

Ref. No. MSEDCL/RTM/ 026842

DATE: 23 SEP 2019

To,
The Secretary,
Central Electricity Regulatory Commission,
3 rd & 4th Floor, Chandralok Building,
36, Janpath, New Delhi -110 001.

Sub: MSEDCL's submission regarding the provisions in framing on 'Real Time Market' and 'Security Constrained Economic Dispatch' regulations.

Ref: Consultative Workshop by CERC & MERC on 13.09.2019 at Mumbai

Sir,

This has reference to the consultative Workshop jointly conducted by CERC and MERC at MSEDCL's head office on Energy Market reforms. MSEDCL welcomes the initiative taken by CERC to bring the reforms in Indian Power Market and making demarcation between energy trade and system imbalance management by creating the framework of real time energy market. Also, CERC has acknowledged the associated challenges of accurate scheduling and forecasting of RE, Discom Demand Forecasting error, grid stability and creating the opportunities of availability of power in real time market. Further, framing Security Constrained Economic Dispatch Regulation has explored the scope of optimization and therefore, the possibility of minimizing the system cost. However, MSEDCL has concerns regarding development of total market proposed on URS power of long term contracted generators of Discoms while framing Regulations on Real Time Market (RTM) and Security Constrained Economic Dispatch (SCED) regulation. Accordingly, MSEDCL's major concerns/suggestions are as below:

A. Real Time Market of Electricity / Security Constrained Economic Dispatch'

i) Periodically Review of the Ultimate Objective:

As per discussion papers, the basic objective of implementation of these regulations is to provide the cheaper power to consumers and increase the power availability within the organized market so as to reduce the Unscheduled Interchange (UI). However, this is required to be review on a periodic basis so as to understand whether ultimate objective is achieved and is there any operational or technical constraint for same and any further development/ modification in the Regulations is

required. Therefore, it is suggested that in the proposed regulation the ultimate objectives are to be quantified and the provision of periodical review may be included so that if required the regulation may be amended/modified to attain the objectives of regulations as well as to address any operational / technical constraint arising during implementation.

ii) Gate Closure Concept:

DISCOMs have entered into long term power purchase agreements with a view of obtaining firm power commitment from generator to serve 24 X 7 power supply to its consumers and are paying fixed cost as per PPA provisions even in the situation when there is no schedule/RSD to generator. DISCOM usually sign a long term power procurement contract to fulfill its Universal Service Obligation as per EA 2003 and to meet real time deviation in demand & supply because of variation in availability from Generators due to units tripping, demand forecasting error, RE generation forecasting error etc. which is uncontrollable and bound to happen in real time.

The Paper has introduced the concept of Gate Closure whereby a system is introduced that the gate for schedule revision closes at a fixed time before the actual delivery and doesn't allow any revision in schedule for specific time blocks and deviation if any during that period is to be managed by the respective market participants using their own resources.

Considering the proposed regulation, it is submitted that due to a Gate closure concept, DISCOM are adversely affected as mentioned below:

- As per the existing provision of clause 6.5.18 of IEGC the schedule can be revised after 3rd time blocks against the proposed Gate Closure in which the revision in schedule is allowed after 7th time block. In real time of operation, the revision in Schedule is required to be undertaken due to exigencies like sudden change in demand due to weather conditions, nature of breakdowns/tripping/shutdowns of power plants, infirm nature of renewable Power etc. Thus, this Gate Closure concept will result in reduction in flexibility of availability of the DISCOM for scheduling of its own tied-up power with long term contracts and may require to make either alternate arrangement of power or over draw from grid up to 7th time block against existing 4th time block which may be costlier than the tied-up power and also will affect the grid stability and thus defeating the main objectives of the said regulations.
- Also, it is submitted that as per the said Regulations, the unscheduled power of Discoms contracted through long term contracts will be made available in the organized market by retaining liability of fixed cost on them. This will averse DISCOM to enter into Long Term PPA and DISCOM will be interested to enter into Short Term PPA with no obligation of Fixed cost and avail power from

short term market/ real time market affecting the discipline of the grid and whole development of power sector.

- It is also submitted that given the case of Coal Shortage scenario as it happening from last 2-3 years , Discoms (MSEDCL) is are preparing plan and giving schedule to State Genco such that the coal is stack up as buffer during non-peak period by procuring power from market & giving RSD/Backing Down and available maximum capacity is utilized during the peak period. After implementation of the said regulation, such flexibility of maintaining buffer stock of coal to meet the peak demand may not be available with Discoms which may result into procurement of costly power of state Gencos during peak period/ season.

Thus in view of the above, MSEDCL submits that, the concept of Gate Closure for scheduling of power be eliminated from the proposed regulations so that the DISCOM has flexibility to schedule its power from its own source during requirement.

iii) Sell by ISGS generators and consent of beneficiary thereto:

In the clause 5.7 of the draft discussion paper, it is stated that

“Real Time Market (RTM) is an energy only market and as such the play in this market is around the variable or marginal cost. The fixed cost liability will be borne / settled as per the existing contract. In the event of such generator earning revenue over and above the regulated variable cost, the gain shall be shared in the ratio of 50: 50 with the beneficiary as per the stipulation in the tariff policy”.

