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Electricity

AEML/CERC/Draft DSM Regulations/01

May 31, 2024

By e-mail

The Secretary,
Central Electricity Regulatory Commission,
World Trade Centre,
6th, 7th and 8th floor, Tower -B, Nauroji Nagar,
New Delhi 110029.

Dear Sir,

Sub: Comments/ suggestions of Adani Electricity Mumbai Limited (AEML) on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024

Ref: Public Notice dated 24.05.2024

Vide reference above, the Hon'ble Commission had sought comments on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 by 3rd June 2024.

In accordance with the above, AEML is herewith submitting its comments/ suggestions on the said Draft Regulations for kind consideration of the Hon'ble Commission.

Thanking You,
Yours faithfully,

Vivek G Mishra
Additional Vice President; Business-Regulatory,
Adani Electricity Mumbai Ltd.

Encl: As above

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AEML Draft Comments on Draft CERC DSM Regulation 2024

The Hon'ble CERC has published the draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 and has invited comments from all stakeholders by 24.05.2024.

It is seen that the proposed changes directly impact the Distribution Licensees in the States, particularly, when the Discoms' deviations are influenced largely by volatility from consumer demand due to various uncontrollable factors and also due to supply side volatility due to fluctuations in RE sources. With increasingly higher penetration of Renewable Energy, these factors become more significant and unfairly burden the Discoms.

Against this background, AEML, being a distribution licensee serving a large part of the Mumbai metropolis, has prepared its comments keeping in mind the likely commercial impact of the proposed changes, which may be considered by the Hon'ble Central Commission:

Sr. no.	Reg	Existing CERC DSM Reg. 2022	Draft CERC DSM Reg. 2024	Proposed Change in Draft DSM Reg. 2024	Comment/Rationale
1	3 (1) (w)	NA	(w) **'Renewable Super Rich State'** or '**RE Super-rich State**' means a State whose combined installed capacity of solar and wind generating stations under the control area of the State is 5000 MW or more;	(w) **'Renewable Super Rich State'** or '**RE Super-rich State**' means a State whose combined installed capacity of solar (including Roof top solar) and wind generating stations under the control area of the State is more than 5000 MW & less than 10000 MW; (w1) **'Renewable Most Super Rich State'** or '**RE Most Super-rich State**' means a State whose combined installed capacity of solar (including Roof top solar) and wind generating stations	State Regulatory Commissions specify deviation limit for distribution licensees basis the State Deviation limit for the concerned State. With higher penetration of RE in a State, there is greater volatility in demand. Consequently, the State deviation limit and that of individual Discoms in the State will also need to rise. The proposed Regulations bucket all States with 5000 MW or more RE capacity, together, meaning thereby that there is no additional concession to the State with much higher RE capacity than 5000 MW, in terms of deviation limit.

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				under the control area of the State is more than 10000 MW;	However, in reality, the State with, say, 20 GW RE installed capacity will experience a much greater volatility in demand, needing a higher deviation limit. In Maharashtra itself, for example, the installed RE capacity is close to 11 GW (incl. RTS). In view of this, it is suggested that another category may be introduced for States with RE capacity of 10 GW or higher.
2	6 (2)	(2) Deviation in a time block for WS sellers shall be computed as follows: Deviation-WS seller *(DWS)* (in MWh) = [(Actual Injection in MWh) – (Scheduled generation in MWh)]. Deviation-WS seller *(DWS)* (in %) = 100 x [(Actual Injection in MWh) – (Scheduled generation in MWh)] / [(Available Capacity)].	(2) Deviation in a time block for WS sellers shall be computed as follows: Deviation-WS seller *(DWS)* (in MWh) = [(Actual Injection in MWh) – (Scheduled generation in MWh)]. Deviation-WS seller *(DWS)* (in %) = 100 x [(Actual Injection in MWh) – (Scheduled generation in MWh)] / [(Available Capacity)].	(2) Deviation in a time block for WS sellers shall be computed as follows: Deviation-WS seller *(DWS)* (in MWh) = [(Actual Injection in MWh) – (Scheduled generation in MWh)]. Deviation-WS seller *(DWS)* (in %) = 100 x [(Actual Injection in MWh) – (Scheduled generation in MWh)] / [50% of scheduled generation in Mwh + 50% of Available Capacity)]..	Deviation Settlement mechanism to RE Generators commenced from 2017 & substantial operational experience of Forecasting, scheduling, Operation & billing of RE DSM has been gained by the stakeholders. Also, necessary groundwork in terms of establishing QCAs, Infrastructure like metering & communication, etc. has already been done. Therefore, change in treatment in deviation charges, similar to General Seller, need to be undertaken in a phased manner. Also, RE penetration is substantially increasing due to which the lower deviation charges treatment provided to RE will have to borne by other General Seller and Buyers. In view of above deviation error being evaluated w.r.t Availability has to be

