



Date: 3 Jun 2024

To,  
The Secretary,  
Central Electricity Regulatory Commission,  
World Trade Center, 6<sup>th</sup>, 7<sup>th</sup> & 8<sup>th</sup> Floor, Tower-B  
Nauroji Nagar, New Delhi 110 029

**Subject:** Comments and Suggestions on the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 (hereinafter referred to as “**Draft Regulation**”).

Dear Sir,

Greetings from Azure Power. We are a leading independent sustainable energy solutions provider, and power producer in India. We build and operate some of the largest grid-scale renewable power projects in the country, and supply renewable power to government utilities, and independent industrial & commercial customers. We have a pan-India portfolio of over 4.3 GW, with over 3 GW of operational capacity and 1.2 GW of contracted & awarded capacity, the majority of which are ISTS connected.

With reference to the subject captioned *Draft* Regulations we, at Azure Power, are pleased to submit our suggestions and comments, appended herewith as Annexure-I to this letter.

We request the Hon’ble Commission to kindly consider the same.

Sincerely,

For Azure Power India Private Limited



Authorized Signatory

## Azure Power India Private Limited

CIN: U40106DL2008PTC174774

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**Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 – Comments and suggestions**

SN	Regulation No	Existing Provision of the <i>Draft</i> Regulation	Suggestion / Proposed Provision	Rationale
1	Regulation 4. Scope	These regulations shall be applicable to all grid connected regional entities and other entities engaged in inter-State purchase and sale of electricity	These regulations shall be applicable to all grid connected regional entities and other entities engaged in inter-State purchase and sale of electricity, <i>which have commenced their operations on or after the date of coming into force of these Regulations.</i>	<ul style="list-style-type: none"> <li>The proposed changes in deviation bands / charges for WS Sellers increases the DSM penalty 3-4 fold.</li> <li>The tightening of the deviation bands further from the bands that had been prevailing at the time of investment decision of the projects, especially RE projects, and frequent revisions in the same - will lead to an un-envisaged financial burden on these Projects and create uncertainty.</li> </ul>
2	Regulation 8 (4)	-	Under Regulation (8), sub-regulation (4), <u>new proviso (d)</u> <i>Provided that the above Charges for Deviation shall be applicable for the WS Seller, being a generating station based on wind or solar or hybrid of wind-solar resources having been awarded a Letter of Award (for PPA signing) by a Central Renewable Energy Implementation Agency or a State Utility on or after the date of coming into force of these Regulations.</i>	<ul style="list-style-type: none"> <li>Further, the changes in deviation intervals / charges are not covered Change-in-Law provisions of the PPAs/ projects.</li> </ul> <p>Thus, the proposed changes in deviation bands shall adversely impact the financial viability of the already commissioned RE Projects.</p> <p>We hence request the Hon'ble CERC to <b>exclude</b> the applicability of these Regulations, at least for the RE projects that have already been commissioned / achieved CoD, and the RE Projects for which LOAs had been issued prior to the date of coming into force of these Regulations, making the applicability of these Regulations prospective, and not retrospective</p>

