

STATKRAFT'S COMMENTS ON DRAFT ANCILLARY SERVICES REGULATIONS 2021

We would like to thank Honourable Central Electricity Regulatory Commission (CERC) on issuing this Draft Ancillary Services Regulations 2021, thereby opening avenues for market based ancillary services providers. We welcome the move to expand eligibility for providing Tertiary Reserve Ancillary Services (TRAS) to energy storage resources and demand side resources as well. On an overall framework level, we would like to point out following observation/suggestions regarding the proposed Regulations:

1. Globally, Ancillary services are under the purview of system operator, who manages Ancillary Reserves (AR) requirements and dispatch through spot auctions, by instantaneously matching demand and supply in real time. Hence, we propose that such responsibility of managing Ancillary Reserves (AR) along with Real time matching and dispatch through market-based auctions must lie with the system operator itself. Involvement of Power Exchanges shall complicate the process and cause operational delays.
2. Provision wise Comments are attached as under:

S.No	Proposed by CERC Ancillary Services Regulations	Statkraft's Comments/ Suggestion
1	<p>4. Scope: These regulations shall be applicable to regional entities, including entities having energy storage resources and demand side resources qualified to provide Ancillary Services and other entities as provided in these regulations.</p>	<p>The Honourable Commission may explicitly mention here the type of storage devices such as Pumped hydro, Battery storage systems etc for better clarity on eligible participants.</p>

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2.	<p>5. Types of Ancillary Services</p> <p>(1) There shall be the following types of Ancillary Services, namely:</p> <p>(a) Primary Reserve Ancillary Service (PRAS);</p> <p>(b) Secondary Reserve Ancillary Service (SRAS);</p> <p>(c) Tertiary Reserve Ancillary Service (TRAS); and</p> <p>(d) Such other Ancillary Services as specified in the Grid Code</p>	<p>To avoid any complexities of multiple regulations referring to different types of Ancillary services, it is suggested that a consolidated/ wholesome Ancillary Services (Frequency control/ network control/System Restart etc) Regulations should be notified rather than a piecemeal regulation for different types of ancillary operations.</p> <p>Also, regulatory commission must initiate measures to adopt Virtual Power Plants (VPPs) in India. As VPPs can support this transition from Generator controlled to demand side responses in the grid by aggregating DERs, pooling generators, peer to peer transactions etc and making them controllable and visible to the market.</p>
3	<p>6. Estimation of Reserves by the Nodal Agency</p> <p>(1) The Nodal Agency shall, in coordination with RLDCs and SLDCs, estimate the quantum of requirement of SRAS and TRAS for such period and based on such methodology as specified in the Grid Code.</p>	<p>The Regulations must clearly define "Such period" as "month-ahead", "Week ahead", "Day Ahead" and in "Real Time" whichever is applicable without leaving any room for ambiguity. Such information should be published publicly by the Nodal Agency for a better understanding among the market participants.</p>

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4	<p>16. Procurement of TRAS: (1) Buy bid : The Nodal Agency shall communicate to the power exchange(s), the quantum of requirement of TRAS-Up and TRAS-Down on day-ahead basis before commencement of the Day Ahead Market and incremental requirement, if any, over and above the procurement in the Day Ahead Market, on real-time basis, before the commencement of the Real Time Market</p>	<p>In case of multiple exchanges operating going ahead- how this quantum/requirement of TRAS would be bifurcated/ divided among the PXs for conducting the bidding in DAM/RTM is not clear.</p>
5	<p>9. Procurement of SRAS (1) SRAS shall be procured on regional basis by the Nodal Agency through the mechanism as specified in this Regulation: Provided that the Commission, based on review of the operation of SRAS, may direct procurement of SRAS through market-based bidding mechanism to be specified separately.</p>	<p>Since the SRAS being monitored on regional level and Nodal agency will initiate the SRAS up/down process, before going to the SRAS service provider, the Nodal agency can also balance the export-import in between regions from regions power pool.</p>

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6	<p>10. Selection of SRAS Providers and Despatch of SRAS</p> <p>.....</p> <p>(11) Average of SRAS-Up and SRAS-Down MW data shall be calculated by the Nodal Agency for every 5 minutes in absolute terms using archived SCADA data at the Nodal Agency and reconciled with the data received at the control centre of the SRAS Provider and shall be used for payment of incentive as per Regulation 12 of these regulations.</p> <p>(12) Average of SRAS-Up and SRAS-Down MW data shall be calculated for every 15 minutes time block in MWh for every SRAS Provider by the Nodal Agency using the archived SCADA data at the Nodal Agency and reconciled with the data received at control centre of the SRAS Provider and shall be used for payment of variable charge or compensation charge, as the case may be, to the SRAS Provider as per Regulation 11 of these regulations.</p>	<p>For payments of incentives or variable charges or compensation charges meter data should be used as it is more reliable than SCADA data.</p> <p>SCADA data recorded may not be so accurate as it depends on internet connectivity.</p>
7	<p>16. Procurement of TRAS</p>	<p>A separate window can be developed by power exchange to facilitate this requirement or a separate registration portfolio code</p>

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	<p>(3) The capacity offered, as a sell bid in power exchange(s) for providing TRAS-Up or TRAS-Down from a resource in the same time-block, shall be separate and non-overlapping.</p> <p>(4) The power exchanges shall collect the bids for TRAS-Up and TRAS-Down and share the same with the Nodal agency for price discovery in terms of Regulation 17 of these regulation</p>	<p>can be created to put the bids in existing window to avoid overlapping the conventional bid by the same service provider.</p>
8	General	<p>For any market to evolve it is very important that possible design flaws are well identified, managed, and corrected before finally implementing it. Globally it has been observed that one of the primary cause or design flaw is "Price reversal" i.e. in operating reserves markets, prices should be reflective of actual balancing cost and lesser quality reserves (initiated or required later in the system) should not receive unreasonably higher prices compared to the urgent reserves (required immediately to balance the system). Price reversals are generally considered undesirable consequences of a market design that may create perverse</p>



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		incentives and misrepresentation of bids. Hence to avoid such flaw, thereby maintaining adequacy of players in all required Ancillary services. CERC may suitably create a market monitoring and surveillance mechanism to suitably take corrective measures at the very onset of such consequences.