

To,

Date: 11.11.2022

The Secretary,  
Central Electricity Regulatory Commission  
3rd & 4th Floor, Chanderlok Building,  
36, Janpath, New Delhi- 110001

Subject: Submission of opinion/Staff Paper on "Power Market Pricing

Sir,

This is with reference to the above subject wherein Hon'ble commission by way of public notice No. Eco-4/2022-CERC dated 12.10.2022 has published the Staff Paper on "Power Market Pricing whereby inviting comments/suggestions/objection from the stakeholders and interested persons.

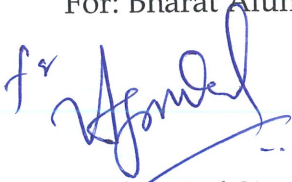
Thus, Bharat Aluminium Company Limited producer of Aluminium is both Captive Generating Plant as defined in Section 9 of the Act and a "Captive User" as defined in rule 3(2) of Electricity Rules 2005 submits suggestions on proposed, Staff Paper on "Power Market Pricing enclosed as annexure A.

Submitted for your kind consideration.

Thanking you,

Yours faithfully,

For: Bharat Aluminium Company Limited



Authorized Signatory

**Annexure- A**

PARA	DETAILS	COMMENTS AND SUGGESTIONS
<p>Chapter 3.1 – 3.1.3</p>	<p><i>Does Pricing Methodology need a Change</i></p>	<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"> <li>1. The proposed market pricing methodology does not instil confidence in the generator for recovery of fuel cost which is procured by them by various means of auction &amp; other sources.</li> <li>2. The proposed methodology is restricting the free discovery of tariff. This shall lead to a false view of actual supply-demand position of market. Therefore, 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. Hence, both Generator and Purchaser on spot market are exposed to risk and reward under different market scenario.</li> <li>3. It is witnessed from the past trend 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.</li> <li>4. 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, 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.</li> <li>5. The increased infusion of low-cost RE power would result in further reduction of price which will result stranded thermal merchant capacity, which is not beneficial for the development of economy.</li> <li>6. Further, within a different product segment (DAM/GDAM/TAM/GTAM/RTM etc.), different methodology of price discovery should not be promoted for different fuel mix.</li> <li><b>7. Hence, "Pay as Bid price" may not be appropriate for spot market specially for Coal/Gas based Power Plants</b></li> </ol>

PARA	DETAILS	COMMENTS AND SUGGESTIONS
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"> <li>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.</li> <li>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.</li> <li>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.</li> </ol> <p><b>In view of the above, we feel that a robust DEMAND side planning &amp; management will mitigate the crisis of the demand- supply imbalance situation and to that effect regulators may ensure a proper policy and regulatory framework.</b></p>