



केन्द्रीय विद्युत विनियामक आयोग
CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI



Coram:

Shri Jishnu Barua, Chairperson

Shri Ramesh Babu V., Member

Shri Harish Dudani, Member

Shri. Ravinder Singh Dhillon, Member

No. L-1/260/2021/CERC

Dated: 25th August 2026

In the matter of

Central Electricity Regulatory Commission (Deviation Settlement and Related Matters) (Third Amendment) Regulations, 2026 - Statement of Objects & Reasons (SOR) thereof.

STATEMENT OF REASONS

1. Introduction

1.1 The Central Electricity Regulatory Commission (hereinafter referred to as the “CERC” or “the Commission”) notified the CERC (Deviation Settlement and Related Matters) Regulations, 2024 (hereinafter referred to as “the DSM Regulations 2024”) vide Notification No. L-1/260/2021/CERC on 5th August 2024 and came into force from 16th September 2024, except for Regulation 8(8).

1.2 Regulation 8 (8) was thereafter amended via the First Amendment (notified on 17th 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.

1.3 The Commission further amended the Regulations via the Second Amendment (notified on 25th June, 2025), which became effective from 1st July, 2025. The amendment was issued to address concerns raised by thermal generating stations about cost recovery for fuel consumption during the testing phase.

1.4 Subsequent to the notification of the amendment, the Commission received representations

from various Renewable Energy (RE) Associations and Energy Storage System (ESS) developers regarding the treatment of deviation charges associated with first-time charging of ESS up to successful completion of the trial run. The Commission also received representations on certain other provisions of the Regulations, including the definitions of Contract Rate and Reference Charge Rate for Captive and Open Access Consumers and Charges for Deviation in respect of Standalone ESS being Pumped Hydro Storage Projects (PSPs). Further, the Commission proposed certain amendments pursuant to its Suo Motu Order in Petition No. 9/SM/2025. The Commission has also received communication from Grid India suggesting modifications related to the Schedule for Payment of Charges for Deviation, in accordance with the procedure issued by the National Load Despatch Centre (NLDC) for the operationalisation of the National Deviation and Ancillary Services Pool Account.

1.5 Accordingly, the Commission issued the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) (3rd Amendment) Regulations, 2026 (hereinafter referred to as the “Draft Regulations”). Subsequently, the Commission issued the Explanatory Memorandum for the same, explaining the rationale behind the Draft Regulations .

1.6 **Comments/ suggestions/ objections** were sought from the stakeholders and interested persons on the Draft Regulations by 26th June, 2026. In response, the Commission received submissions from forty-one (41) stakeholders. The list of stakeholders is attached as **Annexure I** to this document. Subsequently, the Commission held a Public Hearing on the Draft Regulations on 30th June, 2026, via video conferencing. The list of stakeholders who presented during the Public Hearing is attached as **Annexure II**.

1.7 The Commission, complying with the provisions of the Act and the Electricity (Procedure for Previous Publication) Rules, 2005, proceeded to finalise the third amendment to the DSM Regulations 2024. The Commission considered comments of stakeholders on the Draft Regulations, the views of participants in the Public Hearing, and their written submissions received during and after the Public Hearing. The Commission finalised the Regulations after due consideration of the various issues raised by stakeholders. The Commission discusses its analysis of the issues and its findings in the subsequent paragraphs.

1.8 It may be noted that all the suggestions given by the stakeholders have been considered, and the Commission has attempted to elaborate upon and respond to each suggestion as

well as convey the Commission's decisions on each suggestion in the Statement of Reasons. However, if any suggestion is not explicitly elaborated upon, it does not mean it has not been considered. Wherever possible, the comments and suggestions have been summarised clause-wise, along with the Commission's analysis and ruling on the same. However, in some cases, due to overlapping issues/comments, the Commission combined two or more clauses to minimise repetition.

1.9 The main issues raised during the public consultation process and the Commission's analysis and decisions on the issues that underlie the Regulations as finally notified are given in the subsequent paragraphs.

2. Short Title and Commencements

Commission's Proposal

2.1. The Commission, in the Draft Amendment Regulations, proposed the date of effect of the Regulation as follows:

"1.2 These regulations shall come into force with effect from 01.07.2026."

Comments received

2.2. SRPC suggested that the DSM (3rd Amendment) Regulations, 2026 should come into force from 6.07.2026 as 01.07.2026 falls on a Wednesday, so it will be appropriate to align the commencement date with the first day of the weekly accounting period.

Analysis and Decision

The Commission has noted the suggestion and has decided that the 3rd Amendment of the DSM notification shall be effective from 31st August 2026.

3. Amendment to Definitions and Interpretation

3.1. Definition of Contract Rate (Regulation 3(1)(j)) and Reference Charge Rate (Regulation 3(1)(y))

Commission's Proposal

3.2. The Commission, in the Draft Amendment Regulations, proposed to amend the definition of Contract Rate and Reference Charge Rate applicable to the sale of power through open access to a third party or for captive consumption by a Captive Generating Plant (CGP), as follows:

*“In sub-clause (j) (iii) of Regulation 3 of the Principal Regulations, the words and expressions “weighted average ACP of the Integrated-Day Ahead Market segments of all Power Exchanges for the respective time block” shall be substituted as “**daily weighted average Area Clearing Price (ACP) of the Integrated-Day Ahead Market segments of all Power Exchanges for the day.**”*

*In sub-clause (y) (iii) of Regulation 3 of the Principal Regulations, the words and expressions “weighted average ACP of the Integrated-Day Ahead Market segments of all Power Exchanges for the respective time block;” shall be substituted with “**daily weighted average Area Clearing Price (ACP) of the Integrated-Day Ahead Market segments of all Power Exchanges for the day;**”.*

Comments received

3.3. **MNRE, Adani Power, IPCL, RAP, NGEL, Manikaran, Cleanmax, Gentari, NTPC, MSEDCL, Cleanmax, Gentari, SAEL, AIDA, APPCC, Renew Private, SECI, Juniper, JGRJ Solar, SRPC, TNPDCL, AIDA etc.** submitted that replacing the existing time-block-wise weighted average Area Clearing Price (ACP) with a daily weighted average ACP would mask intra-day price variability, cause cross-subsidization across time blocks, dilutes the economic signal, increases potential for gaming, harm open access market dynamics and adversely affect hybrid renewable energy with storage and standalone BESS projects that rely on time-of-day price signals and arbitrage opportunities. Accordingly, these stakeholders requested that the existing time-block-wise weighted average ACP be retained. **SRPC** also suggested that NLDC publish the daily weighted average ACP rates.

3.4. Some stakeholders proposed alternative approaches in case the proposed amendment is adopted. **SECI** suggested using the daily weighted average ACP only where time-block-wise ACP is unavailable, while **Renew Private** proposed the introduction of time-of-day (peak/off-peak) pricing instead of a single daily average. **RPIL** and **Apraava** suggested adopting separate weighted average ACPs for solar hours and non-solar hours to better reflect market behaviour without requiring time-block-wise granularity.

3.5. **Resolven, NSEFI, Serentica, Tata Power and Jindal Power** proposed retaining the time-block-wise weighted average ACP as the reference/contract rate, but subject to

a ceiling equal to the weighted average MCP for the day (specifically for Solar/Wind/FDRE projects).

