

DHARIWAL INFRASTRUCTURE LIMITED

Comments on CERC Staff Paper on Power Market Pricing

At the outset, Dhariwal Infrastructure Limited (“**DIL**”) would like to thank the Hon’ble Central Electricity Regulatory Commission (“**Hon’ble Commission**”) for bringing out the Staff Paper on Power Market Pricing and providing the stakeholders an opportunity to provide comments/suggestions on the same. Accordingly, the comments and suggestions on behalf of DIL on the afore-said Staff Paper are provided in the following matrix for the kind perusal of the Hon’ble Commission.

PARA	DETAILS	COMMENTS AND SUGGESTIONS
<i>Chapter 3.1 – 3.1.3</i>	<i>Does Pricing Methodology need a Change</i>	<p>As per para 3 of the Staff Paper, Hon’ble Commission has suggested pay-as bid auction to mitigate the concern of the super-normal profits gained by the inframarginal generators which may be apparently achieved through Uniform Market Clearing Price. In view of the same, our comments have been highlighted below:</p> <ol style="list-style-type: none">1. The proposed pricing methodology suggested in the staff paper (Pay-as-bid) will not be reflective of true supply-demand position of market. As per our understanding, the Day ahead market under collective transaction should be allowed to operate freely to the extent possible as change in prices will also be an indicator for the need of proper load forecasting, reserve margin, resource adequacy, demand response etc. for taking corrective action and planning. Hence, both Generator and Purchaser on spot market are exposed to risk and reward under different market scenario. The same methodology is also being followed by CIL & its Subsidiaries during their Forward Coal Spot Auction Bids.2. We have seen in the past that the average spot rate was lower than long/medium term contracts and this resulted into limited long term/medium bids floated by the Buyers. It has also been witnessed that in numerous occasions generator couldn't get even variable cost from spot market resulting into huge abnormal loss in past years.3. Therefore, it will be unfair to highlight only super normal profit when they are more exposed to abnormal losses in different market condition considering they are forced to have untied merchant power in absence of long/medium term Bids.4. Going forward, infusion of low-cost RE power will further increase the dependency on short term/Spot market purchase especially during day hours which will result into further reduction of spot auction price.

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		<p>5. Further, within a different product segment (DAM/GDAM/TAM/RTM etc.), different price cap should not be promoted for different fuel mix for thermal power plants, as ultimately a buyer needs energy from cheapest source within any particular product segments.</p> <p>6. Hence, "Pay as Bid price" may not be appropriate for spot market specially for Coal/Gas based Power Plants</p> <p>7. Further, CERC may restore the power exchanges to cap prices at ₹20 per unit, in order to safeguard a Buyer in procuring must purchase quantum at abnormal high price. Similarly, a price cap should be introduced on lower side for safeguard a Seller in selling the must run power at average variable cost.</p>
3.2.1 to 3.3.2	<p><i>What should be the criteria for Regulatory Interventions?</i></p> <p><i>How do we address the negative impact of price cap?</i></p>	<p>We propose that regulatory intervention is required to address the unprecedented high demand of the beneficiaries without any intervention on the supply side and in this context our comments are as follows:</p> <ol style="list-style-type: none"> 1. Regulators should ensure that distribution utilities should estimate their demand accurately and plan for power procurement in a more efficient way by ensuring better resource adequacy. The Commission should be encouraging the DISCOMs for power procurement under medium/long bids in advance. 2. Regulators should ensure proper implementation for GNA Regulations which would ensure better transmission planning through proper utilization of transmission assets by decreasing congestion and in turn reducing the prices of the market. 3. Regulators/other regulatory bodies should develop proper mechanism to integrate availability of resources in national level which would help in power procurement planning of DISCOMs. <p>In view of the above, we feel that a robust DEMAND side planning & management will mitigate the crisis of the demand- supply imbalance situation and to that effect regulators may ensure a proper policy and regulatory framework.</p>