

From:

26<sup>th</sup> September, 2023

R.N Nayak  
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To:

The Secretary  
Central Electricity Regulatory Commission (CERC)  
3<sup>rd</sup> Floor, Chanderlok Building,  
36, Janpath, New Delhi- 110001

**Subject: Suggestions on Staff Paper on Market Coupling**

**Dear Sir,**

At the outset, I would like to introduce myself. I am one of the founder member of PGCIL and superannuated as CMD of PGCIL & POSOCO (From 2011 to 2015) . Prior to that I was working as Director (Operations) at PGCIL (From 2008 to 2011) and GM (LD&C) wherein I was closely associated with the establishment of Load Despatch Centre including grid operation/management during the aforesaid period. In fact all the SLDCs, RLDCs & NLDC were designed, engineered, implemented and operated under my direct supervision as HOD of Load Despatch and Communication Department.

You are fully aware that Grid operations in India is a very critical and complex activity and the criticality becomes more evident as it is one of largest integrated synchronous grid in the world. Grid operation and management is a highly technical in nature. Further, looking at the growth and the future mix of generation, the management of the grid is going to be more challenging & complex and need lot of new technology/innovations in the operation time to come.

One of the proposals in the Staff Paper on Market Coupling of the Power Exchanges is assigning the function of Market Coupling Operator (MCO) to the System Operator for aggregation of the bids and price discovery.

It may be noted that System Operator has already been involved in many nontechnical and commercial functions which other Power Sector companies can do . In my humble view, it is not advisable to involve further the System Operator in the commercial/market activity of price discovery which may severely defocus them from their main core function of grid operation. With this in view, the Electricity Act 2003 under Section 26 did not envisage such functions for the NLDC.

It has been observed in the Sector that staffs always prefer to work on the market oriented area/ commercial activities than on purely technical area for better visibility. Therefore, grid operation/management may be affected very severely with the above decision.

Further, from the market perspective, in my view the proposal of market coupling may lead to creating a single point which may discourage innovation and competition in market design & product. It is a fact that IEX market share is very high compared to other two exchanges and other two exchanges are not able

to garner reasonable market share. It needs to be analysed and they may be encouraged to come up to a reasonable level of market share through better governance/management , technology and services .Once all the three (3) Exchanges operate satisfactorily, it may be difficult for market manipulation by the market players in all three (3) exchanges. Further, System Operator would be independent of market activity and hence can assist Hon'ble Commission whenever required for any monitoring of Market Operation. Further ,competition would bring good market behaviour and better management than a monopolistic situation with single MCO.

Hon'ble Commission have issued necessary clearances to establish OTC platforms for exchange of information amongst Buyers and Sellers to take an informed decision and may have a Road Map in future similar to International practices/experiences . Further, Financial Instruments like Futures/Options are yet to be introduced in the Power Markets. It may be seen that the Power Market is evolving and may take some time to fully mature with the above introduction in future.

Further there are instances of multiple Power Exchanges operating efficiently in a single geography, In UK, currently two Power Exchanges are operating satisfactorily in Day Ahead Market. Therefore, Multi Exchanges can operate satisfactorily even in the collective transactions through good governance /management practices with innovative technology and product.

Therefore, It is suggested that a holistic study of the market design may be conducted before finalising any conclusion.

Thanking You

Yours sincerely



R.N Nayak