

Ref:HFE/CERC/DSM24/R&C/FY24-25/01

03 June 2024

To

Shri Harpreet Singh Pruthi
Secretary Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi - 110 001

Subject: Suggestions/comments on draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024.

Dear Sir,

At the outset, we extend our gratitude to the Hon'ble Central Electricity Regulatory Commission for issuing the draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 and seeking stakeholder's comments on the same.

We would like to introduce 'Hero Future Energies Private Limited' (HFEPL), the renewable energy arm of Hero group and an Independent Power Producer (IPP) primarily focusing on investment in developing the generating capacities based on solar and wind resources across the country. The HFEPL portfolio is having around 1.8 GW of commissioned capacity and around 2.6 GW under various stages of development.

Hero Future Energies Private Limited hereby submits its suggestions/comments on 'CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024' and same are attached as **Annexure-I** to this letter. We humbly request CERC to consider our suggestions while finalising the rule on 'CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024'.

This letter is signed digitally, we request you to consider this communication as formally signed and submitted.

Thanking you.

For Hero Future Energies Pvt. Ltd.



The image shows a handwritten signature in blue ink to the left of a circular blue stamp. The stamp contains the text 'Hero Future Energies Pvt. Ltd.' around the perimeter and 'New Delhi' in the center, with a small star at the bottom.

Authorised Signatory

Enclosure : As above.

HERO FUTURE ENERGIES PVT. LTD.

CIN: U40101DL2012PTC243852

Registered & Corporate Office: 202, THIRD FLOOR, OKHLA INDUSTRIAL ESTATE, PH-III, NEW DELHI-110020, INDIA P: +91 11 49598000 | F: +91 11 49598022 | E: info@herofutureenergies.com | W: www.herofutureenergies.com

