

# Market Development: Ways Forward From a Trader's Perspective

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## Market Development

- Day Ahead Market
- National Market Design
- Challenges to further development of power market in India

## Day Ahead Market

- Prefixed tariff
  - Bilateral
  - Through Trader
- Through Exchange

## Strengths

- Covers the weather uncertainties
- Unforeseen machine outage
- Helps in improving loading pattern of generators
- Matching power procurement with load profile
- **Reducing costs.**

## **Weaknesses**

- Uncertainty in availability of power.
- Uncertainty in availability of purchaser.
- Uncertainty in availability of corridor.
- Difficulty in locating the source/purchaser.
- Acceptance by supplier if corridor availability is partial.
- Lack of payment security.
- Additional cost and administrative work.

## Use of day Ahead Market

- To be used only for unforeseen events.
- To cover defaults in scheduling by seller/purchaser
- Pending operation of exchange, seller/purchaser/trader could have some open ended contracts

## Day Ahead through Exchange

- Transparent mechanism.
- Good process for market price determination.
- Needs firm commitment for the quantum and given hours of supply
- Corridor availability is an issue.
- Transmission pricing mechanism in India needs modification
- Payment security mechanism
- Exchange with infrastructure, energy accounting, settlement and payment systems.

# National Market Design

*Market to meet the consumers' demand with security and reliability (including maintaining spinning reserves) and at reasonable cost.*

## Design of Market Depth

- Distribution licensees.
- Central/State generating companies.
- Independent power producers.
- Captive power plants
- Bulk supply licensees.
- Transmission licensees
- Trading companies.
- Consumers.

## **Necessity of Market at National Level**

- India has large geographical area and variety of terrain
- Differing sources of power – hydro, thermal, gas, wind, bio-mass etc. in different areas
- **Seasonal variation in availability of power.**
- **Differing seasonal variation in demand**
- Time difference
- Better utilization of resources
- Achieving economy

## The Infrastructure

- India divided into 5 regions
- Adequate inter regional transmission capacity
- Adequate intra regional transmission capacity
- Communication system
- Data processing and management
- Training for use of opportunities and data by utilities.

## Access to and Cost of Transmission

- Should be based on commercial principles.
- Cost to be borne by the contract causing the cost .
- Pancaking of charges to be avoided
- Uniformity in pricing.
- **Recognition of transmission rights.**
- Transparency and non-discrimination in open access.
- Non-discrimination in application of transmission charges.

## Application of Losses

- National market would involve use of multiple networks.
- Losses to be distance and direction sensitive
- Incremental loss principle is the preferred option (pooling on limited basis could be adopted).
- Pancaking of losses on contract path may distort economics.

# Regulatory Control

- National market may involve multiple regulatory controls.
- National policy desirable for regulatory control on national market
- Market should cover all kind of users including central/state generating companies, IPP's, CPP's, state transmission licensees, private transmission licensees, state/private distribution licensees, consumers.
- Non-discrimination at all levels.
- Cross subsidies to be avoided (government may provide other kind of concessions to selected consumers).

# Challenges to further development of power market in India

## Power market

- Choice to consumer to select the supply.
- Choice to generating company/IPP/CPP to select the purchaser.
- Non-discriminatory open access for bulk supply and retail supply.
- Removal of cross subsidy
- Operation on commercial principles.

## Challenges

- Policies for cross subsidies.
- Surcharge u/s 42(2) for open access to consumers.
- Financial viability of distribution licensees.
- Application of transmission rights.
- Non discrimination in transmission pricing
- Depooling of transmission charges
- Depooling of distribution charges

cont.

## Challenges

- Correction in application of transmission losses.
- Correction in application of distribution losses.
- Uniformity in regulatory framework
- Consistency in policy
- Transfer of risk to the agency who can best bear it.  
(e.g. transmission losses in long term contracts)
- True separation of transmission and distribution.
- **Separation of distribution and supply.**
- Development of generating capacity

# Challenges

- Development of transmission system on commercial principles
- Strengthening of distribution system.
- Energy accounting and settlement system at state level.

## Conclusion

- Provision of Open Access is a step towards commercialization of power market with high growth potential.
- Removal of cross subsidy and surcharge need to be done with a time bound program.
- Freedom to operators is an essential part of the process.
- Commercial mechanism for deviation in scheduling need to be introduced at consumers' level.
- Open access has to be reliable.

# Thank you

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February 17, 2007