

Ref: CERC/Market-Coupling/Comments/01

Dated: 29<sup>th</sup> September, 2023

**The Secretary**

Central Electricity Regulatory Commission (CERC)

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**Subject: Comments on “Market Coupling” Staff Paper**

**Dear Sir,**

This is in reference to the Public Notice issued by the Hon’ble Commission dated 21.08.2023 inviting suggestions from stakeholders on the Staff Paper on Market Coupling. I have been associated with Power Sector (Power trading and power markets since 2004) in various capacities since 1992. Please find herewith my comments on the staff paper proposed to couple the power exchanges.

The Hon’ble Commission in 2007 adopted a market design, which envisaged decentralized model i.e., multiple voluntary power exchanges. The idea was that the competition would itself shape up the market. Further, centralized model was also discussed in detail; however, Commission went ahead with more than one power exchange to encourage competition. Therefore, having taken an informed decision, again going back to the centralized model without any cause as such, may ultimately lead to the same apprehensions for which Commission did not adopt the centralized model.

The Power Exchanges owing to competition in the market operate with agility and have quick turnaround time for implementation of the products or bid types or innovations. Post coupling the exchanges will become bid collecting agencies. Bid collection role can be better managed by electricity traders. This will negatively affect the competition and innovations in the short-term market leading to reduced participation and volume in the day ahead market.

In the present market scenario, where the market size of DAM and RTM is only ~5% of the total generation of the country market, wherein more than 95% market share of collective market is with IEX, coupling will not bring any additional benefit to the consumers or the market. Rather, coupling will add another bureaucratic layer, for price discovery; which is currently being done by the power exchange leading to increase in the operation cost & rigidity in the market.

The staff paper does not provide details of any study or empirical evidence of any benefits that come out of the proposal of market coupling in the Indian power market. My feel is CERC is experimenting too much in the power sector specially in power trading arena. Exchanges were allowed during shortage scenarios, and as and when prices rise, price capping had been brought in. Now, market coupling is being promoted to save smaller exchanges under guise of promoting competition. If price discovery is taken out of exchange purview, then in that scenario, what is the difference between a power trader and power exchange.

We should follow survival of the fittest philosophy if we want to bring in efficiency and those who can't sustain should be allowed to die.

Yours Sincerely,



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