

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

S.No.	Clause No & Details	Comments/Suggestions	Rationale for Suggestions
1.	<p><u>7. Eligibility for an SRAS Provider</u></p> <p>A generating station or an entity having energy storage resource or demand side resource, connected to inter-State transmission system or intra-State transmission system, shall be eligible to provide Secondary Reserve Ancillary Service, as an SRAS Provider, if it</p>	<p>It is understood that spinning reserves of a station would be meant for primary response and will not be counted as URS for SRAS. Please clarify.</p>	
2.	<p><u>7. Eligibility for an SRAS Provider</u></p> <p>A generating station or an entity having energy storage resource or demand side resource, connected to inter-State transmission system or intra-State transmission system, shall be eligible to provide Secondary Reserve Ancillary Service, as an SRAS Provider, if it</p> <p>.....</p> <p>e) is capable of responding to SRAS signal within 30 seconds and providing the entire SRAS capacity obligation within fifteen (15) minutes and sustaining at least for the next thirty (30) minutes</p>	<ul style="list-style-type: none"> ➤ It is welcome step to include state embedded generation (on voluntary basis) to provide Ancillary services to maintain grid discipline. ➤ It is suggested that enabling provisions should be in place to provide financial support to the Discoms for establishing battery bank and storage devices. Funding of the same should be done from the state DSM pool / Power System Development Fund (PSDF) or other measures ➤ Intra-state gas-based generators should be made eligible to participate in SRAS and TRAS because of their superior ramping capability. Funding 	<p>The same would provide increased capacity of the SRAS/TRAS resources & will help in maintaining Grid Discipline at both intrastate and interstate level.</p> <p>However, it may be clarified whether such generators would need to seek the consent of the beneficiary or will the discom</p>

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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		<p>of the required communication facilities with NLDC should be allowed to be done from the state DSM pool.</p>	<p>become eligible to participate on behalf of such generators?</p>
<p>3.</p>	<p><u>9. Procurement of SRAS</u> (2) An SRAS Provider willing to participate in SRAS shall be required to provide standing consent to the Nodal Agency for participation, which shall remain valid till it is modified or withdrawn: Provided that standing consent cannot be modified or withdrawn without giving notice of at least forty-eight hours.</p>	<p>It is given to understand that any SRAS provider needs to provide standing concurrence to Nodal agency. A clarification is sought whether the generator has to take consent of the beneficiary under a PPA arrangement before providing concurrence to the Nodal Agency.</p> <p>Further, if scheduling of power by SRAS provider is being done on a day ahead basis, does it mean that firm share of beneficiary, not requisitioned by them till 23:00 hours of the previous day can be sold by SRAS provider and the beneficiary loses the right to recall that power?</p> <p>Since SRAS has to be dispatched under AGC, a clarification is sought whether an ISGS under Section 63 of the Act, can always choose not to participate in the SRAS mechanism</p> <p>Will there be a any penalty for the SRAS provider if he is not able to deliver at the right time or has to withdraw its consent at the last</p>	<p>First Right of Refusal lies with the beneficiary.</p> <p>Considering the SRAS provider is not able to give notice in advance/before a margin of 48 hours</p>

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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		moment due to any unavoidable circumstances	
4.	<p><u>9. Procurement of SRAS</u></p> <p>(5) The SRAS Providers that are generating stations, shall declare their variable charge upfront on monthly basis in the manner as stipulated in the Detailed Procedure.</p>	It is understood that generators who participate in SRAS will quote a self-determined variable charge and not the one which has been determined or adopted as per provision of the Act.	SRAS providers will need to be incentivised as they play a critical role in grid security. They have to respond within 30 sec and attain full obligated capacity within 15 minutes. It cannot be a case that generators are attracted towards the TRAS market (which gives an opportunity for quoting a self-determined sell price) and do not participate in SRAS.
5.	<p><u>EM-para 4.10</u></p> <p>SRAS providers shall also declare their variable charge (for generating stations) or compensation charge (for energy storage and demand side resource) upfront on monthly basis in the manner as stipulated in the Detailed Procedure. This charge would be considered by the Nodal Agency for despatching the SRAS. <u>No retrospective revision of such charges would be allowed at the time of payment and settlement for SRAS providers.</u></p>	It is not clear as to how will these Regulations factor in and give effect to adjustments in tariff required by law, like change in law adjustments, carrying cost, implementation of true-up orders and superior court judgements.	
6.	<p><u>9. Procurement of SRAS</u></p> <p>(8) In case of the generating stations whose tariff is determined by the</p>	Clarification is sought on the following:	

