Comments of RUVITL on the Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations-2024:

Proposed Amendment:

7. Normal Rate of Charges for Deviations as per Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations-2024:

1. **Normal Rate (NR)**: This is the rate being calculated. It's based on three components, each contributing equally (1/3rd) to the total:
    - The weighted average Area Clearing Price (ACP) of the Integrated-Day Ahead Market segments of all the Power Exchanges.
    - The weighted average ACP of the Real-Time Market segments of all the Power Exchanges.
    - The Ancillary Service Charge, which is based on the total quantum of Ancillary Services deployed and the net charges payable to the Ancillary Service Providers for all the Regions.
2. If there is no dispatch of Ancillary services in a time block or where the net charges for Ancillary services are receivable in Deviation and Ancillary Service Pool Account, the Ancillary Service Charge is not considered for computation of NR. In such cases, the weights for the ACP of the Integrated-Day Ahead Market segments and the Real-Time Market segments are adjusted to 50% each.
3. If the ACP is not available for any time block on a given day, the ACP for the corresponding time block of the last available day is considered.
4. The normal rate of charges for deviation is rounded off to the nearest two decimal places.

Current Regulation:

7. Normal Rate of Charges for Deviations as per current regulation ('Deviation Settlement Mechanism and Related Matters' Regulations, 2022):

Sub clause (1):

The normal rate of charges for deviation for a time block shall be equal to the Weighted Average Ancillary Service Charge (in paise/kWh) computed based on the total quantum of Ancillary Services deployed and the net charges payable to the Ancillary Service Providers for all the Regions for that time block.

Comment by RUVITL:

In the past as per Order in Petition No. 16/SM/2022 dated 26th December 2022, The Central Electricity Regulatory Commission (CERC) noticed that the cost of deviation charges (the cost when power supply doesn't match demand) could get very high, almost Rs. 40 per kWh. While this serves as a deterrent for over-drawal and under-injection, in cases where the receivables are linked to the normal rate of deviation charge, this has the potential of creating perverse incentive to under-draw or over-inject. Hence, the Commission capped the normal rate of charges for deviation at Rs 12 per kWh.

A new order in Petition No. 01/SM/2023 was issued where the Commission relaxed Regulation 7 of the DSM Regulations, 2022 to provide that the Normal Rate of Charges for Deviations for a time block shall be equal to the higher of [the weighted average ACP of the Day Ahead Market segments of all the Power Exchanges; and the weighted average ACP of the Real Time Market segments of all the Power Exchanges, for that time block] subject to a ceiling of Rs 12 per kWh, until further orders.

On 9th April 2024, CERC (Order in Petition No.05/SM/2023) revised the price ceiling for HP-DAM, and for the Market segments (DAM, RTM, Intra-Day, Day Ahead Contingency, and TAM) at Rs 20/kWh and Rs 10/kWh, respectively

Further, As per the draft/ proposed regulation, let's consider an example for calculation of normal rate :

the weighted average ACP of the Integrated-Day Ahead Market segments is 495 paise/kWh on 22nd May 2024,

the weighted average ACP of the Real-Time Market segments is 455 paise/kWh on 22nd May 2024, and

Assuming the Ancillary Service Charge 3000 paise/kWh (based on Commission's operational experience in Order in Petition No. 16/SM/2022 of very high deviation charge close to Rs. 40/kWh in some blocks of ancillary services deployed.)

The NR calculated is follows:

NR = 1/3 * 495 + 1/3 * 455 + 1/3 * 3000 = 165 + 151.67+1000 = 1316.67 paise/kWh

This value is then rounded off to the nearest two decimal places, so the final NR would be 1316 paise/kWh.

Considering the aforementioned order of the Commission and example for calculating normal rate in draft regulation, where no capping is imposed in the Normal rate calculation, it can seen at the times where the prices of the ancillary service in a time block is high, Normal rate comes out to be very high. it is perceived that without capping of Normal rate, this serves as a deterrent for over-drawal and under-injection. In cases where the receivables are linked to the Normal rate of deviation charge, this has the potential of creating contrary incentive to under-draw or over-inject. This could also escalate the additional Financial burden on the Distribution Companies (Discoms), thereby indirectly affecting upon consumer interest.

Therefore, in consideration of the above circumstances and in the interest of consumers of the State it is requested to Hon'ble Commission to consider Normal Rate at actuals or Rs 10/kWh, whichever is lower.

Proposed Amendment:

8. Charges for Deviation as per Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations-2024:

Sub clause (7). Charges for Deviation, in respect of a Buyer, shall be receivable or payable as under:

Details of frequency band of deviation is listed in Annexure-I

Current Regulation:

8. Charges for Deviation as per current regulation ('Deviation Settlement Mechanism and Related Matters' Regulations, 2022)

Sub clause (2)

Charges for deviation in a time block by a buyer shall be payable by such buyer as under

Details of frequency band of deviation is listed in Annexure-I

Comments by RUVITL:

In alignment with the national goal of achieving 450 GW of Renewable Energy (RE) generation by 2030, and to mitigate carbon emissions, states are pledging to add significant RE capacities. Presently, RUVITL has secured an estimated 8,496 MW of RE capacity, projected to escalate to approximately 27,147 MW by 2030. Due to the substantial penetration of Solar and Wind sources, which are intermittent, there exists a notable discrepancy between generation availability and actual injection.

