

CER Comments on Draft Guidelines for UERC (Deviation Settlement Mechanism and Related Matters) (First Amendment) Regulations, 2022

UERC notified a draft on “Deviation Settlement Mechanism and Related Matters (First Amendment) Regulations, 2022” on March, 2022. The key highlights of this draft Regulation are given below:

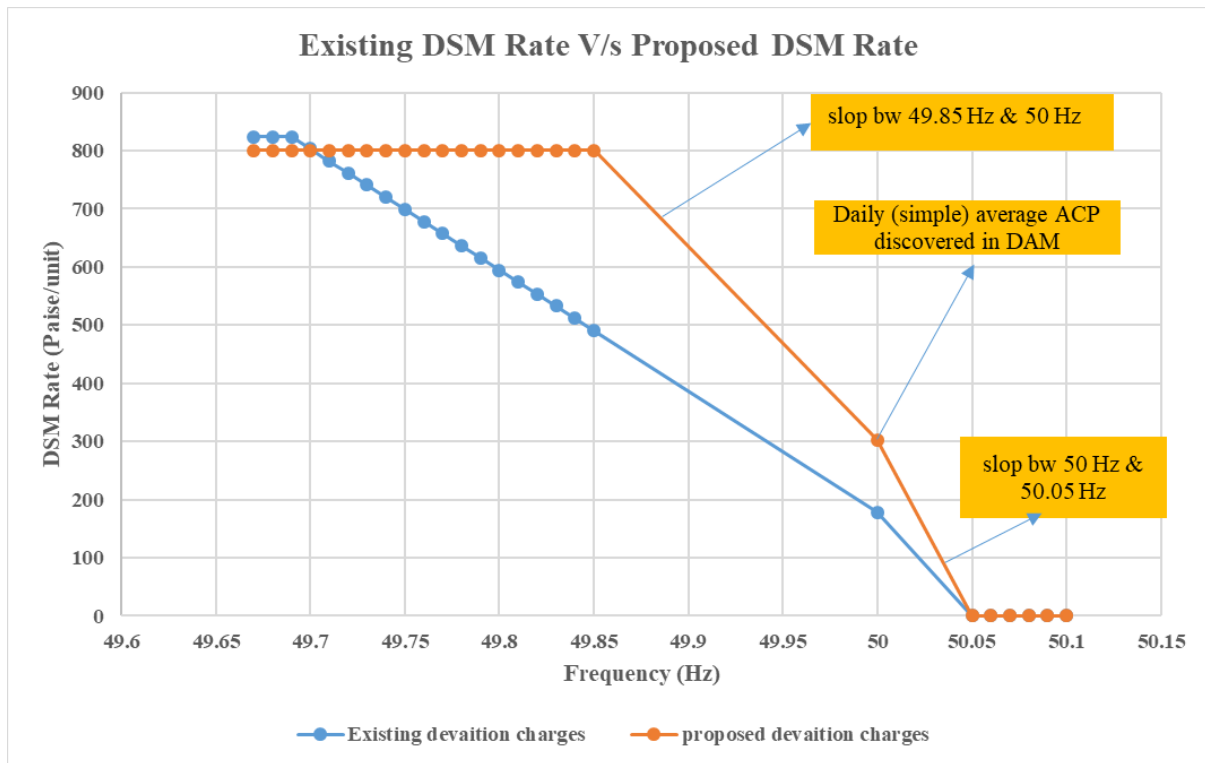
1. Amendment of Regulation 2 of the Principal Regulation (Definitions and Interpretation):

- a) New Definition added after definition (d) of the Regulation 2 of the Principal Regulations:“(da) **“Area Clearing Price (ACP)”** means the price of a time block electricity contract established on the Power Exchanges after considering all valid purchase and sale bids in particular area(s) after-market splitting, i.e., dividing the market across constrained transmission corridor(s).”
- b) New Definition added after definition (i) of the Regulation 2 of the Principal Regulations:
 - i. **“(ia) “Daily Base DSM Charge”** means the sum of charges for deviations for all time blocks in a day payable or receivable as the case may be, excluding the additional charges under Regulation 8.”
 - ii. **“(ib)“Day Ahead Market (DAM)”** means a market where physical delivery of electricity occur on the next day (T+1) of the date of transaction (T) and is governed by the Central Electricity Regulatory Commission (Power Market) Regulation, 2010 (as amended from time to time), the Rules and Bye-Laws of the Power Exchanges as approved by the Central Commission.”
- c) Definition (u) of the Regulation 2 of the Principal Regulations shall be substituted by the following:

Principal Regulation	Amendment
“(u) “Time Block” means a time block of 15 minutes, for which specified electrical parameters and quantities are recorded by special energy meter, with first time block starting from 00.00 hrs”	“(u) “Time Block” means a time block of 15 minutes, for which specified electrical parameters and quantities are recorded by special energy meter, with first time block starting from 00.00 hrs; subject to revision by the commission from time to time considering the provisions in CERC (Indian Electricity Grid Code) Regulation, 2010 and any amendments in this regard.”

2. Amendment of Regulation 5 of the Principal Regulation (Charges for Deviations):

- 1) In Sub-regulation (1) of the Regulation 5 of the Principal Regulations:



- 2) In Sub-regulation (3) of Regulation 5 of the Principal Regulations, the words “RLNG Rs. 8.24 / kWh sent out” shall be substituted by “RLNG Rs. 8.00/ kWh sent out”.
3. **Amendment of Regulation 7 of the Principal Regulation (Limits on Deviation Volume):**
Frequency range has been changed from “49.70-50.10” Hz to “49.85-50.05” Hz.
4. **Amendment of Regulation 8 of the Principal Regulation (Additional charges for crossing Deviation volume limits):**
Frequency range has been changed from “49.70-50.10” Hz to “49.85-50.05” Hz.

