

Ref : - CERC notice dtd. 21.08.2023 inviting comments and suggestions on 'Staff paper on 'Market Coupling - reg'

Sub: Comments of Damodar Valley Corporation Regarding introduction of single 'Market Coupling Operator' in Indian Power Exchanges.

Notification under ref(i) has been issued by CERC inviting comments and suggestions on the subject matter.

Power Market Regulation, 2021 mandates the principles of electricity market and its design in India. It also laid down various provisions for creating more integrated and efficient market mechanism through 'Market Coupling' which supports the creation of multiple power exchanges and increase the liquidity in power exchange markets through merit order dispatch and efficient operation. The idea of Market Coupling proposes to optimize utilization of transmission network capacity and maximize economic surplus.

The intent of CERC notification proposing market coupling is to ensure efficient, unbiased and uniform price discovery in the transactions done carried electricity markets in India. Presently power exchanges in India deal with various transactions related to various segments of energy market for which price is discovered through in-built algorithm which is power exchange specific.

At present Day Ahead(DAM)/ Green Day Ahead(GDAM) and Real Time Market(RTM) account for more than 85% total electricity traded in power exchanges. These segments are more dominantly traded in one exchange out of three power exchanges currently operating in India. It has been found that DAM prices varied widely across different exchanges for the same period. For that it may so happen due to the absence of bid liquidity, purchase / sale bids in any exchange might remain un cleared whereas the same bids if would had been placed in other exchanges might had been cleared. Due to that the average MCP of a particular exchange may remain at higher/ lower

In the last few years electricity sector in India have evolved extensively promoting efficient and reliable operation of generating units as well as transmission systems. Regulators have already implemented various reforms and propose to do more in the future in the form of market-based dispatch and derivative markets. For implementing the same, single price for DAM/GDAM, RTM is to be discovered which is only possible if all the buy and sell bids submitted against these transactions though out all exchanges are brought under one umbrella and price is discovered through proposed Market Clearing Operator. Uniform DAM prices translate into efficient power sell/purchase planning.

It is evident that promoting competitiveness, efficiency, ensuring availability and further moving towards a more engaged, efficient and transparent market based mechanism for trading of power in India is the way forward which will help to grow the Indian Electricity market.

In this context if a single Market Coupling Operator working under the purview of the regulator is engaged for discovery of uniform prices, it will lead towards a more transparent and efficient Indian Energy Market operation.

So, in order to bring more transparency, efficiency and competitiveness in the operation of power exchanges it may be proposed to introduce single Market Coupling Operator for various power exchanges in India.