

**Central Electricity Regulatory Commission
New Delhi**

Dated 18th April, 2019

DRAFT AMENDMENT

No. L-1/132/2013-CERC – In exercise of powers conferred by Section 178 of the Electricity Act, 2003 and all other powers enabling it in this behalf and after previous publication, the Central Electricity Regulatory Commission, hereby makes the following regulations, to amend the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) Regulations, 2014 (hereinafter referred to as the "Principal Regulations") namely:-

1. Short Title and Comments

1. These regulations may be called the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) (Fifth Amendment) Regulations, 2019.
2. These regulations shall come into force with effect from the date of notification in the official gazette.

2. Amendment to Regulation 2 of the Principal Regulations:

- 2.1 A new sub-clause shall be added after sub-clause (ga) of clause (1) of Regulation 2 of the Principal Regulations, as under :-

*“(gb) **“Daily Base DSM”** 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 7”.*

- 2.2 A new sub-clause shall be added after sub-clause (q) of clause (1) of Regulation 2 of the Principal Regulations, as under :-

*“(qa) **“Time Block DSM”** means the charge for deviation for the specific time block in a day payable or receivable as the case may be, excluding the additional charges under Regulation 7”*

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

- 3.1 The following new sub-clauses after sub-clause (d) in clause (2) of Regulation 5 of the Principal Regulations shall be inserted as under :-

“(e) The charges for inter-regional deviation and for deviation in respect of cross-border transactions shall be computed on the basis of the unconstrained market clearing price in Day Ahead Market.

“(f) The charges for deviation in respect of an entity falling in different bid areas, shall be computed on the basis of the daily average ACP of the bid area in which such entity has largest proportion of its demand.”

- 3.2 Clause (3) of Regulation 5 of the Principal Regulations shall be substituted as under :-

“The Cap rate for the charges for deviation for the generating stations, irrespective of the fuel type and whether the tariff of such generating station is regulated by the Commission or not, shall not exceed 303.04 Paise/kWh.”

4. Amendment of Regulation 7 (Limits on Deviation volume and consequences of crossing limits) of the Principal Regulation:

- 4.1 The following proviso under Regulation 7(1) of the Principal Regulations shall be deleted:

‘Provided also that from a date not earlier than one year as may be notified by the Commission, the total deviation from schedule in energy terms during a day shall not be in excess of 3% of the total schedule for the drawee entities and 1% for the generators and additional charge of 20% of the daily base DSM payable / receivable shall be applicable in case of said violation.’

4.2 In Table-II of Regulation 7(3) of the Principal Regulations, the words “Cap Rate being equivalent to the energy charges as billed for the previous month” wherever they occur, shall be substituted by the words “*Cap Rate for Deviation of 303.04 Paise/kWh*”.

4.3 The clause 4 of regulation 7 of the principal regulations shall be substituted as under:

“(4) In addition to Charges for Deviation as stipulated under Regulation 5 of these regulations, Additional Charge for Deviation shall be applicable for over-injection/under-drawal of electricity for each time block by a buyer/seller as the case may be when grid frequency is ‘50.10 Hz and above’ at the rates equivalent to charges of deviation corresponding to the grid frequency of ‘below 50.01 Hz but not below 50.0 Hz’, or cap rate for deviation of 303.04 Paise/kWh whichever is lower.”

4.4 In Proviso to clause (6) of Regulation 7 of the Principal Regulations, the words “Cap Rate equivalent to the energy charges as billed for the previous month” shall be substituted by the words “*Cap Rate of 303.04 Paise/kWh*”.

4.5 Clause (10) of Regulation 7 of the Principal Regulations shall be substituted as under:

"In the event of sustained deviation from schedule in one direction (positive or negative) by any regional entity (buyer or seller), such entity shall correct its position in the manner as specified under clauses (a) and (b) of this Regulation.

- (a) Up to 31.03.2020, if the sustained deviation from schedule continues for 12 time blocks, the regional 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 +/- 10 MW with reference to its schedule, at least once, latest by 13th time block.

Provided that each violation of the requirement under this clause shall attract an additional charge of 10% on the time block DSM payable / receivable as the case may be.

- (b) From 01.04.2020, if the sustained deviation from schedule continues for 6 time blocks, the regional 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 +/- 10 MW with reference to its schedule, at least once, latest by 7th time block.

