



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: 14th November 2025

In the matter of

Central Electricity Regulatory Commission (Deviation Settlement and Related Matters) (Second Amendment) Regulations, 2025 – 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”) issued 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 dated: 05th August 2024, effective from 16.09.2024.
- 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.
- 1.3 Later, 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. Furthermore, the Ministry of Power, in its letter dated 27th March 2025, also requested the CERC to review the existing provisions on infirm power for thermal generators, particularly for those not covered under Section 62 of

the Act, to examine the possibility of fuel cost recovery during trial runs.

- 1.4 Accordingly, the Commission issued the Draft Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) (Second Amendment) Regulations, 2025 (hereinafter referred to as the “Draft Regulations”). Subsequently, the Commission also issued the Explanatory Memorandum for the same, wherein the rationale behind the Draft Regulations was explained.
- 1.5 **Comments/suggestions/objections** were sought from the stakeholders and interested persons on the Draft Regulations by June 10, 2025. In response, the Commission received submissions from nineteen (19) stakeholders. The list of stakeholders is attached as **Annexure I** to this document. Subsequently, a Public Hearing on the Draft Regulations was conducted on June 23, 2024, via video conferencing. The list of stakeholders who presented during the Public Hearing is attached as **Annexure II**.
- 1.6 The Commission, complying with the provisions of the Act and the Electricity (Procedure for Previous Publication) Rules, 2005, proceeded to finalise the second Amendment to the DSM Regulations 2024. The Commission considered the comments of stakeholders on the Draft Regulations, the views of participants in the Public Hearing, as well as their written submissions received during and after the Public Hearing. The Regulations have been finalised after due consideration of various issues raised by the Stakeholders. The analysis of the issues and findings of the Commission thereon is discussed in the subsequent paragraphs.
- 1.7 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 that the same 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 the overlapping of the issues/ comments, two or more clauses have been combined in order to minimise repetition.
- 1.8 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 Comments

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 01.07.2025.”

Comments received

2.2. APP, Vedanta Power and JSW suggested that the effective date should be backdated to 23.12.2024 instead of 01.07.2025, as there is no mechanism for recovering the cost of infirm power scheduled and injected into the Grid for the period between 23.12.2024 and 01.07.2025. Alternatively, Vedanta Power also requested to grant permission to submit retrospective claims for the recovery of actual fuel costs incurred for infirm power injection.

Analysis and Decision

2.3. **The Commission has considered the suggestions of stakeholders requesting that the amendment be given retrospective effect. However, it is a settled principle of law that subordinate legislation cannot operate retrospectively unless the parent Act expressly confers such authority. Granting retrospective effect to these regulations would, therefore, be impermissible. A plain reading of Section 178 of the Act makes it evident that the Commission has not been vested with the power to frame regulations with retrospective effect, either expressly or by necessary implication. In view of this, the Commission has decided to retain the provision as proposed in the draft amendment**

3. Amendment to Regulation 8 (Charges for Deviations) of the Principal Regulations

Commission's Proposal

3.1. The Commission, in the Draft Amendment Regulations, proposed the Charges for the injection of infirm power as follows:

“(8) Charges for injection of infirm power -

(1) The charges for 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 first synchronization of the unit 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 ₹ 2.86/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 the successful trial run by way of over injection by a general seller or WS seller, as the case may be, shall be zero.”

