

For the kind attention of:

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Comments on the Draft CERC (Fees and Charges of Regional Load Despatch Centre and Other Related Matters) Regulations, 2024

Background

The Regulatory Assistance Project (RAP) thanks the Commission for this opportunity to comment on the Draft Notification (No.L-1/271/2024/CERC) on the Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other Related Matters) Regulations, issued on April 4th, 2024.

The regulations are extremely important in light of the nascent stages of development of various state load dispatch centres in India, all of which will very likely take the revenue mechanisms (fees and charges) adopted by Grid India and the regional load dispatch centres as example.

We commend the CERC for developing these regulations and appreciate the chance to contribute RAP's insights to advance this effort.

Our interest is to contribute to CERC efforts to reform the country's electricity system, to make it more efficient, achieve important public policy goals, and to contribute to serving the public good in India. We trust that you will find our observations below to be objective, independent, and tailored to support CERC's guidance.

RAP wishes to offer some general comments and some specific comments on the draft regulations, plus some suggestions on the reforms articulated, as follows:

1. Need for Adequate Resources:

The draft regulations list a number of functions for the RLDC and NLDCs. The long list of functions points to the importance of the need for sufficient resources for the RLDC and NLDCs to carry out the functions. Strong institutions will be important in managing the transition to the power system of the future at least cost and without jeopardising system security. This will require adequate provision of resources such as human capital, tools, and skills.

As such it is imperative to empower the NLDC & RLDC institutions with the resources they require effectively to fulfill the CERC's directives and the Government of India's vision. This underlines the importance of ensuring sufficient resources are made available to LDCs. ***We recommend that CERC ensures the LDCs have the resources they need to manage the power system transformation outlined by Indian authorities.*** As an example, CERC could undertake a benchmarking exercise to evaluate the resource allocation practices utilized in operational electric competitive wholesale markets globally, particularly those with Independent System Operators (ISOs). Such an evaluation could provide valuable insights for assessing the future requirements of RLDCs and NLDCs.

2. Need for a function related to enabling the transformation of the sector:

The RLDC and NLDCs are subject to an array of functional obligations. The renewable energy targets set by the Government of India and the investment in new sources such as batteries and pump hydro storage will require further endeavors from the Indian system operators for them to be efficiently deployed. Lacking is a function linked to enabling such transformation of the power sector. Other lesser forms of functional obligation could be considered, such as the obligation to provide insights on the different scenarios for the future of the power sector. Similar obligations have been imposed on the National Energy System Operator in Great Britain.

3. Additional KPIs:

The complement to more resources and to a complete list of functions are the means to provide the right incentives for performance. The regulations propose various KPIs with that purpose. These KPIs will help incentivize desirable behaviors and outputs. **RAP proposes consideration be given to adding KPIs to assess the following aspects:**

- **Efficiency of the wholesale market.** A market mechanism is the surest way to ensure efficiency and a level playing field for new resources. It will be crucial for the smooth integration of the large amount of variable renewable energy resources targeted by the Indian Government at least cost. We suggest adding a KPI measuring this objective.
- **Publication of essential information for market participants and stakeholders.** System Operators have access to information that is essential for decision-makers, including market participants and authorities. Given that providing as much information as possible in a user-friendly manner should be one of the main activities of NLDC and RLDCs, we suggest adding a KPI covering this aspect.
- **Publication of System Marginal Price.** An example of essential information for multiple parties to be provided is the publication of the granular SMP of Security Constrained Economic Dispatch, which is the best approximation of the economic value of electricity at a given time and location. This will underpin dissemination of important information, a crucial function of system operators.
- **Renewable Energy curtailment.** Additional incentives may be introduced that reward RLDC and NLDCs for action plans and operations that reduce unnecessary curtailment of RES.

We hope the comments above assist with finalization of the Draft CERC (Fees and Charges of Regional Load Despatch Centre and Other Related Matters) Regulations, 2024.

Once more, we wish to applaud CERC for developing these critical regulations, and we lend our support to the reforms and advances articulated therein.

Thank you for this opportunity to comment. If we can be of further assistance, please do not hesitate to contact. We would be keen to collaborate with CERC on these and related matters.

Sincerely,

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