Provided that violation of the requirement under this clause shall attract an additional charge as specified in the table below:

No. of violations in a Day	Additional Charge Payable
<i>From first to fifth violation</i>	<i>For each violation, an additional charge @ 3% of daily base DSM payable / receivable</i>
<i>From sixth to tenth violation</i>	<i>For each violation, an additional charge @ 5% of daily base DSM payable / receivable</i>
<i>From eleventh violation onwards</i>	<i>For each violation, an additional charge @ 10% of daily base DSM payable / receivable</i>

Provided further that counting of number of sign change violations under clauses (a) & (b) of this Regulation shall start afresh at 00.00 Hrs. for each day.

Provided also that payment of additional charge for failure to adhere to sign change requirement as specified under clauses (a) & (b) of this regulation shall not be applicable to:

- a. renewable energy generators which are regional 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, in accordance with the Connectivity Regulations.*

- d. any drawal of power by a generating station for the start-up activities of a unit.
- e. any inter-regional deviations.
- f. forced outage of a generating station in case of collective transactions on Power Exchanges.

Explanation:- For the purpose of this Regulation, sustained deviation means continuous deviation outside the range of +/- 10 MW from schedule, such range being a subset of the volume limit as specified in Regulation 7(1) & 7(2)). In other words, if the deviation is brought within the range of +/- 10MW or it remains within the range of +/- 10MW, it will not be considered as sustained deviation.

Illustrations:-

- i. *Illustration to 7(10)(a):-,*

a regional entity having a sustained deviation from time blocks t_1 to t_{12} , should correct its position either by changing the sign of its deviation (from positive to negative or negative to positive as the case may be) or come back in the range of +/- 10 MW with reference to its schedule latest by the end of time block t_{13} . In case, such sign change does not take place or it fails to come back in the range of +/- 10 MW by the end of time block t_{13} , but such correction of position takes place from time block t_{14} up to time block t_{24} , then the additional charge shall be levied equivalent to one violation. The above violation shall attract an additional charge at the rate of 10% of the time block DSM for t_{13} . Further, in case, sign change does not take place or it fails to come back to the range as aforesaid even latest by the end of t_{25} , but correction of position takes place from time block t_{26} up to time block t_{36} , then the additional charge shall be levied equivalent to two violations. The above violation shall attract an additional charge at the rate of 10% of the time block DSM for t_{13} & t_{25} , and so on.

- ii. *Illustration to 7(10)(b):-,*

After 01.04.2020, if a regional entity having a sustained deviation from time blocks t_1 to t_7 , should correct its position either by changing the sign of its deviation (from positive to negative or negative to positive as the case may be) or come back in the range of +/- 10 MW with reference to its schedule latest by the end of time block t_7 . In case, such sign change does not take place or it fails to come back in the aforesaid range by the end of time block t_7 , but such correction of position takes place from time block t_8 up to time block t_{12} , then additional charge shall be levied equivalent to one violation. Further, in case, sign change does not take place or it fails to come back in the range as aforesaid latest by the end of

t₁₃, but correction in position takes place from time block t₁₄ up to time block t₁₈, then the additional charge shall be levied for two violations and so on.

The additional charge shall be at the rate as specified in clause (b) of this Regulation.

4.6 The Clause 11 of the Regulation 7 of the Principal Regulations shall be substituted as follows:

“Payment of Charges for Deviation under Regulation 5 and the Additional Charges for Deviation under Clauses (3), (4) and (10) of this regulation, shall be levied without prejudice to any action that may be considered appropriate by the Commission under Section 142 of the Act for contravention of the provisions of the said regulations.”

4.7 The Clause 11(a) of the Regulation 7 of the Principal Regulations shall be deleted.

5. Amendment of Annexure-I (Methodologies for the computation of Charges of Deviation for each regional entity for crossing the volume limits specified for the over-drawal / under-injection by Buyer / Seller [except Renewable Rich State]) of the Principal Regulations:-

5.1 In Note under Illustration B in sub-clause (B)(iii) of clause 1 of Annexure-I to the Principal Regulations, the words “Cap Rate being equivalent to the energy charges as billed for the previous month” shall be substituted by the words “*Cap Rate for Deviations of 303.04 Paise/kWh*”.

