

03rd June, 2024

To,
The Secretary,
Central Electricity Regulatory Commission,
3rd and 4th Chanderlok Building,
36, Janpath Road,
New Delhi - 110001

Subject: Comments and Suggestions on the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024

Dear Sir,

This is in reference to the public notice issued by CERC dated 30th April, 2024 seeking comments and suggestion on the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 (hereinafter referred to as “**Draft Regulation**”).

We would like to introduce ourselves as “Sekura Energy Private Limited” (SEPL), backed by Edelweiss Infrastructure Yield Plus fund. We own and operate high quality assets across the Indian power sector in the segments – renewable energy, Inter-state power transmission, etc. In our Renewable energy portfolio, we have around 1 GW of solar projects installed across multiple states in the country having tariffs discovered through competitive bid process. We have a mix of Inter and Intra-State Projects, being subjected to Deviation Settlement Mechanism as per the Central and the State level DSM Regulations, respectively. We are keen to expand our renewable energy portfolio in the coming years through investment in Greenfield renewable energy projects, thereby contributing to the Country’s capacity addition target of 500 GW by 2030.

We understand that the present Draft Regulations and its provisions proposed by the Hon’ble CERC, shall pose significant commercial implication on the existing and upcoming renewable energy projects, which ultimately has a bearing on the investment decisions and RE tariffs to be discovered, in future. In this context, we would like to present our comments and suggestion on the Draft Regulations, for kind perusal and consideration of Hon’ble CERC.

We thank for giving us an opportunity to submit our suggestions, which are placed in Annexure-1.

Yours’ faithfully,



Encl.: Comments and Suggestion on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024

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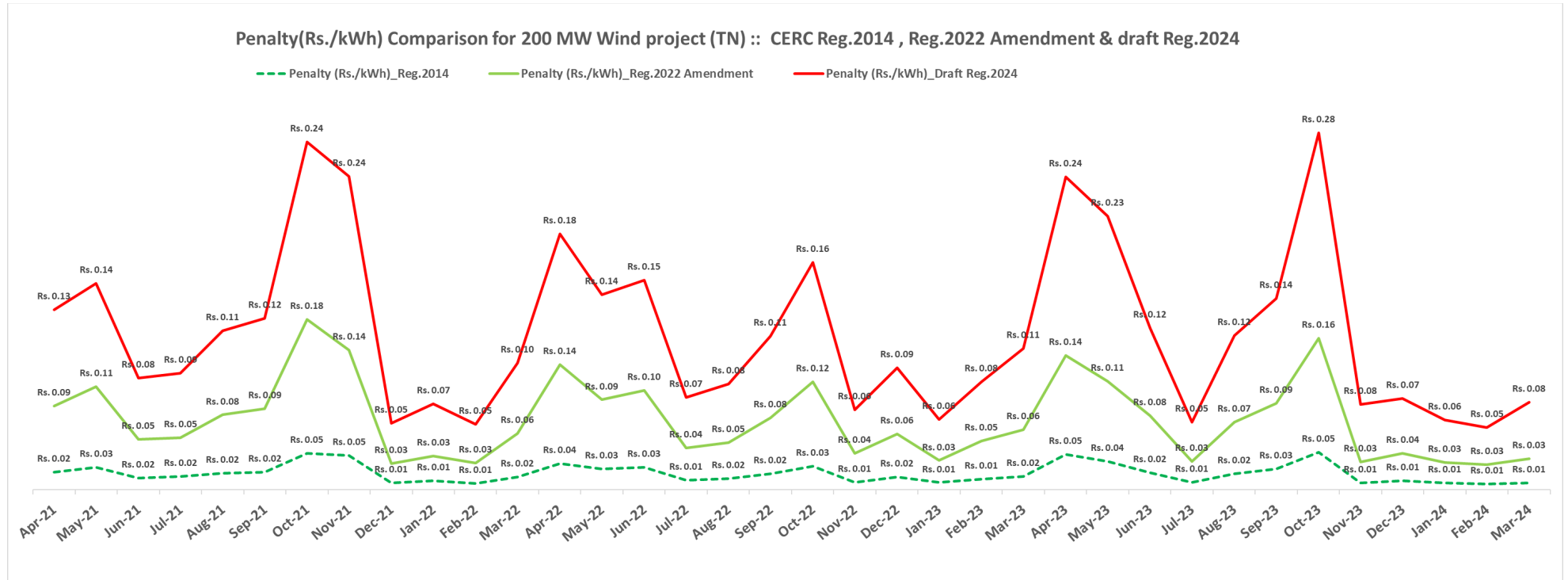
Reg. No.	Draft Regulation	Our Comments/ Suggestions
Regulation 3(J)	‘Contract rate’ means the tariff for sale or purchase of power, as determined under Section 62 or adopted under Section 63 or approved under Section 86(1)(b) of the Act by the Appropriate Commission or the price as discovered in the 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;	Addition of above statement intends to give more clarity for calculation of DSM charges in the absence of Contract Rate. However, there is reference to Power Exchange price twice, one stated as ‘price as discovered in the Power Exchange’ and the other as ‘weighted average ACP of the Day Ahead Market segments of all Power Exchanges for the respective time block’. This might lead to confusion in choosing the Power Exchange price for settlement. As Power Exchange has a uniform clearing price for different market segments, we would like to seek clarity on which ‘Power Exchange’ price is being referred here for the first instance.
Clause 8 (4)	Charges for Deviation: For WS seller being a generating station based on Wind resource. and Solar or a hybrid of wind –solar resources or aggregation at a pooling station	Hon’ble Commission has reduced the deviation band to 5% for Solar generation and 10% for Wind generation which is very less considering average deviation during monsoon or high wind season. And also the payable for under injection by wind and solar generators has almost been doubled i.e. generator will end up paying twice of their contract rate which is detrimental for RE capacity addition and is totally against the goal of Ministry of New and Renewable Energy and the vision of our Hon’ble Prime Minister of India for achieving the target of 500 GW of renewable energy by the year 2030. <u>Nil compensation for over-injection to defy must-run provision:</u> We would like to submit that the energy generated via wind and solar sources are entitled with must run status considering the intermittent nature of wind and solar projects, however, exemption of claiming additional amount for the over injected quantum of electricity by Generator is in defiance with the must run status. <u>Tightening of band to have significant commercial implication on existing projects & future bids:</u> The Draft Regulations propose to reduce the deviation band to 5% for Solar generation and 10% for Wind generation which is very less considering average deviation during monsoon or high wind season. Also the payable for under injection by wind and solar generators has almost

