



3rd June 2024

Shri Harpreet Singh Pruthi
Secretary

Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi-110001

Subject: - WIPPA Comments/suggestions on Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024

Respected Sir,

We wish to introduce the Wind Independent Power Producers Association (“WIPPA”), a national level registered body having the association of 40 Independent Power Producers (“IPPs”) of capacity around 30,000 MW with an asset base of more than Rs. 2,00,000 Crores and a healthy pipeline in the wind energy sector in India through policy advocacy and presenting independent views/ suggestions/analysis to various stakeholders at various forums to provide a fillip to the sector.

This is with reference to the CERC notification on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 dated 30th April 2024. We are submitting our comments as **Annexure-I** for your reference.

We request CERC to kindly consider our comments/suggestions while finalizing the Draft (Deviation Settlement Mechanism and Related Matters) Regulations, 2024

Yours’s Sincerely

For **Wind Independent Power Producers Association**

A handwritten signature in black ink, appearing to read "Parag Sharma", written over a horizontal dashed line.

Parag Sharma

President

Email: president@wippaindia.in

Enclosed: Annexure - 1



WIPPA Comments/suggestions on Draft CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024

Overall comment

At the outset we want to highlight that DSM Regulations had been modified recently in Dec'22 and further modified vide order no 01/SM/2023 on 6th Feb'23. Such modifications in DSM Regulations have made the DSM bands stricter for all sources including wind and solar. This has significantly increased the DSM penalties on the already commissioned projects by more than 3 times compared with 2014 DSM Regulations (ranging between 0.6% to 1.5% of gross annual revenue). As per proposed DSM bands these penalties again expected to increase, please refer the table below for the actual impact for 3 of our large-scale wind projects:

DSM Penalties as % of Annual Revenue

Project	2014 Regulations	2022 Regulation	Feb'23 Order	Draft Regulation 2024
Wind Project -1	0.43%	6.46%	1.52%	2.51%
Wind Project -2	0.23%	2.42%	0.96%	1.63%
Wind Project -3	0.22%	1.87%	0.57%	1.26%

The changes in DSM bands has already resulted in a substantial decline in project profitability (with a decrease in IRR ~1% which is significant). New projects can include such modifications in their tariff bids, however, the existing projects where tariff is fixed such further tightening of DSM bands would further worsen their profitability. To address the issue to implement revised DSM Regulations on account of stabilization of grid infrastructure, we request following two options to provide support for existing generators, which ensure fair treatment and mitigate financial burdens on existing generators

1. The revised DSM should be applied prospectively, with a clear implementation date. This will ensure smooth transition and clarity for all existing generators.

OR

2. Recognizing the revised DSM as a "Change in Law" event and determine per unit impact on account of implementation of new Regulation. It'll allows existing generators to claim compensation for the extra financial impact incurred due to change in new deviation band rate. This involves calculating



the per unit extra cost due to the new DSM charges and establishing a transparent claim process. In such circumstance, developer may be able to install additional ESS in the project to reduce DSM penalty to support grid stability.

The only mitigation measure for fully complying with the stricter DSM framework is to improve the forecasting methodologies, which have not seen significant technological improvements in the recent past. It is also to be noted that post notification of DSM regulation 2022, a committee under the chairman, CEA has been constituted to assess the forecasting accuracy and suggest measures for improvement. The committee is still working on this aspect. It is thus emphasized that any further tightening of deviation bands for existing projects is hampering projects returns substantially as these projects have been awarded through competitive bidding and thus does not have any margin to absorb such loss of revenue. The explanatory memorandum suggests that aggregation of schedules at the ISTS pooling substation has been allowed as per the IEGC and this would result in improvement in overall deviations and resultant DSM charges payable by generators. However, no analysis of possible impact of aggregation has been provided. The benefit of such aggregation at the ISTS pooling station is not sufficient to compensate the adverse impact of the proposed change in the deviation bands.

Detailed clause-wise comments

Sr no.	Draft Amendment paper	Suggested change	Remarks				
1.	8. Charges for Deviation ... (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: <table border="1" data-bbox="282 1270 902 1375"> <tr> <td data-bbox="282 1270 591 1343">Deviation by way of over injection</td> <td data-bbox="600 1270 902 1375">Deviation by way of under injection (Payable by the Seller)</td> </tr> </table>	Deviation by way of over injection	Deviation by way of under injection (Payable by the Seller)	8. Charges for Deviation ... (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 regional level pooling station through QCA shall be without any linkage to grid frequency, as under: <table border="1" data-bbox="960 1270 1581 1375"> <tr> <td data-bbox="960 1270 1270 1343">Deviation by way of over injection</td> <td data-bbox="1279 1270 1581 1375">Deviation by way of under injection (Payable by the Seller)</td> </tr> </table>	Deviation by way of over injection	Deviation by way of under injection (Payable by the Seller)	It is noted that the proposed DSM bands have reduced the initial band i.e. VLWs (1) from earlier: <ul style="list-style-type: none"> • 10% to now 5% (Solar & Hybrid) • 15% to now 10% (Wind) Post 2014 DSM Regulations, there has been some improvement in forecasting and scheduling. And developers have been able to reduce forecasting errors significantly.
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Increasing the accuracy of forecasting within this range would require significant technological breakthrough on forecasting tools as well as access to highly accurate weather data.</p> <p>It is therefore requested that till the time it is established that such technology and access to precise weather data is available, further tightening of DSM bands may not be undertaken especially for the existing projects.</p> <p>Calculating the DSM on a regional basis instead of at pooling stations can enhance grid stability by smoothing out variations in power</p>
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			<p>exceeds solar capacity on the basis of 1.5 times of Solar, basing the DSM band solely on the solar project might not accurately reflect the potential deviations and could lead to an imbalance in settlement calculations. Instead, the DSM band should be based on the higher quantum of the installed capacity of wind or solar, ensuring a more accurate and fair approach.</p> <p>For example, consider a scenario where the installed wind capacity is 150 MW and the installed solar capacity is 150 MW. The considerable of Solar & Wind for applicable DSM would be:</p> <ul style="list-style-type: none"> • Solar : 150 MW • Wind : 150 MW x 3/2 = 225 MW <p>In view of that the applicable DSM band should be based on the higher of these two values, which in this case is 150 MW from wind</p>



