



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Indian Companies Act, 1956)

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No. KSEBL/TRAC/CG/ Market Coupling /2023-24/1504

Dated: 06.10.2023

To,

The Secretary

CENTRAL ELECTRICITY REGULATORY COMMISSION

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Sir,

Subj: Staff Paper on Market Coupling - KSEBL Remarks – Reg

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

Comments on the Staff Paper on Market Coupling by Central Electricity Regulatory Commission published in August 2023

CERC has published the “Staff Paper on Market Coupling” in August 2023 inviting comments/views from the stakeholders. In response, KSEBL likes to offer following views on the discussion paper for consideration.

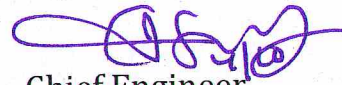
Does the current Indian power market scenario form a compelling case for market coupling?

1. CERC has notified the power market regulations in 2010 providing for a legal and regulatory framework for the setting up power exchanges in India. Since then, more than two power exchanges have been established for price discovery to facilitate market for consumers to choose their source of supply. In 2021, the power market regulations were amended and a concept of “market coupling” was introduced. The amended Regulations 2021 define “marketing coupling operator” as an entity notified by the CERC for operation and management of market coupling. Thus, 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.

2. Though this ensures the same price guarantee throughout the nation at one side; it is apprehended that the competition within the exchanges and thereby getting cheaper competitive discovered rates and development of different product to buyer may cease.
3. 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.
4. The argument for market coupling is primarily focused on three key objectives which are determining single price, 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.
5. Electricity Act states that trends in the electricity market which inhibit competitive possibilities should be avoided. Hence it is to be examined that, the notion of single price of electricity in all the exchanges would go against the mandate of competition.
6. 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 of price variance is currently being exploited by DISCOMs. However, this opportunity may be lost with market coupling.
7. Even though, three exchanges operate, within the overall transactions through power exchanges, the share of collective transactions in DAM and RTM accounts for more than 70% of the total transactions. Thus, it is seen that there is non equitable distribution of transactions among exchanges. It is suggested that instead of market coupling, alternative mechanisms may be evolved to ensure uniform volume of transactions in the three power exchanges.

8. 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. Hence, formation of single market will help increasing sale bid and reduction in market clearing prices, rather than market coupling.



Chief Engineer

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