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	<p>Commission under Section 62 of the Act , the Nodal Agency shall identify the generating stations for providing SRAS, (a) on day-ahead basis, based on the capacity available after the schedule has been communicated at 2300 hrs for the next day; and (b) on real-time basis before the gate closure for incremental SRAS requirement.</p>	<p>➤ Would there be a provision of sharing of net profits on account of SRAS participation, if any, with the beneficiary?</p>	
7.	<p><u>11 Payment for SRAS</u></p> <p>(1) SRAS Provider shall be paid from the Deviation and Ancillary Service Pool Account, at the rate of their variable, calculated as per clause (12) of Regulation 10 of these regulations.</p> <p>(2) SRAS Provider shall pay back to the Deviation and Ancillary Service Pool Account, at the rate of their variable charge or compensation charge,</p>	<p>It is suggested that during SRAS down instruction, the participating entity, if a thermal generator, must be compensated for degradation in operational norms, if any.</p>	<p>SRAS-Down signal to a thermal generating station would mean that the generator has to start backing down which would impact its efficiency adversely. The participating thermal generator must be compensated for backing down to maintain grid stability</p>
8.	<p><u>12. Performance of SRAS Provider and incentive</u></p> <p>(3) SRAS Provider shall be eligible for incentive based on the performance measured as per clause (2) of this Regulation and the 5-minute MWh data</p>	<p>It is suggested that the incentives for each slab may be increased by 10p/kWh so that the highest incentive available is equal to the mark-up of 50p which is available today under RRAs regulations.</p>	<p>In para 1.8 of EM, Hon’ble Commission have admitted to the lack of availability of adequate resources for ancillary services. Besides, SRAS providers are expected to respond within 30s and ramp up to full capacity obligation within 15 minutes.</p>

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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	calculated for SRAS-Up and SRAS-Down as per clause (11) of Regulation 10 of these regulations and aggregated over a day, as under....		Most of the URS today is obtained from ramp-limited resources like thermal generators. Therefore, the need to reinstate the incentive to at least the prevailing mark-up value.
9.	<p><u>12. Performance of SRAS Provider and incentive</u></p> <p>(3) SRAS Provider shall be eligible for incentive based on the performance measured as per clause (2) of this Regulation and the 5-minute MWh data calculated for SRAS-Up and SRAS-Down as per clause (11) of Regulation 10 of these regulations and aggregated over a day, as under....</p>	A close scrutiny of the incentive mechanism reveals that it is biased towards a SRAS provider who has been asked to provide a higher SRAS response (in terms of MWh) vis-à-vis one who has been signalled a smaller quantum. Therefore, it follows, a SRAS provider who has been signalled higher quantum but has clocked, say, a 20-45% performance level will end up with a larger incentive revenue than the one who has been signalled, say once, but with a lesser SRAS signal in terms of MWh. In other words, it is premised solely on the total MWh quantum (aggregated over a day, week) without any factor contribution of the extent to which it has responded to the AGC signal (% response) . This may be looked into.	Though we understand the fact that a larger MWh response would be expected from a SRAS provider with a superior ramp rate compared with the one who has been signalled to respond with a lesser MWh and perhaps the incentive scheme is meant to recognize this, the design is flawed as a mediocre SRAS provider may earn more as compared to one who has been superior in his signal response.
10.	<p><u>Appendix-II</u></p> <p>(3) Incentive payments shall be calculated for each SRAS Provider for energy supplied for a day as follows:</p>	Actual response in the formula means actual output which is net of NAC. The formula may be checked.	