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			<p>(considerable capacity of 225 MW against solar capacity of 150 MW).</p> <p>This approach ensures that the DSM band reflects the higher potential deviation source, providing a more balanced and effective settlement mechanism.</p>
3.	<p>8. Charges for Deviation</p> <p>...</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>...</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 approved by the Commission mutually agreed upon between the QCA and such individual WS seller(s).</p> <p>NLDC shall submit the methodology within 4 weeks notification of these regulations for approval of the Commission.</p>	<p>It may be noted that if the mechanism for de-pooling of deviation charges is kept as per mutual agreement between individuals, it will delay the process and will result in multiple litigations in future.</p> <p>For streamlining the aggregation process it is important that uniform methodology should be applicable and the same should be issued by CERC or Grid-India.</p>
4.	<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</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, or tariff agreed</p>	<p>Under GEOA, substantial capacity is being planned under captive or third-party route. In these cases, tariff is not determined as per Sec 62</p>



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	rate shall mean the weighted average ACP of the Day Ahead Market segments of all Power Exchanges for the respective time block;	between the bilateral parties 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;	or 63 and is mutually agreed between the parties. Such tariff should also be considered as contract rate for the purpose of computing DSM penalties. Otherwise, such projects under GEOA will be penalized with DSM charges on the basis of exchange tariffs while the similar projects u/s 62 or 62 DSM charges are computed on contract rate.
5.	<p>8. Charges for Deviation</p> <p>...</p> <p>(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</p> <p>...</p> <p>(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. Provided that for drawl of power while charging the standalone ESS the applicable deviation charges shall be at par with Buyer.</p>	Treatment of DSM on drawl should be as applicable to the Buyer.
	<p>8. Charges for Deviation</p> <p>...</p>	<p>8. Charges for Deviation</p> <p>...</p> <p>(6) Charges for Deviation, in respect of an ESS co-located with WS Seller(s) connected at the same</p>	The very purpose of co-located ESS with WS seller is to reduce the variability of the WS component and increase the stability of the grid.



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6.	<p>(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:</p> <p>i) Such seller shall provide a separate schedule for WS and ESS components through the Lead generator or QCA at the interconnection point;</p> <p>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</p> <p>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.</p>	<p>interconnection point, shall be at par with the WS seller to which it is co-located with as follows:</p> <p>i) Such seller shall provide a separate schedule for WS and ESS components through the Lead generator or QCA at the interconnection point;</p> <p>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</p> <p>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.</p>	<p>Now if the ESS component will be treated like a general seller it will further increase the DSM of the project making it economically less viable to add this component.</p> <p>It will further discourage RE generators to add ESS component in a WS project for meeting the objective of minimizing the deviations.</p>
7.	<p>10. Schedule of Payment of charges for deviation</p> <p>(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</p> <p>(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>With past experience we have experienced that 7 days are not enough for making payments for DSM charges. And now with added validation of details to be complied by QCA the time provided for making the payment be increased to 10 days as against proposed 7 days.</p>



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8.			<p>A significant portion of new RE projects are being planned to sell power on exchange.</p> <p>Further there is a difference in scheduling flexibility between selling through the exchange and via PPAs.</p> <ul style="list-style-type: none"> • PPAs: Allow revisions of schedule 7/8 time-blocks ahead of actual delivery. • Power Exchange: Does not allow revision in Day ahead schedule. <p>To understand the issues, consider a scenario where an RE projects have scheduled 100 MW on the exchange under GDAM (with Day ahead schedule). On the other hand, a buyers have scheduled 100 MW on exchange. Now suppose RE project does not get adequate resource and generates only 80MW (i.e. actual injection) whereas buyers draw complete 100MW. In this case, only</p>



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			<p>80 MW of RE power was generated, whereas the buyer gets certified that it has purchased 100 MW of RE power.</p> <p>To address this issue, RE power should be allowed to revise the schedule 7/8 time-blocks ahead of actual delivery. In such a case schedule of Buyers should also be revised on proportionate basis.</p> <p>Keeping the same DSM bands for exchange sale without the flexibility to revise the schedule may not be appropriate for RE projects. This will restrict the development of RE merchant capacity in the country. In order to develop a robust RE exchange market such issue needs to be addressed.</p>