

RPTCL/2018-19/CERC/806

28th January, 2019

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor,
Chanderlok Building,
36 Janpath,
New Delhi -110 001.

Sub: - Comments/Suggestions on "Discussion Paper on "Market Based Economic Dispatch of Electricity: Re-designing of Day-Ahead Market (DAM) in India".

Dear Sir,

This has reference to the Public notice No. No.RA-14026(11)/3/2018-CERC dated 31st December, 2018 on "**Discussion Paper on "Market Based Economic Dispatch of Electricity: Re-designing of Day-Ahead Market (DAM) in India"**" issued by Hon'ble Central Electricity Regulatory Commission. The Commission has invited the Stakeholders to provide their comments / suggestions on the Discussion Paper. Stakeholders are also advised to provide suggestions for amendments to the relevant provisions / clauses contained in the relevant Regulations.

Accordingly, in this regard, kindly find our observations/comments/suggestions enclosed as Annexure to this letter for your kind consideration.

Thanking You.

Yours faithfully,



Sushanta Basumatary
Manager

Enclosed: As stated above

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**Comments/Suggestions on CERC discussion paper on Market Based Economic
Dispatch (MEBD)
RPG Power Trading Company Ltd.**

Annexure

28.01.2019

From RPG Power Trading Co. Ltd.
2A Lord Sinha Road
Kolkata-700071

**Sub:- Invitation from CERC for Comments/Suggestions on CERC discussion
paper on Market Based Economic Dispatch (MEBD) as per CERC Public Notice No.
No.RA-14026(11)/3/2018-CERC, dated 31st December, 2018**

Queries and Comments –

1. Kindly clarify whether there will be separate windows for the normal Day-Ahead-Market (DAM) and MBED in the power exchange platform. Please also clarify whether MBED will be handled by a single power exchange or multiple power exchange. In case it is a single power exchange who handles MBED, whether it will be a state owned MBED or a private entity and what will be the selection criteria ?

2. The power sector is presently having 90% long term agreements and balance are handled under short term power exchange (DAM) and DSM. The long term contracts are mainly PPAs under Section 62 Route. Whereas, there are certain generators (IPPs) who have tied up power under the existing competitive bidding routes, i.e., Case-I/DBFOO model. The structure of PPAs including the terms and conditions are different and there would be a need for amendment in all these PPAs in case MBED proposed mechanism is put into place. Modifications in existing PPAs will require appropriate Commission's (Stare/Central) intervention within timeline and specific directions will be required for implementation of MBED mechanism after PPA amendment for uniform implementation of the scheme throughout the country. The paper needs to substantiate a standard process for all the stakeholder which shall ensure uniformity of approach in modification of PPAs and approval by the appropriate Commission(s).

3. The paper has proposed to settle the existing long term agreements through hedging of temporal risk (price risk) and spatial risk (location risk). It is requested to kindly clarify the settlement of spatial risk through congestion revenue as –

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i) MBED mechanism is proposed to provide priority to the existing long term PPA's having transmission agreements which means under conditions of no contingency in transmission system, any congestion in transmission network is to be borne by the market participants who are not having long term agreements.

ii) Treatment of allocation of congestion revenue for the participants with or without long term PPA's should be clearly segregated so as to provide clear signal to the market for having long term access instead of relying on short term access.

4. In the present context, we have two power exchange scenario in our country and there might be one or more new power exchange(s) in future in the system. The proposed MBED mechanism requires a single clear house which will control the entire market clearing platform and settle the commercials. Further details and clarifications are required in this matter.

5. The generators are supposed to bid in MBED on the approved variable cost. As per a long term agreement, it may be noted that the variable cost changes over time and true up every financial year. Under these circumstances, the bids submitted by the generators on day to day basis cannot be the actual variable cost. Thus, there is a need for adjustment of these variable cost actual bided generator in the MBED market-vs- the actual variable cost after true up of tariff.

6. More clarity is desired for treatment of technical minimum of each of the generators which might effect the overall price discovery of the market.

7. It will take some time for the Real Time Market to mature with sufficient liquidity. Till that time, it may not be very prudent to introduce MBED which will require huge automation and coordination by the system operators, power exchanges, transmission utilities and the participants.

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8. One of the major issues in power sector is the huge outstanding/ delayed payment by many of the distribution companies. This issue of delayed/outstanding payment is less relevant in Day ahead power market operated by the power exchanges as they operate on advance payment basis. It needs to be examined whether the state discoms would be able to fully participate in MBED market due to requirement of adequate working capital. Further, payment terms in a long term agreement and that in a short term/ power day ahead market are entirely different. The paper needs to further clarify the mechanism to integrate such differences between existing long term contract vs a vs power exchange/short term contract.

