

Ref: PXIL/SPD&L&S/2882018/19

Date: August 31, 2018

To
The Secretary,
Central Electricity Regulatory Commission,
3rd and 4th floor, Chanderlok Building,
36 Janpath,
New Delhi - 110001.

Sub: CERC discussions paper on "Re-designing Real Time Electricity Market in India" - Observations, comments and suggestions from Power Exchange India Limited.

Ref: Public Notice No. RA-14026(11)/2/2018-CERC dated 25th July 2018.

Dear Sir,

With reference to the subject cited above, we hereby submit our observations, comments and suggestions, in response to the public notice.

The proposed real time market design is built around the concept of gate closure and replacing the current continuous trading to uniform price clearing of auctions. Adopting an integrated approach towards market operations and system operations is a welcome step and is likely to widen the scope of organized electricity trading in the country.

We request the Hon'ble Commission to kindly take our suggestions on record and grant us an opportunity to present them to the Commission and its staff.

Thanking You,

Yours faithfully,
For **Power Exchange India Limited**



Chandrashekhar Bhat
Vice President



Observations, comments and suggestions on CERC discussion paper on “Re-designing Real Time Electricity Market in India”

1. The Uniform clearing price as the ‘Price discovery’ mechanism, is anchored on the principle of Social Welfare Maximization as per the Power Market Regulations. It is likely to bring in the trust of market participants by sub-assuming the bid price risk in the contract specifications. It is likely that all the Discoms will bring the required demand in the product which will have to be cleared by a counterpart seller. This mechanism is expected to establish liquidity in short period of time, as Discoms have preferred Uniform clearing price vis-à-vis Discriminatory price mechanism for products available on exchange platform. Nevertheless, suitable regulatory provisions to mandate the acceptance of this market as day ahead spot will aid towards its development.
2. RTM is likely to trigger resource optimisation as all un-contracted generation capacity and sudden changes in the demand/ability to deliver can be better handled near to real time.
3. Discoms will have a larger pool of generation resources to meet their power requirements competitively.
4. Suitable and enabling regulatory provisions are likely to equip the market operator (power exchange) and system operator(s) to define the operational aspects of the market. We are of the view that this market also needs to be voluntary in nature and the ‘administered’ aspects be minimal. For example, implementation of the gate closure can be achieved by opening up of the order book simultaneously for all the contracts, at the beginning of the product cycle, and the scheduling of the contracts either for one hour or all the remaining hours. It is a decision best left on to power exchanges to decide during finalizing the contract specifications.
5. Formation of price view by the market participants and certainty of prices: Certainty of prices plays a crucial in encouraging participants to transact new products. During the initial months of exchange operation, many Discoms were reluctant to participate in exchange market and relied more on DSM option to meet their real time requirements. Since the RTM envisages the same Discoms to change their buying behaviour by participating in the market and abstain from resorting to purchase under DSM route, certainty of price would play a crucial role in



encouraging Discoms to participate in RTM. The exchanges by way of contract specifications can endeavor towards convergence and correlation in multiple prices at which the different contracts are settled. While on one side it could lead to increased efficacy in the price signal, on the other side, it likely to aid towards formation of prudent price views by the market participants.

6. Clearing and Settlement: Since the RTM market would operate on 24 x 7 basis, the transaction would conclude beyond the banking hours of the day. The Power exchange should be allowed to frame appropriate clearing and settlement mechanism in order to meet the challenges of clearing and settlement function of trades post closure of banking hours

