



K.S.E.BOARD OFFICERS' ASSOCIATION

KSEB Officers' House T.C.25/2969, Malloor Road,
Vanchiyoor, Thiruvananthapuram-695035

Phone : 0471-2462300, Web site- www.kseboa.org E-Mail : info@kseboa.org

KSEB/ General /2023-24/ 295

15-10-2023

To,

The Secretary

CENTRAL ELECTRICITY REGULATORY COMMISSION

3rd & 4th Floor, Chanderlok Building, 36, Janpath,

New Delhi – 110 001 Tel : 23753915/ Fax : 23753920.

Sir,

Sub: Market Coupling - Remarks of KSEB Officers Association –Reg

Ref: Public Notice No. Eco-14/1/2023-CERC dated August 21, 2023

Please refer above.

KSEB Officers Association, the largest association of officers in Kerala State Electricity Board Ltd, hereby furnishing the remarks on “Staff Paper on Market Coupling” notified by CERC in August 2023.

The staff paper proposals of the Market coupling is framed in contrast to the existing legal provisions. It is clearly stated in the Electricity Act that trends in the electricity market which inhibit competitive possibilities should be avoided. But the current proposal seeks to consolidate electricity prices in the market. Currently, due to the slowdown in the capacity addition of generators which provides round – the -clock electricity, many distribution companies are depending on the market for meeting their electricity needs. Once the said proposal is implemented, there will be price consolidation in the market which will lead to an increase in electricity prices by removing the possibility of competition in a big way.

Apart from determining single price, the argument for market coupling is primarily focused on the objectives to improve transmission corridor management & availability and maximize the social welfare. However, market coupling requirements as per the issues highlighted by Hon'ble commissions require an extensive examination.

In the Indian context coupling will not create any additional value as the country has a voluntary market model in line with power market regulations where multiple power exchanges operate and compete at national level and therefore provide scope for trade in various products in the market. As a downside of coupling, it will increase operational cost, create unwarranted rigidities & stifle innovations in the market there by defeating the very purpose of the reforms that were brought by EA 2003.

Presently, in India the three power exchanges operate parallelly based on power market regulation. In these three exchanges, the market clearing price are different at the same time blocks. This potential is currently being exploited by DISCOMs. However, this opportunity may be lost with market coupling.

Introduction of coupling operator shall result in introduction of one more player in the chain making the timelines tighter and shall add to cost with insignificant gain. Practically the market coupling operator will replace the power exchanges who will undertake the price discovery as and when notified by the CERC for day-ahead contracts and real time contracts. Thus, market coupling is not actually coupling the market, rather it couples only power exchanges.

Further, Market coupling is deemed pre-cursor to MBED, which may further lead to loss of scheduling rights, disruptions in existing contracts and uncertainties for future long-term and medium PPAs.

It cannot be denied that MBED which is the subsequent step to market coupling, seems to benefit only the Interstate Generating station plants at the

cost of the state generating stations and the IPPs supplying power to discoms. Owing to their better placement in terms of fuel availability, financial stability etc., the national level pool such as MBED will replace the State Genco's/IPP's. The Discoms will lose their flexibility to schedule or choose generator. It therefore appears that the largest benefactor of MBED and therefore coupling will be generators instead of the consumers.

As market coupling is anticipated to bring MBED in play, it will restrict the power procurement options for the discoms and therefore induce uncertainty for the revenue streams of power distribution utilities eventually leading to negative impact on their profitability would make it challenging.

Further, the study paper suggests that market coupling will lead to large increases in sell bids and it will lower the market clearing prices. However as per the proposal, exchanges remain part of market coupling and their operational costs and marketing coupling operator costs are likely to be added to electricity prices as overheads charges.

Post the introduction of market coupling it is anticipated that there would be significant disruptions in established trading patterns. This can impact and affect the cost of electricity procurement for power distribution utilities which can potentially lead to budgetary challenges and enhanced financial risks.

By considering all these issues, the newly proposed reform called 'market coupling' should be withdrawn.



JAYAPRAKASHAN P

General Secretary

KSEB Officers Association