F. No. 238/36/2025-P&RA
Government of India
Ministry of New and Renewable Energy

Atal Akshay Urja Bhawan,
Opposite CGO Complex,
Lodhi Road, New Delhi-110003
Dated: 21.10.2025

To

Secretary,
Central Electricity Regulatory Commission,
World Trade Centre, 6th, 7th and 8th floor,
Tower -B, Nauroji Nagar, New Delhi-110029

Subject: Comments on CERC proposal pertaining to DSM Regulations: Determination of value of 'X' for computation of deviation for Wind and Solar (WS) sellers

Sir,

The Hon'ble CERC, vide its proposal dated 10.09.2025, has sought stakeholder comments on the proposed trajectory for reducing 'X'. Vide the same proposal, the Hon'ble CERC has also directed the staff of the commission to make amendments to the DSM regulations, which, inter alia, mandate that all Wind and Solar (WS) projects with tendering or bid submission dates on or after 01.04.2026 shall be treated at par with general sellers.

2. While the Ministry understands that the proposed trajectory/amendments have been conceptualized to address the growing concerns of grid stability, however, it may adversely impact the RE sector. The deviation in WS plants is solely attributed to the inherent complexities in forecasting wind and solar generation with reasonable accuracy. The generation forecasting, in turn, is completely dependent on weather prediction, for which there is no fixed error band within which the weather forecasting/prediction can be done with absolute certainty. The uncertainty around forecasting becomes even more prominent when analysed for a short time period of 15 minutes. A small amount of turbulence or even a passing cloud, can throw the entire forecasting system haywire. Therefore, it would not be prudent to penalize the WS generators for the risks that are beyond their control. Any penalty imposition shall be proportionate to the controllable risks/conditions for the WS sellers. Furthermore, the Hon'ble CERC's proposal relies on a simulation study; however, it does not take into account the varying diversity at different RE sites, such as wind regimes, dust storms, monsoon influence, ramp effects, localized cloud patterns, microclimate, etc. Penalizing developers over this huge uncertainty will result in higher DSM penalties, uncertainty about revenue from the asset, low participation by price-sensitive small and medium developers, and, in total, a catastrophic effect on the RE industry in India. To address concerns about grid stability, upcoming projects may be mandated to incorporate a certain proportion of storage, following consultations with stakeholders.

3. India is committed to achieving 50% non-fossil fuel power capacity by 2030, and this Ministry has already aligned the plans/resources for the same. Wind and Solar constitute the majority portion of the installed RE portfolio and are also expected to be the main drivers of the RE transition. The enabling ecosystem to realize this transition has been built with persistent efforts and the coordination of different stakeholders. For long-term infrastructure investments in the RE sector, regulatory certainty and stability are imperative. Frequent and sudden shifts in penalty regimes or strict liability models can discourage capital commitment and slow down RE ambitions and National Goals.

4. In view of the above, and considering the timely achievement of national RE targets, the Ministry recommends deferring the matter of imposition of 'X' on WS developers till a consensus is achieved among the stakeholders. Furthermore, to ensure precision in conducting deviation studies, the Hon'ble CERC may consider engaging the IMD to provide weather forecasting data with improved temporal and spatial resolution, and to specify the error in weather forecasting quantitatively, region- or substation-wise. The weather forecasting error provided by IMD shall be considered the technical limit for power forecasting, and the DSM regulation shall be formulated in consideration of this technical limit. However, until the IMD develops the required forecasting tools and error data, stringent DSM regulation may not be implemented, taking into account only the commercial aspects of deviation.

5. This issues with the approval of Secretary, MNRE.

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