

## **DHARIWAL INFRASTRUCTURE LIMITED**

### Comments on Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024

At the outset, Dhariwal Infrastructure Limited (“**DIL**”) would like to thank the Hon’ble Central Electricity Regulatory Commission (“**Hon’ble Commission**”) for bringing out the Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 and providing the stakeholders an opportunity to provide comments/suggestions on the same. Accordingly, the comments and suggestions on behalf of DIL on the afore-said Draft Regulations are provided in the following matrix for the kind perusal of the Hon’ble Commission.

| <b>Regulation</b> | <b>Particulars</b>  | <b>Comments and Suggestions</b>  |
|-------------------|---|--|
| 3 (1) (x)         | <i>‘Reference Charge Rate’ or ‘RR’ means (i) in respect of a general seller whose tariff is determined under Section 62 or Section 63 of the Act, Rs/ kWh energy charge as determined by the Appropriate Commission, or (ii) in respect of a general seller whose tariff is not determined under Section 62 or Section 63 of the Act, the daily weighted average ACP of the Day Ahead Market segments of all the Power Exchanges, as the case may be;</i> | <p><b>The objective of the proposed Regulations, as may be inferred from the Preamble, is to stop all grid-connected entities from deviating from their schedules in the interest of reliability, security and stability of the grid. In order to remove the possibility of high disparity in the charges for deviation amongst the general sellers, the Hon’ble Commission may specify the reference charge rate of such general sellers whose tariff is not determined under Section 62 or Section 63 of the Act as the daily weighted average ACP of the Day Ahead Market segments of all the Power Exchanges or some capped value as may be determined by the Hon’ble Commission, whichever is lower. Alternatively, the Hon’ble Commission may specify the reference charge rate for the above cases at 50% of the daily weighted average ACP of the Day Ahead Market segments of all the Power Exchanges.</b></p> <p><b><u>Justification:</u></b></p> <ol style="list-style-type: none"><li>1. The DSM mechanism should not be perceived as an opportunity for making any commercial profits for any entity. Therefore, the charges of deviation for the different categories of entities should be designed in such a manner, that it penalizes or incentivizes the entities for hurting or helping the grid to the same extent.</li><li>2. In our humble submission, the reference charge rate of a general seller whose tariff is determined or adopted by Appropriate Commission would be different from that of the general sellers for whom the reference rate</li></ol> |

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### **Appendix: Comments on Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024**

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|-------------------|--------------------|---|
|                   |                    | <p>would be considered at daily weighted average ACP of the Day Ahead Market segments of all the Power Exchanges. The ACP of the DAM segments, at times of high demand, may go as high as ₹ 10.00/kWh compared to the energy charges of a typical general seller. This disparity in charges of deviation within the same category of players (viz. general sellers) will lead to penalties and incentives depending on the power sale portfolio of these general sellers i.e., whether under Section 62 or Section 63 or merchant route, as the energy charge rates for DSM settlement will be different for each such player.</p> <p>3. To justify the proposed methodology, the Hon'ble Commission may like to examine the propensity of different players to abide by the frequency boundaries as the proposed penalty/incentives are different. We humbly submit that for maintaining grid discipline and security requires a uniform approach to deviation charges for all similar players viz. general sellers, which shall be subject to the same treatment regardless of their tariffs. Further, it is felt that the current deviation limit of 10% is substantial and exacerbates the issue of differential energy charges and treating such deviation with varying energy charges may introduce substantial imbalances in the regional DSM pools. We request that the Hon'ble Commission, may therefore consider addressing the same to ensure an equitable treatment for participants of the same category, especially general sellers.</p> <p>4. In order to narrow down such disparity, the Hon'ble Commission may consider to cap the charges for deviation for the general sellers whose tariff is not determined under Section 62 or Section 63 of the Act. The</p> |

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|            |   | <p>reference charge rate for such general sellers may be specified as the daily weighted average ACP of the Day Ahead Market segments of all the Power Exchanges or the capped value as determined by the Hon'ble Commission, whichever is lower.</p> <p>5. Alternatively, the Hon'ble Commission may specify a standard weightage of 50% to be applied on the daily weighted average ACP of the Day Ahead Market segments of all the Power Exchanges for such general sellers whose tariff is not determined under Section 62 or Section 63 of the Act.</p>  |
| 8 (1)      | <p><i>Charges for Deviation</i></p> <p><i>(1) Charges for Deviation, in respect of a general seller other than an RoR generating station or a generating station based on municipal solid waste or WS seller shall be as under:</i></p> <p>.....</p> <p><i>(III) For Deviation beyond [10% DGS or 100 MW, whichever is less] and f within and outside f band</i></p> <p>.....</p> <p><b><i>Provided that such seller shall pay @ 10% of RR when [ f ≥ 50.10 Hz]</i></b></p> | <p><b>In many instances, generators are scheduled below their technical minimum capability, leading to deviations when they're forced to over-inject to maintain this minimum. While reserve shut down (RSD) is an option, it's often impractical as low schedules are typically only for a short period of time (few blocks), with generators expected to ramp up quickly to meet higher demands. The station has to be kept On-bar to meet the peak demands. Therefore, in view of the above, deviations arising to maintain up-to technical minimum should not be charged any additional penalty at any frequency. Further, the limit for deviation for Sellers operating at full load and those at technical minimum becomes highly different. The Hon'ble Commission may, therefore, specify a higher limit of deviation for Sellers which may operate at 55% TMCR or below.</b></p> |
| 8 (1)      | <p><i>Charges for Deviation</i></p> <p><i>(1) Charges for Deviation, in respect of a general seller other than an RoR generating station or a</i></p>   | <p><b>1. We respectfully request the Hon'ble Commission to revisit the proposed Regulation and allow general sellers to receive 115% of the Reference Rate (RR) for over-injection, when f &lt; 49.90 Hz, regardless of any volume capping (whether the same is beyond 10% or up to 10% limit). This</b></p>  |

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|            | <p><i>generating station based on municipal solid waste or WS seller shall be as under:</i></p> <p>.....</p> <p><i>(III) For Deviation beyond [10% DGS or 100 MW, whichever is less] and f within and outside f band</i></p> <p><b><i>(i) Such seller shall be paid back @ zero when (f &lt; 50.10 Hz):</i></b></p> <p>.....</p> <p><i>(III) For Deviation beyond [10% DGS or 100 MW, whichever is less] and f within and outside f band</i></p> <p><b><i>(ii) Such seller shall pay @ RR when [ f ≥ 50.00 Hz];</i></b></p> | <p>measure is of paramount importance, as in both cases, whether the deviation is less than 10% or exceeds it - generator's over-injection plays a crucial role in mitigating the risk of grid instability and potential collapse, helping to uphold grid stability.</p> <p><b>2. Further, in the event of under-injection, particularly when the frequency exceeds 50.05 Hz, this Hon'ble Commission should revisit the proposed Regulation and introduce the provision of paying back to the pool only at a reduced rate of 85% of the RR, regardless of the volume limit, which can serve as an incentive for efficient grid management practices.</b></p> |
| 8 (13)     | <p><i>In case of multiple contracts, the contract rate or the reference rate referred to in this Regulation shall be the weighted average of the contract rates of all such contracts.</i></p>  | <p><b>We request the Hon'ble Commission to incorporate necessary provision regarding computation of reference charge rate for the general seller having multiple contracts for which tariffs are determined under Section 62 or Section 63 of the Act and the seller is also having merchant capacity which is sold through power exchanges or bilateral short-term contracts.</b></p>  |