

**Central Electricity Authority
System Planning & Project Appraisal Division
Room No. 302, North Wing
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New Delhi – 110066**

No. CE (SP&PA)/Misc./09/CEA/

Dated : April 21, 2010

Shri Alok Kumar,
Secretary,
Central Electricity Regulatory Commission,
Chanderlok Building, 36, Janpath,
New Delhi – 110 001

Subject : CEA comments on Draft Amendment to UI Regulations prepared by
CERC.

Reference : Letter No. L-1(1)/2009/CERC dated 1st April, 2010.

Sir,

With reference to the above, our comments on the proposed Amendments to UI Charges Regulations, 2009 are given in the following paragraphs :

a) **Regulation 5(1)**

- In the second proviso the words ‘over injection’ may be corrected to read as ‘injection.’
- In the fourth proviso, the words ‘over injection’ may be corrected to read as ‘injection.’
- In the fifth proviso, the words ‘over injection’ may be corrected to read as ‘injection.’

b) **Regulation 5(5)**

Please provide an illustration for clarity e.g. if for a 1000 MW generating station the schedule is nil and actual injection is 1000 MW, it will be paid at the capped UI rate of 415 P/kwh for energy corresponding to 1000 MW.

From the above illustration it is obvious that the Commission intends to allow a generating station having connectivity/LTA/STA (before or after its COD) to inject as much UI power into the grid as it wants, at any time, without any permission or approval and get paid at the cap rate of 415 P/kwh and without having to pay any penalty for

under injection (since the schedule is nil). This is a very attractive proposition for generating stations (coal, hydro, lignite and Indian gas) to use grid as commercial mechanism for sale of power. With this formulation the stated objective at para 5 of Explanatory Memorandum of discouraging the sellers to use UI mechanism for sale of power may not be achieved.

If more IPP stations start pumping their entire power into the grid like the one already doing in WR, the IPPs will virtually start controlling the grid frequency, influencing short term market prices and may create problem of unpredictable power flow in the grid.

It was brought out in CERC Staff Paper of July, 2006 (Chapter VI, Clause 6.3 Page 80) that it is important to ensure that capacity availability is not manipulated or withheld deliberately in a market scenario as was done during the California crisis. In view of the above, it is suggested that :

- No generating station should be allowed to go on injecting “infirm” power beyond a reasonable period in the name of testing and commissioning.
- All commissioned (i.e. Declared Commercial) units must declare their actual availability (DC) every day as per IEGC to the RLDCs even if they do not have any long term PPA or short term contract. Such generating stations must bid in to the Day-ahead PX for unrequisioned capacity. If they fail to get full dispatch even on the PX, their unrequisioned DC would be treated by RLDC as “Schedule for supply to the UI energy pool” and the generator would be liable to pay UI charges for under-injection (below the schedule for supply to the UI energy pool).
- Long term PPAs with two part tariff incentivise honest declaration of availability. However CERC may (through RLDC) monitor capacity declaration of ISGS plants (scheduled by RLDCs) which have capacity not tied up on long term PPAs (excluding captive, co-generation, wind etc.) as part of market monitoring.

c) **Schedule ‘A’**

Below the table of UI rates the step rate of 13 P/kwh in 50.0 – 49.7 Hz may be corrected to read as 12.5 P/kwh. Similarly in the 49.7 – 49.5 Hz range the step rate should be corrected to read as 45.5 P/kwh instead of 45 P/kwh.

Yours faithfully,

(Ravinder)
Chief Engineer (SP&PA)

Copy to : Chief Engineer (GM), CEA.