

Draft Comments on CERC's Public Notice for Amendment Related to Various Contracts of Power Exchanges

The Hon'ble Central Electricity Regulatory Commission (CERC) has proposed amendments to the Day-Ahead Contingency (DAC) contracts, suggesting the adoption of a Uniform Price Step Auction (UPSA) mechanism in place of the existing" continuous matching model. We underscore the necessity of preserving the DAC's original format and advise against the implementation of the UPSA mechanism for the following reasons:

1. **Efficiency and Flexibility of Continuous Matching in DAC:** The continuous matching model currently employed by DAC is crucial for facilitating real-time transactions that address unforeseen, urgent contingencies. The proposed UPSA mechanism may introduce delays in bid finalization, potentially resulting in operational inefficiencies and reduced effectiveness in rapid response scenarios.
2. **Impact on Liquidity and Market Participation:** Transitioning to UPSA may reduce participant numbers, thereby decreasing market volume and competitiveness.
3. **Alignment with Real-Time Market (RTM) Dynamics:** The DAC effectively manages contingencies that arise after the Day-Ahead Market (DAM) but before the Real-Time Market (RTM), without overlapping with RTM's uniform clearing process. Implementing UPSA in the DAC could blur the distinctions between DAC and RTM, rendering the DAC redundant and fragmenting the market.
4. **Critical Need for Flexibility and Timeliness in Contingency Procurement:** The continuous matching model allows buyers to promptly adjust to unforeseen grid demands, which is crucial for managing load and supply variations. Delays in bid matching due to UPSA could lead to operational challenges, thereby reducing the DAC's effectiveness for real-time needs.
5. **Ensuring Competitive and Transparent Pricing:** The continuous matching model ensures that prices reflect actual market conditions without artificial inflation resulting from time-based bidding strategies.
6. **Potential Market Gaps with UPSA:** The adoption of UPSA could diminish the appeal and functionality of the DAC, compelling buyers to lock in their needs prematurely in the DAM or resort to the RTM, which may not align

with all contingency requirements. The loss of the DAC's real-time responsiveness could place additional strain on the RTM and increase operational burdens for buyers.

Considering the above, Rajasthan Urja Vikas Nigam and IT Services Limited (RUVITL) proposes retaining the DAC segment's current continuous matching model to uphold its responsiveness, liquidity, and unique contingency-based function. We recommend ensuring the DAC's transparency through enhanced visibility without replacing the continuous matching model with the UPSEA mechanism, thereby preserving a clear distinction between DAC and RTM.