Comments received

- 3.2. Regional Power Committee, like Southern Regional Power Committee (SRPC) and Northern Regional Power Committee (NRPC), suggested expanding the eligibility beyond thermal generators and allowing it for all ‘General Sellers’ as categorised in the Regulations. They have proposed that different rate capping may be defined for different types of generators and prior approval be obtained from the respective Regional Load Despatch Centres (RLDCs). NRPC also suggested that the infirm rate for Gas Power Plants may also be specified by the Commission.
- 3.3. Association of Power Producers (APP), JSW Energy Ltd (JSW) and Vedanta Power submitted that the infirm power charges should be de-linked from the Normal Rate of Charges and should be based on duly certified actual fuel cost data collected from the respective thermal generators, without imposition of any ceiling. This will help to recover the fuel costs incurred up to the trial run and will not create any financial burden for thermal generators. Vedanta Power also submitted that sub-categorisation be introduced within thermal generators to differentiate between imported coal-based projects, domestic coal-based projects and Gas and Liquid fuel-based projects.
- 3.4. Bharathiya Electricity Engineers Association (BEEA) recommended a transparent verification process involving SLDCs/RLDCs. It proposed to replace the fixed ceiling rate of Rs. 2.86/kWh with an indexed rate linked to actual fuel costs. It has also raised concerns over the rule denying payment when system frequency exceeds 50.05 Hz, suggesting exemptions for essential technical operations and a graded payment reduction instead of a complete disallowance.
- 3.5. Sembcorp, NHPC, THDIL and NPCIL submitted that the infirm power injected into the grid from renewable energy generators, including Hydro and Pumped Storage

Generating Stations, Nuclear Power Plants, from the date of first synchronization of the unit up to the successful completion of the trial run, must also be treated on similar lines as proposed for the thermal stations.

- 3.6. Serentica suggested that the infirm power injected by thermal generating plants from first synchronization to successful trial run should be paid at the normal deviation rate, capped at Rs. 2.86/kWh and for Renewable Generating Stations, capped at Rs. 2.49/kWh and that during evening peak, the ceiling shall be of Rs. 4.80/kWh.
- 3.7. NTPC sought clarity on which rate should be used to calculate deviation charges in the period after the trial run and before COD, and suggested using the energy charge rate given by the generator as the Reference Rate (RR) during this period.
- 3.8. Discoms' representatives, like Andhra Pradesh Power Coordination Committee (APPCC) and Tamil Nadu Power Distribution Corporation Ltd. (TNPDC), submitted that the amendment regarding infirm power will further strain the already deficit DSM pool and unfairly shift financial burden onto the Discoms. And that such payments reduce funds available for essential grid development under the Power System Development Fund (PSDF). APPCC also emphasised that infirm power benefits only the generator and its buyer and should not be linked to the pool account. It also highlighted broader concerns of discriminatory treatment in the DSM Regulations 2024, where Discoms are penalised more than the generators.
- 3.9. APL proposed to replace "Normal Rate" with "Reference Rate" for infirm power compensation. It has also requested that a floor price during solar hours if the normal rate mechanism is retained, and that any deviations during ramping and start-up must be settled at the reference rate only. Further submitted that the unscheduled injection of infirm power must be settled at the reference rate, irrespective of the grid frequency, so that the generator is adequately compensated towards the fuel cost.
- 3.10. Power Tech Consultants and Sideshwari Power Generation Pvt.Ltd submitted to replace "Normal Rate" with "Contract Rate" for RE-based Generating stations like PSP, SHEPs and with "Reference Charge Rate" for Thermal, Nuclear and Gas-based Generating stations for infirm power compensation.
- 3.11. Vedanta also submitted that the Commission should align the language of Clause 2.2 of the Explanatory Memorandum with the actual text of Draft Regulation 8(4). The Commission may consider clarifying that the zero-compensation provision applies only to over-injection after a successful trial run, and does not restrict compensation under Regulation 8(2) for thermal generators injecting infirm power prior to the trial run.
- 3.12. Welspun submitted that Clause 8(4) contradicts the fundamental grid balancing principle, as high frequency indicates excess generation, and further over-injection worsens grid imbalance and recommended that the clause be amended to permit zero

charges for over-injection only when the frequency is below 50.05 Hz instead of above 50.05Hz.

- 3.13. CESC sought clarity on infirm injection after trial run but before COD and also requested that the proposed amendment which specifies applicable charges for injection of infirm power, may also be modified to address the same by incorporating a specific provision towards the net revenue earned after netting off of fuel costs that must be passed on as a discount to the tariff for Section 63 generating stations (both thermal and RE sources).

