

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) (Second Amendment) Regulations, 2025

No. L-1/260/2021/CERC

Date: 10th May 2025

EXPLANATORY MEMORANDUM

1. Background:

- 1.1 The Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 (DSM Regulation, 2024) were notified on 5th August, 2024, keeping in view the mandate of the Act. The Commission subsequently notified that the DSM Regulations, 2024 would come into force from 16th September 2024, except for Regulation 8(8), which became effective from 23rd December 2024.
- 1.2 The Regulations were thereafter amended via the First Amendment (notified in December 2024), which became effective from 23rd December 2024. Vide the said amendment, the Commission amended inter alia the provisions relating to the treatment of infirm power. The Amended Regulations specified that the charges for the injection of infirm power would be zero. However, if a general seller or WS seller decides to schedule such infirm power after the successful trial run as specified in the Grid Code, the charges for deviation applicable to the respective category of the seller would be applicable. Additionally, if such infirm power is scheduled after a trial run, when the system frequency, $f > 50.05\text{Hz}$, the charges for deviation of scheduled infirm power by way of over injection by a general seller or WS seller, as the case may be, shall be zero.
- 1.3 The Commission underscored the importance of trial runs, which serve to confirm that all necessary protection mechanisms are in place, ensuring safe injection of power into the grid without compromising its reliability. The Commission observed that the instances of infirm

power injection by thermal generating stations were occasional and not on a continuous basis throughout the period leading up to the trial run or COD.

1.4 Following the notification of the amendment, the Commission received representations from various thermal generating companies and associations citing challenges in recovering fuel costs incurred up to the trial run, which is creating financial strain. Further, the Ministry of Power vide its letter dated 27th March, 2025, also requested CERC to review the existing provisions on infirm power for thermal generators.

1.5 The Commission notes that, in contrast to renewable sources, thermal generating stations incur expenditure on fuel during trial runs and auxiliary system testing phases. These injections are necessary for stabilizing rotating equipment, synchronizing units with the grid, tuning control loops, and ensuring compliance with technical standards before the unit is declared commercially operational. For assessing the impact of such injection of infirm power, the Commission examined the data related to the quantum and duration of infirm injection by thermal plants. It was observed that such infirm injections, required for conducting mandatory technical and safety checks, are not continuous throughout the testing period. Also, the overall quantum injected during testing is not significantly high.

1.6 It is also relevant to recall that under the DSM Regulations, 2014, payment for infirm injection by thermal generators was permissible, but subject to a ceiling. However, under the 2014 framework, no scheduling of infirm power was allowed prior to the Commissioning. In contrast, the DSM Regulations, 2024 permit scheduling after successful completion of the trial run, indicating the Commission's recognition of the need for operational flexibility, while continuing to uphold grid discipline as a core regulatory principle. Scheduling was permitted after a successful trial on the understanding that the testing of equipment would have been completed by this time.

1.7 The Commission maintains that grid security and reliability are of paramount importance, and that no scheduling of infirm power should be allowed prior to a successful trial run. However, it also acknowledges that thermal generators incur fuel costs during the testing phase. After careful consideration of the stakeholder inputs, operational realities, and regulatory objectives, the Commission has decided to reconsider the current provisions in this regard, but only to the extent of paying the thermal generators for the injection of infirm power up to the successful trial run. Accordingly, the Commission proposes an amendment

to Regulation 8(8) to introduce limited payment for thermal generating stations, with appropriate ceilings.

2. Proposed Amendments

2.1 In light of the above, the Commission now proposes to amend Regulation 8 (8) to allow limited commercial payment for infirm power injected by thermal generating stations prior to the successful completion of the trial run. The proposed amendment allows payment for infirm power injected between the date of first-time synchronization of the unit and the successful completion of the trial run, subject to the condition that the infirm power injected during this period shall be paid @ the Normal Rate of Charges for Deviation, subject to a ceiling. It is noted that under the DSM Regulations 2014, there was a ceiling of charges for the injection of infirm power. Following a similar approach, based on the energy charges of regulated generating stations for the financial year 2023-24 (Reference CERC Annual Report of 2023-24), the mean value of the energy charges for thermal generating stations has been computed at ₹2.86/kWh. Accordingly, it is proposed that the payment for the injection of infirm power by thermal generating stations shall be capped at ₹2.86/kWh.

2.2 It is further proposed that when the system frequency (f) exceeds 50.05 Hz, any injection of such infirm power (whether injected before the successful trial run or scheduled after the successful trial run) shall be paid at zero.

2.3 Accordingly, the Commission proposes the following provision for the treatment of deviation for the injection of infirm power:

“(8) Charges for injection of infirm power -

(1) The charges for the injection of infirm power shall be zero, except in cases specified under clauses (2) and (3) of this Regulation:

(2) In case of thermal generating stations, the infirm power injected into the grid from the date of the first synchronization of the unit up to the successful completion of the trial run shall be paid @ Normal Rate of Charges for Deviation for each time block, subject to a ceiling of ₹ 2.86/kWh.

(3) If infirm power is scheduled after a successful trial run as specified in

the Grid Code, the charges for deviation over the scheduled infirm power shall be as applicable for a general seller or WS seller, as the case may be.

(4) Notwithstanding the provisions of clauses (2) and (3) of this Regulation, when the system frequency, $f > 50.05\text{Hz}$, the charges for injection of infirm power or for deviation of scheduled infirm power after successful trial run by way of over injection by a general seller or WS seller, as the case may be, shall be zero.”

2.4 In view of the above, the Commission seeks comments from the stakeholders by 10th June, 2025.
