

## APL comments on CERC Staff Paper – Market Coupling

Sr No.	Clause	Comments
1.	<b>5.2 Does the current Indian power market scenario form a compelling case for market coupling?</b>	<ul style="list-style-type: none"> <li>• Implementation of Market Coupling will ensure that the market participants will have a choice and that will induce all existing exchanges to compete against each other to provide the best services to the market and to maintain/gain market share.</li> <li>• Presently, collective transactions are based on double sided closed auction, making it difficult for more than one exchange to operate as the generator will try to maximize its revenue and buyers their cost of purchase leading to frequent switching of power exchange. This will ultimately lead to liquidity crunch in less dominant power exchange.</li> <li>• Going forward, for implementation of Market Based Economic Dispatch (MBED) mechanism market coupling will play an important role as the Merit Order Dispatch shall be run at National Level.</li> <li>• Also, market coupling shall provide single common price point that will act as a 'benchmark price' for seamless introduction and settlement of derivatives in electricity envisaged to be introduced on commodity exchanges in future.</li> </ul>
2.	<b>5.3 Effect of coupling on technological innovation and competition</b>	<ul style="list-style-type: none"> <li>• In the last 15 years there has been minimal innovation in the collective transactions segment despite such collective transactions accounting for more than 70% of electricity transacted through power exchanges and suggestions given by the market participants as under: <ul style="list-style-type: none"> <li>○ To increase the no. of blocks as well as bid quantum in a block bid. At present, block bid is restricted to 100 MW per block with total no. of blocks restricted to 60.</li> <li>○ The present bid type doesn't allow the generators to secure the technical minimum requirement of the merchant units.</li> <li>○ Even after the launch of different bid types (i.e. Single bid, block bid and linked bid), flexibility with no restriction in quantum is available only in single bid type rather than the other types of bids available to the market participants.</li> </ul> </li> <li>• Further, after coupling, existing power exchange shall be collecting the bid on the behalf of the Market Coupling Operator (MCO) and all the power exchanges will have same bid type.</li> </ul>

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		<ul style="list-style-type: none"> <li>Further, it is observed thta with increased competition and the presence of various market products available today, the scope of services has also grown significantly. Market Coupling of all power exchanges will enhance service levels across all market segments, which currently is limited to TAM, LDC, REC, and ESCerts segments where multiple exchanges are operational. The collective market segments (DAM/GDAM/HP-DAM/RTM) by their basic design can witness competition only through market coupling.</li> </ul>
3.	<b>5.4 Who shall be the Market Coupling Operator?</b>	<ul style="list-style-type: none"> <li>It is submitted that NLDC should be the MCO, it being a neutral entity and central agency. The core requirements for a MCO need to be fairness, capacity, and neutrality.</li> </ul>
4.	<b>5.5 Which Algorithm should be adopted for a coupled market?</b>	<ul style="list-style-type: none"> <li>It would be advisable to select one of the three existing algorithms as the market participants are aware about the three algorithms and bids type. Further, a bid type should be developed where the generator can have surety of either getting 100% clearing of technical minimum requirement or nil. Also, there should not be any restriction on the number of block bids a client can place.</li> </ul>
5.	<b>5.6 How will the clearing &amp; settlement be carried out?</b>	<ul style="list-style-type: none"> <li>Till the time Clearing Corporation is introduced, Market Coupling Operator should act as counterparty to the power exchange for settlement rights and obligations. Further, if the Market Coupling Operator charges transaction fees, then it should be ascertained that market participants are not charged more than 02 paise including exchange transaction fees. Market participants should not be burdened with any additional transaction fees.</li> <li>The transaction fees, if any, to be paid to Market Coupling Operator shall be payable by the power exchanges in proportion to the volume cleared from respective exchanges. Rationale: With market coupling and transfer of the clearing and settlement functions to clearing corporation, power exchange will no longer perform these functions and its role will be limited to just collecting bids and transferring them to the market coupling operator.</li> </ul>

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6.	<b>5.6.4 What should the grievance handling framework be?</b>	<ul style="list-style-type: none"> <li>• Grievance handling framework is essential to smooth functioning of power market.</li> <li>• Provision for development of power market has been framed under section 66 of the Electricity Act 2003(EA-03) &amp; Regulations PMR-2021 notified by CERC. Market Coupling is a key regulation for development of the power market.</li> <li>• At present, the exchange market is regulated by Hon'ble CERC and the Hon'ble CERC also performs the function of resolving disputes pertaining to exchange market.</li> <li>• Therefore, it is suggested that Hon'ble CERC may continue to be the authority to regulate and control the Market Coupling. However, Hon'ble CERC may appoint ombudsmen for administrative work under Market Coupling Regulations.</li> </ul>
7.	<b>5.7 Changes in the settlement process</b>	<ul style="list-style-type: none"> <li>• The existing practice should be continued till such time as the mechanism of Clearing &amp; Settlement in case of Market Coupling is finalized. Further, even if the traders are allowed to submit their bids directly to the market coupling operator, they shall continue to be members of exchange to enable them to participate in other products offered by the exchange.</li> </ul>
8.	<b>5.8 In which market segment should the coupling be introduced first?</b>	<ul style="list-style-type: none"> <li>• As the underlying principle of market coupling is the same for all market segments, therefore it can be introduced in all market segments in one go.</li> <li>• However, if the Hon'ble Commission is of the view that market coupling must be introduced across different market segments in a gradual manner, then in order to understand the real time effects and hurdles of coupling on power market, Hon'ble CERC may consider the market segment where volume of transaction shall be the lowest. In this way, if any issue arises due to market coupling in lower volume segment, it would not affect the price of other market segments.</li> </ul>