According to the draft regulation, Wind and Solar generators are absolved from DSM charges up to a deviation of 5% for solar or Hybrid (wind-solar sources) and 10 % for wind sources from the schedule. For solar or Hybrid (wind-solar sources), deviations beyond 5% and up to 10% charges are @ 90% of contract rate, deviations beyond 10% and up to 20% charges are @ 50% of contract rate, and beyond 20% charges are @ Zero. For wind sources, deviations beyond 10% and up to 15% charges are @ 90% of contract rate, deviations beyond 15% and up to 25% charges are @ 50% of contract rate, and beyond 25% charges are @ Zero.

In the context of RUVITL's committed capacity, a 5% and 10% deviation by solar and wind generators signifies a substantial volume, which will have a significant impact on the state's actual drawl compared to the scheduled drawl. The state would be penalized for the deviation by the RE generators at considerably higher charges.

Also, in instances where the receivables are linked to the normal rate of deviation charge where no capping is provided as per the proposed draft regulation, this has the potential of creating a unusual incentive to under-draw or over-inject. This could also escalate the additional financial burden on the Distribution Companies (Discoms), thereby indirectly impacting consumer interest.

In a deficit scenario across the country, due to the unavailability of domestic coal and reduced generation from imported coal/gas-based plants because of high costs, the price of power in power exchanges/ancillary services is very high. At times, power is not available from any source, even at higher prices, when the purchase bid is 3 to 4 times the sale bid, and states end up overdrawing from the grid. Therefore, charges for such over drawal deviations should be reduced.

It is therefore requested to Hon'ble Commission not to amend the charges for Deviation and maintain the Charges for Deviation as per current regulation ('Deviation Settlement Mechanism and Related Matters' Regulations, 2022).

Further, it is requested to Hon'ble Commission that states with abundant RE resources should be exempt from DSM charges to the extent of over drawal by the state due to deviations from RE sources. Alternatively, DSM charges should align with the DSM charges applicable to the RE generator for the deviation, up to the extent of deviation made by the RE generator from their schedule.

Additionally, the increasing deviation penalty charges will not motivate buyer and seller for the Grid Security discipline. A capacity building program regarding awareness for grid security and its concern should also be conducted by the nodal agencies.

Amendment Proposed:

9. Accounting of Charges for Deviation and Ancillary Service Pool Account as per Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations-2024:

Sub clause (7)

In case of deficit in the Deviation and Ancillary Service Pool Account of a region, the surplus amount available in the Deviation and Ancillary Service Pool Accounts of other regions shall be used for settlement of payment under clause (6) of this Regulation: Provided that in case the surplus amount in the Deviation and Ancillary Service Pool Accounts of all other regions is not sufficient to meet such deficit, the balance amount shall be recovered from the drawee DICs - (i) for the period from the date of effect of these regulations till 31.03.2025, in the ratio of [50% in proportion to their drawal at the regional periphery] and [50% in proportion to their GNA]; and

(ii) from 01.04.2025, in the ratio of the shortfall of reserves allocated by NLDC to such DICs in accordance with the detailed procedure to be issued in this regard by the NLDC with the approval of the Commission.

Current Regulation:

9. Accounting of Charges for Deviation and Ancillary Service Pool Account as per current regulation ('Deviation Settlement Mechanism and Related Matters' Regulations, 2022)

Sub clause (7)

In case of deficit in the Deviation and Ancillary Service Pool Account of a region, surplus amount available in the Deviation and Ancillary Service Pool Accounts of other regions shall be used for settlement of payment under clause (6) of this Regulation:

Provided that in case the surplus amount in the Deviation and Ancillary Service Pool Accounts of all other regions is not sufficient to meet such deficit, the balance amount shall be recovered through the RLDC Fees and Charges.

Comments by RUVITL:

The fees and charges associated with the RLDC fees and charges Regulation, 2019 are levied upon the DISCOMS in the ratio of their General Network Access (GNA) share. Furthermore, in compliance with the Transmission Service Agreement (TSA) and the terms of the Power Purchase Agreement (PPA) with the Inter State Generating Stations (ISGS), DISCOMS have to bear a significant portion of the RLDC fees and charges for these ISGS. Consequently, it would not be judicious to recover the deficit in the Deviation and Ancillary Service Pool Accounts from the DISCOMS, particularly when such deviation may not be attributable to the DISCOMS.

10. Schedule of Payment of charges for deviation

Sub clause (1)

The payment of charges for deviation shall have a high priority, and the concerned regional entity shall pay the due amounts **within 7 (seven) days** of the issue of the statement of charges for deviation by the Regional Power Committee, failing which late payment surcharge @ 0.04% shall be payable for each day of delay.

Comments by RUVITL:

The distribution licensee needs enough time to review the discrepancies that occur for each time block daily and to verify the penalty invoice issued by the relevant authority for deviations from the schedule. Rajasthan, which has three distribution companies and is a major consumer, needs enough time to examine the penalties and make the payments. Therefore, it is requested to

Hon’ble Commission to keep the provision for paying the outstanding amount within a twelve (12)-day period.