- 3.6. **SRPC** also suggested that regulations 3(j)(iii) and 3(y)(iii) along with other relevant regulations may be amended so that deviations by Captive Generating Plants/ General sellers / WS sellers are settled on the same basis and at the same DSM rates applicable to buyers, thereby eliminating the existing discriminatory treatment and ensuring uniform accountability for all entities contributing to grid imbalances.
- 3.7. **Mr S. K. Sonee** requested the Commission to retain the existing time-block-wise weighted average ACP methodology and, in the future, consider linking the reference price to the coupled Market Clearing Price (MCP) along with the SCED System Marginal Price (SMP).
- 3.8. **MNRE** highlighted that the proposal to shift from time-block ACP to daily weighted average ACP may reduce DSM charges for some open access RE projects during peak periods, especially wind projects generating during high-price hours. However, it may also dilute granular market signals, reduce incentives for accurate scheduling in specific time blocks, and adversely affect hybrid RE-plus-storage or standalone BESS projects that depend on time-of-day price signals and arbitrage opportunities.
- 3.9. **Nomos Finergy** submitted that the present formulation appears to have been developed prior to the proposed implementation of Market Coupling and recommended enabling language: 'Price discovered through the Market Coupling Operator or such market reference price as approved by the Commission from time to time' so that this would ensure compatibility of the DSM framework with future market reforms and avoid the need for consequential amendments.
- 3.10. **IWPA** welcomed the shift from time-block to daily weighted average ACP of the Integrated Day-Ahead Market for computing Contract Rate and Reference Charge Rate.
- 3.11. **TNPDCL** submitted that deviations by all categories of sellers, including CGPs, should be subjected to the same DSM settlement principles applicable to buyers, thereby eliminating the existing discriminatory treatment and ensuring uniform accountability for all entities contributing to grid imbalances
- 3.12. **Prayas** agreed with the principle of linking deviation charges to market signals. However, the proposal applies only to OA/ captive sellers, leaving DISCOM PPA sellers (majority of the market) on a different basis. It suggested that the Commission

consider a uniform market-linked normal rate of charge for both buyers and all sellers in the future.

Analysis and Decision

3.13. The Commission notes that several stakeholders opposed the proposed replacement of the existing time-block-wise weighted average ACP of the Integrated-Day Ahead Market (I-DAM) with the daily weighted average ACP of the I-DAM for determination of the Contract Rate and Reference Charge Rate applicable to the sale of power through open access to a third party or for captive consumption by a Captive Generating Plant. The stakeholders submitted that the proposed methodology would mask intra-day price variations, dilute time-of-day price signals, adversely affect efficient scheduling and market behaviour, and impact the RE projects that rely on time-varying market prices.

3.14. The Commission appreciates the stakeholders' submissions, especially the view that the DSM framework is intended to promote schedule discipline through appropriate economic signals. The existing time-block-wise weighted average ACP reflects the varying value of energy across the day and provides appropriate economic signals for accurate scheduling and balancing.

3.15. **Accordingly, the Commission has decided not to go ahead with the proposed amendment and retain the existing provisions under Regulations 3(j)(iii) and 3(y)(iii) of the Principal Regulations as under-**

(j) 'Contract rate' means (i) in respect of a WS seller or a MSW Seller or such other entity as applicable, whose tariff is determined or adopted or approved under Section 62 or Section 63 or Section 86(1)(b) of the Act, Rs/kWh tariff as determined or adopted or approved by the Appropriate Commission; or (ii) in respect of a WS seller or a MSW Seller or such other entity as applicable, whose tariff is not determined or adopted or approved under Section 62 or Section 63 or Section 86(1)(b) of the Act, and selling power through power exchange(s), the price as discovered in the Power Exchange for the respective transaction; or (iii) in respect of a WS seller or a MSW seller or such other entity as applicable, selling power through open access to a third party or in case of captive consumption of a captive generating plant based on renewable energy sources, the weighted average ACP of the Integrated-Day Ahead Market segments of all Power Exchanges for the respective time block; (iv) in case of

multiple contracts or transactions including captive consumption, the weighted average of the contract rates of all such contracts or transactions, as the case may be.

(y) **‘Reference Charge Rate’** or ‘RR’ means (i) in respect of a general seller whose tariff is determined or adopted or approved under Section 62 or Section 63 or Section 86(1)(b) of the Act, Rs/ kWh energy charge as determined or adopted or approved by the Appropriate Commission, or (ii) in respect of a general seller whose tariff is not determined or adopted or approved under Section 62 or Section 63 or Section 86(1)(b) of the Act, and selling power through power exchange(s), the price as discovered in the power exchange for the respective transaction; or (iii) in respect of a general seller selling power through open access to a third party or in case of captive consumption of a captive generating plant based on resources other than renewable energy sources, the weighted average ACP of the Integrated-Day Ahead Market segments of all the Power Exchanges for the respective time block; or (iv) in case of multiple contracts or transactions including captive consumption, the weighted average of the reference rates of all such contracts or transactions.

4. Insertion of a new clause after clause (4) of Regulation (8) of the Principal Regulations

Commission’s Proposal

4.1. A new clause shall be inserted after clause (4) of Regulation (8) of the Principal Regulations, as under:

“(4A) Notwithstanding the provisions of clause (4) of this Regulation, the charges for Deviation, in respect of a WS Seller, shall be treated at par with General Sellers in the following cases:

(a)for projects under bidding route, with tendering or bid submission dates on or after 01.01.2027; and

(b)for projects, other than those covered under sub-clause (a), having date of commercial operation on or after 01.01.2029.”

Comments received

4.2. Stakeholders (**Adani Power, SPDA, NSEFI, IPCL, IWPA, Cleanmax, Serentica, Gentari, MNRE, HREPL, Torrent, Tata Power, Continuum, Hero Future, Juniper, Jindal Power, EDF Power, JGRJ Solar, etc**) opposed the amendment for

WS Seller parity with General Seller; and requested withdrawal of the amendment. They submitted that RE generation is weather-dependent/non-dispatchable, unlike controllable conventional generation, so uniform DSM obligations effectively penalise natural variability as if it were operational indiscipline. This fails to distinguish behavioural (avoidable) deviations from natural (unavoidable) ones, risks higher tariffs/ lower IRR (especially for wind), assumes forecasting accuracy that doesn't yet exist, runs ahead of parallel flexibility mechanisms (storage, balancing resources, ancillary markets) still under development, and contradicts the "must run" status RE plants have held since IEGC 2010 - a status thermal plants never had.

