

APP comments on CERC Staff Paper on Grid Security Charge

Clause No.	Provisions as per Staff Paper	APP Comments
<p>Clause 3.3 Optimal Utilization of the gas based generation (interim measure)</p> <p>Option 1</p>	<ul style="list-style-type: none"> • Optimally utilize the existing gas-based generation capacity through Security Constrained Unit Commitment (SCUC), subject to merit order, i.e. bringing such capacity on bar by scheduling up to the technical minimum during a high demand period and keeping the balance capacity (the difference between the declared capacity and the technical minimum) as reserves for deployment under the Ancillary Service mechanism. • Recovering the cost of such dispatch under SCUC and Ancillary Service through the DSM Pool Account and the shortfall (if any) in the DSM Pool Account will be charged as a Grid Security Charge as per the methodology discussed in subsequent sections. 	<p><u>Concerns</u></p> <ul style="list-style-type: none"> • Risk of Take or Pay obligation under Gas contract on the gas based generators. • There is no incentive for keeping the capacity reserved. • Operating multiple gas-based plants at minimum load may lead to inefficient operations – need for rostering of gas allocation • Levy of DSM charges on plants operated for grid support <p><u>Comments & Suggestions</u></p> <ul style="list-style-type: none"> • Sourcing of gas should be the responsibility of Govt. Agency

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		<ul style="list-style-type: none"> • The operators should operate and get the fixed cost only. • Alternatively, the take-or-pay obligations may be waived off for plants selected for operation under this mechanism and the generators may be given an option to source their own gas. • Plants should be selected based on variable cost or heat rate efficiency. • As a variant of this above and to have more capacity available to the Grid, <ul style="list-style-type: none"> ○ The requisite quantum of capacity can be dedicated to a National Agency (say NLDC) with a fixed capacity charge paid to Gencos (say 70 paise/unit) to keep the plant in a state of readiness for operation. ○ These plants can be dispatched at any time of the year at a short notice.

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		<ul style="list-style-type: none"> ○ Variable O&M charges to be paid (say 30 paise/unit) for actual operation. Gas to be organized by the Govt. Agencies ● Further, rostering of gas among power plants of different power producers on rotation basis may also be considered instead of operating multiple gas-based plants at minimum/sub-optimal load due to low gas allocation. This will help to improve efficiencies as each generator may be considered for operation on rostering basis and operated at higher load during the identified period of gas allocation to that plant. ● An important part of such dynamic unit operation is to consider real time generation as scheduled generation (from start-up to tech min load), so that DSM charges are not levied on the plants which are operated for grid support. Similarly, DSM charges should not be levied during shutdown (from the point of intimation for readiness / standby / operation till keeping the plant in safe preservation mode) and the

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		<p>plant's auxiliary demand should be supported by the grid without any DSM charges.</p>
<p>Clause 3.3 Optimal Utilization of the gas based generation (interim measure)</p> <p>Option 2</p>	<ul style="list-style-type: none"> • Direct such gas-based generating stations to bid during high demand periods into the market (in DAM as well as HP DAM, and in TAM) in such a way as to ensure it is cleared at least up to the technical minimum. The shortfall in recovery of the cost of generation (the difference between the cost of generation and the market price) will be recovered as a Grid Security Charge from the DSM Pool Account. • With the gas-based generating stations getting scheduled by virtue of participation in the market/Power Exchange, they will be available on bar for the System Operator to use the surplus capacity (declared capacity minus the technical minimum schedule as 	<p><u>Concerns</u></p> <ul style="list-style-type: none"> • Tie up of gas without any certainty of offtake is a challenge. This cannot be taken up by any Generator/operator • As per current bidding mechanism on power exchanges, maximum 100 MW capacity is allowed under block bid mode, which many gas based plants may find difficult to achieve. • Gas based operation in exchange through DAM will have uncertainty of quantum getting cleared resulting in operational issues like plant operating below technical minimum, take or pay obligation for the surplus gas tie-up in case volume cleared than the quantum for which gas has been tied up etc

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	<p>finalized in the market/Power Exchange) as Ancillary Service.</p> <ul style="list-style-type: none"> Once used as an Ancillary Service, such costs may also be recovered from the DSM Pool Account. 	<p><u>Comments & Suggestions</u></p> <ul style="list-style-type: none"> Considering the volatile nature of DAM market, this option should not be considered under this scheme. Alternatively, there should be mechanism for gas plants to block-bid up to its technical minimum capacity.
<p>Annexure-I Illustration - Assumptions</p>	<ul style="list-style-type: none"> The total available gas-based generation capacity: 6000 MW (including around 5000 MW from NTPC and the remaining from other generators). 	<p><u>Concerns</u></p> <ul style="list-style-type: none"> It is not clear as to why entire available gas-based generation capacity is not considered and why majority of gas-based generation capacity considered belongs to a particular entity. <p><u>Comments & Suggestions</u></p> <ul style="list-style-type: none"> The entire available gas-based capacity should be considered for the purpose of assessment and utilization under the proposed options for utilization under SCUC and Ancillary services, without any differentiation based on plant ownership.

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		<ul style="list-style-type: none"><li data-bbox="1268 272 1986 467">• The methodology for determining which plants get scheduled or utilized must be based entirely on efficiency parameters and must be agnostic to plant ownership.