

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

EXPLANATORY MEMORANDUM

to

**Draft Central Electricity Regulatory Commission (Deviation Settlement
Mechanism and related matters) (First Amendment) Regulations, 2014**

The Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) Regulations, 2014 ('Principal Regulations') was notified on 6.1.2014 and Corrigendum to the Principal Regulations was notified 17.2.2014.

Amendment of Regulation 5 of the Principal Regulations

2. Regulation 5(1) of the Principal Regulations provides for charges for the deviations for all time blocks payable for over drawl by the buyer and under-injection by the seller and receivable for under drawl by buyer and over injection by seller which is worked out on the average frequency of a time block at the rates specified in the table there under. However, sub-clause (ii) of Regulation 5(1) of the Principal Regulations provides that no cap rate would be applicable with effect from 1.4.2014 on the charges for the deviation for the generating stations regulated by Commission using gas supplied under Administered Price Mechanism (APM) as fuel. Based on this, the cap rate for injection of infirm power during testing and commissioning period corresponding to APM as fuel was specified as ₹2.82/kWh sent out upto 31.3.2014 and as ₹5.64/kWh sent out thereafter, under Clause (5) of Regulation 5 of the Principal Regulations.

3. The price of APM gas has not been revised by the Government of India with effect from 1.4.2014. In Regulation 5 (1) (ii) of the Principal Regulations, the date has been indicated as 1.4.2014. Since the price of APM gas is being revised by Government of India, it has been proposed to substitute the date '1.4.2014' in sub-clause (ii) of clause (1) of Regulation 5 of Principal Regulations with the words from the date of revision of APM gas by Government of India. Similarly, in Regulation 5 (5) of the Principal Regulations, the price of APM gas has been shown as ₹2.82/kWh sent out up to 31.3.2014 and thereafter, ₹5.64/kWh sent out has been proposed to be substituted as ₹2.82/kWh sent out up to the date of revision of APM gas by Government of India and thereafter *at the rate to be notified by the Commission separately*.

Amendment of Regulation 7 of the Principal Regulations

4. Clause (1) of Regulation 7 of the Principal Regulations provides as under:

"7(1) The over-drawals / under drawals of electricity by any buyer during a time block shall not exceed 12% of its scheduled drawal or 150 MW, whichever is lower, when grid frequency is „49.70 “ Hz and above

Provided that no overdrawal of electricity by any buyer shall be permissible when grid frequency is "below 49.70 Hz".

5. Clause (2) Regulation 7 of the Principal Regulations provides as under:

"7(2) The under-injection / over-injection of electricity by a seller during a time-block shall not exceed 12% of the scheduled injection of such seller or 150 MW, whichever is lower when frequency is '49.70 Hz and above"

Provided that –

(i) no under injection of electricity by a seller shall be permissible when grid frequency is "below 49.70 Hz" and no over injection of electricity by a seller shall be permissible when grid frequency is "50.10 Hz and above".

6. The volume limits on deviations from schedules and the consequences of crossing such limits have been specified by the Commission as above in order to discourage the under-drawl and over-injection above the grid frequency of 50.10 Hz. However, it is observed that in addition to the charges for deviation as specified under Regulation 5 of the Principal Regulations, additional charges for deviation due to over-injection/ under-drawal of electricity for each time block by a seller/buyer, as the case may be, when grid frequency is “ 50.10 Hz and above” and “below 49.70 Hz has been clearly specified under Clause 4 and clause 6 of Regulation 7 of the Principal Regulations, as under:

"7(4) In addition to Charges for Deviation as stipulated under Regulation 5 of these regulations, Additional Charge for Deviation shall be applicable for over-injection/under drawal of electricity for each time block by a seller/buyer as the case may be when grid frequency is “ 50.10 Hz and above” at the rates equivalent to charges of deviation corresponding to the grid frequency of “below 50.01 Hz but not below 50.0 Hz”.

"7(6) In addition to Charges for Deviation as stipulated under Regulation 5 of these Regulations, Additional Charge for Deviation shall be applicable for over-drawal or under-injection of electricity when grid frequency is "below 49.70 Hz" in accordance with the methodology specified in clause (8) of this regulation and the same shall be equivalent to 100% of the Charge for Deviation of 824.04 Paise/kWh corresponding to the grid frequency of "below 49.70 Hz".

Provided further that Additional Charge for Deviation for under-injection of electricity by a seller, during the time-block when grid frequency is "below 49.70 Hz" , by the generating stations regulated by CERC using coal or lignite or gas supplied under Administered Price Mechanism (APM) as the fuel in accordance with the methodology specified in clause 8 of this regulation shall be equivalent to 100% of the Cap Rate for Deviations of 303.04 Paise/kWh.

7. In the above background, the limits on the deviation volume in proviso to clause (1) and proviso (i) to clause (2) of Regulation 7 of the Principal Regulations are not required to be provided and accordingly the same has been proposed to be deleted.

8. Consequent to the deletion of the above provisions, there is a need to correct the illustration in Annexure-II at para 'c ' of the Principal Regulations, in order to align the same with clause 4 of Regulation 7 of the Principal Regulations. Accordingly, the letter and figure 'D_{12/150}' appearing in para 'c' of Annexure-II of the Principal Regulations has been proposed to be substituted by the letter 'D_{tb}'