(Sanoj Kumar Jha)
Secretary

Note:

The Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2014 were published in Part III, Section 4, No. 06 of the Gazette of India (Extraordinary) dated 07.01.2014 and amended vide,

- a. Corrigendum published in Part III, Section 4, No. 57 of the Gazette of India (Extraordinary) dated 17.02.2014
- b. First Amendment Regulations, 2014 published in Part III, Section 4, No. 381 of the Gazette of India (Extraordinary) dated 31.12.2014
- c. Second Amendment Regulations, 2015 published in Part III, Section 4, No. 272 of the Gazette of India (Extraordinary) dated 10.08.2015
- d. Third Amendment Regulations, 2016 published in Part III, Section 4, No. 201 of the Gazette of India (Extraordinary) dated 16.05.2016
- e. Fourth Amendment Regulations, 2018 published in Part III, Section 4, No. 444 of the Gazette of India (Extraordinary) dated 26.11.2018



नई दिल्ली
NEW DELHI

याचिका संख्या. /Petition No.: 11/SM/2020

कोरम/Coram:

श्री पी. के. पुजारी, अध्यक्ष/Shri P. K. Pujari, Chairperson
श्री आई. एस. झा, सदस्य/ Shri. I.S. Jha, Member
श्री अरुणगोयल, सदस्य/ Shri. Arun Goyal, Member

आदेश दिनांक /Date of Order: 29th May, 2020

IN THE MATTER OF:

Removal of difficulties for giving effect to certain provisions of the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) (Fifth Amendment) Regulations, 2014

आदेश /ORDER

The Commission notified the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) Regulations, 2014 (hereinafter referred to as “DSM Regulations”), on 06.01.2014, which came into force with effect from 17.02.2014.

2. Further, the Commission notified the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) (Fifth Amendment) Regulations, 2019 (hereinafter referred to as “DSM Fifth Amendment Regulations”) on 28.05.2019, which came into force with effect from 03.06.2019.

3. The DSM Fifth Amendment Regulations amended *inter alia* Regulation 7(10) of the DSM Regulations as under:

“4.5 Clause (10) of Regulation 7 of the Principal Regulations shall be substituted as under:

"In the event of sustained deviation from schedule in one direction (positive or negative) by any regional entity (buyer or seller), such entity shall correct its position in the manner as specified under clauses (a) and (b) of this Regulation.

(a) For the period up to 31.03.2020: If the sustained deviation from schedule continues in one direction (positive or negative) for 12 time blocks, the regional 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 +/- 20 MW with reference to its schedule, at least once, latest by 13th time block, such range being a subset of volume limit as specified under Regulations 7(1) & 7(2) of these Regulations.

Provided that each violation of the requirement under this clause shall attract an additional charge of 10% of the time block DSM charge payable or receivable as the case may be.

(b) For the period from 01.04.2020: If the sustained deviation from schedule continues in one direction (positive or negative) for 6 time blocks, the regional 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 +/- 20 MW with reference to its schedule, at least once, latest by 7th time block such range being a subset of volume limit as specified under Regulations 7(1) & 7(2) of these Regulations.

Provided that violation of the requirement under clause (b) of this Regulation shall attract an additional charge as specified in the table below:

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

Provided further that counting of number of sign change violations under clauses (a) &

(b) of this Regulation shall start afresh at 00.00 Hrs. for each day.

Provided also that payment of additional charge for failure to adhere to sign change requirement as specified under clauses (a) & (b) of this regulation shall not be applicable to:

- a. renewable energy generators which are regional 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, in accordance with the Connectivity Regulations.*
- d. any drawal of power by a generating station for the start-up activities of a unit.*
- e. any inter-regional deviations.*
- f. forced outage of a generating station in case of collective transactions on Power Exchanges.*

Illustrations:-

Illustration to 7(10)(a):-,

For the period up to 31.03.2020: A regional entity having a sustained deviation from time blocks t1 to t12, shall correct its position either by changing the sign of its deviation (from positive to negative or negative to positive as the case may be) or come back in the range of +/- 20 MW with reference to its schedule latest by the end of time block t13. In case, such sign change does not take place or it fails to come back in the range of +/- 20 MW by the end of time block t13, but such correction of position takes place from time block t14 up to time block t24, then the additional charge shall be levied equivalent to one violation. The above violation shall attract an additional charge at the rate of 10% of the time block DSM charge for t13. Further, in case, sign change does not take place or it fails to come back to the range as aforesaid even latest by the end of t25, but correction of position takes place from time block t26 up to time block t36, then the additional charge shall be levied equivalent to two violations. The above violation shall attract an additional charge at the rate of 10% of the time block DSM for t13 and t25 , and so on.