- 4.3. **Adani Power** requested CERC to await the outcome of Writ Petition 13260/2026 (Karnataka High Court, which has stayed Reg. 6(2)(b) and 8(4) of the DSM Regulations, 2024) before amending further. **SPDA** and **IWPA** also highlighted that DSM Regulations 2024 are already challenged before the Delhi High Court (Writ Petition (W.P.(C) 5487/2025) and hence all such amendments are subject to such challenge.
- 4.4. **HREPL** requested retention of the existing solar/wind framework under Clause 8(4), whose deviation limits were already tightened from 01.04.2026. Also commented that the Available Capacity (AvC) basis under Reg. 6(2) be retained rather than migration towards Scheduled Generation, and that if frequency-linkage is introduced at all, it should exclude solar/wind, with deferred commencement.
- 4.5. **SECI** submitted to retain existing DSM framework for WS Sellers till 2030, review thereafter OR apply General Seller DSM only to FDRE, RE-RTC and RE+ESS projects ($ESS \geq 20\%$ of RE capacity).
- 4.6. **IWPA** requested deferring effective date to 01.01.2030, evidence-based rulemaking, and various impact assessments before finalising Reg 8(4A).
- 4.7. **Manikaran** suggested that the transition of WS Sellers to General Seller treatment should be made effective only from 01.04.2031, when the permissible deviation band (X%) becomes zero under the existing DSM framework.
- 4.8. **MNRE** opposed treating wind/solar at par with conventional plants; recommended continuing the Available Capacity denominator, linking RE-DSM readiness to forecasting/REMC/storage maturity. Recommended grandfathering bid-out/financially-closed projects or providing a Change-in-Law mechanism. Also recommended strengthening QCA-based deviation pooling with a payment security

mechanism (LC/ bank guarantee). **SPDA** also submitted that the projects already awarded or bid out should be considered for grandfathering.

- 4.9. **Renew** submitted that the DSM provisions must align with the regulatory framework at the time of financial decision-making (bid submission for bid-based projects; financial closure for others). Any increase in DSM liability for awarded projects should be treated as a Change in Law event with appropriate compensation.
- 4.10. **NGEL** submitted that a differentiated DSM framework for renewable energy projects should continue, considering the unique operational characteristics of RE generation. NGEL also seeks a clear methodology in the case that, at a pooling point, both older RE projects and new RE projects whose bid submission is after 01.04.2027 are connected, then it is not clear how the deviations shall be treated for the injections made at the pooling point.
- 4.11. **Sembcorp** submitted that all existing under-construction Green Hydrogen/Ammonia projects with bid submissions prior to 01.01.2027 must continue to be governed by the DSM norms prevalent at the time of bidding.
- 4.12. **Resolven** supports treating WS Sellers as General Sellers but "without linking the frequency" component. **Apraava** also seeks clarification on whether RE DSM will be linked to system frequency (as for General Sellers). **RPIL** requested deletion or deferral to at least 1st April 2031, and such deviation charges should not be linked to grid frequency.
- 4.13. Further, **Resolven and Apraava** also seek a CoD extension for projects unable to meet the timeline due to reasons beyond their control (including transmission delay), and seek REIA/Forest-clearance (FM) issues to be considered as grounds for extended SCOD under sub-clause (b).
- 4.14. **Tata Power** opposed alignment and submitted that plain vanilla solar/wind plants would need mandatory BESS deployment to comply, which will be technically and economically unviable, especially for wind. Requested a detailed Discussion Paper covering ESS framework, frequency-linked deviation methodology, and a clear implementation roadmap with stakeholder consultation.
- 4.15. **SAEL** proposed: (i) continuing the existing framework until adequate ESS/aggregation/forecasting infrastructure is established; (ii) alternatively, a phased transition based on demonstrated improvements; (iii) a detailed impact assessment with stakeholder consultation before implementation.

- 4.16. **Continuum** submitted that if the clause is retained, defer the bidding trigger to 01.07.2028 and the COD trigger to 01.01.2030 to allow for bid repricing (noting the industry currently has less than seven months' notice). Also suggested retaining Available Capacity as the base for computing deviation percentages regardless of parity.
- 4.17. **TNPDCL** recommended that the proposed distinction between existing and future WS Sellers be removed and that a uniform DSM framework be made applicable to all WS Sellers within a reasonable transition period.
- 4.18. **Grid India** submitted that as per Order in Petition 9/SM/2025, the value of "X" becomes zero from 01.04.2031, making existing WS Sellers' formula equivalent to General Sellers, but the draft amendment doesn't address this, creating potential for two parallel computation methods. Suggested adding a clause in 6(2)(b)(i) to harmonise treatment from that date.
- 4.19. **SRPC** commented that the amendment will support grid security. However, Reference Rate is not available for WS sellers, so it can be the same as Contract Rate.
- 4.20. **MSEDCL** welcomed the provision and submitted that 11+ years of RE forecasting experience and availability of AI/ML tools justify integrating WS sellers into mainstream market discipline; parity will improve scheduling accuracy and ease system operation.
- 4.21. **APPCC** supported the amendment but proposed accelerating the non-bid route timeline to 01.04.2027 (instead of 01.01.2029) given improving forecasting maturity.
- 4.22. **Prayas** supported the principle of aligning WS Sellers with GS as a timely step in the right direction, given future capacity additions will predominantly come from RE. It also highlighted that projects under the WS framework will fully shift to scheduled generation only from 01.04.2031, while new GS-framework projects start from day one, creating a complex dual-framework situation at the same pooling station. Recommended CERC mandate two separate schedules at pooling station level-one for WS-framework plants and one for GS-framework plants-with deviations and charges computed separately and sought clarification on: (1) tolerance band post-alignment; (2) whether pooling will continue; (3) whether 100 MW volume limit applies to large RE pooling stations; (4) that Contract Rate (not Reference Rate) should apply to new projects since wind/solar/hybrid have no energy charge.

- 4.23. **RAP** welcomed the Commission's move to align WS Sellers with General Sellers, as RE is no longer nascent, but urged that older RE plants also be treated on par with new upcoming RE generators.

Analysis and Decision

- 4.24. The Commission notes that stakeholders have expressed divergent views on treating Wind-Solar (WS) Sellers on par with General Sellers. Several stakeholders, including renewable energy (RE) generators, RE associations, and the MNRE, opposed the proposed amendment and requested its withdrawal, contending that RE generation is inherently weather-dependent and non-dispatchable, and that applying the same DSM framework as for conventional generators does not adequately account for such inherent variability. It was also submitted that forecasting accuracy, balancing resources, ancillary market mechanisms and storage infrastructure are still evolving, and therefore the existing differentiated framework should continue. Certain stakeholders further sought grandfathering of existing projects, deferment of the proposed timelines, or treatment of any additional DSM liability as a Change in Law event. On the other hand, Distribution Licensees and certain other stakeholders supported the proposed amendment, submitting that forecasting capabilities have improved significantly and that, considering the increasing share of RE in the generation mix, WS Sellers should progressively be brought under the DSM framework applicable to General Sellers to improve scheduling discipline and facilitate secure grid operation.
- 4.25. The Commission has carefully considered the stakeholders' submissions. The Commission observes that the Indian power sector has undergone a significant transformation since the differentiated DSM framework for RE generators was introduced. RE is no longer a marginal source of generation but constitutes a substantial and rapidly growing share of the country's installed capacity and electricity generation. With increasing RE penetration, maintaining grid security, reliability and operational efficiency requires greater scheduling discipline and improved forecasting by all grid-connected entities, as deviations from schedules have an increasing impact on system balancing, reserve requirements, and frequency management.
- 4.26. The country recorded its highest-ever renewable energy share of 51.5% in the electricity generation mix on 29 July 2025. The Commission notes that with such a

high share of intermittent renewable generation, grid operation has become progressively more challenging, requiring additional balancing reserves and ancillary services to maintain system frequency within the prescribed operating band. The cost of maintaining such reserves is ultimately borne by the distribution licensees and, consequently, by electricity consumers.

