Choudhary Power Projects Pvt. Ltd.

"INDEPENDENT POWER PRODUCERS"
ENGINEERS, DESIGNERS & CONSULTANTS

Head Office :
Choudhary Towers, 3rd Floor,
Sector -1A, Ext. Trikuta Nagar,
Jammu - 180012

Tele : 0191-2477241
Fax : 0191-2474124

Ref. No: CPPPL/Jammu/23-24/258

Dated: 16-10-2023.

To

The Secretary,
CERC, 3rd & 4th Floor,
Chanderlok Building,
36, Janpath, New Delhi-110001

Sub: Staff Paper on "Market Coupling" – Comments of Choudhary Power Projects Private Limited.

Ref: Public Notice no: Eco-14/1/2023—CERC Dated: 21-08-2023.

Sir,

In reference to the above subject matter, the comments of Choudhary Power Project Pvt. Ltd. on the Staff Paper on "Market Coupling" published by CERC on its website dated: 21-08-2023 for your kind consideration.

Thanking you

For and on behalf of
Choudhary Power Projects Pvt. Ltd.

Director

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

CERC has published the "Staff Paper on Market Coupling" in August 2023 inviting comments/views from the stakeholders. In response, we would like to offer our views on the issues and questions highlighted in the discussion paper.

The argument for market coupling is primarily focused on three key objectives which are determining single price, improve transmission corridor management & availability and maximize the social welfare. However, we feel that market coupling requirements as per the issues highlighted by hon'ble commissions require an extensive examination.

- Market coupling as a concept was introduced in Europe in 2006 but in a phased manner with transnational merger happening between countries of France, Belgium, and the Netherlands. Subsequently, 15 different European countries introduced a nation-wide market coupling in the year 2014. By 2023 the European electricity wholesale market is highly integrated with 27 countries & 30 transmission system operators participating in market coupling. The prime objective behind coupling of power exchanges in Europe was to integrate market of different countries & thereby leading to optimization of cross border transmission infrastructure with respect to both capacity allocation and congestion management and achieving the same by price convergence of electricity between the integrated markets. However, if the same rationale is applied for India, it will be a flawed structure for the reason being there are multiple prices that prevail in the country which stand unique to each power purchase agreements (PPA).

- The green short-term market development will be curtailed as investments in merchant RE plants would dwindle post coupling. This would be discouraging for the investors to put money in renewable merchant power plants as the ROI would be completely unattractive.

- Additionally, uncertainty in the market would be a direct deterrent for short term market development, especially in the case of merchant renewable generation which is heavily reliant on the concurrent regulatory and policy dynamics.

- 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. In a scenario post market coupling the chances for a lower market price of electricity becomes higher which may make it more challenging for projects reliant on CFDs and VPPAs to secure favorable terms purely for the fact that the gap between market prices and the agreed upon prices for such contracts would dwindle and become narrower. However, ultimately the impact would depend upon how the market evolves post coupling which would be heavily dependent upon the way it is implemented.

- 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

Chaudhary Power Project Pvt. Ltd.

for

India, many renewable projects rely on subsidies and incentives provided by the Government at the concurrent levels to make them financially viable. These subsidies often take the form of Feed in Tariffs, tax incentives & holidays, reduced price for land leasing and other financial support mechanisms. However, post market coupling chances for lower market prices would be higher which in turn would reduce the gap between market prices and the guaranteed prices offered through subsidies. This would have a clear negative impact on the economic feasibility of such RE projects which are planned on subsidies.

- 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.

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.