As per the said discussion paper, Generating Station is allowed to sell power from the share of its original beneficiaries in the real-time market without consent and retaining the claim of fixed charges with the beneficiary Discoms which is against the spirit of contracts and clearly circumvents the legal provision of PPA. Further, defining any kind of commercial arrangement for sale of already contracted power is like deviating legal terms of PPA and thereby amendment of PPA from backdoor. Moreover in cost plus regime, generator is already getting RoE and the whole fixed cost burden is borne by DISCOM and therefore, proposing to share profit on account of sale of contracted power in Market on 50:50 basis is like undue financial gain to generator and retaining all liabilities on DISCOM.

It is submitted that in the said scenario, Generator is risk free as they are assured of the recovery of fixed cost from DISCOM and also they will be benefited through SCED in both ways i.e. by increase in PLF having low variable cost and in case, of generator whose schedule will be reduced due to SCED through compensation mechanism of CERC for part loading. However, the risk of availability of such power (though being tied-up) due to any exigencies like breakdown/ tripping/ shut down etc and buying of power from market at available rate is to be borne by DISCOM.

Hence, the sharing of 100% profit because of these regulations should be with DISCOM only to meet such risks .

Also, as per proviso 6.2 of the National Tariff Policy, " ----- generating stations based on regulated tariff under Section 62 of the Electricity Act 2003, the procurer shall communicate, at least twenty four hours before 00.00 hours of the day when the power and quantum thereof is not requisitioned by it enabling the generating stations to sell the same in the market in consonance with laid down policy of Central Government in this regard. The developer and the procurers signing the PPA would share the gains realized from sale, if any, of such un-requisitioned power in market in the ratio of 50:50, if not already provided in the PPA.....". However, the power under the Day-ahead market available because of un-requisitioned by beneficiary Discom if required due to exigencies during real time of operation cannot be treated as un-requisitioned power and may not fall under the guidelines as provided in the National Tariff Policy. Also, the first right on such tied-up power is definitely with the beneficiary i.e. DISCOM and all the risks at the Generating Station are borne by DISCOM by way of payment of Fixed Charges. Hence, the gain is required to be retained with DISCOM and not to be shared equally.

Also, it is submitted that, DISCOMS have to provide reasonable and reliable power to consumers operating under Open Access, Solar Rooftop, RE RPO Regulations alongwith obligation to bear the burden of fixed cost. Now, if the Developing Market Regulations is also on the basis of URS power coupled with gate closure revised norms, it will further take away the flexibility from DISCOMS.

Further, URS power procurement and economic scheduling of power from long term contracted generators, may not be fruitful under Deficit scenario at National Level, Peak Scenario (during the months of October, April and May and during daily evening peak periods) as well as Coal Shortage scenario. Therefore, such scheme needs to be introduced only for the Power Plant which have no tie-up or merchant power plant and are stressed so that there is no impact on the Beneficiary at all. The merchant generators will add suppliers in the market.

iv) Impact on PoC:

If URS power coupled with revised gate closure norms is considered for developing Market Regulations, DISCOMS will have to procure power during real time operations. It can happen that, DISCOMs are procuring their own tied up power. DISCOMS are required to pay additional PoC charges for this short term procurement. Thus, impact on PoC needs to be addressed.

In view of the above, MSEDCL has the following suggestions:

- i) The quantified objectives and periodic review may be proposed in the framework/ regulation so that amendment / modification if any required can be done to meet the objectives of regulations.

- ii) Gate closure concept as proposed in SCED framework not to be introduced and the existing IEGC procedure of revision in scheduling by Discom to be continued.
- iii) The framework for real time market should be created for the power available from Discom, long term generators consented by Discoms and Merchant Generators. It should not take away the flexibility of coal planning from DISCOMS.
- iv) In case of sale of power by Long Term Contracted Generator on consent from Discom, sharing of profit left to be decided by DISCOM and Generator mutually as it's a commercial settlement of Contracts which is beyond the scope of regulator.
- v) Discom shall be compensated for fixed charge component against power schedule from its contracted generators under SCED and No Mark up be given to generator (even 10 paisa as proposed for SCED).
- vi) Most of the Discoms has already LTOA with CTU and if there is any balance capacity between LTOA and actual schedule of power from Long Term Contracts, Hon'ble Commission may waive off short term charges for such balance capacity which will make short term transaction between Discoms more feasible and there will be automatically increase in bilateral sell/transaction in short term power. Presently, Discoms are paying POC charges for Interstate Generators contracted for long term on MW basis and again has to pay charges for short term transactions. MSEDCL seeks waiver on the Short term Open Access Charges for sell of additional power as it results in duplication of cost.

The Hon'ble Commission is requested to kindly consider MSEDCL's concerns / suggestions while framing real time market regulations and Security Constrained Economic Dispatch (SCED).

With Regards

Yours Faithfully

Sanyu Kumar
Chairman and Managing Director