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

Kind Attn.: Shri Harpreet Singh Pruthi

Sub: Inviting comments and suggestions on 'Staff paper on 'Market Coupling - reg'

Dear Sir,

In the matter of 'Implementation of Market Coupling' vide Public Notice No. Eco-14/1/2023-CERC dt. 21.08.2023 on "Staff Paper on Market Coupling", Hon'ble CERC has sought comments and suggestions of different stakeholders. GUVNL comments on the Staff Paper on Market Coupling on 'Implementation of Market Coupling' are given below:

India's current electricity market, which is operating with three power exchanges, is practically dominated by one power exchange. This has to a large extent, defeated the objective of competition in "Multi-Power Exchange Model" adopted in the country. Market coupling will ensure promote healthy competition, competitive services, settlement of transactions at a common clearing price, while allowing for maximum clearance of volumes at such price.

Market Coupling will address the following issues faced by DISCOMs :

- **Discovery of different Prices:** Due to discovery of different prices in for a particular time block in exchanges, often the buying decisions of DISCOMs are limited to single exchange.

- **Liquidity**: Today DISCOMs' participation in all/any exchange(s) is influenced by the certainty of bid clearances, which depends on the level of liquidity of the exchange(s).

- **Competition**: Since the electricity market today is dominated by one exchange, there is no real competition w.r.t. price, service, innovation, transaction fee, etc.

In the proposed Market Coupling implementation, since sell and buy bids from all the exchanges would be merged, more volumes could be cleared, thus creating more liquidity, which in turn would lead to price efficiency. Competition between the exchanges would also result in better services, lower transaction fees, etc. which may further increase wider participation from Generators/DISCOMs. Overall, there would be a substantial increase in the transaction volume. Market coupling, thus would not only lead to One Price, but it would also help in optimal use of transmission infrastructure, deepening of markets and maximization of economic surplus. In the longer run, it would pave the way for integration of power markets from neighboring countries.

Further, our views on some of the points for discussion on Market Coupling are as follows:

1. Market coupling in case of Indian Power Market scenario:

   Even though there are three exchanges in India, DAM and RTM markets are dominated by one exchange. Thus, there is no real competition. Buyers and Sellers also tend to restrict themselves to that exchange where there is more certainty for bid clearance. More so, due to discovery of different prices on different exchanges and uncertainty of bid clearance in other exchanges, buyers and sellers both tend to shy away from such exchanges. Liquidity of one exchange helps to attract/create more liquidity in that exchange over a period of time. In such a situation, Market Coupling of power exchanges would give the desired optimal solution with social welfare maximization.

2. Market Coupling Operator (MCO):

   If any of the existing power exchanges are made as MCO, there would be conflict of interest, thus defeating the spirit of the idea. A Third party, preferably a Govt. Entity should be designated as Market Coupling Operator.

3. Algorithm for a coupled market:

   The present algorithm adopted by Indian power exchanges which gives maximum social welfare to all may be adopted.

4. Market segment in which coupling should be introduced first:

   In all closed ended market transactions of the markets such as G-DAM, DAM, HP-DAM, RTM and TAM segments, market coupling should be introduced.

It is beyond any doubt that, future development / growth of power sector in the country would also depend on widening the scope of market-based electricity transactions, wherein power exchanges would play an enlarged role. Hence, it would be prudent to introduce "Market Coupling Mechanism" in the Indian electricity market. This would further provide a fair, neutral, efficient and robust price discovery platform for electricity transactions.

With regards,

Yours sincerely,

(Shubhadeep Sen)
I/c. General Manager, (Power Trading)