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DISTRIBUTION COMPANY LIMITED**

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No. CE/PP/CERC/Market Coupling/23-24/

No 3 0 5 9 1

Date: 12 OCT 2023

To,
Harpreet singh Pruthi (Secretary),
Central Electricity Regulatory Commission,
3rd and 4th floor, Chanderalok Building,
36 Janpath, New Delhi-110001.

Sub:-Submission of comments /suggestions on draft paper on “Market Coupling” published by CERC.

Ref:-Public Notice Eco-14/1/2023-CERC.

This is in reference to Staff paper on Market Coupling published by Hon’ble CERC on 21.08.2023. The paper discussed various regulatory provisions for market coupling, International experiences, Objective of Market coupling in India, the issues and challenges in implementing market coupling, the key points for discussion and comments /suggestions are sought from all the stakeholders, wherein, MSEDCL would like to submit its comments/suggestions as below:

A. Uniform Discovery of Price:

- i) Uniform discovery of Market clearing price among all power exchanges is one of the important advantage of “Market Coupling” hence MSEDCL is of the opinion that the concept of market coupling as proposed to be introduced by Hon’ble CERC through this Staff Paper will prove to be beneficial to all Distribution Licensees.
- ii) Currently, considering the power traded at Power Exchanges in India only about 7% power is being traded on the platform of power exchanges and in the past it was observed that among the Power Exchanges available in the Country there was only one Exchange which was driving the market for conductive transactions, since it was the first Exchange to be introduced in the Country and had the maximum number of volumes (more than 95%) as compared to the other two Exchanges which were introduced at a later, as there is no any quantum or very less quantum of power for conductive transactions is available with other two power exchanges hence there may not be any change in price discovery for above transactions after introduction of market coupling for DAM and RTM transactions.

- iii) MSEDCL in the past has procured around 2.5% to 3% of its power during the year from power exchanges. Hence rationalisation of prices on power exchanges through market coupling would definitely have a positive impact on power purchase cost of Discoms.

B. Competition to be Introduced:

- i) Due to "Market Coupling" competition between power exchanges will increase. Further in order to attract buyers and sellers, Power Exchanges may reduce their per unit trading margins for trading on their platform and therefore a market driven margin may get discovered instead of the ceiling price which is currently being imposed by the Power Exchanges. This will result in reduction in power purchase cost of Discoms and overall common consumer will be benefitted. This is in contrast with the current scenario where even if any Power Exchange reduces their margins, they cannot attract buyers and sellers due to lack of volumes.
- ii) Trade volumes play an important role in encouraging buyers to participate in bid process of power exchanges. There is a circular loop developed in case of other two exchanges, which is lack of volumes resulting in lack of participation in Exchanges and lack of participation resulting in lack of competition within the market. Hence in the current market scenario, only one exchange seems to have large volumes available for collective transactions and the other two Exchanges are nowhere in position to compete with the first Exchange. This loop therefore needs to be eradicated in order to have appropriate competition in the market.
- iii) Due to market coupling, the competition would be introduced in its true sense as power exchanges need not have to get concerned over the number of volumes traded on each of the Exchange platform. With the introduction of Market Coupling Operator (MCO) all volumes on all exchanges for a particular time block shall be treated together for uniform price discovery. However, it is necessary that all segments i.e. collective transactions and Term Ahead Transactions should be covered under Market Coupling. If only collective transactions are covered under market coupling, then there may be a chance that the volumes may get shifted to Term Ahead Market (TAM) from Day Ahead Market (DAM). This would defeat the overall purpose of market coupling and uniform price discovery may not be achieved.

C. Innovation in the Power Exchange Market:

- i) Some concerns were raised in the Staff Paper stating that the market coupling would result in dampening of innovation and technology investments. It is submitted that the market coupling shall be proposed to be taken for competitive discovery of market clearing price across all power Exchanges. However, all power exchanges can keep their individuality intact and propose innovation in the market to attract the prospective stakeholders. Further, the power exchange that proposes to introduce such innovations and technology interventions shall be given the appropriate recognition or incentives in comparison to the other Power Exchanges which may encourage the different innovations in products and technologies.
- ii) Hon'ble CERC to come up with a mechanism to incentivise the Power Exchange that would be bringing in innovation and technology investments so that power exchanges can be encouraged to take up such initiatives.

D. Introduction of all Market Segments on all Exchanges:

- i) It is observed that some exchange trade in more volumes in DAM and RTM while other exchange trades more in TAM. Considering such a situation it is necessary to implement "Market Coupling" for all market segments such as DAM, RTM, TAM, G-DAM, G-TAM etc. or any other market segments to be made available on all the power exchanges to ensure transparency.
- ii) Disparity in introduction of markets segments among power exchanges may lead to transfer of volume from collective transaction to TAM/ long duration contracts which needs to be avoided.

E. Detailed Mechanism for Market Coupling:

- i) It is submitted that various issues with regards to market coupling are raised in the Staff Paper which involves finalising the algorithm, data security, clearing and settlement process, levy and collection of transaction fees etc. In this regard MSEDCL submits that the existing mechanism may be followed for market coupling as well which is in line with the notified Regulation. The only modification in market coupling would be in terms of the consolidation and aggregation of sale and buy bids and uniform price discovery by MCO. Beyond this all the other procedures are submitted to be continued in the same manner as it is being followed currently.

- ii) Hon'ble CERC to come up with the detailed methodology for implementation of market coupling on important factors that are not covered in the Staff Paper.
- iii) It is submitted that the overall intent of Market Coupling is to discover competitive price among exchanges and thereby reduce the power purchase cost of Distribution Licensees. However, due to introduction of Market Coupling, utmost care should be taken that such mechanism shall not result in increase of cost of transactions in any case with respect to the existing levels. Hence, MSEDCL submits that there should not be any additional transaction fees or other charges for MCO which would result in additional burden on power purchase cost.

In view of above, it is kindly requested to consider MSEDCL's concerns/comments / suggestions on Discussion Paper on Market Coupling.

With Regards,

Yours faithfully,



Chief Engineer (Power Purchase)
MSEDCL

Chief Engineer (Power Purchase)
M.S.E.D.C.L.

Copy S.W.R.To,

1. Director (Commercial), MSEDCL