

Dated: 17.05.2019

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

Dear Sir,

**Sub: Comments/Suggestions on Draft CERC (Deviation Settlement
Mechanism and related matters) (Fifth Amendment)
Regulations, 2019**

We write in reference to the above captioned subject regarding submission of comments/suggestions on the Draft 5th Amendment of DSM Regulations, 2014. In this context, the Company hereby submits following comments/suggestions for your kind perusal and consideration:

1. General Comments:

- a) Distribution companies unlike Generating Companies or Open Access consumers are required to manage load of lacs of consumers whose demand varies from 1 kW to many Mega Watts. For managing such diverse load of lacs of consumers, Discoms based on the available data do attempt demand forecast and procure power accordingly. However, it is nearly impractical/impossible to **precisely estimate** the load/demand for every 90 or 180 minutes on daily basis of lacs of consumers as their drawal schedule is dynamic and depends on many factors such as prevalent economic conditions, weather conditions, varied seasons i.e. summer, winter etc., national and other holidays, government policies (like orders from NGT banning construction/production activities from time to time), uncertain availability of roof-top solar, scheduled/sudden breakdowns, implementation of energy efficiency solutions and many other uncontrollable factors.
- b) Further, Discom's supply is totally dependent on the healthy system of transmission utilities. During R&M of minor faults, which can vary from 15 min to 2 hrs at a stretch by transmission utilities, leave no scope for Discom to change its schedule from generator and at the same time consumers also do not get electricity.
- c) Short term power if required to be rescheduled for compliance of sign change requirement, it would take at least 2 clear days time.
- d) Therefore, penalizing Discoms for not being able to draw power strictly as per declared schedule due to reasons mostly beyond their control would

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be unfair and detrimental to already ailing distribution companies on the one side and unfriendly for consumers interest on other side. It is pertinent to mention here that Discoms, at best, can manage load of the consumers on real-time basis as it is not possible to precisely anticipate and forecast their load well in advance.

- e) With such proposed regulations Discoms would have no option but to curtail power supply every 90/180 minutes during the day to ensure their drawal remain as per their declared schedule which will be contrary to the objective of providing reliable, uninterrupted 24X7 power supply to the consumers.
- f) Further, there may be occasions when grid frequency is 50 Hz or so and Discoms overdraw power for meeting the increased demand of the consumers, however, due to above proposed regulations the Discoms would be prevented for doing so although under such scenario Discoms would be supporting the stability of the grid. Similarly, there are scenarios when a Discom is under drawing power, due to less demand from consumers, and the Grid frequency is also less than 50 Hz. Such under drawl during low grid frequency actually supports the Grid. However, due to sign change requirement, the Discoms are being penalized even for supporting the Grid.
- g) For contingency scenarios such as forced outage of generating unit, the Discoms are constrained to over draw (within the prescribed limits) from the Grid to meet consumers' demand till the time it arranges power from alternative sources. However, due to mandatory sign change requirement, Discoms will have to bear heavy penalty till alternative arrangements are made for no fault of theirs.

It is pertinent to mention here that arrangement of power from alternative sources and scheduling thereof may take any time between 5-6 hours for compliance of various given procedures. An illustrative example is given below:

- Identifying, negotiating and signing Short Term PPAs from alternative sources: 2 Hrs.
- Registration for scheduling power at SLDC: 2 Hrs.
- Processing of STOA applications by RLDC: 1-2 Hrs.

Such time of 5-6 Hrs. may become much higher during holidays and odd hours say after midnight.

- h) Therefore, it is suggested that to begin with, sign change requirement should take place on 8 hourly basis which enable the Discoms to manage substantial/bulk load from industries/institutions which normally work

on shift basis, which can be gradually reduced over reasonable period of time.

- i) In any case, if Discoms are required to pay any penalty or charges in any form for complying with these regulations the same should be logically allowed in their ARRs since such deviations are sum total of deviations of lacs of consumers.

2. Other Comments:

- a) Due to mandatory sign change provision, the entire focus of the Control Room officials has shifted from taking decisions based Grid frequency and other parameters to sign reversal only. As a result, the action of our system operators are absolutely contrary to the requirements prescribed for load management. Many times, just for complying the sign change requirement, the Control Room would curtail the over-drawal despite grid frequency being around 50 Hz. Similarly, there may be some occasions when Control Room even at low grid frequency is not curtailing its scheduled load.
- b) Due to above new trend of system operation, generators with whom Discoms are having Long Term/Medium Term PPAs are forced to sudden ramp-ups and ramp-downs on multiple occasions in a day thereby posing great risk of forced outage of their units.
- c) Further, DSM Cost/Charges should be applied for that particular block where sign change has occurred instead on Daily DSM Cost/Charge even after 31.03.2020. Further, mandatory sign change requirement to begin with should be 8 hourly shift basis instead of on 12/6 time blocks as proposed.
- d) Sign change requirement should be applicable either on Regional Entity comprising of all the Discoms operating in a State or individually on each such Discoms in the State. It would provide a level playing field to all the Discoms operating in a State. It is important to implement DSM regulations on individual Discoms instead of applying it on their holding company (aggregator). When DSM Bill is raised on a holding company appointed on behalf of Discoms, it actually nullifies the impact of deviation of one Discom by another Discom. For example, Discom-A is overdrawing 100 MW from the grid and at the same time Discom-B is under-drawing 100 MW. During settlement at holding company level, Net DSM Cost would be Zero, therefore, nullifying the impact of proposed regulations whereas in case of one individual Discom such advantage wouldn't be available resulting into discrimination among Discoms. In fact, as mentioned above each Discom should be assessed separately for management of the load.

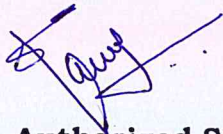
- e) Whether +/-10MW limit is within the limit of 12%/150 MW? Please clarify. It is suggested that limit of +/- 10 MW be replaced by +/- 150 MW.
- f) If there are uncontrollable factors, such as generator outages of more than say 10% of its unit size, transmission/distribution line outages due to high winds or natural factors etc. then in such cases application of Deviation Settlement Mechanism should be waived off and Discoms and Generators should not be liable for any DSM cost whatsoever as such factors are beyond the control.
- g) Since the Hon'ble CERC is aware about the difficulties in implementation of 4th Amendment Regulations, it is proposed that the Draft 5th Amendment should be notified as a Special Order under Regulation-12 (Power to Relax) of the Principal Regulations and the same should be effective from 01.01.2019.

We trust that the above comments/suggestions would find merit of consideration by the Hon'ble CERC while finalizing the Amendment of DSM Regulations, 2014.

Thanking You

Yours faithfully,

For **Noida Power Company Limited**,



Authorized Signatory