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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	Incentive for SRAS Provider = Actual Response (MWh) x (1-NAC) x Incentive Rate		
11.	<p><u>15. Activation and Deployment of TRAS</u></p> <p>TRAS shall be activated and deployed by the Nodal Agency on account of the following events:</p> <p>(a) In case the secondary reserve has been MW, in order to replenish the secondary reserve;</p> <p>(b) Such other events as specified in the Grid Code.</p>	A Clarification is sought whether the TRAS provider has to take consent from its original beneficiary before participating in the market	In case of a tied-up capacity, first right of refusal lies with the beneficiary
12.	<p><u>16 and 17. Procurement of TRAS and Price Discovery</u></p> <p>(3) TRAS Provider cleared in the Day Ahead Market may place incremental bids in the Real Time Market. TRAS Provider not cleared in the Day Ahead Market or which has not participated in the Day Ahead Market, may also place bids in the Real Time Market.</p>	<ul style="list-style-type: none"> ➤ There needs to be enough liquidity and depth in RTM so that, under the current circumstances, where much of the tertiary service response will continue to be provided by the thermal generators, an exodus of entities does not happen from RTM to TRAS market for TRAS-UP. ➤ Two different markets for identifying TRAS sale quantum may lead to price distortion as entities may put different prices in RTM based on the result declared for DAM market. This may also result in unnecessary disbursement of commitment charges 	<p>This will be deterrent for the market as this may affect the overall power availability in the energy market.</p> <p>Under the current framework the generating stations can be recalled by their contracted Discom that have paid the capacity charges for their capacity share in such generating stations. This leads to uncertainty in terms of availability of “reserves” in the existing system. This</p>

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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		<p>to the entity from the pool. It is proposed that TRAS bidding may initially be done in RTM only the real URS available would be visible to all concerned.</p> <p>➤ Clarification required on discovery of TRAS prices in case of corridor congestion.</p>	<p>eventuality would still remain even after the implementation of the proposed MBED since the Discoms will continue to have the right to self-schedule as regards the power contracted by them with such generators, thus reducing the reserves for providing Ancillary Services.</p>
13.	<p><u>19. Payment of TRAS</u></p> <p>(2) TRAS-Up Provider shall receive commitment charges at the rate of ten percent of the MCP-Energy-Up-DAM or the MCP-Energy-Up-RTM, as the case may be, subject to the ceiling of 20 paise/kWh for the quantum of TRAS-Up cleared in the Day Ahead Market or the Real Time Market as the case may be, but not instructed to be despatched by the Nodal Agency.</p>	<p>➤ It is requested to reconsider the commitment charge for a TRAS Up provider</p> <p>➤ Also, it is requested to clarify whether there will be any penalty for the TRAS Up provider in case it is unable to deliver due to forced outage or other factors beyond his control.</p>	<p>Commitment charge of up to Rs. 0.20/ kWh appears to be too low to develop market. This has been based on thermal generating capacity already available and will do little to bring in the diversity desired for such markets.</p> <p>The Ancillary Service market should provide incentives for setting up of Battery Storage Systems and Small Hydro Projects to offer services as fast tertiary sources considering that such projects will provide a fillip to the overall market mechanism.</p>
14.	<p><u>19. Payment for TRAS</u></p> <p>(3) The TRAS-Down Provider shall pay back to the Deviation and Ancillary Service Pool Account at the rate of their Energy-Down</p>	<p>Presently during schedule of RRAS down a generator is allowed to retain 25% of the variable cost and returning 75% to the DSM pool. In case of TRAS down the generator will</p>	<p>This will incentivize generators for offering their quantum for TRAS-DOWN services.</p>

