

**TAMIL NADU ELECTRICITY REGULATORY COMMISSION**

**Order of the Commission dated this the 13<sup>th</sup> Day of August 2024**

**PRESENT:**

Thiru M.Chandrasekar	....	Chairman
Thiru K.Venkatesan	....	Member
	and	
Thiru B.Mohan	....	Member (Legal)

**M.P. No. 22 of 2024**

Tamil Nadu Generation and Distribution  
Corporation Limited (TANGEDCO)  
Represented by its Chief Financial Controller / Revenue  
144, Anna Salai  
Chennai – 600 002.

... Petitioner  
Thiru.Richardson Wilson,  
Advocate

This Miscellaneous Petition stands preferred by the Petitioner TANGEDCO  
with a prayer to pass an order for the following:

- (a) Allow the present application and clarify the DSM Regulation in terms as stated in  
the present Application and;
- (b) Pass such further or other orders as the Commission may deem fit and proper in  
the facts and circumstances of the case and thus render justice

This petition coming up for final hearing on 25-07-2024 in the presence of Thiru.Richardson Wilson, Advocate for the Petitioner on consideration of the submissions made by the Counsel for the Petitioner this Commission passes the following:

## **ORDER**

### **1. Contentions of the Petitioner:-**

1.1. The petitioner is filing the present Miscellaneous Petition seeking to approve the procedure of adjustment of energy purchased/wheeled by the HT consumers under various open access sources by virtue of implementation of DSM Regulations with effect from 01.04.2024 and to clarify the collection of basic deviation charges, applicable Variable Fuel Charges (VFC) as per the existing PPA and change of DSM rate for Inter-State open access generators.

1.2. During the year 2019, the Commission had notified the regulations on the 'Deviation Settlement Mechanism and related matters" vide TNERC Regulations, 2019 (DSM/22-1) for the conventional generators. In the above regulations among other issues it has been directed to account the energy wheeled by the HT consumers under open access as detailed below:

#### "6. Energy accounting statements

(1) The State Load Despatch Centre shall prepare the statement of accounting of energy in each time block for sellers and buyers on monthly basis. Data required for billing of open access consumers shall be passed on to the billing centre of

the distribution licensee by the SLDC. The billing centre of the distribution licensee shall be responsible for energy accounting, raising and settlement of bills with open access consumers. Payments towards fixed charges, energy charges by the buyers to the sellers shall be as per the mutually agreed terms in the respective power purchase/sale agreement subject to the condition that the same are not inconsistent with the provisions of these Regulations.

(2) Overdrawal by Full open access consumers in excess of the schedule provided by Sellers shall be settled to the Distribution licensee at the charges applicable for excess demand to a normal consumer of the Distribution licensee as per the provisions of the Regulations of the Tamil Nadu Electricity Supply code and any drawal during outage of the generator supplying power to the full open access consumer shall be settled at 125% of the applicable energy and demand charges as determined in the Commission's tariff orders in respect of the Distribution licensee.

(3) Overdrawal by Partial open access consumers in excess of the schedule provided by Sellers shall be settled as per the agreement governing the terms and conditions of supply entered into with the Distribution licensee.

(4) Deviations from schedule by the Sellers and Buyers, excluding full and partial open access consumers, shall be governed by the provisions of these Regulations. The underdrawals by partial or full open access consumers shall be treated as inadvertent energy supplied by the generator.

(5) The State Load Despatch Centre shall be responsible for preparation of weekly deviation charges statement to all pool participants and billing and collection of deviation charges from the pool participants in accordance with regulation 13 of these Regulations

(6) A detailed energy accounting procedure shall be prepared by SLDC and submitted for approval to the Commission:

Provided that SLDC shall undertake stakeholder consultation by uploading the Draft procedure on SLDC's website before submission of procedure to the Commission for approval.