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		<p>been doubled i.e. generator will end up paying twice of their contract rate. This will be detrimental for RE capacity addition and is totally against the goal of Ministry of New and Renewable Energy and the vision of our Hon'ble Prime Minister of India for achieving the target of 500 GW of renewable energy by the year 2030.</p> <p>The assessment of commercial implication owing to tightening of penalty band has been analysed across various regimes and the corresponding plots are presented in graphs as Annexure-1. The simulation shows large penalty implication on RE generators. Based on the simulation, it is assessed that the proposed tightening of penalty band will result in commercial impact to the solar and wind projects of around 2 times of that of the present level of annual DSM charges, which will substantial negative effect on the viability of the existing projects, whose tariffs have not factored in these high level of DSM charges.</p> <p>In the explanatory memorandum published by Hon'ble Commission, it has been explained that with the introduction of aggregation PSS wise (as against the present project wise aggregation), deviation percentage will reduce, that is the sole reason behind shrinking the deviation bands. In this context we would like to highlight that aggregation of PSS has not been implemented yet and whatever benefit is being perceived may not be achievable. In this context, it is suggested that Hon'ble Commission let the existing band to continue till the time there is sufficient proof for confirming the understanding the impact of aggregation and thereafter only bring changes, if necessary.</p> <p>Alternately, in case the Commission is desirous of the tightening the DSM bands as proposed in the draft Regulations, it is requested to keep a wider balancing area and allow aggregation at regional level. This would result in better forecasting accuracy and consequent lower commercial implication owing to the tightened DSM bands.</p>
Regulation 8(6)	Applicability of DSM penalties on energy storage system ("ESS")	We would like to submit that the whole purpose of installing energy storage system ("ESS") which is co-located with WS sellers is to reduce the variability of the wind solar technology and make the grid more stable, now if, the deviation of ESS is treated separately and in line with general seller it will increase the impact of deviation

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		charge. ESS itself is a very costly investment this huge impact of deviation charge will no way encourage the RE developers to include ESS in their system. Therefore, it is suggested to keep the deviation of ESS co-located with WS sellers to be at par with WS deviation band.

Annexure-1

Following graphs represents the Penalty (Rs./kWh) contribution w.r.t Regulation 2014 , 2022 amendment and Draft 2024 for 3 selected ISTS projects (Wind and Solar).



Penalty(Rs./kWh) Comparison for 180 MW Solar project (MP) :: CERC Reg.2014 , Reg.2022 Amendment & draft Reg.2024