Annexure I

Clause wise suggestions/ comments are mentioned in table below

Sr no	Clause No.	Existing Clause as per draft regulations	Proposed clause/suggestion	Rationale								
1.	8 (4)	<p>8. Charges for Deviation</p> <p>(4) Charges for Deviation, in respect of a WS Seller being a generating station based on wind or solar or hybrid of wind-solar resources, including such generating stations aggregated at a pooling station through QCA shall be without any linkage to grid frequency, as under:</p> <table border="1"> <thead> <tr> <th>Deviation by way of over injection (Receivable by the Seller)</th> <th>Deviation by way of under injection (Payable by the Seller)</th> </tr> </thead> <tbody> <tr> <td>(i) for VLwS (1) @ contract rate; (ii) for VLwS (2) @ 90% of contract rate (iii) for VLwS (3) @ 50% of contract rate,</td> <td>v) for VLwS (1) @ contract rate; (vi) for VLwS (2) @ 110% of contract rate; (vii) for VLS3 @ 150% of contract rate;</td> </tr> </tbody> </table>	Deviation by way of over injection (Receivable by the Seller)	Deviation by way of under injection (Payable by the Seller)	(i) for VLwS (1) @ contract rate; (ii) for VLwS (2) @ 90% of contract rate (iii) for VLwS (3) @ 50% of contract rate,	v) for VLwS (1) @ contract rate; (vi) for VLwS (2) @ 110% of contract rate; (vii) for VLS3 @ 150% of contract rate;	<p>8. Charges for Deviation</p> <p>(4) Charges for Deviation, in respect of a WS Seller being a generating station based on wind or solar or hybrid of wind-solar resources, including such generating stations aggregated at a pooling station through QCA shall be without any linkage to grid frequency, as under:</p> <table border="1"> <thead> <tr> <th>Deviation by way of over injection (Receivable by the Seller)</th> <th>Deviation by way of under injection (Payable by the Seller)</th> </tr> </thead> <tbody> <tr> <td>(i) for VLwS (1) @ contract rate; (ii) for VLwS (2) @ 90% of contract rate (iii) for VLwS (3) @ 50% of contract rate,</td> <td>v) for VLwS (1) @ contract rate; (vi) for VLwS (2) @ 110% of contract rate; (vii) for VLS3 @ 150% of contract rate;</td> </tr> </tbody> </table>	Deviation by way of over injection (Receivable by the Seller)	Deviation by way of under injection (Payable by the Seller)	(i) for VLwS (1) @ contract rate; (ii) for VLwS (2) @ 90% of contract rate (iii) for VLwS (3) @ 50% of contract rate,	v) for VLwS (1) @ contract rate; (vi) for VLwS (2) @ 110% of contract rate; (vii) for VLS3 @ 150% of contract rate;	<p>The existing DSM framework is still under observation and the generating stations are still adjusting to the new norms of deviation. Given the short time since the last update, it is recommended that any new changes, such as instant regulations, be implemented after a gap of few years.</p> <p>Wind and solar generation depend on weather conditions and are inherently unpredictable. Despite robust forecasting tools, injection accuracy remains near but not exactly equal to the forecast due to positive or negative errors. For example, wind sites experience unexpected gusts or drops in wind, leading to over or under injection.</p>
Deviation by way of over injection (Receivable by the Seller)	Deviation by way of under injection (Payable by the Seller)											
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		(iv) beyond VLwS (3) @ Zero;	(viii) beyond VLwS (3) @ 200% of contract rate.	(iv) beyond VLwS (3) @ Zero;	(viii) beyond VLwS (3) @ 200% of contract rate.	<p>With existing DSM regulations forecasting and scheduling have significantly improved. Error levels for wholesale sellers have now fallen to acceptable deviation band compared to the previous error range.</p> <p>To facilitate adaptation without excessive penalties, the Commission should consider revising the deviation for solar/hybrid to 10% (from the current 5%) while maintaining the wind deviation at 15% (instead of 10%)</p>
		Note: volume limit for WS Seller:		Note: volume limit for WS Seller:		
		WS Seller	Volume Limit	WS Seller	Volume Limit	
		A generating station based on solar or a hybrid of wind - solar resources or aggregation at a pooling station	VLwS (1) = Deviation up to 5% DWS VLwS (2) = Deviation beyond 5% DWS and up to 10% DWS VLwS (3) = Deviation beyond 10% Dws and up to 20% DWS	A generating station based on solar or a hybrid of wind - solar resources or aggregation at a pooling station	VLwS (1) = Deviation up to 5 10% DWS VLwS (2) = Deviation beyond 5 10% DWS and up to 40 15% DWS VLwS (3) = Deviation beyond 40 15% Dws and up to 20% DWS	
		A generating station based on wind resource	VLwS (1) = Deviation up to 10% DWS VLwS (2) = Deviation beyond 10% DWS and up to 15% DWS VLwS (3) = Deviation beyond	A generating station based on wind resource	VLwS (1) = Deviation up to 40 15% DWS VLwS (2) = Deviation beyond 40 15% DWS and up to 45 20% DWS VLwS (3) = Deviation beyond 45 20% Dws and up to 25% DWS	

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			15% Dws and up to 25% DWS		
2.	8 (4)(c)	<p>8. Charges for Deviation</p> <p>(4) Charges for Deviation, in respect of a WS Seller ...</p> <p>(c) depooling of deviation charges for WS seller(s) connected to the pooling station shall be as per the methodology mutually agreed upon between the QCA and such individual WS seller(s).</p>	<p>8. Charges for Deviation</p> <p>(4) Charges for Deviation, in respect of a WS Seller ...</p> <p>(c) depooling of deviation charges for WS seller(s) connected to the pooling station shall be as per the methodology mutually agreed upon between the QCA and such individual WS seller(s) prepared by Grid India and approved by CERC.</p>	<p>Rather than relying on individual sellers and the Qualified Coordinating Agency (QCA), depooling of deviation charges should follow a predefined methodology based on each Wholesale Seller's contribution to deviation at the pooling station. This approach avoids disputes and ensures timely payment for Demand Side Management (DSM).</p> <p>Therefore, it is recommended that the depooling methodology be predefined based on each WS Seller's contribution to deviation at the pooling station, rather than relying on ad hoc agreements between the WS Seller and the QCA.</p>	

