

From: sumit@enrichenergy.com
To: "Harpreet Singh Pruthi" <secy@cercind.gov.in>, "Ashutosh Sharma" <ashutosh.sharma@nic.in>
Sent: Friday, October 6, 2023 4:38:56 PM
Subject: Submission for comments.

Dear Sir,

We hereby submit our views/comments upon Staff Paper on Market Coupling by Central Electricity Regulatory Commission published in August 2023. The Central Electricity Regulatory Commission (CERC) published a "Staff Paper on Market Coupling" in August 2023, inviting comments from stakeholders. Enrich Renewables Pvt Ltd has submitted its views on the issues and questions highlighted in the discussion paper, as follows:

Enrich Renewables Pvt Ltd is not in favor of the proposed market coupling mechanism. The main arguments for market coupling are to determine a single price, improve transmission corridor management and availability, and maximize social welfare. However, the market coupling requirements highlighted by CERC need to be carefully examined.

Market coupling was first introduced in Europe in 2006, in a phased manner. In 2014, 15 European countries introduced nationwide market coupling. By 2023, the European electricity wholesale market is highly integrated, with 27 countries and 30 transmission system operators participating in market coupling. The primary objective of market coupling in Europe was to integrate the markets of different countries and optimize cross-border transmission infrastructure.

However, the rationale for market coupling in India is flawed. India has multiple prices, which vary depending on the power purchase agreements (PPAs). In the Indian context, coupling will not create any additional value, as the country has a voluntary market model where multiple power exchanges and traders operate. Market coupling will create a single coupling operator and eliminate the need for exchanges and traders. This will increase operational costs, create unwarranted rigidities, and stifle innovation, defeating the very purpose of the reforms introduced by the Electricity Act 2003.

In the Indian context, the objectives of market coupling are already being achieved, as all regions and states are integrated geographically.

Market coupling will undo all the progress and market development that has been made. Efficiency, transparency, healthy competition, and open access will all be diluted.

Here are some of the specific concerns that Enrich Renewables Pvt Ltd has about the impact of market coupling on power traders:

1. The business case of small traders will be negatively impacted. Market coupling will eliminate the need for power exchanges, which will deprive small traders of the market infrastructure and support they rely on. This will lead to market concentration, with the top 2-3 traders capturing most of the volume.
2. There is a risk of market concentration and volume centralization. Currently, the top 3 traders in India command close to 70% of the volume traded. After market coupling, the top 3 traders could capture 90% of the volume, leaving small traders with little or no market share.

3. There will be significant transition costs for power traders, with the loss of localized market information adding to the challenges. Market coupling will eliminate the services of power exchanges, depriving traders of localized market information such as regional demand patterns and grid constraints. This will impact the business case of traders, who will need to invest in capacity building and incur significant costs. For large traders, this may not be a problem, but for smaller traders, it could be a major challenge.
4. There will be disruptions in established trading patterns. Market coupling is expected to cause significant disruptions in established trading patterns. This is compounded by the fact that several new regulations, such as IEGC, GNA/TGNA, and transmission charge sharing, are soon to be implemented with much ambiguity. This will create an ambiguous environment and make it difficult for traders, especially smaller ones, to operate.
5. There will be reduced market innovation and a risk of sudden change in market rules post-coupling. Market coupling will lead to a major shift in market structure, which could create uncertainty for market participants. Sudden changes in market rules or regulations could disrupt established business models and strategies, leading to hesitancy among market participants. Additionally, as market coupling would mean a more centralized market structure with the introduction of a MCO, the drive for exchanges for pushing innovations & new products will not exist. This could lead to stifling innovation in the power sector and affect businesses.
6. There will be enhanced risks for traders in managing their respective portfolios, especially for small traders. The risk for small traders to manage their portfolios will be higher in the event of market coupling. This is because market uncertainty will be introduced, which may make it difficult for the participants to respond to price movements. Additionally, as the smaller power traders may have limited resources, they may choose to focus on specific segments and regions of the market. If market coupling is introduced, it may lead to a change in dynamics and could see concentration in certain areas, which could limit the potential of smaller traders to diversify their portfolios. This lack of diversification may increase their exposure to higher market risks.

In conclusion, Enrich Renewables Pvt Ltd requests the Hon'ble Commission to conduct a detailed independent study on the market design rather than taking steps like market coupling in an isolated manner. The market design should reflect the current need of the power sector and should be conducive for all the stakeholders.

Regards,

SUMIT PAWAR

Manager

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From: Sumit Pawar

Sent: 30 September, 2023 2:18 PM

To: secy@cercind.gov.in; ashutosh.sharma@nic.in

Subject: Extension of deadline for submission for comments.

Sir,

I am writing on behalf of Enrich Renewables Pvt. Ltd. We appreciate the diligent efforts of CERC in overseeing the power sector and ensuring its efficient functioning. We acknowledge the critical role that market coupling plays in the electricity market, and its significance for maintaining a robust and competitive sector.

We wish to bring to your attention a matter of utmost importance related to market coupling. Our company has submitted comprehensive comments and insights on this issue to CERC. However, due to the complexity of the matter and the need for further analysis, we kindly request a two-month extension of the current deadline for our submissions.

The extension will provide us with the necessary time to conduct a more in-depth evaluation and prepare well-informed recommendations. This additional time will enable us to contribute effectively to the ongoing discourse on market coupling and ensure the best interests of all stakeholders in the electricity market.

We understand the urgency and significance of the matter and assure you that we will use this extension judiciously to provide well-considered inputs that align with CERC's objectives. We are committed to working closely with CERC to enhance the efficiency and competitiveness of the electricity market.

We kindly request your favorable consideration of this extension request. Your support will greatly assist us in contributing meaningfully to the resolution of this critical issue.

Thank you for your attention and understanding. We look forward to your positive response and remain at your disposal for any further information or clarification.

Regards,

SUMIT PAWAR

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Reply

Forward