

Ref: RA/II/002/23-24/173

16th October, 2023

The Secretary,  
Central Electricity Regulatory Commission  
3rd & 4th Floor, Chanderlok Building,  
36, Janpath, New Delhi- 110001

**Sub: Comments on Staff Paper on Market Coupling**

**Ref: Public Notices vide ref no. Eco-14/1/2023-CERC dated 21.08.2023 and 29.09.2023**

Dear Sir,

India Power Corporation Limited (IPCL) is a deemed distribution licensee in the State of West Bengal and sources a part of its power requirement through existing Power Exchange. We thank the Hon'ble Commission for coming up with the staff paper on Market Coupling, which we feel that it will pave the way for rationalization of rates across the exchanges. After going through the staff paper, we have prepared our preliminary views and are submitting the same in reference to the above referred public notices.

Fostering competition within the electricity sector stands as a fundamental pillar of the Electricity Act, 2003. These encompass competitive procurement of power, introducing competition into power generation, transmission, and distribution, among others. In a parallel commitment to this ethos, the Indian Power Market has envisioned a multi-exchange model when considering the introduction of power exchanges across the nation.

The Hon'ble CERC's notification No. Eco-14/1/2023-CERC, dated 21.08.2023/29.09.2023, which solicits comments on the Staff Paper regarding Market Coupling, is a commendable initiative to finally implement this long-awaited reform in the power market.

Globally, Market Coupling has been implemented only in the European Countries and power exchanges operating in 27 countries were coupled one by one to take advantage of diversity in demand and supply and optimum utilization of cross border transmission capacity. However, the market coupling in India as proposed in the staff paper is completely contrary to the European example. In India power exchanges are operating within same geography i.e. Indian territory which would not lead to any benefits as being harnessed in case of Europe. While European parallels have been drawn in the staff paper, given the far-reaching implications of the step on the critical arm of the power sector, we request that a detailed independent study in the Indian context be undertaken before forming any view on the market coupling.

We humbly submit that as in the case of SCED, we would request the Hon'ble Commission to allow a pilot period of 6-12 months before full implementation of Market coupling, wherein both the existing mechanism and market coupling mechanism operate in parallel. This kind of shadow market coupling operation for 6-12 months would help the stakeholders and

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market participants to understand and analyse the actual impact, deficiencies and strengths of the process, in case it is found beneficial for the market.

Apart from the submission made above, our views on the proposed initiative of Market Coupling from the Discom's perspective is listed in the following paragraphs.

**1) Impact of proposed Market Coupling on Power Cost –**

For a Discom like us, power cost forms almost 70-75% of our Aggregate Revenue Requirement (ARR) and has a substantial contribution in the consumer tariff. It is envisaged that Market Coupling may result in additional layers of Market Coupling Operator and Clearing Agencies, which could increase the financial burden on market participants like us w.r.t. higher transaction fees. Thus, it is important that the charges should be informed and capped at the outset itself.

**2) Impact of proposed Market Coupling on optimisation of network resources –**

Currently, the power sector is undergoing fundamental change with the integration of RE and while undertaking such a radical change in the market operations through Market Coupling, it must be taken care that the integrated grid and network resources are allowed to function optimally. The allocation of grid /network resources for power exchange based transactions may be strengthened further so that the transmission assets are optimally utilized under market coupling scenario.

**3) Increase the efficiency of Power Exchanges:**

As a discom, it is expected that the three exchanges working together would eventually lead to more offerings in terms of market products, market insights, and market analytics, which would aid us in decision-making and careful planning for power requirements. Implementation of market coupling can create an environment wherein the power exchanges may compete based on the services provided to the market participants.

**4) Scope for Innovation:**

As a discom, we envisage that market coupling may lead to the exchanges competing purely on the level of services and innovative products. This may promote competition, improve efficiency, and maximize economic surplus. The discom would like to see a scenario which helps address the issue of optimization of transmission infrastructure usage while enhancing economic surplus allocation and ensuring a more efficient and competitive power market.

In short, the different exchanges is likely to have sufficient avenues and reasons for continuous innovations across various product segments including the collective segments.

**5) Enhanced Levels of Service:**

We've observed that with heightened competition and the availability of various market products today, the range of services has expanded considerably. As a

discom, we hope that the implementation of Market Coupling across all power exchanges may further elevate the quality of services in all market segments. Currently, this enhancement is primarily seen in segments like TAM, REC, and ESCerts, where multiple exchanges operate. However, the collective market segments (DAM/GDAM/HP-DAM/RTM), based on their inherent design, can only experience healthy competition through the mechanism of market coupling.

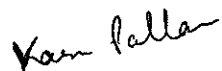
However, we also feel that with involvement of multiple agencies (Exchange, MCO & clearing house), it is expected to be operationally difficult occasionally as exchanges extend various support including last minute changes, margins etc.

We accordingly request the Hon'ble CERC that in order to frame necessary regulations in this regard a detailed study should be undertaken, and market participants should be taken into confidence so that there will be no disruption in the operations during the transition phase as well as in future.

We further humbly submit that the need of the hour is to bring more liquidity in the market and for which necessary policy and regulatory framework may be put in place before implementation of market coupling.

Thanking You.

Your Sincerely,  
**For India Power Corporation Limited**



**Karn Pallav**  
**AVP (Regulatory Affairs)**