1.3. The SLDC had filed a draft procedure before the Commission and the same was approved by the TNERC vide Lr.No. TNERC/ DE/ DDEI/ F.DSM Procedure/D.No. 915 / 20, 03.10.2020. The operative portion of deviation charges and on energy accounting in respect of open access consumers is as below:

#### 6.3. Deviation Charges:

6.3.1. The charges for Deviation shall be in accordance with the provisions of the DSM Regulations with the Deviation Price Vector to be notified by the Commission from time to time. Pricing of Deviation of Buyers/Sellers shall be treated as stipulated under the DSM Regulations vide Annexure. The Charges for Deviation corresponding to grid frequency interval of "below 50.01 Hz and not below 50.0 Hz" shall be daily average Area Clearing Price (ACP) discovered in the Day-Ahead Market (DAM) segment of Power Exchange. Tamil Nadu is coming under S2 segment area. Hence the ACP for S2 segment area as

considered by SRLDC will be taken for computation of DSM price vector. The daily simple average ACP of the Power Exchange having a market share of 80% or more in energy terms on a daily basis shall be used for linking to the DSM price. If no single Power Exchange is having a market share of 80% or more, the weighted average daily simple average ACP shall be considered.

6.3.2. In case non availability of daily simple average ACP due to no trade on a given day daily simple average ACP of the last available day shall be considered for determining the DSM charge.

6.3.3. In addition to Charges for Deviation as stipulated under the DSM Regulations, Additional Charge for Deviation shall be applicable for over-drawal/ under-injection of electricity by a buyer/Seller for each time block in excess of the volume limit specified in this regulation when average grid frequency of the time block is "49.85 Hz and above" at the rates specified in these Regulations.

6.3.4. In addition to Charges for Deviation as stipulated under the DSM Regulations, Additional Charge for Deviation shall be applicable for over-injection/under drawal of electricity for each time block by a Seller or Buyer, as the case may be, when grid frequency is "50.05 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".

6.3.5 The Charges for Deviation of generating stations whose tariff is determined by the

Commission, when actual injection is higher/lower than the scheduled generation, shall not exceed the Cap Rate [311] Paise/kWh to be determined by the Commission from time to time.

6.3.6. The Charges for the Deviation for the generating stations other than those covered above, irrespective-of the fuel source, when actual injection is higher or lower than the scheduled generation, shall not exceed the Cap Rate of [303.04] Paise/kWh.

6.3.7. The charge for deviation shall be zero at grid frequency of 50.05 Hz and above.

6.3.8. The charges for the Deviation for the under- drawal by the Buyer in a time block in excess of 12% of the schedule or [X] MW, the limit arrived as per clause (B) of regulation 11, whichever is less, shall be zero;

6.3.9. The charges for the deviation for the over- injection by the Seller, in a time block in excess of 12% of the schedule or [100] MW, whichever is less, shall be zero, except in case of injection of infirm power.

6.3.10. The under drawals by partial or full open access consumers shall be treated as inadvertent energy supplied by the generator.

6.3.11. Overdrawal by Full open access consumers in excess of the schedule provided by Sellers shall be settled to the Distribution licensee at the charges applicable for excess demand to a normal consumer of the Distribution licensee as per the provisions of the Regulations of the Tamil Nadu Electricity Supply code and any drawal during outage of the generator supplying power to the full open access consumer shall be settled at 125% of the applicable energy and demand charges

as determined in the Commission's tariff orders in respect of the Distribution licensee.

6.3.12. Overdrawal by Partial open access consumers in excess of the schedule provided by Sellers shall be settled as per the agreement governing the terms and conditions of supply entered into with the Distribution licensee.

7.0 State Energy Accounting:

7.1 xxxxx

7.2. 15 min block wise, day wise Scheduled energy for open access consumers from various sources such as Third party sale, CPP, interstate purchase from power exchange and Bilateral transactions etc., have to be compiled for the month and communicated to TANGEDCO for 15 min block wise energy adjustment for the HT consumers. The billing centre of TANGEDCO shall be responsible for energy accounting, raising and settlement of bills with open access consumers.

7.3 xxxx

7.4 xxxx

1.4. The relevant provision of the Tariff order issued by the Commission vide Order No.7 of 2022, dt.09.09.2022 with regard to accounting procedure of partial/full open access consumers under the DSM purview is as below:

5.29 GRID AVAILABILITY CHARGES

5.29.1 xxx.