4.27. It is pertinent to mention that high frequency events have been observed very frequently. As per the information provided by the system operator, the high system frequency events have increased significantly in the grid. For instance, on 25th May 2025 (weekend Sunday), sustained high-frequency operation was observed due to low demand, bad weather, coupled with low availability of down reserves. Frequency remained above (> 50.05) the IEGC band for around 30% of the time. The frequency profile of 25th May 2025 is shown below:



Figure: Frequency profile of 25th May 2025

4.28. Further, the number of days where high frequency was observed is provided below by the System operator:

High Frequency Operation – Situation in July 2025

Frequency > 50.05% (for more than 20% of time) : Jul-25							Frequency > 50.05% (persistently* during peak solar hours) : Jul-25						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
		1 20%	2	3	4 26%	5 29%			1 02:48	2	3	4 03:35	5 03:46
6 25%	7	8	9 27%	10 23%	11	12 23%	6 03:48	7 02:30	8	9 03:18	10 03:11	11 02:47	12 02:56
13 25%	14 26%	15 20%	16 28%	17 20%	18 25%	19	13 04:08	14 03:37	15 02:51	16 02:32	17 02:10	18 03:17	19
20	21	22 24%	23 20%	24	25	26 21%	20	21	22 03:13	23 03:22	24	25	26 03:12
27 22%	28 22%	29 23%	30 21%	31 22%			27 04:29	28 02:59	29 04:02	30 03:45	31		

Highlighted days when frequency remained above the band for 20% of the time of the day.
(The percentage of time frequency remained above the band is indicated against the date.)

Highlighted days when frequency remained above the band persistently during solar hours (00:00–18:00 hrs).
*Frequency remained above the band continuously for at least 30 minutes.
(The cumulative duration of such spans is indicated against each date.)

High Frequency Operation – Situation in June 2025

Frequency > 50.05% (for more than 20% of time) : Jun-25							Frequency > 50.05% (persistently* during peak solar hours) : Jun-25						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
1 25%	2 24%	3	4 29%	5	6	7	1 05:08	2 03:49	3 03:29	4 05:16	5	6	7
8	9 26%	10 25%	11	12	13 20%	14	8 02:04	9 03:04	10 03:09	11 02:06	12	13 02:45	14
15 20%	16 23%	17 29%	18 30%	19	20 25%	21	15 02:43	16 03:37	17 06:00	18 04:31	19 02:35	20 04:22	21 02:24
22 22%	23	24 33%	25	26	27	28 21%	22 03:52	23 02:15	24 05:16	25 02:05	26 02:28	27 02:59	28 03:31
29 35%	30 25%						29 06:34	30 03:57					

Highlighted days when frequency remained above the band for 20% of the time of the day.
(The percentage of time frequency remained above the band is indicated against the date.)

Highlighted days when frequency remained above the band persistently during solar hours (00:00–18:00 hrs).
*Frequency remained above the band continuously for at least 30 minutes.
(The cumulative duration of such spans is indicated against each date.)

- 4.29. While generation from RE sources continues to depend on weather conditions, the Commission is of the view that such variability can increasingly be managed through improved forecasting, scheduling and balancing practices. Accordingly, future RE projects are expected to appropriately account for these operational obligations while planning, bidding and operating their projects.
- 4.30. The Commission has already granted relief for more than a decade, by way of a relaxed definition of deviation for WS sellers, a tolerance band, and delinking the deviation charge from frequency. Wind and solar technologies have now matured, and their penetration has increased substantially. Therefore, in line with the Government of India's vision for the energy transition and the seamless integration of 500 GW of RE, and in the interest of grid security, it is important that all stakeholders, including RE generators, should align with the emerging regulatory requirements.
- 4.31. The Commission has put in place several other supporting measures, which should be effectively leveraged to reduce deviations and their impact. Measures such as aggregation enable pooling multiple renewable generators at a common point, thereby smoothing individual variability and improving overall forecasting accuracy. This, in turn, reduces deviations and helps in maintaining better grid stability. Similarly,

storage provides flexibility by storing surplus energy and supplying it when generation falls short, thereby improving schedule adherence and enabling firmness in power supply.

- 4.32. The Commission further notes that rapid technological advancements, economies of scale and increasing deployment of Battery Energy Storage Systems have significantly improved the commercial viability of storage solutions. The declining cost of battery energy storage, coupled with the emergence of hybrid renewable energy projects, Firm and Dispatchable Renewable Energy (FDRE) projects and Round-the-Clock (RTC) renewable energy projects, is progressively enhancing the ability of renewable energy generators to manage variability, improve schedule adherence and provide greater certainty and firmness of supply.
- 4.33. Further, the Commission also notes that the sources of generation for both existing and future RE projects continues to be wind, solar or other renewable energy resources, and the proposed amendment does not alter the inherent physical characteristics of such resources. However, the regulatory framework cannot remain static and must evolve in line with the maturity of the RE sector, technological advancements, improved forecasting capabilities, and the increasing operational requirements of the power system. The objective of the DSM framework is to promote better scheduling discipline and facilitate secure, reliable and economic grid operation in an electricity system
- 4.34. The Commission is conscious that the proposed amendment for the purpose of treating deviation charges is based on an intelligible differentia. The distinction is not between RE technologies or generating sources, but between projects developed under different regulatory and commercial environments. Projects having tendering or bid submission dates on or after 01.01.2027 under the bidding route, and other projects achieving commercial operation on or after 01.01.2029, would be developed with prior knowledge of the applicable DSM framework. Such projects would have adequate opportunity to incorporate the associated obligations into their bidding, project design, financing arrangements, risk allocation, contractual provisions and commercial decisions. Existing projects, on the other hand, were conceptualised, bid out, financed, and developed in accordance with the regulatory framework prevailing at the relevant time. The classification, therefore, is reasonable and bears a direct and

rational nexus with the objective of ensuring regulatory certainty while progressively strengthening grid discipline.

