

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 01/SM/2025

Coram:

Shri Jishnu Barua, Chairperson

Shri Ramesh Babu V., Member

Shri Harish Dudani, Member

Date of Order: 08th January, 2025

In the matter of:

Recovery of legacy dues in the Deviation Settlement Mechanism (DSM) Pool Account in pursuance of DSM Regulations, 2024 - Regarding.

ORDER

The Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 (hereafter, DSM Regulations, 2024) were notified on 5th August 2024 and came into force with effect from 16.09.2024.

2. The DSM Regulations, 2024, provided for a methodology for the recovery of deficit in the Deviation and Ancillary Service Pool Account (hereinafter, DSM Pool Account) as stipulated in Regulation 9(7). Subsequently, NLDC submitted a "Detailed Procedure for recovery of charges in case of deficit in the DSM Pool Account," which delineated the recovery of dues accruing in two distinct periods:

- (i) Dues accrued prior to 16th September 2024 (legacy dues).
- (ii) Dues accruing on and after 16th September 2024.

3. After careful consideration, the Commission approved the detailed procedure on 15th October 2024 to enable recovery of dues as highlighted by NLDC in its draft procedure. However, NLDC, vide its letter dated 12.12.2024, has since communicated that some distribution companies have not paid or made part payment of the dues raised by NLDC in this regard. They have questioned the legality and fairness of recovering legacy dues, arguing that the Detailed Procedure lacks explicit regulatory provisions for recovery of such dues. The Commission has taken cognizance of the issue highlighted by NLDC.



4. The Commission would like to reiterate that the DSM Pool Account is used to make payments for ancillary services and deviation charges. Non-payment of dues would lead to delayed payment to the ancillary service providers, thereby discouraging them from providing such services required for grid security. It would be pertinent to mention that the Staff Paper on 'Grid Security Charge' published on 25.09.2023 by the Commission also highlighted the deficit in the DSM Pool Account arising on account of high demand and shortage of reserves along with a methodology to recover costs associated with reserves/ancillary services. Further, the Explanatory Memorandum (EM) to the draft DSM Regulations, 2024, also mentioned a deficit of approximately Rs. 400 Crore as of March 2024 and emphasised the need for a robust recovery mechanism. Consequently, the Commission's final Regulations and the approved Detailed Procedure were framed to address the issue of deficits as on the date of the regulations and thereafter.

5. NLDC's communication reflects ambiguity in the minds of some of the discoms about the order dated 15.10.2024 of the Commission approving the detailed procedure for recovery of charges in case of deficit in the DSM Pool Account. For the sake of clarity and to ensure timely payment of the DSM dues, the Commission clarifies that the methodology approved in the detailed procedure vide the Order dated 15.10.2024 is applicable for recovery of charges in case of the deficits in the DSM Pool Account "as on and from 16th September 2024."

6. Accordingly, the Suo Motu Petition 01/SM/2025 is disposed of in terms of the above.

Sd/
(Harish Dudani)
Member

Sd/
(Ramesh Babu V.)
Member

Sd/
(Jishnu Barua)
Chairperson