Analysis and Decision

- 3.14. **The Commission has considered the suggestions of the stakeholders. Some of the stakeholders have suggested expanding the eligibility beyond thermal generators and allowing it for all ‘General Sellers’ as categorised in the Regulations, and also proposed different rates for different kinds of technologies with prior approval of respective RLDCs. Some stakeholders suggested that the proposed rate is too low and requested that the recovery of the full fuel cost be allowed. While some stakeholders opposed the amendment, citing that it would further increase the burden on the DSM pool and eventually on the Discoms. Some stakeholders also sought clarity on the infirm injection after the trial run but before the project's commissioning date (COD).**
- 3.15. **As explained in the explanatory memorandum for the amendment, instances of infirm power injection by the thermal generating stations are occasional and not continuous throughout the period leading up to the trial run or COD. These injections are necessary for stabilising the rotating equipments, synchronising units with the grid, tuning control loops, and ensuring compliance with technical standards before the unit is declared commercially operational. In contrast to renewable energy, thermal generating stations incur expenses on fuel during trial runs and auxiliary system testing phases. Hence, after careful consideration and taking into account operational realities, the Commission had proposed the amendment. At the same time, the Commission believes that it is vital that the DSM pool should not be burdened with additional charges on account of such infirm power injection. Hence, such charges are capped at the mean value of the energy charges for thermal power stations, i.e. @Rs. 2.86 per unit. Accordingly, the Commission disagrees with the suggestions of allowing the fuel cost on an actual basis and expanding these provisions to all ‘General Sellers’. On the issue of clarity sought from the stakeholders on the injection of infirm power after trial run but before the COD, the Commission is of the opinion that the provision is**

clear that after trial run any injection of infirm power or deviation by way of over injection up to COD of the project would be treated as per the applicable charges for the respective category of the seller. Accordingly, the Commission does not find any reason to modify the provisions.

4. Other Comments

Comments received

- 4.1. SRPC suggested to modify the definition of Available Capacity suitably to cover PSP drawal and DSM Account management in case of QCA/ Lead generators.
- 4.2. SRPC also suggested adding a new clause that any infirm injection above 200 MW (except RE and Hydro) or any drawal of power above 100 MW (except construction power) before COD should be scheduled with prior approval from NLDC/RLDC, and deviation charges should apply as for a general seller. It was also suggested that for standalone energy storage systems such as pumped hydro plants, the Available capacity during charging should be treated as net scheduled drawal at the ISTS point till 31.03.2026, for deviation computation.
- 4.3. SRPC further submitted that WS sellers connected to a single pooling point should maintain a single DSM account and also suggested the Lead Generator/QCA model to prevent complex reactive charge computation.
- 4.4. NTPC submitted concerns regarding deviation implications on account of ramping and deviations in time blocks when the Schedule is less than the Minimum Turn-down Level (MTL). It has been requested to either limit the net schedule (including AGC) to 50% of the declared ramp if the scheduled ramp in the preceding block was less than 50% of the declared ramp or settle the deviation @ Reference charge rate irrespective of frequency. Further submitted that charges for deviation by way of over injection up to MTL when the generator schedule is below MTL may be settled @ Reference charge rate irrespective of the frequency.
- 4.5. THDCIL suggested that for Pump Storage Plants (PSPs), a reference rate and contract rate of 20 paise/kWh should be considered for the computation of deviation charges.
- 4.6. NHPC requested that necessary provisions be made in the DSM Regulations, 2024, so that the Hydro generators shall not be penalised while they support the grid (through frequency response) in terms of under injection while grid frequency persists

on the higher side (> 50.10 Hz) during the high inflow season (as defined by respective RPCs).