- 4.35. The Commission cannot ignore that grid stability depends on collective responsibility. Even small deviations by individual entities, when combined, can affect the grid. Since grid stability is the backbone of the electricity sector, all regulatory measures must ensure system security and protect public interest.
- 4.36. The Commission has also taken note of the submissions that Regulations 6(2)(b) and 8(4) of the DSM Regulations, 2024 are under challenge before the Hon'ble High Court of Karnataka and the Hon'ble High Court of Delhi, and that interim orders have been passed in the said proceedings. The Commission observes that the present amendment proposes the insertion of a new Regulation 8(4A), which is prospective in nature and provides for the treatment of charges of deviation for the future Wind-Solar Sellers at par with General Sellers. The issues under consideration in the pending writ petitions pertain to the validity and operation of the existing provisions of the Principal Regulations. The pendency of those proceedings does not, by itself, preclude the Commission from exercising its statutory power under Section 178 of the Electricity Act, 2003 to amend the Regulations in the discharge of its legislative functions. The Commission is of the view that the said order does not bar the statutory obligation of the Commission to exercise its legislative function and cannot be construed as an order staying the implementation of the said Regulations. The Commission observes that regulatory powers under the Electricity Act, 2003, are exercised in the larger public interest to ensure grid security and stability. The objective of the DSM Regulations is to ensure, through a commercial mechanism, that users of the grid adhere to their schedules for the drawl and injection of electricity in the interest of grid security and stability. Grid stability is a shared responsibility of all its constituents.
- 4.37. In case of a pooling station having both existing WS sellers with relaxed deviation norms and new WS sellers with deviation at par with General Seller, the Commission would like to note that the operational aspects for the same will be developed by Grid India, with the Commission's approval, well in advance prior to 01.01.2029.
- 4.38. The Commission is, therefore, of the considered view that the proposed insertion of Regulation 8(4A) is justified in the interest of grid security and **accordingly decides to retain the insertion of clause Regulation 8(4A) as proposed in the draft Regulations.**

5. Insertion of a Note after clause (5) of Regulation (8) of the Principal Regulations regarding Charges of Deviation for Standalone ESS being Pumped Hydro Storage Plant.

Commission's Proposal

5.1. A Note shall be inserted after clause (5) of Regulation (8) of the Principal Regulations, as under:

“Note: The charges for deviation in respect of a standalone ESS being a pumped hydro storage plant under Section 62 of the Act shall be computed at the energy charge rate as specified under Clause 3 of Regulation 66 of the CERC (Terms and Conditions of Tariff) Regulations, 2024, as amended from time to time.”

Comments received

5.2. **MSEDCL** objected to linking DSM charges for standalone PSPs with ECR, stating it would dilute grid discipline. Sought clarification on Clauses 66(3) and 66(4) to avoid misinterpretation of the Rs. 0.20/kWh ECR provision. Further requested that standalone PSPs be classified as "General Sellers", rather than WS sellers, considering their operational similarity to conventional hydro stations.

5.3. **THDCIL** requested to explicitly specify the applicability of the Energy Charge Rate for computation of deviation charges in both operational modes of a Pumped Storage Plant, namely, generation mode and pumping mode, to ensure consistency in the treatment of deviations and facilitate uniform implementation of the DSM framework applicable to PSPs. **Renew Power** welcomed the tariff-linked reference but seeks clarification on its application across generation mode, pumping mode, losses, and system-operator-directed operations.

5.4. **Continuum** prayed that the Note be amended to explicitly confine its application to Section 62 pumped hydro plants, with battery-based standalone ESS and Section 63 ESS entities continuing under the main market-linked provision of Reg 8(5). Highlighted that this ambiguity could undermine commercial assumptions of BESS developers structured under the market-linked Section 63 framework.

5.5. **Nomos Finergy** recommended examining a framework allowing cost-plus PSPs greater flexibility for market-based charging/generation. Revenue earned through

such market-based energy arbitrage may be treated as Non-Tariff Income, in accordance with the applicable Tariff Regulations, and adjusted appropriately after application of the sharing ratio while determining the Annual Revenue Requirement/ Annual Fixed Charges recoverable from beneficiaries.

- 5.6. **HREPL** requested to provide clarity, with an illustrative example, on how the energy-charge rate under Clause 3 of Regulation 66 is to be applied in computing the deviation charges of a Section 62 pumped hydro plant.
- 5.7. **IPCL** welcomed the 20 paise/kWh operating margin ceiling under Regulation 66 of CERC Tariff Regulations 2024 for standalone Pumped Hydro Storage Plants. It also recommended a dedicated regulatory framework for PSPs with Terms and Conditions of Tariff (ESS) tailored to their unique characteristics. Pointed out high RTE losses (70–75%), massive CAPEX for civil works like tunnels and reservoirs, and grid balancing services that current DSM settlement does not adequately compensate.
- 5.8. **TNPDCL** submitted that PSPs should be subjected to the same DSM rates and settlement principles applicable to other similarly placed entities. A common deviation settlement framework would strengthen grid discipline, ensure equitable sharing of balancing responsibilities, eliminate discriminatory treatment among market participants and protect Distribution Licensees and consumers from bearing a disproportionate share of balancing costs.
- 5.9. **AIDA** submitted that in view of the operational characteristics, standalone PSPs may be considered under the DSM framework applicable to General Sellers to ensure equitable accountability and effective grid discipline.
- 5.10. **RAP** welcomed clarification but flagged concern that the flat 20 paise/kWh energy charge rate (Reg 66(3) of Tariff Regulations) doesn't reflect PSPs' flexibility/balancing value; suggested considering time-block-specific reference rates as more accurately valuing the flexibility and time-shifting services that PSPs provide to system operators than administratively based energy charges.
- 5.11. **IWPA** welcomed the Note on deviation charges for Section 62 pumped hydro storage as it would resolve the gap arising from the absence of a contract rate for such plants.

Analysis and Decision

- 5.12. The Commission has noted the comments and suggestions received from the stakeholders. While some stakeholders welcomed the proposed amendment, others

sought clarification on the applicability of the Energy Charge Rate for computing deviation charges in the generation and pumping modes of standalone PSPs whose tariff is determined under Section 62 of the Electricity Act, 2003. Certain stakeholders also suggested treating such PSPs at par with General Sellers under the DSM framework, while others proposed a dedicated regulatory framework for Pumped Storage Plants.

- 5.13. The Commission observes that the proposed amendment is intended to address the absence of a specific provision under the DSM Regulations, 2024 for computation of deviation charges in respect of PSPs whose tariff is determined under Section 62 of the Act. However, in the case of such standalone PSPs, neither a Contract Rate nor a Reference Charge Rate is available, so the Annual Fixed Cost (AFC) of these projects is recovered through capacity or fixed charges, while the energy required for charging is arranged by the beneficiaries and is therefore not associated with any contract rate.
- 5.14. The Commission is of the view that the Energy Charge Rate specified under Clause (3) of Regulation 66 of the CERC (Terms and Conditions of Tariff) Regulations, 2024 is the appropriate rate for computation of deviation charges for standalone PSP regulated under Section 62 of the Act, as the said provision specifically governs the Energy Charge Rate applicable to such projects under the cost-plus tariff framework. This would ensure that the rate applicable for computation of deviation charges remains aligned with the applicable Energy Charge Rate, including any amendments thereto, in both the generation mode and the pumping mode of operation of such PSPs.
- 5.15. The Commission may review the implementation of this provision after two years based on the experience gained during its implementation. Any revision, if considered necessary, shall be undertaken through a separate order.
- 5.16. **Accordingly, the Commission has decided to retain the note as proposed in the draft Regulations.**

6. Amendments to Clause (8) of Regulation (8) of the Principal Regulations

Commission's Proposal

- 6.1. The Commission proposed the amendments for the charges for injection of infirm power for Standalone Energy Storage System along with the consequential amendments:

“5.1 In sub-clause 8(1) of Regulation 8 of the Principal Regulations, the words “The charges for injection of infirm power shall be zero, except in cases specified under clauses (2) and (3) of this Regulation” shall be read as “The charges for injection of infirm power shall be zero, except in cases specified under clauses (2), (2A) and (3) of this Regulation”.