5.29.2 xxx

5.29.3 The Grid Availability Charges for Open Access consumers shall be applicable as under:

1) xxxxx

2) xxxxx

3) In case of deviation by Open Access Customer who is also a consumer of distribution licensee, the difference between the applicable scheduled open access load and actual drawl shall be accounted Block wise and shall be settled in accordance with the following:

a. The energy consumption of such customer shall be recorded in 15 minutes time block.

b. Deviations between the schedule and the actual injection/drawal shall come under the purview of the intra-state ABT, as notified by the Commission and shall be settled based on the composite accounts for imbalance transactions issued by SLDC on a weekly cycle in accordance with the UI charges specified by the Commission. Billing, collection and disbursement of any amounts under the above transactions shall be in accordance with the Commission's orders on Intra-state ABT, as may be applicable from time to time. Till the implementation of Intra-State ABT, the imbalance charge shall be regulated as below:

i. In case of actual energy/demand drawal is more than the scheduled energy/demand but within the permitted energy/demand (based on contracted load and energy or quota demand and energy as applicable), customer shall be liable to



pay for such over drawal at the applicable tariff rates of that category of consumer as determined by the Commission from time to time.

ii. In case of actual energy/ demand drawal is more than the scheduled energy/ demand drawal and also more than the permitted energy/demand (based on contracted load and energy or quota demand and energy as applicable), payment for the capacity above the contract demand shall have Tamil Nadu Generation and Distribution Corporation (TANGEDCO) True-Up, ARR and Tariff Order, 2022 Tamil Nadu Electricity Regulatory Commission to be made at the excess demand/energy charges as specified by the Commission for such categories of customers in the Regulations/ Order.

1.5. On conjoint reading of the above Regulation, procedure and the tariff order, the energy wheeled/purchased by the HT consumers under open access shall be accounted on 15 minutes block-wise based on the scheduled energy as furnished by the SLDC based on the schedule given by the generator. Deviation between scheduled injection and actual injection, if any, will be settled based on the composite accounts for imbalance transactions issued by SLDC on a weekly cycle in accordance with the UI charges specified by the Commission. In the above context, in case of partial OA consumers, if the actual injection is lesser than the schedule, TANGEDCO could not recover the tariff charges as applicable for the category of consumer for the difference units. Instead, TANGEDCO will be compensated as per clause 6.3.6 of said procedure i.e.Rs.3.03/per unit (deviation up to 12%) as deviation charges which will lead huge revenue loss to TANGEDCO.

Illustration:

Block 10.00 Hrs to 10.15 Hrs.

Scheduled injection : 1000 units

Actual injection : 900 units

Consumption by the captive/3<sup>rd</sup> party user : 1100 units

As per the above regulations, TANGEDCO could recover applicable tariff only for 100 units i.e. consumption beyond the schedule and for the balance 100 units (difference b/w schedule and actual injection), TANGEDCO will be compensated @ Rs.3.03/per unit.

1.6. In view of the above, TANGEDCO requested to issue clarification or suitable amendment in the DSM Regulation vide letter dated 16.03.2024. Pursuant to the above, the Commission issued clarification vide letter dated 27.03.2024, wherein the relevant portion of the same is reproduced below:

"8. At the consumer end, if the actual drawal is more than the actual injection (not based on the schedule) by the seller, the excess energy shall be billed at the applicable tariff rates of that consumer category as determined by the Commission from time to time".

1.7. In continuation to the above, in accordance with the above direction, for the month of April-2024, the energy adjustment for the Open Access Consumer was made by the TANGEDCO based on the actual injected by the Generators. Consequent to the above, Open Access Generators have represented that as TANGEDCO has allowed the actual injected energy for the allotment/adjustment towards open access transactions which should have been the scheduled energy consequent to the DSM implementation

from 01.04.2024, the DSM charges shall not be collected. Further most of the generators are denying to pay the DSM charges as claimed by the SLDC for the deviation in energy generated.

1.8. In the above circumstances, the Commission is hereby requested to issue suitable orders to exempt from the levy of basic deviation charges (i.e. for the deviation up to 12%) as the adjustment is being carried out based on actual injected energy instead of scheduled energy.

1.9. When a private generator makes under injection for the Inter-State transactions, the private generators will pay the maximum rate of Rs.3.0304 per unit for basic deviation as deviation charges to the pool account where as TANGEDCO shall have to pay the deviation charges to the SRLDC as per the prevailing frequency rates which may go up to @ Rs.16/unit maximum including penalty charges. Hence, the charges for deviation for under injection by the generator shall be as same as the deviation charges payable by the Distribution licensee to the SRLDC. As far as the cap prevails for the levy of deviation charges for the under injection by the generator, TANGEDCO will have to bear the loss and hence the DSM rate may be modified as Follows.

