



15th October 2023

Shri Harpreet Singh Pruthi

Secretary

Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36 Janpath, New Delhi - 11001

Subject: Comments on CERC Staff Paper on Market Coupling

Dear Sir,

We wish to introduce the Wind Independent Power Producers Association (“WIPPA”), a national level registered body having the association of 30 Independent Power Producers (“IPPs”) of capacity around 18,000 MW with an asset base of more than Rs. 1,00,000 Crores and a healthy pipeline in the wind energy sector in India through policy advocacy and presenting independent views/ suggestions/analysis to various stakeholders at various forums to provide a fillip to the sector.

Electricity Act 2003 paved the way for open access in Indian power sector which ensures that choice-based access to be provided to all the stakeholder, and therefore traders, exchanges came into existence and over the years short term transactions share in total generation mix has increased significantly. Power market regulation 2010, ensures how effectively traders and Exchanges shall function by outlining the broader scope for the sector. Genesis for adopting multiple exchange model was to make this market more competitive which in long run will align the objective of having a vibrant power market in the country.

However, it is observed that in Collective segment (DAM and RTM), volume is transacted mainly in one Exchange in the collective segment, even though other exchanges are also having the same product. If we analyse the collective segment, there are two issues which stops participant to participate in another Exchange:

- 1) Collective segment is having double sided closed bid auction, wherein buyer/seller cannot see the bid quantity and prices of the counterparty. This put them in doubt whether there would be enough counter offer available or not, in case bid is not selected what is the use of efforts and is prone to a huge financial loss.
- 2) Even if there is counteroffer available, there is no certainty of the prices discovered in one exchange to be closer to the prices discovered in other exchange. The difference of price means incurring huge financial losses which cannot be justified to the management why the preference is given to the exchange having less liquidity.

These two abovementioned reasons also suggest that collective segment has become a binary game due to price difference, it means whoever will have liquidity of more than 50% will only succeed in this market and is acting like a barrier in bringing competition in the segment This underscores a gap in the market design that favours the established exchange.

CERC notification *No. Eco-14/1/2023-CERC* dated 21st August 2023 seeking comments on the Staff Paper on Market Coupling is hence being seen as a good initiative to implement this long pending market reform. We believe that Market Coupling would act as a key milestone in the development of



the Indian Power Market that would enable a more robust price discovery in the collective market segments, supporting the One Nation, One Grid, One Price mission of the government.

We further submit our views on all the points mentioned in the staff paper in the below paragraphs:

The following are the key points in favour of the implementation of market coupling.

- 1) **Diversification of Power Exchange Options:** The importance of having multiple power exchanges is to provide diversity and choice to market participants. Relying solely on one exchange may not align well with evolving market dynamics, especially as renewable energy capacity increases.
- 2) **Supporting Renewable Energy Integration:** With a commitment to add 500 GW of renewable capacity, market depth becomes crucial to prevent significant price drops and provide reasonable price discovery. Market coupling can help ensure that the massive renewable energy integration is realized.
- 3) **Signalling for Storage Technologies:** Market dynamics and prices at exchanges provide signals for developers and technology providers in the storage domain. Market coupling can enhance these signals, encouraging investments in storage technologies to support the integration of schedulable renewable energy.
- 4) **Promoting Innovation:** Competition through market coupling will foster innovation in the power market, encouraging exchanges to develop innovative products and services tailored to the needs of the market.
- 5) **Addressing Monopoly Concerns:** The fear of price differences between exchanges is seen as a barrier to participation in alternative exchanges. Market coupling can address this issue and prevent monopolistic tendencies in the market.
- 6) **Timing for Market Evolution:** As the Indian power market is evolving rapidly, the implementation of market coupling is seen as timely, especially as new market-based instruments like capacity markets, CFD contracts is to be introduced. The liquidity is less so coupling the market at this juncture is of utmost importance as its evolution will also take time and we would be ready to handle liquidity in these segments in a much better way.
- 7) **Market Coupling Operator:** Transmission System Operators (TSOs) should not be involved in the commercial aspects of market coupling. Instead, market coupling operators (MCOs) can be selected from exchanges on a rotation basis or through joint ventures to ensure innovation and redundancy in the matching engine.

We firmly believe that market coupling is the next step in making the market more competitive and has the potential to bring more benefits to the market. Major reforms are taking place which in the coming years will increase the liquidity in collective segment, therefore this is the right time to couple the market so that a vibrant and evolved marketplace would be available to market participants for choosing their preferred platform for meeting their requirements.

Yours's Sincerely

For **Wind Independent Power Producers Association**

A handwritten signature in black ink, appearing to read 'Parag', is written over a horizontal dashed line.

Parag Sharma

President

Email: president@wippaindia.in