5.2 A new clause shall be inserted after sub-clause 8(2) of the Regulation (8) of the Principal Regulations, as under:

“(2A) In case of Standalone Energy Storage System (ESS), the infirm power injected into the grid from the date of first synchronization of ESS up to the successful completion of the trial run shall be paid @ Normal Rate of Charges for Deviations for each time block, subject to a ceiling of ₹ 2.00/kWh.”

5.3 In sub-clause 8(4) of Regulation 8 of the Principal Regulations, the words “Notwithstanding the provisions of clauses (2) and (3) of this Regulation,” shall be read as “Notwithstanding the provisions of clauses (2), (2A) and (3) of this Regulation,”

Comments received

- 6.2. Stakeholders such as **MNRE, NGEL, Greenko, Resolven, NSEFI, RPIL, Tata Power, Manikaran, CleanMax, SAEL, EDF Power, Continuum, etc.** submitted that the proposed ceiling of Rs. 2.00/kWh for infirm power injected by Standalone ESS during synchronization, testing and commissioning is inadequate and does not reflect the actual cost of procurement, charging/pumping energy, transmission charges, auxiliary consumption, round-trip efficiency losses and other operational costs. They requested that the ceiling be enhanced (to Rs. 2.86/ kWh (at parity with thermal station) or Rs. 3.50-4.00/kWh, periodically reviewed, or compensation may be linked to prevailing market prices, the Normal Rate of Charges for Deviations, or the project's specific contracted energy charge rate.
- 6.3. **NSEFI and Tata Power** also submitted that, for PSPs, the proposed ceiling of Rs. 2.00/kWh does not reflect the actual landed cost of power incurred during testing and commissioning, which may range from Rs. 2.20/kWh to Rs. 5.39/kWh after

accounting for applicable charges, while only about 60% of the consumed energy is recovered during trial runs. They requested that the methodology for determining the ceiling be revisited based on the actual landed cost of power.

- 6.4. **Greenko** further proposed five alternatives: (1) compensate at the Market Clearing Price of the relevant time block; (2) compensate based on actual pumping cost incurred (incl. losses); (3) waive pumping charges altogether (no compensation either way); (4) a higher fixed rate of Rs. 3.50/kWh; or (5) allow infirm power to be sold in exchanges/bilaterally at MCP or contract price.
- 6.5. **Renew Power** submitted that the Rs. 2/kWh ceiling should be revised to actual demonstrable cost or linked to daily weighted average market price (not solar-hours-only prices).
- 6.6. **Juniper** accepted Rs. 2/kWh as baseline but proposes linking it to APPC (nationally accepted procurement cost benchmark) or removing the cap and linking it to IDAM price.
- 6.7. **THDCIL** proposed compensating infirm power for Standalone ESS at 1.25× the weighted average daily solar-hour DAM ACP.
- 6.8. **Resolvn, JGRJ Solar, EDF Power and NSEFI** also proposed extending the same dispensation to RE Projects (Wind/Solar/Hybrid, with or without ESS), not just Standalone ESS.
- 6.9. **IPCL** recommended aligning ESS infirm power settlement with I-DAM Clearing Price from the High Price Day-Ahead Market (HP-DAM) or Ancillary Services Market, capped at a reasonable Rs.50–75 paise/kWh premium.
- 6.10. **MSEDCL** and **AIDA** proposed zero rate for infirm injection during solar hours. Suggested restricting paid infirm injections exclusively to non-solar hours.
- 6.11. **TNPDCL** submitted that DSM is a grid-balancing mechanism, not a pre-commercial compensation mechanism. Trial-run injection has no identified beneficiary or PPA, yet costs are socialised via GNA-based deficit recovery onto DISCOMs—violating the cost-causation principle. Reg. 8(2A) may be dropped; If compensation for trial-run infirm power is considered necessary, it should be provided through an appropriate tariff or contractual framework outside the DSM mechanism, without imposing the financial burden on the DSM Pool and, ultimately, on beneficiary DISCOMs.

- 6.12. **Tata Power** submitted that, for infirm power injections that are non-commercial and essential for validating system performance and grid compliance, the term "testing" should be explicitly included to ensure appropriate recognition of all legitimate pre-commissioning-stage injections and to avoid ambiguity in implementation
- 6.13. **APPCC** supported Rs. 2/kWh ceiling to encourage commissioning of storage projects while protecting consumers from prolonged infirm power compensation.
- 6.14. **SRPC** submitted to expand ESS infirm power scope to include ESS under Section 62, Integrated ESS per Tariff Regulations, and Nuclear stations (whose infirm injection settlement is currently unclear under IEGC).

Analysis and Decision

- 6.15. The Commission notes that while some stakeholders supported the proposed ceiling of Rs. 2.00/kWh for infirm power injected by Standalone Energy Storage Systems (ESS), several stakeholders submitted that the proposed ceiling is inadequate as it does not include the cost of charging energy, transmission charges, auxiliary consumption, round-trip efficiency losses and other operational costs incurred during synchronization, testing and commissioning. They suggested linking the compensation to prevailing market prices, APPC, actual landed cost of power or the applicable Energy Charge Rate, or that the ceiling be enhanced and reviewed periodically. Some stakeholders also proposed extending the proposed dispensation to RE projects (wind, solar and hybrid projects, with or without ESS), ESS regulated under Section 62 of the Act, Integrated ESS covered under the Tariff Regulations, and nuclear generating stations.
- 6.16. The Commission notes that the proposed provision seeks to provide compensation for infirm power injected by Standalone ESS during the period from first synchronization until the successful completion of the trial run. The Commission believes that any compensation for infirm power injection would ultimately be recovered through the DSM pool and may have implications for other grid participants. Therefore, while it is necessary to provide reasonable compensation for Standalone ESS developers, it is equally important to ensure that the interests of other stakeholders are adequately protected and that no unintended commercial benefit arises from injections made during testing, first-time charging, and trial operation. Accordingly, the Commission

has sought a balance between providing equitable treatment for standalone ESS developers and limiting the financial burden on other stakeholders.

- 6.17. The Commission has also gathered data on the instances and duration of injection of infirm power by the Standalone ESS and found that such instances are occasional and not continuous throughout the period leading up to trial run or COD.
- 6.18. The Commission has examined the prevailing market prices, as explained in the Explanatory Memorandum, and is of the view that payment for infirm power at the Normal Rate of Charges for Deviations, subject to a ceiling of Rs. 2.00/kWh, represents a balanced approach. The Commission is not inclined to revise the proposed ceiling or adopt the alternative methodologies suggested by the stakeholders, as the proposed framework adequately compensates for energy injected during the synchronization and trial operation of Standalone ESS while limiting the financial impact on other grid participants. **Accordingly, the Commission has decided to retain as proposed in the draft Regulations.**

7. Amendments to Regulation 10 (Schedule of Payment of Charges for deviation) of the Principal Regulations

Commission's Proposal

- 7.1. In order to provide operational flexibility and ensure consistency between the DSM Regulations, 2024 and the Detailed Procedure for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account, the Commission proposes consequential amendments to Regulation 10 of the DSM Regulations, 2024, relating to the Schedule of Payment of Charges for Deviation and proposed the following amendments in Regulation 10 of the DSM Regulations, 2024:

6.1 In clause (1) of Regulation 10 of the Principal Regulations, the words and expression "10 (ten) days of the issue of the statement of charges for deviation by the Regional Power Committee," shall be substituted by "the timeline stipulated in the Detailed Procedure for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account,".

