Ref No. IEX/RA/015/26-27 **Date: 15th June 2026**

To,
The Secretary,
Central Electricity Regulatory Commission
7th Floors, Tower B, World Trade Centre,
Nauroji Nagar, New Delhi- 110029

Sub: IEX Comments on CERC Staff Paper on "Capacity Market for Electricity in India"

Dear Sir,

This is with reference to the CERC public notice dated 29.04.2026, wherein comments have been sought on the Staff Paper on "Capacity Market for Electricity in India". Accordingly, IEX comments/suggestions are enclosed herewith for your kind consideration.

Thanking You,

Yours faithfully,

For Indian Energy Exchange Limited

Gaurav Maheshwari
Vice President- Regulatory Affairs

IEX COMMENTS ON CERC STAFF PAPER ON "CAPACITY MARKET FOR ELECTRICITY IN INDIA"

1. The Hon'ble Central Electricity Regulatory Commission (CERC) vide Public Notice dated 29.04.2026 invited comments on its Staff Paper on "Capacity Market for Electricity in India". At the outset, we welcome the discussion paper and appreciate the models proposed for implementation of capacity markets for various purposes viz. for providing adequate capacity resources to DISCOMs, maintaining a Reserve Capacity for grid stability and Secondary/Short-term Capacity markets for adjustment of surplus/deficit capacities. Through this submission, we seek to provide a few observations in the models proposed for the Indian Market.

2. **DEMAND CURVE ABOVE PRICE CAP FOR CONTRACTED CAPACITY MAY DISTORT THE MCP**

   a. The staff paper suggests allowing the DISCOMs to submit bids slightly above the price cap for the contracted capacity to guarantee the discoms' right over the contracted capacity. The Hon'ble Commission has rightly pointed out that this approach may inflate the Market Clearing Prices (MCP) and hence, may not be an optimal approach. Additionally, it may also impact the Market Clearing Volume (MCV). This proposal has been made under the following models of capacity market in the paper:
      i. RA Obligation Capacity Market (Option 1)
      ii. RA Obligation Capacity Market (Option 2)
      iii. Short-Term Capacity Market (Option 1)

   b. It is respectfully submitted that instead of placing bids above the price cap, the objective to guarantee the DISCOMs' right over contracted capacity may be achieved by simply prioritizing the bids submitted by DISCOMs subject to the availability of corresponding contracted capacity from the respective sellers in the market.

3. **MANDATORY PARTICIPATION OF CAPACITY PROVIDERS**

   a. In the staff paper, the capacity providers have been mandated to participate and get cleared in the market only during the peak hours by bidding as price takers.

   b. It is submitted that in the capacity market, the sellers are obligated to offer their entire capacity in the market. Therefore, the capacity providers must be mandated to

participate in the market at all times except in outage conditions. This shall ensure guarantee to the buyers' right over entire contracted capacity and will also lead to liquidity in the market.

4. **CLARIFICATION REQUIRED IN RA OBLIGATION CAPACITY MARKET (OPTION 2)**

   a. The proposed model in the above-mentioned option provides for "scheduling rights" with the DISCOM but not the "dispatch rights". It is further explained in the staff paper that the DISCOMs shall have the right to schedule from the contracted generator until the window for DAM opens. However, the dispatch from the generating station shall be through the market and hence, both the generators and the buyers shall bid into the market.

   b. It is requested to clarify the above condition as the buyers and sellers participating in the market are scheduled and dispatched through the exchange-based procedures whereas schedules provided by DISCOMs are dispatched through the bilateral mechanism/ procedures. Therefore, it is not clear how both the mode i.e. "scheduling by DISCOMs" and "despatch through market" will be achieved together.

5. **MINIMUM RATIO OF VARIABLE CHARGES AND CAPACITY CHARGES IN SHORT-TERM CAPACITY MARKET (OPTION- 2)**

   a. The staff paper introduces two-parts bids based auction of the capacity contracts under short-term capacity market (Option-2). Under the option, the contracted buyers shall have first right of scheduling until the start of DAM, failing which the capacity providers may sell their energy into the energy market.

   b. Capacity Auction in the markets which are conducted based on two-part bids (i.e., Capacity Charges + Energy Charges) may be introduced with a pre-condition of minimum ratio of Variable Charges and Capacity charges *(say 50:50)*. This shall ensure that DISCOMs are not burdened with higher capacity charges in case they do not exercise the right of scheduling the power from capacity providers.