

CESC's submission on Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021

General Comments:

1. The proposed Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021 ("Draft DSM Regulation, 2021") significantly changes the way deviation charges are computed and settled in the country.
2. In the Draft DSM Regulation 2021, deviation charges have been de-linked from the system frequency as going forward system frequency is supposed to be maintained through deployment of ancillary services by the system operator. The deployment of ancillary services to manage system imbalances and deviations will be governed by the Ancillary Services Regulations which is still in the draft stage.
3. It is submitted that since the Ancillary Services framework is still in a nascent state in the country, the proposed Draft DSM Regulation should come into effect only when deployment of ancillary services under proposed Ancillary Services Regulations has proven itself over a sufficiently long period of time in terms of operational feasibility and determination of ancillary services charges and has resulted in deepening of the power market.
4. Since in the proposed Draft DSM Regulation, 2021 incentives for over-injection and under-drawal have been dispensed with, it is imperative to wait for ancillary services to settle before the provisions of the Draft DSM Regulation 2021 are operationalized in order to avoid any adverse impact on the grid stability.
5. It is further submitted that since the Draft DSM Regulation, 2021 doesn't provide for any incentives in case of deviation, all the charges payable towards deviation settlement may be included in the power purchase cost of the concerned entity.

Specific Comments on the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2021

S. No.	Clause	CESC's Submission
1	<p>“6 (2)</p> <p>....</p> <p>...</p> <p><i>Deviation-WS seller (in %) = 100 x [(Actual Injection in MWh) – (Scheduled generation in MWh)] / [(Available Capacity)]</i></p> <p>...</p> <p>... ”</p>	<ul style="list-style-type: none"> • ‘Available Capacity’ for power projects based on wind or solar which are regional entities, is defined as the cumulative capacity rating of wind turbines or solar inverters that are capable of generating power in a given time block. • It may be clarified that the unit of Available Capacity is “MWh”.
2	<p>“7 (1)</p> <p><i>The normal rate of charges for deviation for a time block shall be equal to the Weighted Average Ancillary Service Charge (in paise/kWh) computed based on the total quantum of Ancillary Services deployed and the total charges payable to the Ancillary Service Providers for all the Regions for that time block:</i></p> <p><i>Provided that for a period of one year from the date of effect of these regulations or such further period as may be notified by the Commission, the normal rate of charges for deviation for a time block shall be equal to the highest of [the weighted average ACP of the Day Ahead Market segments of all the Power Exchanges; or the weighted average ACP of the Real Time Market segments of all the Power Exchanges; or the Weighted Average Ancillary Service Charge of all the regions] for that time block:</i></p> <p><i>Provided further that in case of non-availability of ACP for any time block on a given day, ACP for the corresponding time block of the last available day shall be considered:”</i></p>	<ul style="list-style-type: none"> • There may be a case where only one or two rates out of (a) weighted average ACP of the Day Ahead Market segments of all the Power Exchanges, (b) weighted average ACP of the Real Time Market segments of all the Power Exchanges; or (c) the Weighted Average Ancillary Service Charge of all the regions, are available for a given time block. • It may be clarified whether in such cases also the ACP for the corresponding time block of the last available day shall be considered.

S. No.	Clause	CESC's Submission
3	<p>"9(3)</p> <p><i>Separate books of accounts shall be maintained for the principal component and interest component of charges for deviation by the Secretariat of the Regional Power Committees."</i></p>	<ul style="list-style-type: none"> It may be clarified whether the rate of interest for the interest component of charges for deviation is same as the rate of late payment surcharge (0.04% per day) as specified in the Regulation 10(1).
4	<p>"9 (7)</p> <p>...</p> <p>....</p> <p><i>Provided that in case the surplus amount in the Deviation and Ancillary Service Pool Accounts of all other regions is not sufficient to meet such deficit, the balance amount shall be recovered through the RLDC Fees and Charges."</i></p>	<p>Following may be clarified:</p> <ul style="list-style-type: none"> Which entities will be liable to pay such balance amount through the RLDC Fees and Charges? How will the amount payable by each of such entities be decided?
5	<p>"10(3)</p> <p><i>In case of failure to pay into the Deviation and Ancillary Service Pool Account within 7 (seven) days from the date of issue of statement of charges for deviation, the Regional Load Despatch Centre shall be entitled to encash the LC of the concerned regional entity to the extent of the default and the concerned regional entity shall recoup the LC amount within 3 days."</i></p>	<p>It may be clarified that whether the encashment of LC would include interest component / Late Payment Surcharge or not.</p>