

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 4 /SM/2022(Suo-Motu)**

**Coram:**

**Shri P. K. Pujari, Chairperson**

**Shri I. S. Jha, Member**

**Shri Arun Goyal, Member**

**Shri P. K. Singh, Member**

**Date of Order: 1<sup>st</sup> April, 2022**

**IN THE MATTER OF:**

Directions by the Commission to the Power Exchanges registered under the Power Market Regulations, 2021.

**ORDER**

The Commission has been regularly monitoring the prices of electricity traded in the Day Ahead Market (DAM) and Real Time Market (RTM) at the power exchanges. It is observed that the prices discovered at the power exchanges have remained significantly high during the last few days. The factors like rise in temperature causing early onset of summers and increase in economic activities with lifting of COVID-19-related restrictions, have contributed significantly to the increase in electricity demand. On the other hand, increase in the supply has been limited. The situation has been further aggravated due to geo-political factors affecting the fuel supply and certain domestic supply constraints. This has widened the gap between demand and supply, with average buy to sell bid ratio reaching more than 2 and market clearing price (MCP) frequently touching Rs.20/kWh. Needless to say, such abnormally high price, even for a short period, without any significant impact on increase in supply is not only against consumer interest but also erodes the buyer's confidence in the market's credibility.

2. The following facts have emerged from the recent price behavior in power market:



- a. Electricity demand has been increasing substantially in the month of March and touched 199 GW on 17-03-2022. Since then, it has been hovering around 195 GW. Against this increase in demand, on 25-03-2022, 58719 MW of installed generation capacity was on outage due to various reasons wherein, 4323 MW of thermal capacity was on outage due to coal shortage itself.
  - b. On 25-03-2022, the recorded peak shortage was 4060 MW and energy shortage was 68.86 MU.
  - c. High price of imported coal is leading to high variable charge for imported coal-based plants. Similarly, due to an increase in the international price of gas, the existing gas-based plants are not able to sell in the market.
  - d. In DAM at IEX, the MCP of Rs.20/kWh was observed in 31 blocks from 24-02-2022 to 24-03-2022. Similarly, MCP of Rs.18/kWh and above was observed in 81 blocks, while MCP of Rs.15/kWh and above was observed in 183 blocks during the period.
  - e. On 24-03-2022, the MCP was higher than Rs.18/kWh for 14 time blocks, and it was higher than Rs.15/kWh for 57 time blocks. On 25-03-2022, the MCP was higher than Rs.18/kWh for 66 time blocks, leading to average MCP of Rs.18.67/kWh for the day.
  - f. Buy bids have been more than double of the sell bids in sometime blocks, indicating higher demand and lower supply. Average buy to sell bid ratio was 2.03 when MCP touched Rs.20/kWh, which is the ceiling price imposed by exchange. The aggressive bidding by buyers is leading to high prices.
  - g. From the sell side, it was observed that up to 99% of the sell bids were in the price band of Rs.0.01/kWh to Rs.12.00/kWh, while only 1% of the sell bids were higher than Rs.12.00/kWh.
  - h. Similar trend has also been observed in RTM segment where MCP touched Rs.20/kWh.
3. The Commission has further noted that the power exchanges have designed the bidding software in such a way that members can submit their bids in the price range of Rs.0/kWh to Rs.20/kWh (ceiling imposed by exchange). In the present stressed scenario, where demand at power exchanges is nearly double the supply volume, buyers are putting buy bids at the maximum of price range, i.e. Rs.20/kWh to ensure that their bids get cleared. This indicates a desperate buying scenario in the prevailing conditions.

4. The Commission has specified Power Market Regulations 2021 (PMR 2021) under section 66 of the Electricity Act, 2003. Regulation 51 of PMR 2021 provides for circumstances requiring intervention of the Commission, the relevant extracts of which are reproduced here as under:

***“51. Other circumstances requiring intervention***

*(1)The Commission may, on being satisfied that a situation of abnormal increase or decrease in prices or volume of electricity in the Power Exchange exist or is likely to occur in the market, by an order, give such directions as may be considered necessary.*

*.....”*

5. With due regard to the trend of demand and supply in the DAM and the RTM as highlighted in the preceding paragraphs leading to abnormal increase in prices, the Commission finds it expedient to intervene in the market in the public interest. The Ministry of Power vide their communication dated 26<sup>th</sup> March, 2022 addressed to the Commission has also expressed concern in this regard. The Commission notes that while high demand has been the cause of price rise, absence of adequate supply has also contributed to this trend. Despite the price rise which generally signals more supply to come, there has not been commensurate increase in supply. Based on feedback from POSOCO, it is expected that this kind of demand-supply position is likely to persist for some more time with continuous increase in demand as summer intensifies and increase in supply not forthcoming until May when wind and hydro based generation are expected to come on stream.

6. In view of the fact that higher price has not led to commensurate increase in supply and such position is likely to remain for some time in coming days due to supply constraints and in view of the fact that 99% of the supply bids (for the days for which data has been analysed) have been in the range of Rs.12/kWh and only 1% of the supply bids have been higher than Rs.12/kWh, the Commission in exercise of powers under Regulation 51 (1) of PMR 2021 directs the power exchanges until further orders, to re-design, with immediate effect, the bidding software in such a way that members can submit their bids in the price range of Rs.0/kWh to Rs.12/kWh for DAM and RTM. The Commission is of the view that this price moderation will be in keeping with the present market realities and shall not have any significant impact on the volume transacted and safeguard the consumer interests.

7. The exchanges are further directed to submit the compliance of this direction within two days from the date of this Order.

8. Accordingly, the Suo-motu Petition 4/SM/2022 is disposed of in terms of above.

Sd/-  
(P.K. Singh)  
Member

Sd/-  
(Arun Goyal)  
Member

Sd/-  
(I. S. Jha)  
Member

Sd/-  
(P. K. Pujari)  
Chairperson