Email **Ashutosh Sharma**

Fwd: Comments - Staff Paper on Power Market Pricing

From : Harpreet Singh Pruthi <secy@cercind.gov.in> Mon, Nov 14, 2022 12:21 PM
Subject : Fwd: Comments - Staff Paper on Power Market Pricing
To : Gagan Diwan <gagandiwan@cercind.gov.in>, Ashutosh Sharma <ashutosh.sharma@nic.in>

From: ashwinsdps@gmail.com
To: "Harpreet Singh Pruthi" <secy@cercind.gov.in>
Sent: Monday, November 14, 2022 10:55:37 AM
Subject: Comments - Staff Paper on Power Market Pricing

Dear Sir,

Please find below comments on the Staff Paper on Power Market Pricing. I am sorry that I am sending comments post the last date for responding.

Does Pricing Methodology need a change?
- Current pricing methodology does not need a change. Below are few more examples, why pay-as-bid will not work.
- Example 1: Bid price always does not reflect cost of generation. For example, if a thermal generator does not have technical minimum, he will be willing to sell at 'clearing price discovered in uniform pricing bid' even if it is lower than marginal cost. In pay-as-bid, such generators will be forced to guess potential market clearing price and bid quantum required for technical minimum at expected market clearing price, which will further distort market pricing.
- Example 2: In pay-as-bid, since generators have to bid at marginal cost + fixed cost. In such situations, if the market closes at above marginal cost but below generator's bid price, it is a case of lost opportunity for the system.

What should be the criteria for Regulatory Interventions?
- CERC has stayed away from regulatory intervention in years of super-normal low exchange prices and when generators suffered super normal losses.
- Any intervention can NOT be one sided -(i.e.) intervene when generators make profits but do not intervene when they make losses. Any approach by regulator should be fair in all circumstances. Given that CERC has opted to have a price cap, CERC should also then come up with a price floor if prices go below even say Average cost of supply?
- Criteria for intervention should be "market failure" and not when market is working fine and just indicating a situation of demand after years of surplus. Current situation does not demand regulatory intervention, but demands policy intervention to increase power supply (there is so much of idle capacity esp thermal plants which have been mothballed because of a decade of continuous losses, which needs policy support like ensuring coal supply, fast tracking NCLT proces, etc for revival).

How do we address the negative impact of price cap?
- As mentioned above, current situation does not warrant a price-cap.
- Price cap is likely to further suppress supply in long run, and prove detrimental in long run.

What should be the market design for incentivising demand response and energy storage system (ESS)?
- Existing market desing is good enough.
- CERC Staff should also analyse the below w.r.t market design
1. Need for clubbing all supply and buy bids in all exchanges (IEX, HPX and PXIL) to come up with single market price for the country. This will make markets more efficient.
2. Is there a need for a seperate green-DAM and DAM? Are we not artificially splitting the supply into two markets there by artifically creating 'demand-supply' mismatch and higher market prices?

Regards
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