

## Comments on the 'Staff Paper on Market Coupling'

1. W.r.t. para 1.3, it may be pointed out that trades regularly take place simultaneously at different rates for the same scripts on NSE and BSE. This is readily accepted, and there is no problem on this account.
2. From para 1.6, it is apparent that the proposal for market coupling has originated from PXIL and HPX, who are unable to compete with IEX, and is meant to curtail the present dominance of IEX. Though IEX has had the advantage of a head-start, it has served its customers very well, and there is for no valid reason for trying to shackle its operation.
3. The International experience cited for suggesting market coupling in India is just one – the European Market. It is a very poor example. Europe started with country-wise power exchanges under the respective governments and their operations limited to the countries' geographic area. This arrangement worked satisfactorily up to the time the inter-country ties were few and relatively weak. However, as more and more inter-country ties were added and became stronger, it became possible to form one trans-European grid for much higher inter-country power flows, which enhanced the system security and enabled economic dispatch on a much wider basis.
4. The main point to note here is that a merger of power exchanges and/or market coupling becomes expedient when the adjacent geographic areas served by individual exchanges become so strongly interconnected as to form one free-flowing (generally constraint-free) grid. It enables a better utilization of the whole interconnection.
5. To reiterate, the PX merger and/or market coupling is beneficial when there are multiple power exchanges, each catering to its separate geographic area; they are not competing with each other and are therefore able to coordinate and cooperate for the overall benefit. This is the case in the present European grid.

6. As for India, we already have a strong and generally free-flowing national grid. We also have three power exchanges, each of which covers the whole geographic area of the whole country under one interconnection. The question of Market Coupling between competing PX does not arise. The only alternative, if one is not satisfied with the present arrangement, would be a merger of the three PX into one.
7. Another, relevant difference between Europe and India is that whereas more than 50% of the total electrical energy consumed in Europe is paid for through power exchanges, this is only 7% in case of India.
8. Coming to the question raised in para 5, my categorical responses to them would be NO to 5.2, NONE for 5.2.5, and the FIRST to 5.3.2.
9. Apart from the covert attempt to curtail the dominance of IEX, another reason for proposing market coupling can be found in para 4.2.1. The Deviation Settlement Mechanism (DSM) is in a flux today, and is stuck up for want of a suitable criterion for deviation pricing. It is being attempted here to arrive at a common MCP through the so-called market coupling, to be able to apply it for deviation pricing. It should however be noted that DSM rate should not depend on the volatile and unpredictable MCP of the power exchanges.
10. To conclude, the proposal for market coupling in India has no rationale.