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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	bid in the Day Ahead Market or the Real Time Market, as the case may be, for the capacity instructed to be despatched by the Nodal Agency.	have to pay back the entire cleared amount to the DSM / AS pool. Generator may be allowed to retain at least 25% of the VC as per the extant practice.	
15.	<p><u>19. Payment for TRAS</u></p> <p>(2) TRAS-Up Provider shall receive commitment charges at the rate of ten percent of the MCP-Energy-Up-DAM or the MCP-Energy-Up-RTM, as the case may be, subject to the ceiling of 20 paise/kWh for the quantum of TRAS-Up cleared in the Day Ahead Market or the Real Time Market as the case may be, but not instructed to be despatched by the Nodal Agency.</p>	The interplay between the payment of fixed charges under the MBED/DAM mechanism for URS power and payment of commitment charges for Tertiary Reserve Ancillary Services up under the Draft Regulations may be clarified. Ld. CERC ought to ensure that the original contracted beneficiary of such power ought not be in a disadvantaged situation by unnecessarily paying the fixed charges of such power while the generator is also sufficiently incentivized for providing the URS for Ancillary Services.	
16.	<p><u>20. Shortfall in procurement of SRAS and TRAS</u></p> <p>(1) All generating stations, whose tariff is constraints of such generating stations.</p> <p>(4) The generating stations as referred to in clause (1) of this Regulation, whose URS variable</p>	<ul style="list-style-type: none"> ➤ A clarification is sought whether generating stations under Section 62 of the Act, in case of shortfall in procurement, will be allowed to declare self-determined variable charge different from that determined by the Commission. ➤ A Sec-62 generator is a deemed TRAS-Down provider under situation of 	Frequency deviations in the grid can happen because of reasons of generator over generation/ under-generation or the

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	<p>charges for the quantum of TRAS-Up despatched.</p> <p><i>In case of emergency conditions</i> (5) In case the Nodal Agency requires any, or at the declared by the AS provider, as the case may be.</p>	<p>shortfall and has to back down and pay back to the pool an amount derived from the energy backed down @ declared variable charge. This generator is faced with the issue of degradation in operating norms because of backing down. A suitable compensation mechanism/ incentive scheme needs to be devised.</p>	<p>discom over or under drawal. This Regulation seems to be putting the onus for ancillary services to stabilize the grid on the generators in both in shortfall and emergency conditions and not be incentivized for it. Since the stations under section 62 of the Act are providing services for grid stability when no other option is available there should be some incentive for the generators, particularly under TRAS.</p>
17.	<u><i>In case of emergency conditions</i></u>	Emergency conditions may be defined please.	
18.	<p><u>21.Accounting and Settlement</u></p> <p>(4) The Deviation and Ancillary Service Pool Account shall be charged for:</p> <p>(a) 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 regional basis as well as the incentive for SRAS, payable to the concerned SRAS Provider; and</p> <p>(b) the full cost towards TRAS-Up including the charges for the quantum cleared and</p>	<p>We suggest that a mechanism should be put in place that can capture the actual deviation caused by the various entities/states in a Region and resultant need of ancillary services requirement in the region.</p> <p>The States causing more deviation/dispatch of Ancillary Service should be asked to pay for cost of Ancillary Services or the total cost of ancillary service shall be distributed to the different Participants in ratio of deviations caused by them.</p> <p>Regional Deviation and Ancillary Service Pool Account is the mode of financial settlement for ancillary services. However, the pool</p>	<p>The same would provide increased accountability across the states/participants using ancillary services.</p> <p>As users would be directly accountable for paying for their deviations/violations, they will become more disciplined in their power planning which in turn will lead to a better Grid Discipline.</p>

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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	despatched and the commitment charge for the quantum cleared but not despatched.	amount is created from the deviation settlement of state DSM payable/receivable. Because of the utilization of the same pool amount, the ancillary power should also be cascaded to the state and further to the distribution utility. The distribution power sector (private/state-owned) (who is the one penalized) is not being benefitted through this mechanism. SRAS and TRAS power is scheduled at the regional level & should be cascaded to state and discom level on a pro-rata basis of Area Control Error (ACE).	
19.	<p><u>21.Accounting and Settlement</u></p> <p>(4) The Deviation and Ancillary Service Pool Account shall be charged for:</p>	There should be a separate pool under the supervision of the Nodal Agency catering the requirement of Ancillary Services in order to have transparency and clarity in collection/usage of funds.	
20.	<p><u>22. Transmission Charges and Losses</u></p> <p>No transmission charges or transmission losses or transmission deviation charges shall be payable for SRAS and TRAS.</p>	SRAS and TRAS Provider could be embedded in the state grid and hence, would be subject to intra-state transmission charges and losses. Waiver on transmission charges and losses would require amendment to the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020. Suitable directions would be required to be issued to Appropriate Commissions to provide such waivers. Islanded grids may also be examined in this context.	

