

Date: 16.10.2023

To
The Secretary,
Central Electricity Regulatory Commission
03rd & 4th floor, Chanderlok Building, 36, Janpath
New Delhi – 110001.

Dear Sir/Madam,

Sub: Comments & Suggestions in the matter of draft CERC (Staff Paper on Market Coupling) Regulation, 2023

We are thankful to the Hon'ble Central Electricity Regulatory Commission for providing an opportunity for us to share our suggestions and feedback on the draft draft CERC (Staff Paper on Market Coupling) Regulation, 2023. Please find our suggestion and feedback in the Annexure.

We request the Hon'ble Central Electricity Regulatory Commission to kindly consider our submission, as may be considered appropriate by the Commission.

Regards,

For Continuum Green Energy (India) Private Limited



Authorised Signatory

Comments on Staff Paper on Market Coupling issued by the Hon'ble CERC

SI. No.	Clause No.	Existing Clause as per the Staff Paper on Market Coupling issued by the Hon'ble CERC	Proposed Clauses suggested by CGE IPL in the Existing Clause of Staff Paper on Market Coupling issued by the Hon'ble CERC	Comments on existing clause of Staff Paper on Market Coupling/ Rationale for clauses suggested by CGE IPL/
1	5.2 and 5.3	<p>5.2 Does the current Indian power market scenario form a compelling case for market coupling?</p> <p>5.2.1. The participation in the power exchanges is voluntary at present. Buyers and Sellers have the option to trade electricity through power exchanges using the variety of contracts available on these exchanges. The electricity transacted through power exchange constitutes around 7% of the total generation in India.</p> <p>5.2.2. Most of the generation capacities are tied up in long-term power purchase agreements (PPAs). At about 87%, long-term transactions dominate the share of total electricity transactions in</p> <p>5.3. Effect of coupling on technological innovation and competition</p> <p>5.1.1. One school of thought could argue that price coupling would result in less incentive for product innovation and that the role of exchanges would be reduced to that of a bid-collecting agency. Further innovation, ease of transaction, technology solutions,</p>		<p>In this regard, we would like to submit that in current Indian market scenario the following need to be done before introducing market coupling,</p> <p>a) Measures shall need to be taken to increase market share of other two exchanges namely (PXIL and HPX) in the collective transaction. (i.e. DAM and RTM).</p> <p>This is the key as the same will ensure the healthy competition amongst the exchanges. Further unless the market share of other two exchanges will not be increased in the collective transaction, the objective like maximisation of economic surplus and optimal use of transmission infrastructure through market coupling cannot be achieved which as has been evidenced by Table:-2 (<i>Volume of electricity transacted in DAM at Power Exchanges (MU) (Page No 19)</i>) of this Staff Paper, wherein bidding quantum in DAM Market of other two exchanges are almost negligible or zero most of the times as compared to share of IEX.</p> <p>b) Proper analysis (apart from mentioned in this staff paper) shall be done as to why market share of other two exchanges namely (PXIL and HPX) in the collective transaction are at lower side as compared to IEX and basis of that analysis, measures shall be taken to increase the market share of the aforesaid exchanges.</p> <p>c) Other exchanges shall need to develop their algorithms which is used for price discovery.</p> <p>d) More incentive shall need to be offered by other two exchanges so that they can attract more buyer and seller to sell their power on their exchanges.</p> <p>Further it is worth to note that at Para 5.8.5, it has been stated that in the continuous transaction all three exchanges seem to enjoy a good market share due it's unique feature like continuous matching, however the same can also be</p>



				<p>achieved in case of collective transactions, however proper measures shall need to be taken by the Power Exchanges (i.e. PXIL and HPX) to make their algorithm better which is used for price discovery in collective transaction.</p> <p>e) All Interstate Generators shall be allowed to sell their power or surplus power directly on Power Exchanges or through trader. In this regard we would like to submit that Some States are not allowing or not providing NoC to Inter State Generators for selling their Power on Exchanges which need to be allowed.</p> <p>Market Coupling is good decision, however the same will provide desired results only when it will be implemented after the market share of other exchanges will be increased in collective transaction otherwise if it is implemented in present scenario, it will may have following consequence,</p> <p>a) Role of exchange will be diminished,</p> <p>b) Innovation in the market product of the exchanges will be restricted,</p> <p>c) Power Exchanges will be treated as Trader due to their reduced roles,</p> <p>d) The future condition of healthy competition among the exchanges will be eliminated which will be prevailing when all the exchanges will have substantial market share.</p> <p>e) Unhealthy competition will be increased for reduction margin fees which is to be charged by exchanges from their client.</p>
2	Clause 5.4	<p>5.4 Who shall be the Market Coupling Operator?</p> <p>As per the PMR 2021, a Market Coupling Operator (MCO) is to be designated by the Commission. The various aspects related to these options are discussed below:</p>		<p>In this regard we would like to submit that as stated above the Market Coupling shall be introduced after the market share of other exchanges will be increased.</p> <p>Once the market share of other two exchanges will be increased then Market Coupling shall be done by Third Third-Party Market Coupling Operator/ Super-Exchange or third entity which natural like Grid India or through Power Exchanges like European Market.</p>



	<p>a. Power Exchanges to perform the function of Market Coupling Operator: The power exchanges, i.e. market operators in the Indian Power Market, just like the procedure followed in the European Market, may be made in charge of performing the role of the MCO on a rotational basis. If this scheme is adopted, the various aspects to be considered, but not limited to, would be:</p> <ul style="list-style-type: none"> • Procedure for carrying out MCO Functions The Power Exchanges would be required to <p>b. Third-Party Market Coupling Operator/ Super-Exchange:</p> <p>While the power exchanges have the expertise to run the algorithms and handle different market scenarios, having a third-party MCO shall ensure more objective operation and will not have any conflict of interest. The third party could be the system operator or an explicitly formed entity. A sample information flow in the case of a third-party MCO is used is provided in Annexure-II.</p>		<p>Further Grid India is already nodal agency for TRAS procurement through the market, so it has experience in the same, however if the Market Coupling can be done by Power Exchanges, then it will have following benefits,</p> <ol style="list-style-type: none"> Their role will not be diminished, and all three exchanges can get opportunity to be as Market Coupler Operator (MCO) for particular period which will be good for further development of Exchange Market in India. Duties of the MCO can be done effectively as standard procedure for market coupling can be prepared with help of the expertise of all power exchanges. Further innovation in the market product can be achieved. <p>However, if Power Exchanges are appointed as MCO in present scenario it will may have followed disadvantage,</p> <ol style="list-style-type: none"> There may be disputes or disagreements on the procedures to be followed for carrying out MCO Functions as at present algorithm of one exchange has been provided far better result as compared to other two exchanges, Fair cooperation and proper coordination between power exchanges will not be obtained in present scenario. Objectives like maximisation of economic surplus and Optimal use of transmission infrastructure can not be achieved to great extent. <p>It is also worth to note that European Exchange Market is somewhat different as compared to Indian Market as in European Exchange Market mostly European countries have joined through Multi Regional Coupling (MRC) to meet their demand from a single day-ahead market and a single intraday market which has also called cross border transaction.</p> <p>Further in Indian Scenario, as per the Regulation 12 of the CERC Power Market Regulation 2021, the Hon'ble CERC has the Power to grant new Power Exchanges. The</p>
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