9. In case DISCOMS exercise their right to recall within the gate closure time in the real time horizon and the generator buys from real time market to meet its contractual obligation, then the generator is still obligated to share the proceeds from URS sale, with the DISCOM as per the Annexure IV. In our opinion, if the generator or seller is anyway fulfilling its contractual obligation by buying from real time (RT) market for the DISCOM, then it should not be obligated to share the URS proceeds and benefit gain from the RTM by generator. There may be a price differential (Day ahead Vs Real time) that may be detrimental for any generator under such a scenario.

10. Market operator (or a clearing house selected by commission) is supposed to settle huge payins and payouts for the market participants and it will be difficult to find one such credible and capable SINGLE market operator entity. Even if we could identify and empower such a market operator, it might be constrained/ unwilling to deal with some of the market participants who have weak credit ratings (like some of the DISCOMS with less liquidity).

11. It is suggested that this MBED may only be implemented after achieving a certain level of depth in the Real Time and AS Market and it will be a fully integrated and interdependent operation. So giving a transition timeline of one year for the MBED to be implemented may not be justified. It is suggested that before its implementation, the depth and maturity of the interdependent markets (RT and AS market) should be fully analysed and studied by the commission before giving a sunset date for implementation.

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12. As per some earlier papers by CERC namely "Re-designing Real Time Electricity Markets in India" and "Re-designing Ancillary Services Mechanism in India", there is a process of co-optimisation for day ahead energy and ancillary services to maximise the social surplus. It is required to be analysed how co-optimisation may be integrated with MBED mechanism, when generators will have the liberty to take position on incremental energy and incremental price and the offer on AS capacity. In this particular paper there is no discussion on the co-optimisation process. Also as stated in the earlier paper, the demand for AS will be dynamically specified by the system operator in accordance with set rules approved by commission, which is also linked to the energy co-optimisation for day ahead schedules. So it is not clear from this paper as to how it will be addressed in the MBED mechanism for the day ahead schedules.

13. It is mentioned, that beyond the transition period of one year also, the DISCOMS will still have the right to self-schedule until 9:45 AM and that at 10AM both the DISCOMS and self-scheduled generators will bid in DAM. Please clarify if in the DAM, the bid will have to be placed by DISCOMS and Generators for the self-scheduled Quantum also. Also, it is stated in the paper that during the transition period i.e within a year time, the DISCOMs will not have the right to recall their URS, but it is surprising to note that under the MBED operation post the transition period, the DISCOMs regains back their right to recall their URS in a real time scenario. This seems to be counterproductive for the very purpose for which MBED is being conceived.

Also please clarify if the generator has to mandatorily BID at their VC only or it is at liberty to BID at a slightly higher than VC also, depending on the market conditions. A BID format for generator may also be given in the paper, just as a BID format for DISCOM is given as an illustration. It is mentioned in the paper that market participants will be benefitted by lower cost of procurement in the market (due to cost optimisation as a result of MBED centralised despatch) and higher PLF for efficient Plants. So in our opinion, the generators must be given the liberty to determine price of generation and bid as per their discretion with respect to market condition in order to maximise returns.

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14. From this paper, it is somewhat evident that in the present scenario, the PLF of high VC plants will be still reduced further due to back downs, because of implementation of this PAN India MBED market mechanism and the market is expected to benefit in terms of stabilisation of prices and reduced volatility (*there is an overall cost savings). But on the other hand, it still remains to be seen in future as to in a scenario when the country's demand picks up and there is no further addition of capacities, these high VC plants will be scheduled further and the market prices will inch upwards.

15. In this paper there is a mention of capacity market in future, where sufficient capacity will be available in the market which can be availed, for DISCOM'S energy security and that MBED will help develop such a market in future. But in our opinion, such a capacity and capability market will not develop for the simple reason being that, it is very subjective and difficult to analyse and put a price tag on what capability / capacity will worth how much price and moreover the generators will also not be willing to risk the recovery on the part of their fixed component of investment by accepting and yielding to participating in such capacity / capability market. So, in our opinion this idea of a capacity market is seeming to be a far-fetched idea.

16. Please clarify if only the existing and future legacy long term contracts (sec 62 and sec 63) will be brought under MBED, or all the medium and short term bilateral contracts will also be mandatorily brought under ambit of MBED?

17. In this paper, an illustration has been shown for MBED settlement under two interdependent region congestion. Another illustration may please also be shown where in a DISCOM which has an interdependent SPATIAL RISK dependency with two more regions, i.e when three or more regions are involved. The matter gets complicated under such scenarios for expediting the settlement process.