ii. Illustration to 7(10)(b):-,

For the period from 01.04.2020: A regional entity having a sustained deviation from time blocks t1 to t7, shall correct its position either by changing the sign of its deviation (from positive to negative or negative to positive as the case may be) or come back in the range of +/- 20 MW with reference to its schedule latest by the end of time block t7. In case, such sign change does not take place or it fails to come back in the aforesaid range by the end of time block t7, but such correction of position takes place from time block t8 up to time block t12, then additional charge shall be levied equivalent to one violation. Further, in case, sign change does not take place or it fails to come back in the range as aforesaid latest by the end of t13, but correction in position takes place from time block t14 up to time block t18, then the additional charge shall be levied for

two violations and so on.

The additional charge shall be at the rate as specified in clause (b) of this Regulation.”

4. Subsequently, the Commission vide Order dated 27.03.2020 in Suo Motu Petition No 4/SM/2020 deferred the date of implementation of Regulation 7(10)(b) as amended vide DSM Fifth Amendment Regulations, to 1.6.2020. The relevant extract from the order is quoted below:-

‘In view of problems in implementing provisions of Regulation 7(10)(b) w.e.f. 1.4.2020 as pointed out by stakeholders due to unprecedented health situation being faced by the country, the Commission, in exercise of the powers under the aforesaid Regulation 13 of the DSM Regulations, hereby directs that the date of implementation of provisions under Regulation 7(10)(b) as amended vide DSM Fifth Amendment Regulations, shall be rescheduled from 1.4.2020 to 1.6.2020. The Commission also directs that applicability of provisions of Regulation 7(10)(a) as amended vide DSM Fifth Amendment Regulations, shall be extended up to 31.5.2020.’

5. The Commission has again received representations from various stakeholders expressing difficulties in implementation of the provisions of Regulation 7(10)(b) as amended vide DSM Fifth Amendment Regulations, which are to come into effect from 01.06.2020.

6. The SRPC in its representation dated 13.05.2020 has submitted that Southern Regional (SR) constituents had acknowledged and implemented the applicable provisions of the 5th Amendment to DSM regulations w.e.f. 03.06.2019. However, citing constraints that RE forecasting framework is under implementation in the States, there is high RE ingress in SR, AMR (automatic meter reading) scheme is yet to be implemented in SR to address SCADA discrepancy, AGC (automatic generation control) is still being implemented in SR to address the inter-regional ACE (area control error) and no tangible improvement in grid operation with mandatory sign change, SRPC has requested that the implementation of Regulation 7(10)(b) as amended vide DSM Fifth Amendment Regulations w.e.f. 01.06.2020 may be deferred.

7. Gujarat State Load Dispatch Centre, in its representation dated 18.05.2020 has submitted that the nationwide lockdown imposed by the Government of India to contain spread of COVID-19 has had severe impact on grid operation. The industrial demand of Gujarat State

has been restored to only around 50%. Similarly, while the State demand / Renewable energy variations remain on higher side, the revenue collections of State Discoms have dropped drastically. State-owned as well as private distribution companies are facing financial crunch. Due to less demand, many State generators are being kept in reserve shutdown. In this scenario, it will be very difficult to change the sign of the deviation after every six time blocks. Therefore, the implementation of the provisions of Regulation 7(10)(b) of DSM regulations may be rescheduled to be effective from 02.11.2020.

8. AP Transco has submitted that due to the unprecedented low demand because of COVID-19 pandemic, commencing of wind season, difficulties in maintaining LGBR (load generation balance report) by the States, mandatory requirement of sign change after every 6 Time Blocks that will be applicable from 01.06.2020, may be dispensed with. The forecast of RE generation has not matured and there are no dependable weather forecasting models. Many of the States are participating in Power for All (PFA) programme wherein, 24X7 uninterrupted power is guaranteed to the Consumers. Resorting to load shedding to effect sign change (in case reserves are not available) is against the spirit of reliable power supply to consumers. Under drawl in real time is due to high generation of RE (more than forecast), sudden weather changes, rigid STOA (short term open access) and PX (power exchange) transactions, contractual limitations in backing down LTA (long term access)/MTOA (medium term open access), requisitions being raised to technical minimum by RLDC as per provisions of Grid Code, minimum units required to meet peak loads etc. There is difference between readings of SCADA data and SEM data and is very difficult to implement the regulation unless the SEM data is made available to the SLDCs on real time basis. AMR scheme is yet to be implemented and AGC implementation is also pending. All this makes compliance with sign change requirements after six time blocks difficult. The hydropower sources are to be expended for sign change which otherwise could be utilised for meeting peak demand or for contingency purposes. Higher DSM rate itself is leading to self-regulation by states. The introduction of Real Time Market (RTM), shall push backwards the right to revision / call back, by four additional time blocks to 7 time blocks. As a result, the problem faced by the drawee entities will be further aggravated. Further, the recovery of grid demand is very slow in the present lock down situation. AP Transco has requested that Regulation 7(10)(a) i.e. sign change requirement after