Sub-Regulation	Principal Regulation	Amendment
Sub-Regulation (7)	In the event of sustained deviation from schedule in one direction (positive or negative) by any state entity (buyer or seller), such entity shall have to make sign of their Deviation from scheduled charged, at least once after every 12 time blocks.	<p>“In the event of sustained deviation from schedule in one direction (positive or negative) by any state entity (buyer or seller), such entity shall correct its position in the manner as specified below:</p> <p>If the sustained deviation from schedule continues in one direction (positive or negative) for 6 time blocks, the state entity (buyer or seller), shall correct its position, by making the sign of its deviation from schedule changed or by remaining in the range of +/- 2% with reference to its</p>

		schedule, at least once, latest by 7th time block.
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Provided that violation of the requirement under this Sub-regulation shall attract an additional charge as specified in the table below:

No. of violations in day	Additional charge payable
From first to fifth violation	For each violation, an additional charge @ 3% of daily base DSM charge payable or receivable
From sixth to tenth violation	For each violation, an additional charge @ 5% of daily base DSM charge payable or receivable
From eleventh violation onwards	For each violation, an additional charge @ 10% of daily base DSM charge payable or receivable

Payment of additional charge for failure to adhere to sign change requirement as specified under this Sub-regulation shall not be applicable to:

- a. Renewable energy generators which are State entities
- b. Run of river projects without pondage
- c. Any infirm injection of power by a generating station prior to CoD of a unit during testing and commissioning activities.
- d. Any drawal of power by a generating station for the start-up activities of a unit.

The draft Regulation can be accessed [here](#)

CER Opinion

1. The broader alignment of the UERC DSM regulations to those applicable at the inter-state level (i.e. by CERC) is necessary to ensure that there is overall harmony in treatment of deviations. However, two important points that would justify departure of intra-state DSM regulations to those applicable for the inter-state level. These are – (i) applicability of DSM regulations in line with the impact of variable RE to the state’s power system i.e. that handled by the respective SLDC, and thus applicability of DSM regulations; and (ii) the adoption of ‘local price’ signal rather than a national average area clearing price (ACP). The second one is discussed below.
2. **Area Clearing Price (ACP) for N2 Region rather than Average ACP:** The Deviation Settlement Mechanism (DSM) Regulation for inter-state scheduling takes into account average of the ACPs across country. Given that the applicability of the UERC Deviation Settlement Mechanism (DSM) Regulation are with reference to the intra-state system

within the state of Uttarakhand, the applicable ACP should that pertaining to the N2 Region (as per PXs). This will provide the correct economic signal to the entities participating in the intra-state system of the respective state. This would also reduce ‘arbitrage’ between the ‘economic values’ of deviation at the state level and the applicable ACP. While average ACP and that for the N2 may currently be same across most of the time blocks (See Figure below) due to absence of transmission congestion, the regulatory framework should provide correct economic signals so that it is able to address the divergence in ACP for N2 and the average ACP as and when such a case arises in future.

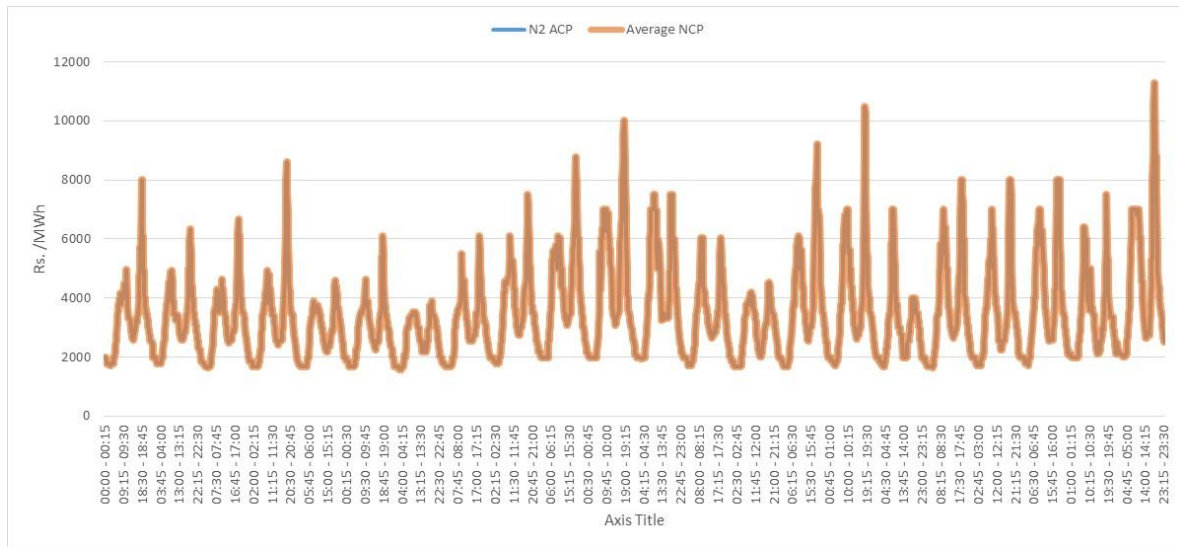


Figure: ACP for N2 vs Average ACP