulatory Commission
New Delhi
Email: (secy@cercind.gov.in and advisor-re@cercind.gov.in)
Dear Sir/ Madam,

Subject: Suggestions on the draft "Central Electricity Regulatory Commission (Ancillary Services) Regulations, 2021"

Reference: Public announcement No. RA-14026(11)/3/2019-CERC dated 30 June 2021

We are pleased to submit our suggestions on the draft Central Electricity Regulatory Commission (Ancillary Services) Regulation, 2021 for your consideration.

Please feel free to write to me at mahesh@mpensystems.com or call me up on my cell number +919820225248 for any specific questions or clarifications you may require from us. We look forward to be a part of the public consultation process and participate in the public hearing should one be held by the Commission.

Sincerely,

MP Ensystems Advisory Pvt. Ltd.

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Managing Director

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Suggestions on draft Central Electricity Regulatory Commission (Ancillary Services) Regulations,2021

We take this opportunity to congratulate the Central Electricity Regulatory Commission for having drafted the discussion papers, explanatory memorandum as well as the regulations to support creation of an ancillary services markets in the country. This step is laudable and will add to the power sector reforms being pushed forward by the Ministry of Power and within the powers vested in the regulatory process as per the provisions of the Electricity Act 2003 and its amendments. Our overall the general comments are presented below for your considerations.

1. Ancillary services as a power markets process has rightly been identified as a support mechanism for frequency control, voltage support adding to the system restoration capability. The rolled-out plans for the ancillary services will add to the system stability and protection of the productivity matrices for industries, commercial establishments, municipal, agricultural and the domestic loads. The regulations accurately identify the primary, secondary and the tertiary frequency control activation and the deployment options.
2. Part I of the draft regulations accurately define the deployment opportunity for the secondary reserve ancillary service (SRAS) making the bidirectional communication system with the NLDC and the RLDCs to be firmed up through detailed procedures. The communication protocols, encryption/decryption requirements, authority to call for the services as well as the system upgrades requirements are important for such a deployment. While the detailed procedures would define the requirements, it would be useful for the regulations to clearly state the protocols to be followed during the deployment. While the regulations suggest an administered procurement of the services, keeping an option open for the market-based mechanisms; it might be useful to initiate the market-based mechanism right away instead of waiting for its roll-out at a later date. The availability of such ancillary services would add a lot of value from a market mechanism – especially for the demand side resources to add value to the system. These regulations thus can provide a value-stack for the demand side resources deployed or already available.
3. SRAS Up and SRAS-Down mechanisms are well articulated in the regulation 10 of the draft. Adding specific language related to the quantum of the demand resources is essential. Tertiary Reserves Ancillary Services defined under Part II of the regulations are important attributes as well. These regulations rightly create an opportunity to create capacity to participate in the market mechanism by allowing 10% commitment charges with a cap of Rs. 0.20/kWh. These numbers can be changed based on the market response. As such, the regulations can identify a band for the commitment charges as well as the cap but the detailed procedures should allow for adjusting the commitment fee and the absolute number on an annual basis, considering the market dynamics that may play out.
4. Eligibility of the SRAS providers covered under regulations 7 call for 1 MW as the minimum response. While this is technically feasible for generating resources, 1 MW of modulation at the demand-side is possible only for large industries and commercial establishments. In order to create deepened capabilities from the demand-side resources; it would be useful to identify “Aggregators/service providers” for the demand-side resources. Several energy services companies and large facilities can provide such services and specific guidelines be created for the participation of such aggregators in the AS market. Also, the regulations

should define if the aggregated demand-side resources are to be bid in the regional process alone or a possibility of pan-India aggregation of such demand-response opportunities can be considered. Additional clarifications related to the bidding and settlement mechanism is essential for such a service. While the specific detailed guidelines are drafted, we recommend creating a sandbox environment to assess the feasibility of the demand-side resources participating in such mechanisms.