SAEL
SUSTAINABLE & AFFORDABLE ENERGY FOR LIFE

Date: 15.10.2025

To,

The Secretary,

Central Electricity Regulatory Commission,

6th, 7th & 8th Floors, Tower B, World Trade Centre,

Nauroji Nagar, New Delhi- 110029

Subject: **Comments/suggestions on behalf of SAEL Industries Limited to the Proposal issued by Central Electricity Regulatory Commission dated September 10, 2025 in Petition No. 9/SM/ 2025 (Suo-moto) for Determination of value of "X" for computation of the deviation (in %) for Wind and Solar (WS) Sellers from 01.04.2026 onwards under the provisions of the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024.**

Dear Sir,

1. The Central Electricity Regulatory Commission (**"CERC"**) notified the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 (**"DSM Regulations, 2024"**) on April 30, 2024, which became effective from September 16, 2024. Now, CERC by way of public notice dated September 10, 2025, has invited comments from stakeholders on the proposal for determination of value of "X" for computation of the deviation (in %) for Wind and Solar (WS) Sellers from 01.04.2026 onwards under the provisions of DSM Regulations, 2024 (**"Proposal"**). The last date for submission of comments was extended from October 05, 2025, to October 17, 2025. In accordance thereof please see below the comments submitted by SAEL Industries Limited (**"SAEL"**).
2. SAEL is a 'Generating Company' in terms of Section 2(28) of the Electricity Act, 2003 and is *inter alia* engaged in the business of setting up and operating renewable power projects such solar and biomass-based power projects across India.
3. However, renewable energy developers, including SAEL, are presently confronted with significant challenges in sustaining day-to-day operations. These challenges arise primarily from regulatory uncertainties coupled with the absence of long-term visibility on tariffs and

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revenue streams. Such issues severely impact the financial and operational viability of renewable energy projects.

4. While we acknowledge and appreciate Hon'ble CERC's objective to enhance grid security, we have profound concerns regarding the combined impact of the proposed new deviation formula (introducing the 'X' factor) and the simultaneous tightening of the tolerance band to ±5% for solar generators. We believe these changes, as proposed, are premature, excessively punitive, and threaten the financial viability of existing solar projects. Moreover, they are likely to deter future renewable energy investments and create a highly alarming situation for investors, stakeholders, financial institutions, and lenders. In this background considering the regulatory uncertainties within the sector, there is an urgent need for regulatory relief and support. Accordingly, SAEL humbly places the following submissions/comments for the kind consideration of Hon'ble CERC.

Regulation 6(2)(b) of the DSM Regulations, 2024 provided the formula for computation of percentage of deviation for the period post April 01, 2026, for wind and solar generators as below.

$$D_{ws}\% = 100 \times [(\text{Actual Injection in MWh}) - (\text{Scheduled generation in MWh})] / [(X\% \text{ of Available Capacity}) + (100\text{-}X)\% \text{ of Scheduled Generation})]$$

Provided 'X' shall be stipulated by the Commission through separate order(s) after public consultation

Accordingly, Hon'ble CERC now by way of the Proposal has proposed the value of "X" as below.

With Effect From (w.e.f.) Value of "X"	Value of "X"
01.04.2026 to 31.03.2027	100%
01.04.2027 to 31.03.2028	80%
01.04.2028 to 31.03.2029	60%
01.04.2029 to 31.03.2030	30%
01.04.2030 to 31.03.2031	20%
01.04.2031 onwards	0%

Further, *as per Regulation 8 (4) of the DSM Regulations, 2024* the revenue-neutral tolerance band for Solar/ Wind-Solar Hybrid Generating Stations will reduce from +/- 10% to +/- 5% and for Wind Generating Stations it will reduce from +/- 15% to +/- 10% from 01.04.2026 onwards.

In light of the above SAEL has the following objections to such reduction in the value of "X" and tightening of tolerance as per extracted portion of the Proposal above.

A. Penalizes Generators for Inherent Variability beyond their control

(i) Key disparity lies in treating renewable energy (**"RE"**) generators, who have no control over their fuel source, same as conventional dispatchable generators. Given the inherent variability of wind and solar generation, it would not be appropriate to treat existing WS projects at par with general sellers from 01.04.2031 onwards.

(ii) As 'X' decreases, the denominator shrinks towards the 'Scheduled Generation' value, which is inherently volatile and much smaller than 'Available Capacity'. This artificially inflates the percentage deviation for any given absolute error (in MW). A minor, unavoidable forecasting error due to a passing cloud will be magnified into a large deviation percentage, leading to disproportionate penalties, huge financial losses.

(iii) Minimizing deviation in such circumstances of tightening tolerance bands and reduction in value of "X" will require granularity and accuracy in weather forecasting in order to enable high-precision power forecasting which is presently not developed and available. The primary sources of weather information, namely the India Meteorological Department (IMD) and the National Centre for Medium Range Weather Forecasting (NCMRWF), provide data that is limited in both spatial and temporal resolution. This poses significant challenges in capturing localized weather variations such as cloud movement, temperature fluctuations, wind patterns, and other atmospheric parameters that directly affect solar and wind generation. Moreover, there are currently no dedicated or reliable sources of weather data specifically for renewable energy generators to support accurate power forecasting.

