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To: "Gagan Diwan" <gagandiwan@cercind.gov.in>, "Ashutosh Sharma" <ashutosh.sharma@nic.in>
Sent: Monday, September 18, 2023 5:02:09 PM
Subject: Fwd: Input and opinions from stakeholders on "Staff Paper on Market Coupling"

Regards

Harpreet Singh Pruthi
Secretary, CERC

From: ak@altium.co.in
To: "Harpreet Singh Pruthi" <secy@cercind.gov.in>
Cc: "JISHNU BARUA" <chairman@cercind.gov.in>
Sent: Friday, September 15, 2023 8:19:07 PM
Subject: Input and opinions from stakeholders on "Staff Paper on Market Coupling"

Respected Sir,

In response to the Staff Paper on Market Coupling, Altium Energie a Power Trading Cat-V Licensee wishes to present its perspectives on the issues and questions raised in the discussion paper concerning power trading companies as outlined below.

The argument for market coupling primarily centres on three key objectives:

- Establishing a unified pricing system
- Enhancing the management and availability of transmission corridors
- Maximising social welfare

However, the requirements for market coupling, as highlighted by the Hon'ble Commission, demand a thorough examination.

Just to set context as Market coupling was introduced in Europe in 2006, gradually merging the power markets of western countries like France, Belgium, and the Netherlands. Subsequently, 15 European nations implemented nationwide market coupling in 2014. By 2023, the European electricity wholesale market has become highly integrated, **with participation from 27 countries and 30 transmission system operators (TSOs)**. **The primary goal behind this coupling was to integrate markets across borders, optimising cross-border transmission infrastructure in terms of capacity allocation and congestion management by achieving electricity price convergence between integrated markets.** However, applying the same rationale to India would be problematic, given the country's unique prices for each power purchase agreement (PPA).

In the Indian context, market coupling **would not add significant value** because the country operates under a voluntary market model with multiple power exchanges and traders fostering competitive market development. **Implementing market coupling would eliminate the need for exchanges and traders, resulting in increased operational costs, unnecessary rigidities, and stifled innovation in the market. This would undermine the very purpose of the reforms introduced by the Electricity Act 2003.**

In India, the objectives of market coupling are already achieved, as all regions and states are geographically integrated. Market coupling could reverse progress, diluting market development, efficiency, transparency, healthy competition, and open access.

Specifically, the following points outline our views on the impact of market coupling on power traders:

Adverse Impact on Small Traders like us: The market coupling would negatively affect the business prospects of power traders like us who are independent and has no large scale backing of finances because the market infrastructure they rely on would be threatened, making power exchanges obsolete. Market concentration would favour only a few more prominent traders who have financial muscle like Power Trading Corporation, Tata Power Trading Company, Manikaran Power, Adani Enterprise, NTPC Vidhut Vyapar Nigam etc. limiting opportunities for small traders and stifling market innovation and will kill competition.

Market Concentration with mighty players only: Market coupling could lead to a concentration of trading volumes with the top 3-4 traders, reaching as high as 90%. To mitigate this risk, the Hon'ble CERC should consider mechanisms to distribute volumes more evenly among **smaller power traders who have invested substantially hard earned money in getting licenses of these Power Exchanges separately with pretext of market liquidity and standing.**

Transition Costs and Loss of Localised Information: The absence of power exchanges in a coupled market would result in the loss of localised market information, including regional demand patterns and grid constraints. This would necessitate significant investments in capacity building, which is particularly burdensome for smaller traders.

Disruptions: Market coupling is expected to disrupt established trading patterns, introducing new regulations with ambiguity. To minimise challenges for traders, especially smaller ones, it is essential to allow sufficient time to stabilise new regulations before proceeding with market coupling.

Lost opportunity to bring Market Innovation: The shift in market structure caused by market coupling could introduce uncertainty and hinder market participants' ability to respond to price movements. It may also discourage exchanges from driving innovation and introducing new products, potentially stifling innovation in the power sector.

Increased Portfolio Management Risks: Market coupling may heighten portfolio management risks, particularly for smaller traders. Market uncertainty could make it challenging to respond to price fluctuations, limiting diversification opportunities and increasing exposure to market risks.

In light of the above concerns, **we most respectfully request that the Hon'ble Commission conduct a comprehensive independent study of market design rather than pursuing market coupling in isolation.** The market design should align with the current needs of the power sector and provide a conducive environment for all stakeholders.

Overall we strongly feel that **the proposed methodology will make exchanges as just another small time "Aggregator" which any small IT company or platform can also perform and whole idea of market will get diluted since by design Power Exchanges never been conceived with similar intention.** The implementation will put brakes on fresh investments and ultimately will make those platforms either go bankrupt or become financially inactive.

I hope views of small volume traders like us also will find some consideration positively by your good office.

Warm regards,

Amit Kumar

Managing Director / Managing Partner in

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