

Ref:- MSEDCL/PP/DAM-1/ No 04861

Date:- 15 FEB 2019

To,  
Secretary,  
Central Electricity Regulatory Commission  
3<sup>rd</sup> & 4<sup>th</sup> Floor, Chandralok Building,  
36, Janpath, New Delhi-110001

**Sub:** Submission of comments/suggestions on the Discussion Paper on Market Based Economic Dispatch of Electricity: Re-designing of Day-ahead Market (DAM) in India

**Ref.:** 1) No.RA-14026(11)/3/2018-CERC dated 31<sup>st</sup> December 2018.  
2) MSEDCL/PP/DAM/2913 Dated 28<sup>th</sup> Jan 2019.  
3) No. RA-14026(11)/3/2018-CERC Dated: 31st January, 2019

Respected Sir,

This is in reference to extension period notice issued on 31<sup>st</sup> January 2019 by Central Electricity Regulatory Commission seeking comments and suggestions on the Discussion Paper on Market Based Economic Dispatch (MBED) of Electricity: Re-designing of Day-ahead Market (DAM) in India by 15<sup>th</sup> February 2019.

MSEDCL has submitted its observations and suggestions on proposed mechanism vide letter under ref.3. The MSEDCL is hereby submitting additional comments on the proposed draft amendment, are as below.

**1. Spinning reserve requirement:**

Hon'ble commission in its report on "*The Committee On Spinning Reserve*" has recommended that "*each region should maintain secondary reserve corresponding to the largest unit size in the region and Tertiary reserves should be maintained in a de-centralized fashion by each state control area for at least 50% of the largest generating unit available in the state control area.*"

In Maharashtra, largest unit size is 660MW & further there are four major different DISCOMs with different load, out of which Maharashtra is largest State Own DISCOM. In order to meet contingencies in real time, it is suggested that

- To meet any contingency (either due to tripping of generator, rise in demand than expected), Scheduling of Hydro power need to be out of the ambit of the proposed methodology.
- Further Generally, DISCOM save their hydro generation for their peak months as there is also a curtailment on usage of water which is uncontrollable in nature. If

hydro power is scheduled on a regular basis for other State, it is very likely to happen that during peak period, the DISCOMS will not be able to schedule their hydro power due to limited water level. This will force DISCOMS to buy costlier power from the pool market which will fail the entire purpose of the proposed methodology.

## **2. Fix charge liability:**

In existing URS as well as RRAS settlement mechanism, if any surplus power surrendered by any entity is utilised by other utility, then fix charge liability is borne by the entity availing surplus power.

In present mechanism, fix charge liability is to be borne by contracting DISCOM; who would not have any right to use its contracting capacity once said power is sold in market atleast during gate closure period. Hence there would not be any meaning of making long term power purchase agreement and bear all charges like POC charges & fix cost irrespective of its utilization.

Further merchant generator selling power in market has single tariff, would get price at MCP which might be more than its total cost of generation & will be based on MOD rate of highest unit cleared on previous day, will quote rate & will thereby be benefitted by this mechanism.

Further DISCOM having very less capacity tie-up in long term will be benefitted by not having to pay fix cost liability.

### ***It is suggested that***

- *Prior consent shall be taken from DISCOM in generator who need participate in such market.*
- *It should be at the discretion of DISCOM to decide how much power to be met from contracting generator (who will not be part of this market) and how much to schedule from market.*
- *Fix charge shall also be a part of bidding for generator, so as to provide level playing field as New Generating plant may have higher fixed charge and lower variable cost and old plant may have higher variable charges and lower fixed cost.*
- *Instead of declaring rate by generator everyday (Tariff approved by commission), actual Variable rate of previous month to be considered*

## **3. Variable Cost under MoD**

Presently Settlement between DISCOMs and GENCOs due to variation in Variable charges due to Change in Law is done on actuals at a later date as approved by the concerned commission. Even Supplementary bills are issued at a later stage related to prior period item.

A clarification is required to tackle such situation on a real time basis and adjustment of such additional charges i.e. to be borne by the utility which is in a contract with the power plant or the utility to which the power from the plant has been dispatched.

With regards to MoD, Presently SLDC being nodal agency determine MoD of the respective State and method of determination of MoD for all States may not be similar.

- The different State may consider different factors for change in law components, transmission charges and losses and other charges which derives the MoD Rates.
- MoD rates can be for specific month, i.e. (N-1) or (N-2) etc whereby Maharashtra considered on N-2 basis.
- There should be uniform guideline to be issued across the country so as to also capture the real time variable cost to avoid any cost impact of prior period item for no power consumed by beneficiaries.

**MSEDCL proposed that current months projected rates should be considered with certain allowance say 3%.**

#### **4. Amendment in PPA and Right to retain Sale amount**

Presently PPAs are under MoU route as well as under competitive bidding mechanism and such changes may result in renegotiation of PPAs. This will lead to ambiguity and numerous complications and may require deviation from existing regulatory framework.

Consent of DISCOM is a must to Long Term tied-up generator to sell URS power under real time market and commercial terms for such sale shall be left with generator and beneficiaries. The Commission may not define commercial terms for such transaction which is beyond jurisdiction of Commission and is clearly a case of redefining of PPA.