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3	Regulation 8 (4)	<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 VL<sub>WS</sub>(1) @ contract rate;</td> <td>v) for VL<sub>WS</sub>(1) @ contract rate;</td> </tr> <tr> <td>(ii) for VL<sub>WS</sub>(2) @ 90% of contract rate</td> <td>(vi) for VL<sub>WS</sub>(2) @ 110% of contract rate;</td> </tr> <tr> <td>(iii) for VL<sub>WS</sub>(3) @ 50% of contract rate,</td> <td>(vii) for VL<sub>S3</sub> @ 150% of contract rate;</td> </tr> <tr> <td>(iv) beyond VL<sub>WS</sub>(3) @ Zero;</td> <td>(viii) beyond VL<sub>WS</sub>(3) @ 200% of contract rate.</td> </tr> </tbody> </table> <p>Note: Volume Limits for WS Seller :</p> <table border="1"> <thead> <tr> <th>WS Seller</th> <th>Volume Limit</th> </tr> </thead> <tbody> <tr> <td>A generating station based on solar or a hybrid of wind –solar resources or aggregation at a pooling station</td> <td>VL<sub>WS</sub>(1) = Deviation up to 5% D<sub>WS</sub> VL<sub>WS</sub>(2) = Deviation beyond 5% D<sub>WS</sub> and up to 10% D<sub>WS</sub> VL<sub>WS</sub>(3) = Deviation beyond 10% D<sub>WS</sub> and up to 20% D<sub>WS</sub></td> </tr> <tr> <td>A generating station based on wind resource</td> <td>VL<sub>WS</sub>(1) = Deviation up to 10% D<sub>WS</sub> VL<sub>WS</sub>(2) = Deviation beyond 10% D<sub>WS</sub> and up to 15% D<sub>WS</sub> VL<sub>WS</sub>(3) = Deviation beyond 15% D<sub>WS</sub> and up to 25% D<sub>WS</sub></td> </tr> </tbody> </table> <p>Note: In case of aggregation of WS sellers at a pooling station through QCA.</p>	Deviation by way of over injection (Receivable by the Seller)	Deviation by way of under injection (Payable by the Seller)	(i) for VL <sub>WS</sub> (1) @ contract rate;	v) for VL <sub>WS</sub> (1) @ contract rate;	(ii) for VL <sub>WS</sub> (2) @ 90% of contract rate	(vi) for VL <sub>WS</sub> (2) @ 110% of contract rate;	(iii) for VL <sub>WS</sub> (3) @ 50% of contract rate,	(vii) for VL <sub>S3</sub> @ 150% of contract rate;	(iv) beyond VL <sub>WS</sub> (3) @ Zero;	(viii) beyond VL <sub>WS</sub> (3) @ 200% of contract rate.	WS Seller	Volume Limit	A generating station based on solar or a hybrid of wind –solar resources or aggregation at a pooling station	VL <sub>WS</sub> (1) = Deviation up to 5% D <sub>WS</sub> VL <sub>WS</sub> (2) = Deviation beyond 5% D <sub>WS</sub> and up to 10% D <sub>WS</sub> VL <sub>WS</sub> (3) = Deviation beyond 10% D <sub>WS</sub> and up to 20% D <sub>WS</sub>	A generating station based on wind resource	VL <sub>WS</sub> (1) = Deviation up to 10% D <sub>WS</sub> VL <sub>WS</sub> (2) = Deviation beyond 10% D <sub>WS</sub> and up to 15% D <sub>WS</sub> VL <sub>WS</sub> (3) = Deviation beyond 15% D <sub>WS</sub> and up to 25% D <sub>WS</sub>	<p>We request the Hon'ble CERC to broaden the no-penalty bands, or at-least retain the deviation bands / deviation charges of the current DSM Regulations 2022.</p>	<ul style="list-style-type: none"> <li>The narrow no-penalty zone for over and under-injection in both the current DSM Regulations and the draft proposed DSM Regulations encourages generators to under-schedule, which may lead to frequency fluctuations and grid instability. In order to avoid under-scheduling, we request the Hon'ble CERC to broaden the no-penalty bands for over and under-injection.</li> <li>Further, the currently available infrastructure &amp; weather forecast software and tools are not conducive to predict the wind &amp; solar resource with a precision of deviation of within 5%.</li> <li>In view of above, we suggest that the narrower bands may be made applicable from, say 2030 – which will give time for the RE Generators to invest in the required infrastructure to be able to do more accurate wind &amp; solar resource forecast.</li> <li>We thus request the Hon'ble CERC to retain the deviation bands / deviation charges of the current DSM Regulations 2022.</li> </ul>
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4	Regulation 8 (4)	As above	<p>The proposed Regulation suggests that:</p> <ol style="list-style-type: none"> <li>For the plain-vanilla Wind Projects choosing for their schedules to be aggregated at a</li> </ol>																	

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			<p>pooling station - the proposed deviation bands of Solar and Wind-Solar Hybrid would apply, which are even narrower than the proposed deviation bands for Wind projects, which is not desirable.</p> <p>b. Also, <b>for the new <u>complex Hybrid projects</u></b>, such as the Peak Power and Firm and Dispatchable RE projects being tendered-out, wherein the <b><u>Wind component shall be the pre-dominant RE source</u></b>, and not Solar - the proposed narrower deviation band of Wind-Solar Hybrid would apply, which is not desirable.</p> <p><u>We thus request that the proposed deviation bands for Wind be made applicable to all the RE generators choosing to aggregate their schedules at a pooling station, when the total Wind generation (in MW) at the pooling station is greater than 49%.</u></p>	

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5	Regulation 8 (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, <b>including such generating stations aggregated at a pooling station through QCA</b> shall be without any linkage to grid frequency, as under.....	Charges for Deviation, in respect of a WS Seller being a generating station based on wind or solar or hybrid of wind-solar resources, <b>including such generating stations aggregated at Zonal level through QCA</b> shall be without any linkage to grid frequency, as under.....	We request that the aggregation of schedules is allowed at a Zonal level. Each State can be divided into 3-4 RE hot zones and all the ISTS SS in each zone can aggregate their schedules, for better planning.
6	Regulation 8(6)	(6) Charges for Deviation, in respect of an ESS co-located with WS Seller(s) connected at the same interconnection point, shall be as follows: i) Such seller shall provide a separate schedule for WS and ESS components through the Lead generator or QCA at the interconnection point; ii) Deviation corresponding to WS component shall be charged at the same rates as applicable for WS Seller being a generating station based on solar or hybrid of wind-solar resource in accordance with clause (4) of this regulation; and iii) Deviation corresponding to the ESS component shall be charged at the same rates as applicable for a standalone ESS in accordance with clause (5) of this regulation.	Deviation band of ESS, co-located with WS Sellers, should be at par with the deviation band applicable for WS Seller.	It may be noted that an ESS, when co-located with WS Sellers, having become an integral part of an RE Project - serves the purpose of reducing the variability of RE Project's generation. Thus, treating the deviation of an ESS, co-located with Wind/Solar, separately, and that too, in line with deviations applicable for a General Seller, is not desirable. This would also unnecessarily increase the over-all impact of deviation charge on the RE Project. We thus request that the deviation band of ESS co-located with WS sellers is made at par with the deviation band applicable for a WS Seller.
7	New Regulation/Request	-	We request the Hon'ble CERC to fix the nominal charges for each QCA for aggregation of schedules and co-ordination with RLDC. Each developer can choose its own forecasting agency as per their requirement. Any QCA finalised for	

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			scheduling for each State Zone can act as aggregator & co-ordinator for interaction with developers and RLDCs. To avoid steep price hike by any one QCA request to freeze a nominal and fair charge per MW for aggregation and scheduling	

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