3.	8 (5)	<p>8. Charges for Deviation (5) Charges for Deviation, in respect of a Standalone Energy Storage System (ESS), shall be at par with the charges for Deviation for a general seller other than an RoR generating station or a generating station based on municipal solid waste or WS seller as specified in Clause (1) of this Regulation</p>	<p>8. Charges for Deviation (5) Charges for Deviation, in respect of a Standalone Energy Storage System (ESS), shall be at par with the charges for Deviation for a general seller other than an RoR generating station or a generating station based on municipal solid waste or WS seller as specified in Clause (1) of this Regulation. When power is withdrawn by the Energy Storage System (ESS), the deviation charges will be equivalent to those of the Buyer, except for Renewable Energy (RE) Rich or Super RE Rich States</p>	<p>The inclusion of standalone Energy Storage Systems (ESS) in the Demand Side Management (DSM) framework is commendable. However, the current treatment only addresses ESS deviations as a seller or injecting entity.</p> <p>To avoid ambiguity, we recommend clarifying scenarios where ESS also functions as a drawee entity, especially when procuring power from the grid.</p>
4	10 (1)	<p>10. Schedule of Payment of charges for deviation (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.</p>	<p>10. Schedule of Payment of charges for deviation (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. Provided that, In the case of generating stations aggregated at a pooling station through Qualified Coordinating Agencies (QCAs), the late</p>	<p>A provision is recommended to ensure that the late payment surcharge liability applies only to the entity that has defaulted, rather than affecting other entities. This would be particularly relevant in cases where multiple generating stations aggregate at a pooling station through Qualified Coordinating Agencies (QCAs).</p>

			payment surcharge will only apply to individual generators that have failed to make timely payments for deviation charges.	
5	Others	<p>Definitions and Interpretation</p> <p>(j) ‘Contract rate’ means the tariff for sale or purchase of power, as determined under Section 62 or adopted under Section 63 or approved under Section 86(1)(b) of the Act by the Appropriate Commission or the price as discovered in the Power Exchange, as the case may be; and in the absence of a tariff or price as above, contract rate shall mean the weighted average ACP of the Day Ahead Market segments of all Power Exchanges for the respective time block;</p>	<p>Definitions and Interpretation</p> <p>(j) ‘Contract rate’ means the tariff for sale or purchase of power, as determined under Section 62 or adopted under Section 63 or approved under Section 86(1)(b) of the Act by the Appropriate Commission or the price as discovered in the Power Exchange, as the case may be; and in the absence of a tariff or price as above, contract rate shall mean the weighted average ACP of the Day Ahead Market segments of all Power Exchanges excluding High Price DAM (HP DAM) for the respective time block;</p>	<p>The High Price Day-Ahead Market (HP DAM) is centered around power sources with high variable costs. The process of price discovery in the HP DAM market differs significantly from the regular DAM market, primarily due to the substantially higher ceiling price in the former.</p> <p>We kindly request the Honorable Commission to explore the possibility of excluding HP DAM prices from the definition of the integrated day-ahead market, focusing instead on the prices discovered at the Power Exchange.</p>
6	Others	<p>Definitions and Interpretation</p> <p>(o) Integrated Day Ahead Market means a market where Day Ahead Contracts are transacted on the power exchanges, including collective</p>	<p>Definitions and Interpretation</p> <p>(o) Integrated Day Ahead Market means a market where Day Ahead Contracts are transacted on the power exchanges, including collective transactions under</p>	As mentioned above.

		<p>transactions under Day Ahead Market (DAM), Green Day Ahead Market (Green DAM), and High Price Day Ahead Market (HP-DAM);</p>	<p>Day Ahead Market (DAM), Green Day Ahead Market (Green DAM), and High Price Day Ahead Market (HP-DAM);</p>	
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