

GUJARAT URJA VIKAS NIGAM LIMITED

Sardar Patel Vidyut Bhavan, Second Floor, Commerce Deptt., Race Course, Vadodara -390007
Phone (0265) 2340289(Direct) Fax : (0265) 2344543, 2337918, 2338164
PBX : (0265) 2310582-86 (Ext) 3221, Web : gseb.com
Corporate Identity No. CIN U40109GJ2004SGC045195

Ref. No. GM / Comm. / 879

Date : 29/08/2018

To,
The Secretary
Central Electricity Regulatory Commission
Chanderlok Building,
36 Janpath,
New Delhi - 110001,

Fax no. - 011-23753923

Sub: Comments on CERC Discussion Paper on "Re-Designing Real Time Electricity Market in India" – Reg.

Sir,

This has reference to Hon'ble CERC's public notice dated 25th July 2018 inviting concerns / suggestion / comments from various stakeholders on the Discussion Paper on "Re-Designing Real Time Electricity Market in India".

In this regard, GUVNL's views / comments are as follows:

- a) The total electricity generation in the country during FY 2015-16 was 1242 Billion Units as against which the energy transacted through DSM was 23 Billion Units i.e. 1.87% only (relevant page of CEA & CERC Report attached herewith). In the draft discussion paper, it is stated that DISCOMs tends to use DSM as an avenue for real time procurement. However, the volume transacted does not support the same. Moreover, CERC's Draft DSM (4th Amendment) acknowledges that the grid frequency has stabilized closed to 50 Hz due to tightening of frequency band & volume limits on DSM with punitive rates.

It is pertinent to mention that transaction under DSM could be owing to last mile imbalance caused due to factors like high wind variation, tripping of generator, inter-state transactions by embedded entities etc which are beyond the control of

DISCOMs/ State Load Despatch Centre. Moreover, part of such volume under DSM could be within permissible limit as per CERC regulation.

- b) In the draft Regulation floated by CERC for amendment of DSM Regulation (4th amendment), it has been proposed to link the DSM rates with Area Market Price discovered in Power Exchanges in Day Ahead Market. GUVNL in its comments forwarded through letter dated 24.07.2018 has submitted its concern regarding possibility of higher market price discovery.

It is relevant to mention that DAM prices in Power Exchanges are a forward market price which is an "estimate" as per anticipated demand-supply for next day. Real time grid frequencies indicates the gap between demand-supply and frequency linked price could act as a fair reference price as compared to forward market price. In case DSM prices are linked with DAM / Real time prices, in no case the power offered by Seller in the real time market would be lower than the DAM / DSM price and hence the same would defy the very purpose of promoting competition in market wherein buyers have an option either to procure power at competitive rates from market or to utilize generation from its marginal operating stations.

Recently, for various peak time blocks, the price discovery in Power Exchange has remained as high as Rs. 10-12/unit. This pseudo-premium due to demand-supply imbalance is against the prudent market practices at a time when costliest source of gas generation would be available at Rs. 7-8/unit. Thus, absence of cap on market prices is also an issue of concern which is causing financial burden on DISCOMs.

- c) As majority of generation – drawal imbalance by the system beneficiaries could be due to situation beyond control, the implementation through Real time market design may not serve the objective. It is also to mention that the entire process of real time demand / supply review by DISCOMs in coordination with Load Despatch Centre for carrying out a transaction on Exchange will consume time &

operational cost. Moreover, participation through Exchange will entail a transaction cost.

- d) Draft discussion paper states that absence of Gate closure is leading to inefficient utilization of generation resources. i.e. at present DISCOMs are having right of recall after 4th time block due to which such capacity are not able to participate in real time market.

In this regard, it is to state that since DISCOMs are bearing the fixed cost for capacity tied up on long term basis, DISCOMs shall have the right to schedule such power as and when required. DISCOMs are off-taking power under this arrangement to meet intermittent demand especially due to huge RE generation, forced outage of generation etc. In case of implementing Gate Closure, DISCOMs would be deprived from their right to schedule power and would left with only option of availing power from Exchange in real time. Further, under closed bid auction in the instance DISCOMs are not able to procure power; they would be required either to resort to load shedding or DSM.

It is also pertinent to mention that benefit to DISCOMs cannot be worked out under 2 different tariff regime, wherein certain Generators are under 2 part tariff (FC + VC) whereas decision for procurement under RTM is to be made on single part tariff. Thus, the proposed mechanism of gate closure will not only impose transaction cost on the DISCOM but also carry risk of quantum clearance which may create further imbalance. Hence, GUVNL is disagreeing with the proposal of withdrawing the Right of Recall and implementation of Gate Closure concept as it would lead to withdrawal of fallback arrangement presently available before DISCOMs for adjusting generation according to real time demand-supply position.

- e) Since, DSM mechanism is already in place which stipulates penalty in case of deviation beyond limit; it should be left to DISCOMs to take the commercial decision of procuring power. Modifications in Exchange real time product for

reducing the lag between execution and effectiveness of transaction would help in optimal utilization of the product by beneficiaries.

In case RTM has to be implemented, it would be a pre-requisite to have single part tariff for all the generators across the country as it has been made in the other countries so that there remains no liability on DISCOMs towards fixed cost. Further, Renewable Energy should also be required to be scheduled and may have to drop the status of Must Run projects as the cost implication due to infirm RE generation should not be borne by DISCOMs.

Thanking You.

Yours faithfully



(K.P. Jangid).

General Manager (Commerce)