



No. IEX/RA/014/24-25

Date: 03.06.2024

To,

The Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building 36, Janpath
New Delhi - 100 001,
Fax: 011-23753923

Sub: IEX Comments on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related matters) Regulations, 2024.

Dear Sir,

This has reference to Public Notice dated 30.04.2024 inviting suggestions and comments from stakeholders on the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related matters) Regulations, 2024.

Accordingly, comments on behalf of Indian Energy Exchange are hereby attached hereto for kind consideration of the Hon'ble Commission.

Thanking You

Yours sincerely,


Gaurav Maheshwari
AVP – Regulatory Affairs

IEX COMMENTS ON DRAFT CERC (DEVIATION SETTLEMENT MECHANISM AND RELATED MATTERS) REGULATIONS, 2024

1. Consideration of Ancillary charges on net basis for DSM

- a. Regulation 7(1) of the draft proposes to consider the 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.
- b. The above would mean that the net AS charges spread over the total AS volume (both UP & DOWN) will be considered in paise/kWh for the purpose for DSM.
- c. As can be seen from the monthly AS reports published by the NLDC, the net AS charge (in paise/kWh) can be often too low to elicit a rational behavior from the participants. So, for an overdrawn participant, a low net AS charge with the proposed formula will lead to much less DSM charge as 'Normal Rate'.
- d. Therefore, it is suggested that the AS charges to be considered for DSM purpose should be on gross UP & DOWN basis for over-drawl & under-drawl respectively.

2. Deviation charges should act as deterrent to opt for deviations

- a. The proposed regulations provide for discrete DSM Charges for various categories of Sellers and Buyers. The deviation charge for Buyers is referenced to the 'Normal Rate' which is defined in regulation 7(1) of the draft as below:

“(1) 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].”

Further, the maximum DSM charges for the Buyers are specified @ 200% of the Normal Rate for over-drawl when $f < 50.00$ Hz. In all other cases, the DSM charge for Buyers is proposed not more than 150% of the Normal Rate.

- b. The penalty for over-drawl by a buyer should act as a deterrent to dissuade it from the grid over-drawl and persuade it to procure through schedule modes of power procurement. Such penalty should also reduce the likelihood of any arbitrage available to such buyers from the difference between the energy price and the DSM price.

- c. When seen in the above backdrop, the proposed DSM charges referred to as the 'Normal Rate' for the buyers can in several instances be non-reflective of the energy cost being despatched through the Ancillary Services. This disparity can be more pronounced in the present situation when buyers are averse to purchasing through the HP-DAM market owing to regulatory restrictions by the respective SERCs. Therefore, the proposed Normal Rate as an average of IDAM, RTM and Ancillary service charge, along with the proposed penalty, may often not be reflective of the VC of the high cost plants being despatched in the Ancillary services market.
- d. In such cases, the entity causing the system imbalance by over-drawing will find it beneficial to overdraw than procure through say HP-DAM segment of the market. **In order to remove this disparity, it is requested that the Normal Rate be linked to the highest of the proposed three rates of the IDAM, RTM and the Ancillary Service Charge.**
- e. As an alternative, if the proposed draft is to be retained, the buyers may be prodded to participate and fulfil their requirements through the HPDAM market before relying on the grid over-drawl to meet their requirements. It is suggested that the penalties should be at such level which really acts as deterrent for the participants to opt for the deviations and utilize market for balancing.

3. Clarity on Contract Rate:

Regulation 3(1)(j) of the proposed Draft DSM Regulations provides for definition of 'Contract Rate' which is utilized for settlement of Deviations in case of Wind, Solar & MSW Sellers. The Contract Rate has been defined as *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*. While the tariff determined under Section 62 and Section 63 may be ascertained as these are mostly constant, however, with regard to price discovered in Power Exchange, further clarity is required because in case of Power Exchange, an RE Generator may participate in GDAM, DAM, GTAM and TAM which may lead to discovery of different prices for different time block based on the nature of the product. **The process of ascertaining such prices for calculation of the DSM Charges may also be clarified. It is also submitted that clarification may be given on the contract rate in case of bilateral open access transactions which does not qualify these three conditions.**