6.2 *In clause (3) of Regulation 10 of the Principal Regulations, the words and expression “10 (ten) days from the date of issue of the statement of charges for deviation” shall be substituted by “the timeline stipulated in the Detailed Procedure for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account”.*

Comments received

- 7.2. **Adani Power, Manikaran, NSEFI, IPCL and SAEL, Jindal Power, etc** submitted that the timeline of 10 days should be revised to 12-15 working days to ensure operational feasibility. **SPDA and TNPDC** submitted that the existing statutory timeline of 10 days may be retained. **TNPDC** also submitted that the payment and disbursement timelines under Regulation 10 are substantive commercial provisions and should continue to be specified in the Regulations to ensure regulatory certainty, transparency and stakeholder confidence. **Adani Power** further submitted that QCA requires 3-4 working days for de-pooling of DSM Charges, verification and invoicing preparation.
- 7.3. **Manikaran and NSEFI, Renew Power, APPCC, JIPL** also sought prior stakeholder/QCA consultation before the Detailed Procedure is finalised.
- 7.4. **Juniper** accepted the shift to Detailed Procedure but requested: (i) no penal interest on disputed invoices; (ii) defined dispute-raising procedure and RPC acknowledgement; (iii) explicit obligation on the Pool to settle within the stipulated timeline.
- 7.5. **IPCL** opposed replacing the "10-day" statutory payment deadline with reference to the Detailed Procedure, as it introduces a "Drawee DIC" vs "Drawee" terminological inconsistency. Recommended CERC explicitly clarify in Regulation 10 that the timeline applies to all designated Buyers, Sellers, and Standalone ESS entities, and bridge definitional gaps to protect developers from arbitrary procedural exclusions.
- 7.6. **MSEDCL and AIDA** proposed that if any regional entity defaults on its DSM pool payment for two consecutive billing cycles, and fails to immediately recoup its LC, the respective RLDC/NLDC shall forthwith debar/suspend the scheduling of such entity.
- 7.7. **Neyveli Uttar Pradesh Power Limited, THDCIL and Serentica** submitted that while the draft amendment levies LPS at 0.04%/day on delayed DSM payments by

regional entities, there is no corresponding provision for LPS on delayed disbursement of DSM receivables to generating stations.

- 7.8. **Continuum** submitted that the NLDC/RLDCs shall disburse amounts receivable by regional entities within six (6) days of the due date for receipt of funds into the National Deviation and Ancillary Services Pool Account, failing which late payment surcharge @ 0.04% per day shall be payable by the pool to such receivable entities from the seventh day onwards.
- 7.9. **NTPC** flagged a disparity between the due dates for payment to the pool (10 days) and payment from the pool (10 days + 7 working days). Requested to issue a suitable direction to NLDC to revise the draft to incorporate that RLDC shall make payments to the regional entities within 3 working days after the due date for receipt (i.e., 10 days + 3 working days) of funds into the National Deviation and Ancillary Services Pool account.
- 7.10. **Grid India** welcomed linking payment timelines to the NLDC Detailed Procedure, but requested early approval of the procedure and noted further regulatory changes needed in IEGC 2023, congestion-relief regulations, SCUC/SCED procedures. Proposed implementation be made applicable only one year after approval of the Detailed Procedure, with interim provisions during the transition.

Analysis and Decision

- 7.11. The Commission has noted the suggestions received and decided to retain the provision of timeline as in the principal regulation, with flexibility for NLDC to stipulate such other timeline with the approval of the Commission. Other suggestions, such as a reciprocal late payment surcharge, are beyond the scope of the proposed amendments.
- 7.12. In view of the above, the Commission has decided to retain the existing statutory payment timeline of 10 (ten) days in these Regulations. Until the Commission approves the Detailed Procedure by Grid India for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account the payment timeline specified in these Regulations shall continue to apply. Upon such approval, the payment mechanism shall be implemented in accordance with the Detailed Procedure, while continuing to adhere to the payment timeline prescribed in these Regulations.

7.13. Therefore, the Commission has decided to amend the provisions under Regulations 10(1) and 10(3) of the Principal Regulations as under-

“5.1 In clause (1) of Regulation 10 of the Principal Regulations, the words “or within such timeline as stipulated in the Detailed Procedure for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account, as approved by the Commission,” shall be inserted after the words “The payment of charges for deviation shall have a high priority, and the concerned regional entity shall pay the due amounts within 10 (ten) days of the date of issuance of charges for deviation by the Regional Power Committee” and before the words “failing which late payment surcharge @ 0.04% shall be payable for each day of delay”.

5.2 In clause (3) of Regulation 10 of the Principal Regulations, the words “or within such timeline as stipulated in the Detailed Procedure for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account, as approved by the Commission ” shall be inserted after the words “In case of failure to pay into the Deviation and Ancillary Services Pool Account within 10(ten) days from the date of issuance of charges for deviation,” and before the words, “the Regional Load Despatch Centre shall be entitled to encash the Letter of Credit of the concerned regional entity to the extent of the default, and the concerned regional entity shall recoup the Letter of Credit amount within 3 (three) days.”

7.14. Accordingly, incorporating the above amendments, Regulation 10 of the Principal Regulations shall read as follows:

“(10) Schedule of Payment of charges for deviation

(1) The payment of charges for deviation shall have a high priority, and the concerned regional entity shall pay the due amounts within 10(ten) days of the date of issuance of charges for deviation by the Regional Power Committee or within such timeline as stipulated in the Detailed Procedure for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account, as approved by the Commission, failing which late payment surcharge @ 0.04% shall be payable for each day of delay.

- (2) Any regional entity which at any time during the previous financial year fails to make payment of charges for deviation within the time specified in these regulations shall be required to open a Letter of Credit (LC) equal to 110% of its average payable weekly liability for deviations in the previous financial year in favour of the concerned Regional Load Despatch Centre within a fortnight from the start of the current financial year.
- (3) In case of failure to pay into the Deviation and Ancillary Service Pool Account within 10 (ten) days from the date of issuance of charges for deviation or within such timeline as stipulated in the Detailed Procedure for implementation, maintenance and operation of the National Deviation and Ancillary Services Pool Account, as approved by the Commission, the Regional Load Despatch Centre shall be entitled to encash the LC of the concerned regional entity to the extent of the default and the concerned regional entity shall recoup the LC amount within 3 days.

