

To,

HARPREET SINGH PRUTHI
SECRETARY
CENTRAL ELECTRICITY REGULATORY COMMISSION

Sub- Comments/ Suggestions on the Staff Paper on "Market Coupling"

Respected Sir,

We, Manikaran Power Limited ("MPL"), are a Category 1 trading licensee under Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licensee and other related matters) Regulations, 2020.

This is in reference to the Staff Paper on "Market Coupling". Suggestions/feedback on the staff paper has been sought from stakeholders.

In view of the same, we hereby submit our comments and suggestions on the staff paper.

We humbly request you to kindly consider the same while finalizing the said amendments.

Thanking you,

For and behalf of Manikaran Power Limited,



MANIKARAN POWER LIMITED

MPL's comments and suggestions on the Staff Paper on "Market Coupling"

Point	Points for discussion	MPL's Comment/ Suggestion
1.	Does the current Indian power market scenario form a compelling case for market coupling?	<u>Comment</u> Yes it does, since at present market transaction volumes are divided among the three exchanges where majority of the volume is being transacted on Indian Energy Exchange thereby trading on the other two exchanges seems pointless and does not encourage competition with significant reduction of the participation from the buyers and sellers in the other two exchanges.

2.	<p>What significant benefits can be derived in terms of uniform price discovery, and which model suits best for India?</p>	<p><u>Comment</u></p> <p>Market coupling neutralizes the threat of elimination of market competition as mentioned above and through uniform price discovery across all the three power exchanges it'll encourage more buyers and sellers to choose voluntarily to participate in any one of the exchanges without having the fear of effect on price discovery based on the additional services exchanges provide with minimum overhead cost and not get inclined to any specific exchange. More competitive price can be discovered through more participation and thus can also induce participation from cross border nations.</p> <p>Under the new GNA and grid code regulations the arrangement of power from an alternate source by a generating station to comply with the obligation of supply can hedge with uniform price discovery which can encourage more generators under bilateral contracts to participate on exchanges under forced outage scenarios.</p>
3.	<p>Given the underlying economic principle of maximizing social welfare and optimal corridor utilization, which argument fits better in the Indian context?</p>	<p><u>Comment</u></p> <p>As mentioned above market coupling will help in more participation thus creating more competitive price discovery and also create competition among the exchanges which may reduce the transaction fees, annual subscription fees, etc. and may offer additional distinct services to their clients.</p> <p>Transmission corridor utilization would be enhanced with chance of more volumes being cleared.</p>

4.	Who shall be the Market Coupling Operator?	<p><u>Suggestion</u></p> <p>Grid Controller of India should be the market coupling operator instead of any one of the power exchanges. As Grid India is the nodal agency for day ahead collective transactions under the TGNA regime and thus is responsible for scheduling the transactions under DAM based on the available transmission margin in the inter-regional corridors. It would be fast, fair and transparent for Grid India to determine the price as on actual transmission capacity basis as its functions are regulated by the Central Commission.</p> <p>In case, it is done by any third party or any power exchange to the MCO, it can create the complexities and thus will lengthen the process of price discovery (since it has to determine the final price based on corridor confirmation from Grid India). This may not ensure fair and transparent trade.</p> <p>In case a power exchange is made MCO, it will lead to a scenario wherein buyers and sellers who register themselves on that particular exchange will give them the belief of getting priority of volume clearance. It can have significant impact on final market results.</p>
5.	How will the clearing & settlement be carried out?	<p><u>Comment</u></p> <p>While the power exchanges will be counterparty to the market participants, would the Market Coupling Operator act as a counterparty to the power exchanges with regard to settlement rights and obligations?</p> <p><u>Suggestion</u></p> <p>Respective Exchanges should remain as the counterparty to their transactions on the behalf of buyers and sellers as settlement of payments should be within their scope.</p>

6.	Would it be advisable to allow the Market Coupling Operator to charge transaction fees from the power exchanges, which in turn charge related transaction fees from the market participants?	<p><u>Comment</u> There is as such no reason of MCOs not charging any transaction fees from the power exchange but Power exchange should not pass this on trader members or any clients as they are already collecting subscription fees from the clients and MCO can charge the transaction fees in proportion of volume cleared for each market participants.</p>
7.	What should the grievance handling framework be?	<p><u>Suggestion</u> Grievance against the performance of the grid operator and Power Exchanges can be dealt having a CGRF cell in both the agencies.</p> <p>If not resolved, the parties can approach the CERC.</p>
8.	Should traders be allowed to submit their bids directly to the market coupler to reduce the cost of power for trader clients, as the clients are presently paying margins to the trader and also bearing fees and margins of exchange?	<p><u>Comment</u> Yes traders having a valid Interstate trading license should be allowed to submit bids directly to the MCO as they are responsible for clearing and settlement on behalf of their clients according to CERC Power market regulations 2021.</p> <p>Additionally margins are recovered specially from buyers as per the Business rules of the Power Exchanges. If traders are allowed to directly submit the bids to the MCO, then they can formulate the margins or PSM required for trade which can be less than the present average 7 days obligation amount which will have less burden on the buyers.</p>
9.	Is it imperative that market coupling be introduced in collective transactions segment to begin with?	<p><u>Suggestion</u> Market coupling should begin with IDAM and RTM where uniform price discovery mechanism is followed as per PMR 2021.</p>