

To,

Date: 16.10.2023

Central Electricity Regulatory Commission
3rd & 4th Floor, Chander Lok Building,
36, Janpath, New Delhi -110 001

Kind attention: Shri Harpreet Singh Pruthi ji,
Hon'ble Secretary, CERC

Subject: Letter regarding response for inviting comments on "Staff Paper on Market Coupling" published by CERC with respect to Renewable Power Generation Companies

Reference: Staff Paper on Market Coupling published by Central Electricity Regulatory Commission

Dear Sir,

With reference to, CERC has published the "Staff Paper on Market Coupling" in August 2023 inviting comments/views from the stakeholders. In response Blupine Energy likes to offer its views on the issues and questions highlighted in the discussion paper w.r.t to renewable power generation companies. We submit that we do not support the proposal of market coupling.

Views/Comments upon Staff Paper on Market Coupling by Central Electricity Regulatory Commission published in August 2023

- 1. The green short-term market development will be curtailed as investments in merchant RE plants would dwindle post coupling:** As market coupling in India is oriented towards price pooling of power exchanges that would have a direct negative impact upon the revenue streams of merchant renewable energy projects. This would result in bankruptcy of existing projects.
- 2. Future RE products like CFD and VPPAs which were key to RE market development in the country may impacted due to market coupling:** CFDs and VPPAs have been instrumental for India in providing renewable projects certainty for consistent revenue flows which eventually becomes a crucial factor for driving investments. These mechanisms are designed in a way that allow the developers to secure the fixed price for the energy they produce which helps them to counter the risk of price fluctuations.
- 3. There would be revenue cannibalization risk imposed for RE generation companies post market coupling:** Revenue cannibalization will evolve as a significant risk for companies in RE generation post market coupling. Revenue cannibalization occurs when the market price of electricity falls due to an increase in the share of RE sources in the generation mix. As RE capacity increases the additional supply can potentially lead to lower market prices which in turn may reduce the revenue earned by RE generation companies.



4. **Market coupling can disrupt the subsidy models on offer to RE generation companies which may act as a deterrent to new project financing:** The market coupling of power exchanges can act as a deterrent to new project financing and potentially would disrupt the subsidy models offered to RE generation companies. In India, many renewable projects rely on subsidies and incentives provided by the Government at the concurrent levels to make them financially viable.
5. **Market uncertainties introduced by market coupling may lead to RE project delays and eventually may slow down the green energy transition progress of the country:** Post market coupling the regulatory uncertainty introduced can lead to a “Wait & Watch” approach amongst the developers and investors which will directly impact the investment flows until there evolves greater clarity on the market uncertainties. Also, for the RE project developers the revenue streams would stand unpredictable which will induce uncertainty for the developers and investors to commit capital to the projects which have uncertain returns commitment. This eventually will slow down the transition of country towards green energy.
6. **Possibility of monopolistic practices may get enhances favoring few dominant generating companies:** Post market coupling of exchanges the possibility of monopolistic behavior of the market will get enhanced as the market power would get concentrated in the hands of dominant generating companies (few government PSUs) which will limit the potency of smaller RE generation companies in the country and ruin the market.
7. **Possibility of monopolistic practices will enhance favoring few dominant generating companies:** Post market coupling of exchanges the possibility of monopolistic behavior of the market will get enhanced as the market power would get concentrated in the hands of dominant generating companies (few government PSUs) which will limit the potency of smaller RE generation companies in the country.
8. **Direct impact on PPAs would impact project financing of RE projects:** Direct impact upon PPAs would translate directly into securing project financing for RE projects in a post market coupling scenario as the proposal of coupling is deemed as precursor to Market Based Economic Dispatch (MBED), wherein RE projects will get priority in scheduling courtesy no variable charge.

In view of the above, the Hon’ble Commission is requested to assess the need of such a disruption by conducting a detailed independent study on the market design. The market design should reflect the current need of the power sector and should be conducive for all the stakeholders. Therefore, considering the aforesaid mentioned points we would request to kindly withdraw the decision to implement Market coupling.

Thanking You
Manish Kumar Tiwari
Regulatory Officer
Blupine Energy

