

Dated: 26.09.2023

To;
The Chairperson;
Central Electricity Regulatory Commission,
3rd and 4th Floor, Chanderlok Building, 36,
Janpath, New Delhi-110001

Subject: Comments on CERC Staff Paper on Market Coupling

Dear Sir;

The purpose of this letter, is to share comments on the ‘Staff paper on Market Coupling’ – both as a proud citizen of India and also as a shareholder of Indian Energy Exchange.

Let me try and bring out my key point of views, hoping that they will be relevant:

1. **It is not the problem of the concept it is the problem of context.** Internationally this may have been applied but it is not relevant in Indian context. **There are no example of market coupling of Power Exchanges (PX) operating in same geography.**
2. Prematurely introducing new rules in a market – PX are just 7% of total energy market, at this point **we should focus on developing a favourable market design** to ensure a robust market growth, where all stakeholders benefit. Volumes not increasing isn't the fault of PX but it's the way market is designed and system has evolved.
3. Creating regulatory uncertainties and dampening the mood for investments – such **regulatory interventions will dissuade shareholders from providing support** to key participants which could help in India's energy market growth – primarily the PX.
4. **Punishing IEX for creating a Moat** – Monopolies exist in many industries where an incumbent has developed a strong niche and building a successful model with many innovative products which has helped grow the market – *case in point for IEX being the strong support given to develop and grow the Green Energy Markets.*
5. We are trying to creating a common clearing price for competing PX – and this move seems to have nothing to do with market coupling as market is just one. **Coupling is not actually going to couple markets but only the PX.** This will undo all the effort taken by one PX to develop the market and gain market share – without any real benefits to the system.

6. **The topic of skewed market share needs to be addressed but that has to be done by innovation by other PX rather than forced action.** In effect, we are supporting the PX that are loss making and have insignificant market share. **In a free market everyone has the chance to grow and create their own niche.** This way even other PX could build market monopolies in specific/new segments. Key is PX are given a fair opportunity to operate at a level playing field (*without changing rules of the game*).
7. **Concept of coupling and multiple PX seems contradictory** – If the whole process is centralised there is practically no need for PX (*effectively making them just brokers*). This will kill the motivation to develop new / innovative product / markets.
8. **System development will be another hurdle** – readiness to move to such a system will be very difficult to anticipate and could end up being a herculean task – in terms of time, effort and cost, with no real guarantee of improvement as planned. **Although, intention is to do social good but we may hurt the entire system structurally.**

In conclusion, we are planning to introduce Market Coupling with 3 key goals in mind:

- a) Get uniform clearing prices in DAM & RTM segments – however, for all practical purposes this is already uniform due to IEX having 100% share in these segments. Key question will be how do we address uniform pricing for 86% market (PPAs)?
- b) Optimize utilization of transmission infrastructure – with just 7% of power being traded through PX, how does market coupling facilitate optimal utilisation of transmission infrastructure? In this regard we should first release data on un-optimised utilisation of transmission infrastructure (along with reasons) in uncoupled scenario and then should run simulations whether market coupling will make any change.
- c) Maximize the economic surplus – the apprehension is that presently all the bids are coming to one PX. Even if these bids will be divided among three PX, how will it make a difference in maximising economic surplus? If maximisation of economic surplus is the objective, then regulator should revisit its algorithm.

I humbly request, as of now we should refrain from implementing Market Coupling.

This may be a relevant point of discussion after a few years or if implemented with MBED.

Hope this letter helps you get some perspective from a stakeholder.

Best Regards;



Vishal Mehta

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