- 4.7. Welspun requested a definition of trial run for Green hydrogen projects.
- 4.8. BEEA emphasised the need for strict reporting, proposing mandatory technical reports and a public dashboard to monitor infirm injections and urged CERC to align the amendment with existing Grid Code and SCED mechanisms, extend similar provisions to renewable and hybrid generators, and include a rule requiring generators to give at least 48 hours' advance notice before trial runs.
- 4.9. Power Tech Consultants and Sideshwari Power Generation Pvt. Ltd submitted that the existing definition of 'Contract Rate' under Regulation 3(j) does not specifically distinguish between transactions in the conventional Day-Ahead Market (DAM) and the Green Day-Ahead Market (G-DAM) segments. They seek clarity to specify that, for RE sources, the relevant market segment is the Integrated Green Day-Ahead Market (G-DAM), and that the weighted average Area Clearing Price (ACP) from G-DAM should be used for determining the contract rate.
- 4.10. Power Tech Consultants and Sideshwari Power Generation Pvt. Ltd also suggested to amend the definition of "Reference Charge Rate" under Regulation 3(y) and noted that the existing definition does not explicitly associate market-based transactions with the DAM segment, which could lead to interpretational ambiguities, especially given the increasing diversification of market products (e.g., G-DAM, RTM). By clearly specifying the Integrated Day-Ahead Market as the basis for deriving the RR through the Area Clearing Price (ACP), the amendment ensures alignment with the market segment that most accurately reflects the operational and cost realities of conventional generators.
- 4.11. Power Tech Consultants and Sideshwari Power Generation Pvt. Ltd further submitted that the numbering of clauses in the Principal Regulations is inconsistent and not in a sequential or functionally logical order. So, the Commission may kindly consider re-notifying the Regulations with corrected and systematically arranged clause numbering. They have also submitted that Clause 21 should be amended to Regulation 8 of the Principal Regulations in place of Clause 8, which has no specific relevance to the context of charges of deviation.

Analysis and Decision

4.12. The Commission noted the suggestions from the stakeholders. The issues highlighted by the stakeholders such as modification of available capacity for PSP, treatment of WS sellers through QCA or lead generators, deviation on account of ramping or minimum turn-down level, reference rate for PSP, trial run for Green Hydrogen, DSM charges for hydro projects during high flow season, modification in reference rate or contract rate in principle regulation etc are beyond the scope of the current proposal of amendment to the DSM Regulations.

**Sd/-
Ravinder Singh Dhillon
Member**

**Sd/-
Harish Dudani
Member**

**Sd/-
Ramesh Babu. V
Member**

**Sd/-
Jishnu Barua
Chairperson**

Annexure-I

List of the Stakeholders who commented on draft CERC (Deviation Settlement Mechanism and Related Matters) (Second Amendment), Regulations, 2025

Sl. No	Name of Stakeholder
1	THDCIL India Ltd
2	Southern Regional Power Committee (SRPC)
3	Northern Regional Power Committee (NRPC)
4	JSW Energy Ltd
5	CESC Ltd.
6	Nuclear Power Corporation of India (NPCIL)
7	Sembcorp Green-Infra Ltd.
8	Bharatiya Electricity Engineers Association (BEEA)
9	Adani Power Ltd.
10	Association of Power Producers (APP)
11	NTPC
12	Serentica Renewables India Pvt Ltd.
13	NHPC Ltd
14	Andhra Pradesh Power Coordination Committee (APPCC)/ APDISCOM
15	Welspun New Energy
16	Tamil Nadu Power Distribution Corporation Ltd. (TNPDC)
17	Sideshwari Power Generation Pvt. Ltd.
18	Power Tech Consultant
19	Vedanta Power

Annexure-II: List of the Stakeholders who presented during Public Hearing on Public Hearing on Draft CERC (DSM) 2nd Amendment, Regulations 2025 held on 23.06.2025

Sl. No	Name of Stakeholder
1	Tamil Nadu Generation and Distribution Corporation
2	Nuclear Power Corporation of India Ltd.
3	Sadipali Solar Pvt. Ltd.
4	Power Tech Consultant
5	Sidheshwari Power Generation Pvt. Ltd.
6	NTPC Ltd.
7	Andhra Pradesh Power Coordination Committee
8	Ranghcand A.

Annexure-IIA List of the Participants who attended the public hearing

Sl. No	Name of Stakeholder
1	Adani Power Ltd.
2	CESC Ltd.
3	Power Company of Karnataka Ltd.
4	Avantika Contractors (I) Ltd.
5	Grid Controller of India
6	Gentari Renewables India Management Private Ltd
7	Ankit Gupta (Individual)
8	Vikash Kumar (Individual)
9	Vikash Singh (Individual)
10	Vaddadiveera Venkata Satyanarayanamurty (Individual)