8. Additional Comments

Comment's Received

- 8.1. **MSEDCL** and **AIDA** submitted that to ensure regulatory consistency (as per Order in Petition No. 9/SM/2025) and statutory harmony, the clause capping over-injection charges at zero during high-frequency grid excursions (> 50.05 Hz) must be explicitly integrated into the main body of the CERC DSM 3rd Amendment Regulations.
- 8.2. **AIDA** submitted that for pool deficit recovery, the current GNA-proportionate recovery penalises disciplined utilities. Shortfalls should be recovered from the specific buyers and sellers whose deviations necessitated Ancillary Services deployment.
- 8.3. **MSEDCL** on Pool shortfall recovery submitted that the shortfall at the end of any weekly settlement cycle must be recovered via supplementary bills on a proportionate basis only from those specific buyers who over-drew and those specific sellers who under-injected during the exact time-blocks when Ancillary Services were actively deployed.
- 8.4. **Manikaran** seeks explicit clarification that, for aggregation/multiple contracts at a pooling station, whether the weighted average contract rate be computed using

"Scheduled Generation" corresponding to each contract or transaction for the respective time block, OR based on "Available Capacity." The methodology may be uniformly applied by all RPCs/RLDCs to avoid regional variations in DSM settlement

- 8.5. **Sembcorp** suggested incorporating a clause that guarantees that any delays caused by factors entirely beyond the generator's control - specifically grid and transmission infrastructure delays - must result in a corresponding shift in regulatory deadlines to protect developers from unfair penalties, and they shall continue to be governed by the previous regulatory regime.
- 8.6. **Prayas** submitted that since BESS has the highest controllability among all generation sources, it recommends a tighter $\pm 2-5\%$ deviation band with frequency linkage; deviations beyond this should attract zero payment for over-injection and 100% RR recovery for under-injection. Recommends standardising RPC data formats;
- 8.7. **RPIL** recommended enabling RE Generating Stations/RE Hybrid Generating Stations to procure power through Power Exchanges and/or open access arrangements for auxiliary consumption, deviation reduction, and contractual supply obligations (RTC/FDRE), with such procurement reflected in scheduling and deviation accounting.
- 8.8. **MNRE** submitted that RE generators should be allowed to minimise the deviation through appropriate mechanisms such as either through self-purchase OR through a third party like Grid India. Also recommended public availability of weather/REMC/schedule/injection data and exemptions for officially declared extreme weather events (IMD/RLDC-certified).
- 8.9. **Renew** recommended portfolio/regional-level aggregation with deviation netting; RE generators' right to buy from RTM to manage deviations; phased reduction of RTM gate closure from 4 to 2 time-blocks; restoration of schedule revision window to the 4th time block.
- 8.10. **SRPC** submitted that the WS Sellers at a common switchyard must route DSM through a Lead Generator or QCA to reduce computation volumes and reactive charge segregation complexity
- 8.11. **Nomos Finergy** recommended NLDC to publish an annual Forecast Accuracy Report (technology-wise, region-wise, seasonal) and CERC to develop a forecasting performance index-entities meeting sustained accuracy thresholds eligible for modest DSM charge reduction; persistent inaccuracy attracts standard rates.

- 8.12. **Prayas** recommended standardising RPC data formats; providing entity-level details (capacity, location, fuel type); reporting individual plant-level data alongside aggregated pooling station data; including TRAS instructions per entity per time block; and reporting schedule revisions (who revised, when) for each entity.
- 8.13. **Grid India** suggested computing inter-regional deviation in energy terms only (without associated notional financial figures), since no actual fund flow occurs.
- 8.14. **NTPC** submitted that the integrated energy storage system is envisaged to be declared separately, like the Standalone ESS. However, as of now, the DSM Regulations do not have provisions related to Integrated ESS. Requested that "Integrated ESS" be added alongside "Standalone ESS" in Regulations 8(5) and 8(9) to remove ambiguity, especially regarding charges for start-up power/auxiliary drawl during shutdown.
- 8.15. **NTPC** highlighted that the 15-minute averaging methodology makes the first/last ramp time-block schedules mathematically infeasible for coal stations ramping at 1%/min, causing unwarranted DSM liability. Proposed that deviation up to 0.5%/min (7.5% per block) during ramping be settled at Reference Charge Rate.

Analysis and Decision

- 8.16. The Commission has carefully considered the above suggestions. However, the issues raised are outside the scope of the present amendment, which is confined to the specific amendments proposed in the draft notification. Consideration of these issues would require a separate and comprehensive examination of the relevant provisions of the DSM Regulations, 2024. Accordingly, no modification has been considered in the present amendment.

Sd/-
Ravinder Singh Dhillon
Member

Sd/-
Harish Dudani
Member

Sd/-
Ramesh Babu. V
Member

Sd/-
Jishnu Barua
Chairperson

List of the Stakeholders commenting on the draft CERC (Deviation Settlement Mechanism and Related Matters) (Third Amendment), Regulations, 2026

1. Solar Energy Corporation of India Ltd (SECI)
2. Adani Power Ltd.
3. Maharashtra State Electricity Distribution Company (MSEDCL)
4. Shri S.K Soonee
5. Ministry of New & Renewable Energy (MNRE)
6. NTPC Green Energy Limited (NGEL)
7. THDC India Limited
8. Manikaran Analytics Limited
9. Greenko AP01 IREP Private Limited
10. Sembcorp
11. Resolven
12. Hinduja Renewables Energy Private Limited (HREPL)
13. Torrent Green Energy Pvt. Ltd.
14. Prayas Energy Group
15. Rays Power Infra Limited (RPIL)
16. Tata Power
17. Neyveli Uttar Pradesh Power Limited
18. Sustainable Projects Developers Association (SPDA)
19. National Solar Energy Federation of India (NSEFI)
20. India Power Corporation Limited (IPCL)
21. Grid Controller of India Limited (Grid India)
22. Indian Wind Power Association (IWPA)
23. Regulatory Assistance Project (RAP)
24. Clean Max Fusion Power LLP
25. Serentica Renewables India Private Limited
26. Gentari Renewables India Utilities 2 Private Limited
27. NTPC Limited
28. SAEL Industries Limited

29. Continuum Green Energy Limited (CGEL)
30. ReNew Private Limited
31. Hero Future Energies Private Limited (HFE)
32. Juniper Green Energy
33. Nomos Finergy LLP
34. Southern Regional Power Committee (SRPC)
35. Apraava Energy
36. Tamil Nadu Power Distribution Corporation Ltd (TNPDC)
37. All India Discoms Association (AIDA)
38. Andhra Pradesh Power Coordination Committee (APPC)
39. EDF Power Solutions India
40. Jindal India Power Limited (JIPL)
41. JGRJ Two Solar Pvt. Ltd

List of the Stakeholders presented (presentation and orally) during the Public Hearing on draft CERC (Deviation Settlement Mechanism and Related Matters) (Third Amendment), Regulations, 2026 held on 30.06.2026

1. Grid India
2. THDC India Limited
3. National Solar Energy Federation of India (NSEFI)
4. Tamil Nadu Power Distribution Corporation Ltd (TNPDC)
5. Shri S.K. Soonee
6. Serentica Renewables India Private Limited
7. Manikaran Analytics Limited
8. Prayas Energy Group
9. Clean Max Fusion Power LLP
10. Nomos Finergy LLP
11. Gentari Renewables India Utilities 2 Private Limited
12. Sustainable Projects Developers Association (SPDA)
13. Greenko AP01 IREP Private Limited