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					changed to Scheduled Generation in a phased manner.
3	7 (1) (a)	Normal Rate of Charges for Deviations for a time block as specified in Regulation 7 of the DSM Regulations, 2022 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 10 per kWh, until further orders.	The Normal Rate (NR) for a particular time block shall be equal to the sum of: (a) 1/3 [Weighted average ACP (in paise/kWh) of the Integrated-Day Ahead Market segments of all the Power Exchanges]; (b) 1/3 [Weighted average ACP (in paise/kWh) of the Real-Time Market segments of all the Power Exchanges]; and (c) 1/3 [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].	The Normal Rate (NR) for a particular time block shall be equal to the sum of: (a) 1/2 [Weighted average ACP (in paise/kWh) of the ~~Integrated~~-Day Ahead Market segments of all the Power Exchanges]; (b) 1/2 [Weighted average ACP (in paise/kWh) of the Real-Time Market segments of all the Power Exchanges]; and ~~(c) 1/3 [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].~~	1. Normal rate is specifically applied to charges for deviation incurred by Buyers i.e. States and CTU connected Buyers/DISCOM, whereas charges for Deviation by Seller are linked to Reference Rate / Contracted rate. 2. Normal Rate as proposed in the Draft Regulations will be much higher than the present Regulations as it is proposed to be a combination of Integrated Market (incl. of GDAM, HPDAM) and Ancillary Service charge. Discoms will be severely impacted by this change. In this regard, it is to be noted that deviation is not only due to variation in demand but also because of variation in Supply side eg. WS Seller, Generation tripping etc. & in case of DISCOMs catering to urban load, most deviations are not controllable in the hands of the Discoms, being weather dependent or arising due to supply side issues. 3. It is submitted that Ancillary services deployment is not only due to deviation by Drawal entities but also due to RE volatility. Therefore, Ancillary service charge should be excluded from computation of Normal Rate.

