



To,
The CERC

Subject: Staff Paper on "Market Coupling"-Reg, Dated August 21, 2023- Letter No. Eco-14/12023-CERC

1. Stated Objectives: The key objectives highlighted in the Staff Paper mention the "Discovery of Uniform Clearing Prices" in the collective market. On this aspect, it is submitted that for the last 15 years, since the inception of power exchanges, price discovery has consistently occurred at one exchange, leading to uniform price discovery in the collective market (>99% of the time). Thus, the mentioned objective is already being achieved. Furthermore, the Staff Paper itself acknowledges that another key objective, "Adequate utilization of Transmission Corridor," is also being achieved without the implementation of coupling. The international examples of coupling mentioned in the staff paper primarily refer to the coupling of "geographical" markets with varied generation portfolios, rather than just power exchanges. This aspect is already being met in the Indian context after the integration of the National Grid and the utilization of resources.

2. Significance of Power Exchanges in the Energy Market: Over the years, all the Power Exchanges have developed multiple market products and have successfully created an environment of awareness among sector stakeholders. They conduct regular workshops to inform the market about the demand-supply situation, fuel supply updates, weather-related information, and the introduction of new products and services. These efforts have assisted stakeholders in making informed decisions regarding power portfolio optimization, which is a significant component for any distribution utility (constituting 70-80% of the Annual Revenue Requirement).

With market coupling in place, most of their functions will be taken over, effectively reducing their role to collecting bids and transferring them to the market coupling operator. In such a scenario, their focus would shift towards acquiring more bids from the market rather than creating market awareness, which was never the primary objective of the Electricity Act and Power Market Regulations.

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3. Role of Power Exchanges in Driving Market Innovation: Power Exchanges, being in regular contact with all stakeholders, are better positioned to understand market needs and innovate accordingly to create products and services that market participants require. In fact, competition among exchanges has led to significant improvements in service levels, benefiting customers. With only bid matching in their purview, this function of innovation would be impacted. Currently, it has been observed that after receiving directives from the Ministry of Power (MoP), CERC, etc., for new products, the turnaround time for launching market products is very fast, as exemplified by HP-DAM, RTM, etc. Implementing coupling would reduce competition and the associated benefits to the sector.

4. Lower Price Discoveries: In the past, states used to procure power from the DEEP Portal in the short-term market for periods longer than 11 days, as such contracts were not available on Power Exchanges. However, with the launch of Longer Duration Contracts (LDC) by all three Power Exchanges, much lower price discoveries compared to the DEEP Portal have been observed. This demonstrates the power of competition with decentralization in place. Efforts should be made to promote such competition in collective markets to benefit customers, rather than implementing market coupling and centralizing contracts.

Thanks & Regards

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