NTPC LIMITED

Comments on the Draft CERC (Power Market) Regulations 2020

Introduction:

The Draft CERC (Power Market) Regulations 2020 are being issued at a critical juncture when the role of Markets is expected to increase in the power sector. These Regulations are going to play a major role in terms laying the foundations of the structure of Power Markets that are going to come in the future.

NTPC is in broad agreement with most of the proposals outlined in these Regulations and welcomes these Regulations. Our Observations/ Comments are as follows:

1) Market Coupling:

The concept of Market Coupling is a new and most important provision of the Draft (Power Market) Regulations 2020.

With multiple Power Exchanges operating in the country and some new ones also being proposed, it is expected that more volumes will get transacted through the Power Exchanges in the coming future. With different demand-supply situation in different Exchanges, the MCP may be quite different in different Exchanges leading to inefficiency in the price discovery process as compared to a single market. Additionally, allocation of transmission corridors among different Exchanges may further impact the efficiency of price discovery process. For example, it is possible that one exchange may have lot of cheaper generators, but due to limited transmission corridor allocation the entire benefit may not pass on to the consumers. So volume lost due to limited transmission corridor availability would not be an issue in the process of Market Coupling.

Market Coupling would result in a larger Market place with higher Volumes and more efficient price discovery instead a number of smaller Markets (Exchanges). Thus deepening of the market place would be facilitated through the process of Market Coupling. As we prepare for large scale integration of RE power in the market, this would also be possible through the larger market platform made available through the process of Market Coupling.

A Uniform market clearing price for the whole country would also be required for implementation of market mechanism in the country on account of the following reasons:

a) In the proposed MBED scheme along with the Bilateral Contract Settlement (BCS) mechanism, a single refence price instead of multiple prices discovered at different Exchanges will be essential for settlement of contracts.
b) It is possible that the generators may participate in one Exchange and the Discoms may prefer some other Exchanges, where the prices could be different. This complication can be addressed only through a Uniform Market Price.
c) Similarly, for implementation of the Forward Markets and Forward Contracts a single Market Price, which can act as a reference price will be a pre-requisite.
d) Even for the purpose of DSM mechanism also having a Uniform price is better.

Hence Market Coupling will be useful step in the direction of Market implementation in the country. Through better optimization and more efficient price discovery the consumers are going to be benefited at large.

Market Coupling Mechanism is a welcome initiative.

2) Traders should be allowed to send bids directly to the Market Coupling Operator:

With the new scheme of things, the role of Power Exchanges will be limited to collection of bids and offers and forward the same to the Market Coupling Operator, which will do the aggregation and derive the market clearing price, for the DAM and RTM.

Hence to reduce the transaction costs, the Traders should be allowed to send the bids collected from their client members and send them directly to the Market Coupling Operators without routing them through the Power Exchanges. This will reduce the transaction costs, as otherwise the Clients would have to pay twice i.e. to the Power Exchanges and the Traders.

Regulation 2 (af): Definitions:
The Definition of Market Coupling should include "…Power Exchanges and Traders are matched…"

Regulation 39: Functions of the Market Coupling Operator should also be changed to include bids collected form the Traders

3) Other Comments:

a) *Regulation 23 of the Draft Regulations:*

The proposed Regulations wrt to the transaction fees charged by the Power Exchange is a right step in the direction of making power is cheaper for the consumers.

It is also submitted that the entire fee structure such as the Admission fees and Annual fees charged by the Power Exchanges should also be under Regulatory Control.

b) *Regulation 25: Approval or suspension of contracts by the Commission:*

It is submitted that all the new products or new bid types proposed to be introduced by the Power Exchanges has to be overseen the Hon'ble Commission, as this could have serious implications of price discovery process and functioning of the overall market.

c) *Regulation 27: Clearing and Settlement:*

Separation of the Clearing and Settlement function to a separate entity is also a welcome step to ensure transparency and fairness.

d) *Regulation 31: Information Dissemination by Power Exchange:*

The Power Exchanges should also be mandated to display on their websites the share of various bid types such as block bids, single bids or any other new bid types in the volume cleared in the market.

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NTPC, Mail 31st July 2020

Ref: Clause #19 Bylaws Rules and Business rules sub section (t) requiring Quote *Indemnification of Central Transmission Utility, National Load Despatch Centre,Regional Load Despatch Centres and State Load Despatch Centres by the Power Exchange.* Unquote

One of the objective of power market, like other markets would be to maximise transaction quantity of power. Unlike all other markets, the power market has peculiarity called congestion which is the sole and non transparent declaration of NLDC and therefore NLDC and subordinates are responsible to mitigate "congestion" and maximise transactions. Availability of interstate transmission corridors is in high inter region/interstate demand period is responsibility of NLDC (incidentally also IA for PoC tariff). Transaction of the power market heavily depends upon availability of free and Un-congested corridors by taking proactive measures with un requisitioned surplus and available forecast with them.

With years of experience NLDC/RLDC can not just act as "police" to other constituents of the grid, they have responsibility to keep corridors un congested and maximise transmission line capacity utilisation.

Objection:

1.There is no rationale given as to why these entities brought out under clause 19 (t) be indemnified by power exchange as the exchange efficiency and reliability depends on these CTU/ NLDC/RLDC.CTU /NLDC/RLDC should not be indemnified by Power Exchange.

2. SLDC have been indemnified but not STU. There is no rationale to this.

This is against the spirit of CERC to issue speaking orders/ Regulations.

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