

Email**Ashutosh Sharma****AUGUST 2023 Staff paper on Market Coupling****From :** bajajhl@gmail.com

Mon, Oct 16, 2023 08:38 PM

Subject : AUGUST 2023 Staff paper on Market Coupling**To :** Harpreet Singh Pruthi <secy@cercind.gov.in>,
Ashutosh Sharma <ashutosh.sharma@nic.in>16th October 2023

H.L Bajaj
Former Chairperson, CEA & Ex-officio secretary, GoI
Former Member, APTEL

To,

The Secretary
Central Electricity Regulatory Commission (CERC)
3rd Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001
secy@cercind.gov.in ; ashutosh.sharma@nic.in

Subject: Comments on August 2023 Staff Paper on Market Coupling

Dear Sir

I have gone through the August 2023 Staff Paper on Market Coupling issued by the Commission. The Staff has done an outstanding job in capturing all the pertinent points in a non -partisan manner by analysing all the pros and cons of Market Coupling in detail.

The European Market has been well analysed and it has been rightly concluded that globally market coupling is done to integrate two or more electricity markets or different geographies and that in the Indian context, the above is not applicable.

Existing Exchanges were given license for a period of 25 years to reduce any uncertainty in business operations of the power exchanges for carrying out all the functions of power exchange including price discovery. Two of the three exchanges were established about 15 years ago. The proposed Market Coupling Operator would aggregate the bids collected by the Exchanges and undertake the price discovery. This will take away the price discovery function from the extant Exchanges which will reduce them to merely bid aggregators thus rendering these exchanges merely as unviable bid collection centres. It will be detrimental to the investments made in these

companies in terms of developing best in class technology and all customer centric initiatives. Since, no technology for price discovery will be required by the Exchanges, we may see many non-serious operators coming into this space which is likely to erode credibility of such Exchanges.

Need of the hour is to incentivise existing and upcoming Exchanges to innovate by introducing new products to meet requirements of *the energy transition* taking place in the Country to bring more liquidity in the market.

It is also worth mentioning that the PMR 2021 listed uniform price discovery as one of the motives behind Market Coupling which in the DAM & RTM markets WHICH is already being achieved. In my view, it is not expedient to have a “uniform price” for a small portion of the market as most of the power purchase happens on non-exchange basis. In India one can see different price for supply of power from the different sources based on the technology, fuel, and time of the contract. Bulk of the power is purchased by Distribution Companies at different prices. Therefore, having uniform price for remaining very small quantum as an objective seems to serve not much purpose.

The proposed Market Coupling Operator will be de facto a monopoly which will be having no competition thereby likely to extinguish competition and innovation. Further, in case the role of MCO is given to a neutral government of India company such as Grid India, then it will compromise their existing important focussed role of grid operations and Grid security.

In view of the aforementioned and in the larger interest of consumers and competition in the sector, I suggest the Commission may kindly explore various other options of market design to increase liquidity which will help development of the power market.

Yours sincerely

H.L Bajaj

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Dr. H.L. Bajaj

BSc. Engg (Elect), MSc. Engg (Power), PhD
Fellow: IE, IEEE, IET, INAE, AIMA, ICA
Formerly:
Member, Appellate Tribunal for Electricity,
Chairman, Central Electricity Authority
& ex-officio Secretary to the Govt of India
[N-37 Second Floor](#)
[Panchsheel Park](#)

[New Delhi 110 017](#)

+91 98108 70808 Mobile

+91 11 4170 8366 Phone
