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**Sent:** Friday, October 13, 2023 12:48:35 PM

**Subject:** Comments on Staff Paper\_Market Coupling

Dear Sir,

**Views/Comments upon Staff Paper on Market Coupling by Central Electricity Regulatory Commission published in August 2023**

CERC has published the "Staff Paper on Market Coupling" in August 2023 inviting comments/views from the stakeholders. In response, we, M/s Save Urja, likes to offer its views on the issues and questions highlighted in the discussion paper as given hereunder:

At the outset, we wish to submit that we have some concerns regarding the implementation of market coupling as no rationale has been provided in the staff paper for the proposed coupling of exchanges. India has an integrated market and the transmission congestion is already being addressed in the present mechanism. The three exchanges are competing and providing enough choices to the consumers and other market participants to procure from the market. Aiming for a single platform for price discovery will be counterproductive for the market as well as the consumers. It will increase operational cost, create unwarranted rigidities & stifle innovations in the market there by defeating the very purpose of the reforms that were bought by EA 2003. The power exchanges will be reduced to only bid collection agencies and would have no incentives to improve product offerings, innovate or develop the market.

**1. Lack of transparency, diminished consumer interest post market coupling:** Market coupling can lead to reduction in price transparency in the electricity market. The C&I consumers typically benefit from transparent pricing to take informed decisions about their energy usage and procurement. However, in a market coupling scenario it will become challenging to assess the true market price thereby impacting their strategies for energy procurement. Furthermore, with the role of power exchanges to be reduced to bid collecting agencies in collective transaction, and TAM market being bilateral in nature may attract unlawful activities such as opaqueness in transactions, biasing etc. Further, with no interest in market development the competition will be merely on Fee. Consumer interest and transparency may be compromised.

**2. No diversity in products in the market:** With the coupling of power exchanges there will be no differentiation in products and shall negatively affect the innovations in the short term market. The real gain in the market is based on the product and market development. The varied mix of products at power exchange have added value for consumers by way providing flexibility to choose product as per their requirement.

**3. Coupling has the potential to negatively disrupt the market:** CERC notified DSM Regulations 2022 and delinked the DSM charges from the frequency, result of which it was observed that the DSM prices touched to a high of ~Rs. 50/unit with many instances where frequency crossed the defined limit. CERC through various orders has partially amended the regulation and again linked DSM with frequency. However, such minor change in the regulation had become a threat to grid security, now with the implementation of coupling without a detailed market study / analysis by CERC might destroy the well developed market and effect of which shall be irreversible.

**4. Exchanges may have a similar fate as traders:** As it happened due to fee based competition in the electricity trading business, the exchanges may start competing on fees+ other charges, leading to further opaqueness in the process. While it may benefit the discoms in the short run, it will encourage poor trade practices even in the exchange market. It may not be good in long run for consumers.

**5. DAM market may get further dampened:** Disruption during energy crisis (increased demand- supply gap), the trade shifts from DAM to TAM market. Post coupling during crisis situation with reduced or no liquidity in DAM market, the prices matched in TAM market may be more arbitrary, since no robust prices reference will be available. In such a case, post-coupling innovation may happen only in bilateral market which might not translate into price efficiency since DAM/RTM will not see any innovation.

**6. Loss of market-based pricing benefits for C&I consumers:** The challenges in cost management for the C&I consumers will be invoked post market coupling as the predictability to manage the energy costs effectively will reduce purely because their current strategies to manage energy costs by shifting operations of off-peak hours shall be limited.

**7. Risk of reduced investments in energy intensive industries:** As market coupling will induce uncertainty and potential for higher cost associated with electricity sourcing may deter the investment in energy intensive industry. This could limit the growth and development of sectors that are crucial for economic development of the country. In the push for Make in India (MII) the industries in India are planning to compete in global markets and for them energy costs would play an important role determining their subsequent competitiveness. Thus, market coupling would be unfavorable as it would lead to higher electricity cost or reduced cost predictability impacting the Indian industries competitiveness w.r.t. global ones.

**8. Potential for energy security concerns & risk for disincentivizing sustainability investments for industries:** Industries rely on stable and secure energy supply to maintain robust operations. Pooled pricing post market coupling may not provide sufficient incentives for investments in grid reliability and infrastructure upgradation potentially leading to energy security concerns for them. Additionally, post market coupling the transparency in pricing mechanism will reduce, which will deter the industrial consumers to invest in energy efficient technologies and sustainability initiatives which will slow down the decarbonization path for the country.

In view of the above, the Hon'ble Commission is requested to conduct a detailed independent study on the market design rather than taking such steps like market coupling in an isolated manner. The market design should reflect the current need of the power sector and should be conducive for all the stakeholders.

Regards  
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Reply

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