CERC needs to provide a detailed mechanism for such deviation in schedule under Market Based Economic Dispatch system as this will have a direct financial impact on DISCOM rather than on Generator.

100% gains/benefits should be passed on to the beneficiary / ies (utilities) giving up their share of power as there is no credibility of the generating station in this mechanism.

As fixed cost burden is already been borne by DISCOM and by scheduling lower cost power for other region, when coal shortage scenario exist, it will result in DISCOM giving up their stake of cheap power and hence shall be burdened.

#### **5. Transmission Constraint and Impact of Transmission Charges and Losses:**

To assess transmission capacity State wise, all existing network elements to be updated by 100% so as the transmission corridor margin available for real time transaction would be declared by POSOCO accurately.

PoC charges is determined based on the load and direction, the same may vary depending on the demand ~supply in region. In case power drawal within State Generator is reduced and the power from Inter-State Generating Station is been delivered, it may result into over usage of transmission capacity as compared to the LTOA signed with CTU and will affect PoC

charges. Implication of the same is required to be identified at the earlier stage so as to avoid any undue burden on the consumers.

The impact of transmission losses will affect MoD as though the variable cost may be lower at ex-bus, the total landed cost of power at STU periphery may be higher which may result in scheduling of a costly power for a particular State.

Mechanism to be formulated for treatment of transmission losses, so that the power source to the State is cheapest compare to the next rank of scheduled power from the generator. One of the option is to consider the variable charges at STU periphery for MoD purposes including injection loss, drawl loss of CTU and other such charges to bring power at STU periphery.

#### **6. Implementation of Market Based Economic Dispatch (MBED) Model**

Proposed methodology should be first implemented in States with multiple Distribution licensees on a pilot basis. This will help to understand the practical issues of implementing the scheme and would help to evolve the methodology in a better way prior to full-fledged nation-wide implementation.

MBED model may not work in an efficient way in case of Multiple Power Exchanges as the objective may not be achieved as every power exchange may be scheduling the power based on the generator and DISCOM tied-up with them.

Market clearing engine can be operated by an independent entity whereby all the power exchanges could forward the bids and offers received in their individual exchanges, to the independent entity. The dispatch schedules would then be notified by the individual exchanges.

#### **7. Assumption on Scenario Building**

Scenario building has been undertaken for the period of July 2016 and states that there can be a cumulative saving of Rs. 438 Crs. However, the same has been considered only with thermal power plants only.

However, in past 2 years, the scenario has changed to a large extent whereby with increase in penetration of renewables into the grid which are must run power plants and the increase in variable cost due to impact of Change in Law and coal shortage, the expected benefit and the MoD schedule will undergo a change.

It is necessary to build scenario based on the recent data so as to ascertain the benefit as well as any other operational issues.

#### **8. Power Exchange Charges**

The Paper states that the transaction charges need to be reviewed with increase in the volume of transactions in the market.

Proposed methodology does not explain about the impact of such cost on the schedule of power.

#### **9. Operation during deficit situation:**

- The proposed methodology is beneficial only in a surplus scenario. In case of an overall deficit scenario in the country, it might not be effective. Therefore, the mechanism in surplus and deficit scenario is required to be defined in the proposed model
- Also, in case of a deficit scenario, the mechanism of despatch to various buyers has not been defined. On pro-rata basis or First Come First Served (FCFS) basis or based on the contracted capacity
- The methodology provides the solution of BCS for PPAs with 2 part tariff, however, might not be doable for Thermal Power Plants which don't have a PPA or with single part tariff (Short Term Contract).
- Impact of DSM on the individual DISCOM has not been address in the Discussion paper as scheduling will be undertaken at National Level.
- Also, the settlement period between Generator and DISCOM for differential pricing has not been defined in the methodology.
- The longer settlement period will affect the Working Capital of DISCOM who need to pay for scheduled load at Market Clearing Price (MCP) upfront.
- If at the time of actual drawal, if demand exceeds the given schedule, DISCOM may loose the opportunity to avail cheaper power from the contracted capacity and has to buy power from Exchange at a higher stake. This operational issues is required to be resolved as it also circumvent the PPA terms.
- MSEDCL proposed that in case of generator having generation tie-up under Long term, if purchase under Real time Market, the cost may not be more than variable cost.
- Considering the huge penetration of renewable power which are infirm in nature, necessary to assess the situation with capacities that can ramp up / down quickly

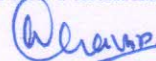
#### 10. Dispute Resolution:

The Suggested methodology includes despatch of power from a Thermal Power Plant (in contract with one state utility) to another state utility, a dispute resolution mechanism needs to be devised in case of any issue and also, it needs to be defined the Appropriate Commission for the same.

MSEDCL requests the Hon'ble Commission to kindly consider MSEDCL's comments / suggestions on the Draft Discussion Paper on Market Based Economic Dispatch of Electricity: Re-designing of Day-ahead Market (DAM) in India.

With Regards

Yours Faithfully



(Satish Chavan)

Director (Commercial)

Copy s.w.r.to:

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