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SHREE CEMENT LTD.

An ISO 9001, 14001, 45001 & 50001 Certified Company

Regd. Office

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SCL/JPR/CERC/5182

04th November, 2024

Secretary

Central Electricity Regulatory Commission

6th, 7th & 8th Floors, Tower B,

World Trade Centre, Nauroji Nagar,

New Delhi- 110029

Subject: Comments/Suggestion on Staff Paper on Regulatory Oversight on Bidding Behaviour in Power Exchanges

Dear Sir,

The Hon'ble Commission vide its public notice dated 04.10.2024 has sought comment and suggestions of the stakeholders on "Directions by the Commission to the Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 – Draft order in the Suo-Motu Petition No. 8/SM/2024 thereof".

We would like to submit that M/s Shree Cement Limited is involved in generation of power and has power generation capacity of around 983.34 MW from various sources of energy such as coal, wind and solar, which it operates on merchant basis as well as for captive use. Furthermore, SCL is also having grinding units which are open access consumers and purchase power under short term open access. It would be pertinent to submit here that SCL would be affected by the directions proposed by Hon'ble Commission to Power Exchanges and hence would like to comment upon the same, which are as under:

1. Para 24 (c) In view of the very low liquidity in Intra Day Contracts since its introduction, the availability of the alternative Real-Time Market, and to avoid market fragmentation, it is proposed to withdraw Intra-Day Contracts in all the Power Exchanges from a pre-specified date, in terms of Regulation 25(3) of PMR 2021

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As per the above para, Hon'ble Commission has proposed to withdraw the intra-day market segment from power exchange, due to low liquidity in intra-day market.

It is submitted here that such direction of closing intra-day segment at power exchanges is not in line with the principle of free market. At power exchanges, intra-day segment is the last option to purchase/ sell power under bilateral contract.

As submitted above that M/s Shree Cement Limited is having its cement manufacturing units in various state which are open access consumer and purchasing power under short term open access through power exchanges. In cement manufacturing as well as in various other manufacturing processes, power is considered as one of the major raw material. However, various states impose power cut on industrial consumers, forcing them to seek alternative sources of power to maintain continuous operation. In these circumstances, it is crucial for industrial consumers to secure a reliable and firm supply at reasonable rates, ensuring the smooth running of their plants without interruptions. When a bilateral trade occurs, the buyer can rely on receiving the agreed-upon quantity of power at specified rate.

However, if power is not cleared in the intra-day segment, the buyer may need to place bids in the Real-Time Market (RTM) segment, where the allocation would be subject to a pro-rata distribution due to competing bids, potentially leading to a shortfall in the required power.

Additionally, intra-day trades are conducted 3.5 hours before delivery, allowing buyers, especially open access consumers, time to assess load conditions and decide as to whether further bidding in the RTM segment is needed.

Intra-day trading also provides a crucial fallback in contingency situations, such as unexpected outages of State or Central generating units, enabling distribution licensees to secure power and avoid high DSM/ancillary charges, thereby helping maintain load balance.

From the seller's perspective, if surplus power becomes available due to a buyer's schedule revision or any other reason and the seller wishes to sell this surplus under a bilateral contract via a power exchange, the intra-day segment is currently the only viable option which assures objectivity with respect to quantum and price. Removing the intra-day contract from power

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exchanges would leave sellers with no choice but to place bids in the Real-Time Market (RTM) segment, where there is far more volatility with respect to quantum and power and no guarantee that the power will be cleared.

In view of the above submissions, removing intra-day contracts from power exchanges is not justifiable and this segment should be retained at power exchanges.

2. (d) It is proposed to modify the price discovery mechanism in the case of Contingency Contracts to Uniform Price Step Auction from the existing Continuous matching. The Commission proposes to issue amendment(s) in PMR 2021 to this effect

As per above proposed direction, the mechanism of price discovery in contingency contract should be changed from continuous matching to uniform price step auction.

At the power exchange, the uniform price step auction mechanism is currently used in the daily and weekly market segments, where liquidity is limited. As various states enforce power cuts on industrial consumers regardless of the type of industry, whether it's a continuous process industry or not, a consumer has to purchase power from power exchanges to run the production unit without any hindrance.

Hence, an open access consumer places bid in Day Ahead Market at Power Exchange. However, due to pro-rata allocation in Day Ahead Market, open access consumer may not be able get the required quantum. As a result, DAC market with its continuous matching mechanism, becomes the most certain option for the buyer seeking to secure power for uninterrupted operations. Under this mechanism, buyer place the bid for required quantum at specific rate and if the quantum and rate suitable for seller then seller will match the bid and resulting in an immediate trade.

Switching to a uniform price step auction in the DAC segment would require buyers to wait until the price is discovered, with no certainty of the power being cleared. Thus to maintain buyer's confidence and avoid uncertainty with respect to off-take, the price discovery mechanism for contingency contracts should continue with continuous matching rather than switching to a uniform price step auction.

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We would, therefore, request to Hon'ble Commission to consider the above submissions at the time of finalization of directions to Power Exchanges. Furthermore, it is also requested that the Hon'ble Commission may kindly permit us an opportunity of hearing in the matter so as to enable us to present our views and to make additional submissions, if any, at the time of hearing.

Thanking you

Yours sincerely

For **Shree Cement Limited**

A handwritten signature in blue ink, appearing to read 'Amarjit Singh', is written over a circular blue ink stamp. The stamp contains the text 'SHREE CEMENT LTD.' around its perimeter.

(Amarjit Singh)

Joint Vice President- Power Business