



एनटीपीसी विद्युत व्यापार निगम लिमिटेड

(एनटीपीसी की पूर्ण स्वामित्व वाली सहायक कम्पनी)

NTPC Vidyut Vyapar Nigam Limited

(A wholly owned subsidiary of NTPC)

केन्द्रीय कार्यालय/ Corporate Centre

Ref. No. NVVN/2023-24/Px/10

Date: 16<sup>th</sup> Oct 2023

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

Subject: NVVN's comments on Staff Paper on Market Coupling published by Hon'ble Commission on 21.08.2023.

Sir,

Hon'ble Commission vide its notification dated 21.08.2023 has published Staff Paper on Market Coupling and invited comments and suggestions from the stakeholders.

In this regard, please find enclosed herewith NVVN's comments on the Staff Paper on Market Coupling.

Encl: As Above

Yours Sincerely  
For & On behalf of  
NTPC Vidyut Vyapar Nigam Limited

Shyam Kumar  
GM(Trading)

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## NVVN's comments on Staff Paper on Market Coupling

The idea of a multi-exchange model in the power sector was originally conceived with a view to encouraging competition amongst the exchanges and catering to the growing and varying requirements of market participants.

Presently, voluntary approach has been followed for participation in various contracts in the power exchanges.

Over the years, the volume of transactions in the power exchanges has grown in a consistent manner registering CAGR of 22% over last 4 years, outpacing the overall growth in short term transaction of 12.5% during the same period. **Although the transactions through DAM/ GDAM segment in power exchange constitute only about 3.4% of the total electricity generation in the country, the time-block wise discovered price has wider significance and has major impact on the market sentiment for short term trade in terms of prices in other segments including bilateral trades and price discovery in DEEP tenders.** This is in addition to consideration of DAM discovered prices as indexed price for pool charges settlement etc. as per Hon'ble Commission regulations.

In view of DAM/ GDAM/ RTM transactions accounting for more than 70% of the electricity transacted through power exchanges, and the share of only one exchange increasing in these segment, market coupling has been advocated by many stakeholders. Hon'ble Commission has notified enabling provisions in PMR 2021 in this regard and the present staff paper is towards the collation of views towards its implementation.

### NVVN's Submissions

#### **1. Protection of Consumers' Interest**

- a. It is submitted that Section-66 of the EA-2003 towards Development of market provides as under:

*“66. Development of market- The Appropriate Commission shall endeavour to promote the development of a market (including trading) in power in such manner as may be specified and shall be guided by the National Electricity Policy referred to in section 3 in this regard.”*

- b. Further, the clause- 5.7.1. e. of the National Electricity Policy towards Competition aimed at Consumer Benefits provides as under:

*“e. The Central Commission and the State Commissions are empowered to make regulations under section 178 and section 181 of the Act respectively. These regulations will ensure implementation of various provisions of the Act regarding encouragement to competition and also consumer protection. The Regulatory Commissions are advised to notify various regulations expeditiously.”*

- c. It is submitted that the consumer protection is to be considered parallel to the competitive market development. It is undisputed that almost 100% volume in collective transactions in the country with one exchange is a situation of market monopoly. It is being argued by some stakeholders that this market monopoly for the said exchange (under the present voluntary

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participation approach) is due to efficient operations by it. However, it is also undisputed that monopoly scenario of any kind is absolutely averse to the consumer protection.

- d. It is therefore submitted that the policy and regulations, which enables creation of choice for consumers in all segments of market segment should be pursued, since it will automatically ensure consumer protection without any external oversight.
- e. It is submitted that the preference of consumers (i.e. sellers or buyers) for a multi-exchange operation is also evident from the fact that share of various exchanges in Term Ahead Market segment is comparable. Due to lack of liquidity, buyers or sellers are not able to participate in other exchange (s) even if they are willing so. The performance of other exchanges in Term Ahead Market is a testimony of the customers' choice for their services.

## 2. Preparedness for further competitive market evolution through reforms e.g. MBED etc.

- a. Preparedness for expanding competitive power market size: It is understood that power despatch has to finally evolve under competitive market structure through reforms e.g. Market Based Economic Despatch (MBED) etc. **It is also not denied that handling of such manifold increase in market volume would necessitate operation of more than one exchange for safe, secure and reliable grid operation in the country.**
- b. Since the day-ahead price discovery would be the mainstay for the competitive market operation under any model, successful DAM operation in more than one exchange is of paramount importance from national security point of view. Market coupling implementation is the simplest way to promote the ecosystem for operation of DAM segment in multiple power exchange(s).

## 3. Single Price Discovery Algorithm for Country

- a. It is submitted that with the increasing volume of power despatch through collective transaction, the daily price discovery in the power market will become further critical and of national importance. For this reason, need is felt to reassign the responsibility of daily price discovery to a neutral entity (Market Coupling Operator-MCO) through a single algorithm in the country in a safe, secured and transparent manner.
- b. Further, the servicing/ recovery of costs for such single entity (MCO) should be in a regulated manner, to avoid any conflict of interests.
- c. Hon'ble Commission may therefore consider for designating suitable entity as MCO for price discovery in the collective transaction in a secured and transparent manner as per above.

## 4. Cross Border Power Market Integration future requirement

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- a. Presently, power transaction involving significant trade volume is being undertaken with three countries (Bhutan, Bangladesh and Nepal).
  - b. As the inter-country grid connectivity is increasing consistently, the volume of power trade with existing entities will increase. Further, new cross border participants are also likely to get connected to the Indian grid.
  - c. In view of above, single price discovery for reference would be required for integrated trading among participating cross border entities to avoid confusion.
- 5. It is also pertinent to mention that monopoly in DAM segment gets automatically spilled over in GDAM and HP-DAM segment(s), since the buyers remain same and only sellers are different in DAM, HP-DAM and GDAM.**
6. Market coupling will unleash the full potential in all the three market segments. Even if 50% of the TAM segment of other exchanges (~ 6 Bus) is transformed in DAM bids, the liquidity in DAM segment will increase by around 10%.
  7. As far as the impact of market coupling on product innovation is concerned, the same is unfounded as the completion in the market, intervention from policy makers e.g. Hon'ble Commission, MOP, MNRE etc. as being already undertaken in the past, will take care of any new requirement of the power sector stakeholders. The designated MCO will be there to implement the required model based on wider consultation and as per Hon'ble Commission's approval.
  8. As far as claim regarding reduction in competition due to market coupling is concerned, it is likely to increase on contrary. Like in TAM segment, exchanges are competing with each other to get market share and consumers (sellers & buyers) are the beneficiaries of same in the form of better services. This is not happening in DAM segment due to the barrier of Liquidity.
  9. With regard to other requirements for carrying out market coupling for Power Exchanges regarding settlement etc., Hon'ble Commission may adopt the appropriate model as per the consultative process, domain expert bodies recommendations/ suggestions etc.
  10. To start with Honble Commission may implement the market coupling on a pilot basis, as has been done for any major interventions e.g. SCED implementation etc.

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