

**RPTCL/2022-23/CERC/SP/122**

**03<sup>rd</sup> November, 2022**

**The Secretary,**  
Central Electricity Regulatory Commission,  
3<sup>rd</sup> & 4<sup>th</sup> Floor,  
Chanderlok Building,  
36 Janpath,  
New Delhi -110 001.

**Sub: - Comments/Suggestions on "Staff Paper on Power Market Pricing prepared by staff of Central Electricity Regulatory Commission."**

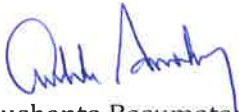
Dear Sir,

This has reference to the **Public Notice No. Eco-4/2022-CERC, dated 12<sup>th</sup> October, 2022** for seeking comments and suggestions on "**Staff Paper on Power Market Pricing prepared by staff of Central Electricity Regulatory Commission**", notified by Hon'ble Central Electricity Regulatory Commission through the above referred public notice.

Accordingly, in this regard, kindly find our observations/comments/suggestions enclosed as Annexure to this letter for your kind consideration.

Thanking You.

Yours faithfully,



Sushanta Basumatary  
Chief Manager  
**RPG Power Trading Company Limited**

Enclosed: As stated above

**RPTCL Comments on Staff Paper on Power Market Pricing Prepared by Staff of Central Electricity Regulatory Commission, CERC, dated Oct 2022**

Clause Ref	Clause Details	RPTCL Comments/Suggestions
3.1	Does Pricing Methodology need a change?	<p><b>In the existing uniform price discovery mechanism, both consumer and producer surplus is maximised in a balanced way and thus, we feel that that the existing pricing methodology be continued and need not to be changed.</b></p> <p>It is humbly submitted before Hon'ble Commission that the proposed pricing methodology in this paper (Pay as you bid) will not be reflective of true supply-demand position of market. It is felt that market (especially Day ahead market in Power exchange platform) should be allowed to operate freely to the extent possible as any spike 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. The restrictive barrier(s) in terms of price caps through statutory intervention may be considered only in extreme cases when the Commission thinks that there is abuse of market leading to discovery of prices beyond demand supply considerations.</p> <p>The proposed Pay as you bid mechanism is skewed in buyers' favour overriding the actual demand supply position of the market and thus, appears unjustified from the perspective of the producers who are actually equal partners in the market.</p>
3.1.2	3.1.2. It is imperative to mitigate the concern of super normal profits which may apparently be achieved through pay-as-bid auction. While participating in the market, generators quote price to receive their.....	<p><b>For mitigating such concern of super normal profits by inframarginal generators, following may be important:</b></p> <ul style="list-style-type: none"> <li>• Detailed study needs to be conducted to identify and evaluate those buyers who are frequently buying power at these high rates and the percentage of the high-priced sell volume that is coming from the supra-marginal generators.</li> <li>• A study on the cost structure of generators/suppliers participating in the collective market can be conducted so as to arrive at a rational capping for inframarginal generators. Such COST capping may have to be worked out considering both fuel and technology factors so as to accommodate maximum number of market participants on the supply side.</li> <li>• The collective trade market may be segmented on the basis of certain range/capping of price levels of buy and sell bids. This will ensure a normal uniform price discovery market where in majority of buyers and sellers will participate. Further, the uncleared participants (only buyers) in this uniform price discovery market can</li> </ul>



**RPTCL Comments on Staff Paper on Power Market Pricing Prepared by Staff of Central Electricity Regulatory Commission, CERC, dated Oct 2022**

		<p>move to high price market (pay as you bid market) which will start beyond the capped price of uniform price market.</p>
<p>3.2</p>	<p>3.2. What should be the criteria for Regulatory Interventions?</p>	<p><b>Humbly submit our suggestion before Hon'ble commission on the market clearing methodology with an illustration as follows:-</b></p> <p><b>A market modification can be designed wherein there can be two stage, hybrid model of the market clearing process.</b></p> <p><b>First segment-</b> Uniform Price Discovery market with a price cap</p> <p>followed by</p> <p><b>Second segment-</b> High Price market which starts from floor level of First segment price cap.</p> <p>In the first segment (Uniform Price Discovery segment), let us assume, 80% of buy/sell bid volumes may be accommodated say at a cut-off price level of INR 8/unit (this price capping need to well researched based on past market trends which will ensure adequate liquidity for Uniform price discovery market mechanism). It is expected that through this, all the inframarginal generators will get accommodated in this segment and the price discovery will be rational and very close to expected levels of both buyers and seller.</p> <p>In the second segment (Pay as you bid segment) uncleared buy bids of uniform price discovery market shall get automatically get shifted. Further the additional buy &amp; sell bids intending along with uncleared buy bids of uniform price discovery market will be considered together to participate in this high price market. The price matching through pay-as-you-bid pricing mechanism, i.e highest buy bid will be matched with highest priced supplier and so on and so forth, shall be done separately.</p> <p align="center"><b><i>NB:- Only the Buyers from the uniform price discovery segment (first segment) shall have the OCF (option to carry forward) in the second segment at their preferential price above INR 8/u.</i></b></p> <p>We feel that a balance therefore can be achieved, in terms of windfall gains made by inframarginal generator and maximisation of both consumer and producer surplus in the first segment clearing. Also, availability of supply gets ensured for the needy buyers well ahead of the TAM trade timing, at their preferred bid price through the second segment market clearing.</p>



**RPTCL Comments on Staff Paper on Power Market Pricing Prepared by Staff of Central Electricity Regulatory Commission, CERC, dated Oct 2022**

		<p>We also submit that the TAM market segment should continue to operate the way it operates now.</p> <p>Review of the proposed hybrid market structure/market clearing mechanism can be taken from market stakeholders should be taken after 6 months of operation. The cut-off price of the assumed INR8/u can be reviewed from time to time depending on the market scenario and the prevailing cost structure.</p>
--	--	--

**General comment:**

It is humbly submitted that power exchange transaction is just 7% of the total electricity transacted in the country and in the 7% PX transaction, day-ahead collective is around 60%, with a daily average trade in the range of 140 to 160 Mus (current trend). This is a miniscule amount as compared to other modes of transactions viz. long/medium term, short term bilateral (negotiated & through tenders), banking transactions, DSM etc.

Therefore in our opinion, it is imperative that a robust DEMAND side planning & management should be adopted and enforced, which will mitigate crisis of the demand-supply imbalance situation and to that effect a policy and regulatory framework may be implemented.

**With the foregoing, it is submitted before Hon'ble commission that the present pricing methodology of Uniform Price Discovery mechanism should be continued.**

