vedanta power

TSPL/CERC/AK/JUN-26/54 **Date: 15 June 2026**

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

Subject: **Submission of Comments on Staff paper on Capacity Market for Electricity in India.**

Dear Sir,

This is with reference to the above subject wherein the Hon'ble Central Electricity Regulatory Commission by way of Staff Paper on Capacity Market for Electricity in India dated 29.04.2026 has invited comments/suggestions from the stakeholders on the provisions of the above staff paper.

Vedanta Power Limited (in relation to Talwandi Sabo Thermal Plant) as a Generating Company submits suggestions on the *"Staff Paper on Capacity Market for Electricity in India"*.

This is submitted for your kind consideration.

Thanking You,
Yours Sincerely,
For and on behalf of Vedanta Power Limited
in relation to Talwandi Sabo Thermal Plant



Arun Kumar
Head – Advocacy, Regulatory & Legal Affairs

Enclosure: As Above.

Vedanta Power Limited's Comments on Staff Paper on "Capacity Market for Electricity in India

Sl. No.	Clause as per Staff Paper	Suggestion	Rationale
1	General	Resource Adequacy Guidelines suggest that at least 75% of the total capacity requirement of DISCOMs should be tied up through long-term contracts, in line with the Long-Term National Resource Adequacy Plan (LT-NRAP) or as specified by the respective SERC, while the balance requirement may be met through medium-term or short-term procurement. However, it is understood that DISCOMs are increasingly tying up power requirements under long-term arrangements with limited residual demand available for short-term procurement on an RTC basis. Such over-contracting of power may not only lead to increasing the overall power purchase cost of Discoms more specifically during solar hours but significantly reduce the opportunity for medium-term and short-term RTC tie-ups.	
2	General	It is important to ensure that DISCOMs procure power under the Capacity Market on a RTC basis and do not utilize the mechanism solely for meeting peak demand requirements, as this may undermine the objective of long-term resource adequacy and contract stability.	
3	Para 27 – Residual RA Obligation Capacity Market (Option 3)	Option 3 should be adopted as the principal model for capacity procurement, particularly for procurement of untied existing capacity and for addressing RA shortfalls. Options 1 and 2, if retained, should remain only supplementary mechanisms. Suitable clarity may also be provided regarding continued fuel linkage eligibility for capacities contracted under the proposed framework.	Option 3 is the most suitable model because it aggregates demand from multiple deficient entities, reduces dependence on fragmented discom-level procurement, and enables standardized centralized contracting. Continued fuel linkage recognition may be required to ensure viability of contracted thermal capacity.
4	Para 27 – Option 3	The final framework should expressly provide that existing untied capacity of generators shall be eligible	Direct eligibility is necessary to unlock stranded or under-utilized existing capacity and to ensure that the centralized

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		to participate directly in Option 3 auctions, without any requirement of prior bilateral tie-up with a discom.	mechanism actually reveals and contracts available capacity in the system.
5	Para 27 – Option 3	The settlement architecture under Option 3 should provide clear compensation streams, standard settlement methodology, payment security, and default cure mechanisms through the central agency.	If Option 3 is to be the core market design, its commercial framework must be bankable and payment-secure in order to attract meaningful participation from private generators. The contract period should be increased to a minimum of 20 years, considering that lenders typically prefer long-term contractual arrangements to support financing of such capital-intensive projects
6	Para 27 – Options 1, 2 and 3	The proposed performance obligations and penalties should be tempered by operational realism, including accepted exclusions for forced outage, fuel constraints, transmission constraints, and force majeure. While the paper proposes penalties for generators for non-performance, suitable provisions may also be considered for discoms in case of under-procurement or non-utilization of contracted capacity.	Overly rigid performance obligations and penalty exposure may deter participation by genuine providers of untied thermal capacity and undermine liquidity in the centralized auction. Balanced accountability for both generators and buying entities would support equitable risk allocation and improve long-term market participation.
7	Para 27 – Option 3 / Para 38-39	Prior to granting approval for establishment of new generating stations, it should be mandated that existing power plants particularly those that are idle, under-utilized, or without long-term Power Purchase Agreements (PPAs) be accorded priority for contracting and scheduling, so as to ensure optimal utilization of available generation capacity and prevent avoidable capacity addition.	The proposed capacity market should first seek to unlock and utilize existing available capacity before incentivizing fresh capacity addition. Where substantial generation capacity is already installed but remains untied or under-dispatched, priority contracting of such existing assets would promote least-cost resource adequacy, improve asset utilization, reduce stranded capacity, and avoid unnecessary capital expenditure on new generating stations.

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8	Para 27 – Option 3 / Page 15	To prevent gaming, the capacity providers could be mandated to ensure they participate and are cleared in the market during the peak/stress hours, to be notified by the NLDC.	A similar provision should also be made applicable to DISCOMs to ensure that RTC contracts are not utilized only for meeting peak-period requirements, as such an approach defeats the purpose of round-the-clock procurement and adversely impacts contract viability.
9	Para 27 – Option 3 and Para 39	For large thermal generating stations, it is not operationally or economically feasible to shut down and restart units solely based on day-ahead market outcomes. Accordingly, the framework should provide for a minimum assured energy offtake / energy contracting for at least the technical minimum level of operation, i.e., approximately 50% of the contracted capacity, so that units remain operational and are able to ramp up and supply the balance capacity when required. Dependence on the short-term market for 100% dispatch of large thermal power plants is not viable and should not be mandated.	Thermal generating units are designed for continuous operation and are subject to technical minimum loading constraints, start-up time, start-up cost, fuel management constraints, thermal stress, and operational inefficiencies associated with repeated shutdowns and restarts. A framework that assumes that large thermal stations can remain fully dependent on day-ahead or short-term market dispatch for their entire output does not reflect plant operating realities. Requiring at least technical minimum energy offtake would ensure unit stability, preserve operational readiness, support reliable supply during stress periods, and make participation by untied thermal capacity commercially and technically viable.
10	Para 27	Option 3 should remain technology-neutral, with eligibility determined by dependable capacity, operational readiness, response capability, and deliverability.	A centralized market will function efficiently only if all capable resources, including existing private thermal stations with untied capacity, are allowed to compete on equal terms.
11	Para 22 and 25	The final framework should expressly preserve existing long-term PPAs under Sections 62 and 63 and clarify that such arrangements will not be disturbed by the proposed Capacity Market framework.	Any uncertainty regarding the treatment of existing PPAs may adversely affect project bankability, investor confidence, and sectoral stability.

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12	Para 27- (option-1 and Option-2)	The final framework should expressly address the implications of market-linked dispatch on the existing Merit Order Dispatch framework, and any departure from MOD should be preceded by detailed studies and stakeholder consultation.	Unexamined deviation from the MOD framework may create operational uncertainty and affect efficient system dispatch.
13	Para-27	A transparent and consultative methodology for determination of Net-CONE under Indian conditions should be prescribed before implementation of the proposed framework.	Net-CONE cannot be meaningfully applied unless it reflects Indian operating realities such as start-stop losses, technical minimum load, and stranded asset risk.
14	Para 25 & Para-26.	Implementation of the proposed Capacity Market framework should be preceded by comprehensive quantitative modelling and tariff impact assessment.	Without such assessment, the framework may create uncertainty and unintended consequences for generators and procurers.
15	Para 28-37 / Para 27 – Option 3	The Commission may consider linking Option 3 with reserve adequacy, so that untied thermal generators contracted under Option 3 may also support reserve requirements, subject to technical qualification.	This would improve overall system efficiency and better utilize existing dispatchable private capacity during the transition to a fuller resource adequacy framework.