every 12 time blocks which is applicable up to 31.05.2020, should be continued forever and Regulation 7(10)(b) i.e. sign change requirement for every 6 time blocks may be withdrawn. Also, the CERC (DSM and related matters) (Fifth Amendment) Regulations, 2019 may be implemented from 01.01.2019 (instead of 03.06.2019) and the charges/ additional charges levied during the period 01.01.2019 to 02.06.2019 under CERC DSM 4th Amendment may be waived off.

9. Rajasthan Urja Vikas Nigam Limited has stated that Hon'ble Prime Minister declared Janta Curfew on 22.03.2020. Subsequently, a nationwide lockdown was declared on 24.03.2020 as a measure to contain the spread of Covid-19. Recently, the lockdown 4.0 was declared from 18.05.2020 to 31.05.2020 with some relaxation. The lockdown had severe impact on the grid operation as the demand crashed drastically. Also, the penetration of Wind energy is on higher side due to which it had been difficult to manage surplus power. Because of the reduced demand, many State generators are kept in reserve shutdown. Due to imposition of lockdown, the revenue collection of Discoms has severely fallen down. In this scenario, it is very difficult to correct the position by changing the sign of the deviation from schedule after every six time block as applicable w.e.f. 01.06.2020. Therefore, it is kindly urged that the implementation of provisions under Regulation 7(10) (b) of DSM Regulation be further extended for three months.

10. The Commission has carefully considered all the representations of the stakeholders in the context of the DSM Fifth Amendment. The Commission notes that the various factors mentioned by the stakeholders in support of their claim to either defer or withdraw implementation of the provisions of Regulation 7(10)(b) of DSM regulations, have already been addressed by the Commission in detail in the Statement of Reasons to the DSM Fifth Amendment and in Suo Motu Order in 4/SM/2020 dated 27.03.2020. The Commission reiterates that the main intention of the DSM amendment Regulations is to ensure that the grid-connected entities adhere to their respective schedules. The Commission has also been emphasizing on the need for taking steps by the stakeholders to channel their short term energy requirement through organized markets and refraining from leaning onto the grid, besides developing their own reserve pool to meet contingencies.

11. However, the Commission has taken note of the fact that the country continues to face unprecedented difficulties due to the COVID-19 pandemic. There has also been an impact on grid operation due to low demand. The Commission also notes that the Real Time Market(RTM) is being implemented with effect from 01.06.2020 with the objective of providing options to stakeholders to correct their position in terms of surplus or deficit of demand/generation closer to real time, though some time may be needed for the distribution companies to adjust to this new environment.

12. In the background of above observations, the Commission is of the view that it would be prudent to grant some more time to the stakeholders to put in place the required measures for ensuring adherence to sign change provisions, including by way of correcting their position in the real time market. Accordingly, the Commission considers it necessary to exercise its powers under Regulation 13 of the DSM Regulations to issue directions to remove difficulties in implementation of provisions of the Regulations. The said Regulation reads as under:

“13. Power to issue directions

If any difficulty arises in giving effect to these regulations, the Commission may on its own motion or on an application file by any affected party issue such directions as may be considered necessary in furtherance of the objective and purpose of these regulations.”

13. Therefore, in exercise of the powers under the aforesaid Regulation 13 of the DSM Regulations, the Commission hereby directs that the date of implementation of provisions and applicability of Regulation 7(10)(b) as amended vide DSM Fifth Amendment Regulations, shall be rescheduled from 1.6.2020 to 1.12.2020. The Commission also directs that applicability of provisions of Regulation 7(10)(a) as amended vide DSM Fifth Amendment Regulations, shall be extended up to 30.11.2020.

14. In view of the above, the Petition No. 11/SM/2020 is disposed of.

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सदस्य

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आई.एस.झा
सदस्य

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पी. के. पुजारी
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