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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	<u>Additional Suggestions</u>		
21.	Adequacy of SRAS reserves	<p>Since it is up to the generator to show his willingness for providing SRAS. It may so happen that generators, who are capable of providing SRAS chose not to participate in SRAS and direct their bids in TRAS for a better market opportunity. The whole burden of stabilization will fall on the generators under Section 62 of the Act.</p> <p>It is suggested to devise a mechanism to keep a check on the same</p>	Generators under Section 62 of the Act may not always have the adequate capacity to dispatch at the trigger of a secondary signal
22.	Sign Change Violations	<p>A clarification is sought whether under the SRAS mechanism, an AGC signal can be sent to a generator which is contrary to his obligation of sign change under the DSM regulations.</p> <p>What happens if a generator is already under injecting continues to do so till 6th time block and again is given a SRAS Down signal for the 7th time block from the Nodal Agency?</p>	DSM Regulations may be suitably amended.
23.	Surplus power available with DISCOMS	Clarification is sought whether Discoms will be allowed to participate in the TRAS market with their surplus power available.	Discoms should be given opportunity to contribute in the grid stability by allowing them in the TRAS market similar to the way they are allowed to bid in Real time Market
24.	Standby charges	It is suggested to incentivize Generators/Energy Storage entities for setting aside resources for providing Ancillary	Absence of standby charges may result in limited development of Ancillary Market

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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		Services. Absence of standby charges may result in limited development of Ancillary Market and Nodal Agency may continue to rely on Section-62 generators only	and Nodal Agency may continue to rely on Section-62 generators only
25.	Generator tripping	<p>In case of Day Ahead TRAS Up, a clarity is needed whether a generator cleared for providing services facing forced outage/tripping can arrange power from RTM</p> <p>For Day Ahead TRAS Up, is it allowed to revise quantum / bid modification in case of forced outage or Generator tripping?</p> <p>Will there be a penalty in case a station is scheduled to deliver TRAS on a day ahead basis but is unavailable on D+1 day due to forced outage or other uncontrollable factors?</p>	
26.	Trading opportunities	It is suggested that Trading licensees be allowed to bid on behalf of the generators in the TRAS Market	
27.	State embedded generators	In case of a state embedded generator, including hydro and pump storage resources, clarity is required whether the generator or the beneficiary Discom will be allowed as AS provider.	

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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28.	Multiple Exchanges	There are three Power Exchanges and hence it needs to be clarified whether bids for Ancillary services would be cleared in all Power Exchanges or CERC would designate a particular Power Exchange for clearing bids for Ancillary services.	
29.	Virtual Power Plant (VPP)	A concept of VPP may be adopted, which can support the transition from Generator controlled to demand side responses in the grid by aggregating DERs, pooling generators, etc and making them controllable and visible to the market.	
30.	Price and MW quantum for SRAS and TRAS	It is understood that a willing SRAS provider will not have choice to opt for either SRAS Up or SRAS Down or to quote different Vc for SRAS UP & DOWN. However, this flexibility has been accorded to a TRAS provider. Please clarify.	
31.	Ramp rates	Can two different ramp rates be declared - for normal operation normal ramp rate and for SRAS a higher ramp rate?	
32.	Primary and Secondary Reserves	With SRAS mandating response within 30 seconds how do we differentiate between the primary and the secondary response of a generator? The detailed procedure may	

Tata Power Comments on “Draft CERC (Ancillary Services) Regulations, 2021”

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		please clarify as this would be important for measurement of performance.	
33.	Phasing of these Regulations	There should be a phasing of the Regulations with regular studies being conducted to test the efficacy of the Regulations and make them workable in the interest of all stakeholders.	
34.	RE participation in Ancillary Markets	Currently the power plants based on pure renewable sources of energy are being set up on "must run" premise. Hence, these stations (not hybrid) must be allowed the "must run" for the duration of their life and may be considered to be excluded from participation in the Ancillary Service market to maintain the sanctity of their must-run status.	