MAHAVITARAN
Maharashtra State Electricity Distribution Co. Ltd.
(A Govt. Of Maharashtra undertaking)
CIN : U40109MH2005SGC153645

स्वातंत्र्याचा अमृत महोत्सव

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Ref. No. CE/PP/MP/ 28587 **Date: 04.11.2022**

To,
The Secretary,
Central Electricity Regulatory Commission,
3rd and 4th Floor Chandralok Building,
36 Janpath, New Delhi-110001.

Sub: Submission of comments / suggestions on Staff Paper on Power Market Pricing.

Ref: 1) Eco-4/2022-CERC Date: October 12, 2022.

Respected Sir,

This has reference to the Staff Paper on Power Market Pricing published by Hon'ble CERC and accordingly comments sought from stakeholders.

In the outset MSEDCL would like to submit its comments/suggestion on some of the issues raised in the aforementioned Staff Paper on Power Market Pricing as below:

1. Need of change in pricing methodology.

(i) In view of the concerns of the super normal profit to infra marginal generators, the staff paper proposes to change the pricing methodology from uniform pricing to pay-as-bid. It is to submit that Uniform Clearing Price (UCP) has greater transparency and efficiency. However, in this mechanism it is observed that super normal profit is earned by infra marginal generators. On the other hand, pay-as-bid (PAB) methodology may cut down the extra profit, but may encourage the generators to bid above their marginal cost which may lead to overall high prices in the market.

(ii) Further, in the pay-as-bid (PAB) methodology, generators shall be reluctant from bidding their actual costs. The estimate of clearing price will be different for different generators and thus with all bids exceeding the respective marginal costs of generators for all blocks of power, optimum price discovery will not be assured. Further the lower marginal sell bids shall get rejected if they overestimate the bidding price.

(iii) It is submitted that instead of changing the pricing methodology, the current pricing methodology i.e. UCP can be slightly modified to ascertain the marginal profits to the generators and at the same time efficient price can be discovered to buyers.

(iv) It is submitted that Hon'ble CERC has reduced the price cap to take care of the super normal profit to infra marginal generators. This can be further made effective by distributing the profit margin (i.e. the difference between clearing price and bid price) in 10:90 ratio, wherein 10% shall be allotted to sellers/generators and 90% shall be distributed among buyers on the basis of volumes cleared by each buyer.

(v) It is further submitted that for the generator having high generation cost such as gas based or any other high cost source of fuel, CERC has already proposed High Price Market Segment.

2. Regulatory intervention in Market.

Hon'ble Commission under such case may define a price cap on profit earned by sellers/generators as it has defined a cap of Rs. 12.00 per unit for overall market. This would restrict the sellers/generators to earn abnormal profit and take undue advantage of the market situations. Hon'ble Commission may also monitor the market behaviour and intervene in such situations where fair play of market is getting affected.

3. Negative impact of price cap.

Sellers/Generators having generation cost over and above the ceiling rate of Rs. 12.00 per unit or any other cap as defined by the Hon'ble Commission, then such seller/generator may be defined as Supra Marginal Generator.

Therefore, it is submitted that there may not be a negative impact of the price cap, as a separate segment for High price market is also proposed by Hon'ble Commission. Sellers/Generators having high generation cost may accordingly opt to bid in such market.

It is kindly requested to consider MSEDCL's comments/suggestion on the staff paper on Power Market Pricing

Thanking you,

Your's faithfully,

f Chief Engineer (Power Purchase)
MSEDCL

Copy s.w.r.to,
Director (Commercial), MSEDCL.