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Ref: GEL/CERC/PM Pricing- Staff Paper/2022-23/0511

5th November 2022

To,

Sh. Harpreet Singh Pruthi
Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001

Sub: Comments on Staff Paper on “Power Market Pricing”.

Ref: 1. Public Notice No. Eco-4/2022-CERC
2. Staff Paper on Power Market Pricing

Dear Sir,

With reference to the captioned subject, we hereby would like to submit our comments/suggestions (Annexure-I) on Staff Paper - Central Electricity Regulatory Commission Power Market Pricing.

Kindly consider the same.

Thanking You,
For **GMR Energy Limited**



Anoop Pandey

Encl: Annexure-1

Annexure-1

Draft Comments on CERC Staff Paper on "Power Market Pricing"

Comments are sought on Section 3 of the discussion paper where the point-wise response is as follows:

3.1. Does Pricing Methodology need a change?

- Both Power purchase and Power Sale in Spot markets are exposed to risks and reward under various seasons and market scenarios on demand supply position being majorly contributed by participating Discoms
- In last 8-10 years, average Spot Rate was lower as compared to legacy contracts especially the Long term contracts and hence it is observed that new bids for LT PPAs were very limited.
- Increased addition of low-cost utility scale solar power and such variable supplies to match with forecast demand keeps Discom Buyer's to increasingly dependent for balancing variations on products on Spot markets.
- Due to high ingress of variable RE supply, thermal generators are largely dependent on off-loading must run capacity even below variable cost of generation in case of back down during day hours. These occurrences to increase with more penetration of VRE power.
- As it is difficult to assess for the balance of possible losses in some seasons as also higher contribution margins for a Seller, it would be prudent to apply uniform clearance for all entities and also the same has been deeply experienced for small volumes in spot markets.
- Pay as Bid price may not be appropriate for spot market as it need not be transparent and uniform for all the market participants with difference in assessment on market price forecasts.

3.3. How do we address the negative impact of price cap?

- Hon'ble commission has already undertaken cap on spot market price to safeguard consumer interest as Buyer has to procure such quantum at abnormal high price to avoid rotational load shedding. Similarly, in case of low demand season lower side price cap should also be thought over to safeguard costs incurred by Seller in selling the must run power at average variable cost as may be evaluated with prudent mechanisms considering fuel mix, etc.
- Dynamic Price cap seems more appropriate in various seasons according to generation mix and prevailing demand supply gap scenarios.

3.4. What should be the market design for incentivizing demand response and energy storage system (ESS)?

- India being a developing country and has increasing electricity demand on account of industrial activity as well as commercial developments and energy saving is voluntary and done through cost saving measures by end users and hence mandatory power saving is not required to be implemented strictly.
- End Consumers are not aware of the power procurement basket where prudent utility practice to optimize power portfolio such that the tariffs are cost reflective as also the tariffs are revised in true-up process & the control period. Strengthening of demand response programs and such initiative like demand side management are continuous activities to educate consumers through effective implementation of TOD/such dynamic tariff.