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					Alternatively, the Normal Rate can be determined as weighted average rate of the three segments based on volume, instead of giving each of the segments 1/3rd weightage, as proposed.
4	8 (1) (II) & (III)		**Deviation by way of over injection** **(Receivable by the Seller)** (i) @ zero when [50.05 Hz < f < 50.10 Hz]: Provided that such seller shall pay @ 10% of RR when [f ≥ 50.10 Hz]	**Deviation by way of over injection** **(Receivable by the Seller)** (i) @ zero when [~~50.05 Hz <~~ f >50.05 Hz]: ~~Provided that such seller shall pay @ 10% of RR when [f ≥ 50.10 Hz]~~	Grid frequency is volatile and is not predictable. Also, deviation between Schedule and Actual Generation is not exactly zero, there would be some deviation based on its controllability. Hence in view of above difficulties being faced by generators, the penalty should not be applicable. No realization during over injection is itself a counter-incentive for generators to control over injection
5	8 (7) (II) & (III)	8 (2C) (c) The buyer shall be paid back for deviation by way of under drawal (i) @ 50% of Order in Petition No. 01/SM/2023 Page 12 normal rate of charge for deviation when [50.03 < f < 50.05]; and (ii) @ zero when [f ≥ 50.05];	**Deviation by way of under drawal** **(Receivable by the Buyer)** i) @ zero when [50.05 Hz < *f* < 50.10 Hz]: Provided that such buyer shall pay @ 10% of NR when [*f* ≥ 50.10 Hz];	**Deviation by way of under drawal** **(Receivable by the Buyer)** i) @ zero when [f>50.05 ~~< 50.10 Hz~~]: ~~Provided that such buyer shall pay @ 10% of NR when [*f* ≥ 50.10 Hz];~~	State drawal is dynamic and is dependent on Weather parameters. The State drawal also varies due to variation in supply side which is mostly due to RE. Increase in frequency is not always due to fall in demand but is also due to RE variation. DISCOM drawal is not controllable in real time and hence, penalizing for UD @ high frequency is not correct.
6	7 (Note)	RE Rich State : > 1000 MW No category of RE Super Rich State	**Buyer (being an RE Rich State : 1000 to 5000 MW)** VLB (1) = Deviation up to 200 MW	**Buyer (being an RE Rich State : 1000)** VLB (1) = Deviation up to 200 MW	State drawal is dynamic and is dependent on Weather parameters. The drawal also varies due to variation in supply side which is mostly due to RE.

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			VLB (2) = Deviation beyond 200 MW and up to 300 MW VLB (3) = Deviation beyond 300 MW **Buyer (being Super RE Rich State : > 5000 MW)** VLB (1) = Deviation up to 250 MW VLB (2) = Deviation beyond 250 MW and up to 350 MW VLB (3)= Deviation beyond 350 MW	VLB (2) = Deviation beyond 200 MW and up to 300 MW VLB (3) = Deviation beyond 300 MW **Buyer (being Super RE Rich State : 5000 to 10000 MW)** VLB (1) = Deviation up to 300 MW VLB (2) = Deviation beyond 300 MW and up to 400 MW VLB (3)= Deviation beyond 400 MW **Buyer (being Most Super Rich State : > 10000MW)** VLB (1) = Deviation up to 400 MW VLB (2) = Deviation beyond 400 MW and up to 500 MW VLB (3)= Deviation beyond 500 MW	As the capacity of RE is substantially increasing, variation in State's drawal has also increased and it will be difficult to States to manage deviation within the given volume limits. Hence for Super RE Rich States the Volume limit should be substantially higher - by at least 100 MW over and above that of RE Rich States. Also, as per earlier suggestion, a category for RE most-super-rich States should be created (for RE capacity > 10000 MW) an their Volume Limit should at least be 400 MW
7	10 (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:	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	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	Pool deficit in Deviation and Ancillary Service Pool Account may be due to RE Deviation (deviation charges treatment being lower than Buyer & General Seller) & Ancillary service is being used frequently to control Grid parameters. The Grid parameters variability is not only because of deviation by Drawal entities but also due to Sellers, specifically RE generators. Hence shortfall, if any, has to recovered from all entities proportionately and

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		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.	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.	of all other regions is not sufficient to meet such deficit, the balance amount shall be recovered from the drawee DICs & the sellers - (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~~ to the schedule of seller] ; ~~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.~~	DISCOMs should not be burdened alone, as the charges directly impact end consumer tariff. Also, with increase in RE penetration, the use of Ancillary services will be more frequent and the shortfall in Deviation and Ancillary Service pool account will increase.
8	10 (1)	(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 statement of charges for deviation by the Regional Power Committee, failing which late payment	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.	The payment of charges for deviation shall have a high priority, and the concerned regional entity shall pay the due amounts within 10 (ten) 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	In case of discrepancy in bill, same has to be corrected by the RPC before the due date so that the entities can make payment as per the corrected bill. Hence sufficient time is required to entities for verification and rectification of the bill.

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		surcharge @ 0.04% shall be payable for each day of delay.			