(iv) In view of these limitations, it is practically infeasible for generators to consistently meet the proposed ±5% deviation tolerance band. Imposing such stringent requirements, without access to sufficiently precise forecasting data, would unfairly penalize generators for factors beyond their control and could undermine the financial viability of renewable energy projects. We, therefore, urge the Commission to reconsider the timeline and applicability of these measures until adequate data infrastructure and forecasting capabilities are in place.

B. Critical Concerns on the Reduction of Tolerance Band to ±5%

(i) ***Technologically Unachievable with Current Forecasting Capabilities***- The Proposal itself refers to a study which clearly shows that under the existing ±10% band, solar generators remain compliant 74% to 84% of the time. Under the proposed ±5% band, this plummets to 45% to 58%. This is not a minor adjustment but a catastrophic regression that indicates the ±5% band is unachievable with the current state of solar forecasting technology available to RE generators.

(ii) ***Microclimatic Events***- Rapid cloud movement can reduce generation by 50–80% within minutes, while available weather models and satellite data carry an inherent time lag, making precise prediction of such events impossible.

(iii) ***Operational Scheduling Challenges***- The 7th and 8th time block revision requirements have already increased complexity in scheduling for RE plants. When combined with a narrow ±5% deviation band, this framework becomes operationally impractical and technologically unachievable, exposing projects to unavoidable penalties.

(iv) ***Soiling Variability***- Dust accumulation on solar panels varies daily with wind and rain. A day with higher-than-expected soiling can easily push generation below the -5% threshold.

(v) ***Normal Plant Tolerances***- Inverter clipping, module degradation, and other minor performance variances routinely cause 1-3% deviation. A ±5% band leaves no room for these normal operational realities.

C. Financial Impact

The study as referred to in the Proposal confirms the devastating financial impact. For solar plants, revenue loss escalates from an average of ~ 4% to over 8% as 'X' moves to 0. These are not mere operational costs; they represent a direct erosion of revenue that was projected to service debt and provide returns. Imposing such a drastic, retrospective change to the regulatory framework undermines the sanctity of contracts and will severely shake investor confidence, jeopardizing the investments. The financial impact of tighter tolerance band of ±5% and reduction in the value of X has a significant financial impact as demonstrated below.

Current Regime

Value of X = 100% and Band = ±10%

Denominator: Available Capacity (a large and fixed number)

Impact: A 1 MW deviation results in a small deviation percentage. The ±10% band is relatively wide, to avoid high penalty charges.

Proposed Regime
Value of X = 100 →0% and Band = ±5% from 2026
Denominator: Scheduled Generation (a smaller and variable number)

Impact: The same 1 MW deviation results in a much larger deviation percentage. This amplified percentage is then measured against a band that is half as wide. This double tightening smaller denominator and narrower band creates a "pincer effect" that will exponentially increase deviation charges for solar generators.

D. Payment for Over-Injection at ≥50.05 Hz

The proposed provision of "no payment" for over-injection at or above 50.05 Hz seeks to discourage unscheduled injection during high-frequency conditions. While grid security is of paramount importance, this blanket rule effectively makes RE generators bear the entire cost of curtailment even in cases where they are ready to supply. To address this concern, we propose a more nuanced approach that aligns with the must-run status of RE:

a. If no curtailment instruction is issued by the grid authority, any over-injection should continue to be settled under existing DSM provisions.

b. If a valid curtailment instruction is issued and the generator fails to comply, then the "no payment" rule should apply.

c. Additionally, a structured curtailment compensation framework should be introduced. Generators currently lose revenue when directed to back down for system-level reasons beyond their control. A fair compensation mechanism would ensure equitable treatment while preserving grid security.

E. Conclusion

(i) The proposed introduction of value of 'X' combined with the tightening of the deviation band to ±5% represents a dramatic and punitive departure from the current DSM framework. The current CERC DSM Regulations, 2024, are already resulting in significant financial stress for renewable energy generators. The proposed measures would exacerbate these challenges, creating a "pincer effect" of amplified deviation percentages and narrower tolerance, which will lead to severe revenue losses, undermine project viability, and threaten debt servicing capabilities.

(ii) Such an approach fails to account for the inherent variability of solar and wind resources, the limitations of existing forecasting capabilities, and the operational realities of RE projects. If implemented, these changes are likely to discourage future investments in renewable energy, shake investor and lender confidence, and impede India's clean energy growth trajectory.

(iii) We strongly urge the Hon'ble Commission to reconsider the applicability and timeline of these proposals and adopt a more balanced, evidence-based, and gradual approach. Regulatory measures should safeguard grid security while ensuring that existing and future renewable energy projects remain financially viable and attractive to investors, stakeholders, and financial institutions.

Thanks & Regards,

Ravi Khanna

General Manager (Solar O&M)

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