(i) The DSM rate may be modified in line with the CERC i.e., the Normal Rate of Charges for Deviations for a time block shall be equal to the higher of [the weighted average ACP of the Day Ahead Market segments of all the Power Exchanges; and the weighted average ACP of the Real Time Market segments of all the Power Exchanges, for that time block]

(ii) Further on par with Regulation 10(A)(2) the Cap rate may be fixed for over injection only and the Regulation 10(A)(2) may be modified accordingly.

1.10. As per the existing Power Purchase Agreements (PPA) of IPPs and also for the generators under 'sale to board' category, the Variable Fuel Cost (VFC) is being paid for the actual Net energy generated/ gross energy generated. Per contra, as per the DSM Regulation, the VFC have to be paid only for scheduled energy. In this connection, it is observed from the DSM, Regulations 2019, that the cap fixed for Deviation charges for general sellers like M/s.TAQA & M/s. SEPC is Rs.3.03/KWh. Whereas, M/s. TAQA is claiming the net variable Fuel Charges around Rs.3.80/KWh to Rs.4.00/KWh as per the terms of PPA and M/s. SEPC is claiming around Rs.4.37/KWh to Rs.5/KWh as per the provisions. This will add further loss to TANGEDCO. Therefore, the TNERC is hereby requested to issue necessary orders that the VFC has to be paid as per the existing PPA for the actual injected energy.

1.11. During the year 2019, the Commission had notified the regulations on the 'Deviation Settlement Mechanism and related matters" vide TNERC Regulations, 2019 (DSM/22-1) for the conventional generators and directed to implement the same w.e.f.01.04.2024. Relevant provision of the tariff order issued by the Commission vide Order NO.7 of 2022, dt.09.09.2022 with regard to accounting procedure of partial/full open access consumers under the DSM purview is as below:

#### 5.29 GRID AVAILABILITY CHARGES

5.29.1 xxx.

5.29.2 xxx

5.29.3 The Grid Availability Charges for Open Access consumers shall be applicable as under:

- 1) xxxxx
- 2) xxxxx
- 3) In case of deviation by Open Access Customer who is also a consumer of distribution licensee, the difference between the applicable scheduled open access load and actual drawl shall be accounted Block wise and shall be settled in accordance with the following:

- a. The energy consumption of such customer shall be recorded in 15 minutes time block.

- b. Deviations between the schedule and the actual injection/drawal shall come under the purview of the intra-state ABT, as notified by the Commission and shall be settled based on the composite accounts for imbalance transactions issued by SLDC on a weekly cycle in accordance with the UI charges specified by the Commission. Billing, collection and disbursement of any amounts under the above transactions shall be in accordance with the Commission's orders on Intra-state ABT, as may be applicable from time to time. Till the implementation of Intra-State ABT, the imbalance charge shall be regulated as below:

- i. In case of actual energy/demand drawal is more than the scheduled energy/ demand but within the permitted energy/ demand (based on contracted load and energy or quota demand and energy as applicable), customer shall be

liable to pay for such over drawal at the applicable tariff rates of that category of consumer as determined by the Commission from time to time.

ii. In case of actual energy/ demand drawal is more than the scheduled energy/demand drawal and also more than the permitted energy/demand (based on contracted load and energy or quota demand and energy as applicable), payment for the capacity above the contract demand shall have Tamil Nadu Generation and Distribution Corporation (TANGEDCO) True-Up, ARR and Tariff Order, 2022 Tamil Nadu Electricity Regulatory Commission to be made at the excess demand/energy charges as specified by the Commission for such categories of customers in the Regulations/Order.

1.12. On conjoint reading of the above Regulations and the tariff orders, the energy wheeled/purchased by the HT consumers under open access shall be accounted on 15 minutes block-wise.

1.13. Similarly, adjustment of energy wheeled from the conventional generators, the Commission has ordered in its tariff order dt.15.05.2006 as follows:

"Commission's Views / Decisions

Since all the CGPs and captive users shall be provided with TOD meters, the adjustment of energy shall be done on slot to slot basis, within monthly billing cycle as follows :

- (i) peak hour generation with peak hour consumption
- (ii) off-peak hour generation with off-peak hour consumption and
- (iii) the normal hour generation with normal hour consumption.

It should be noted that units generated during a higher tariff ToD-slot could be consumed in a lower tariff ToD slot at the option of CGP holder, but the reverse would not be allowed (i.e. units generated during a lower tariff ToD-slot cannot be drawn by the CGP Holder during a higher tariff ToD-slot)".

1.14. In the procedure approved by the Commission for the implementation of DSM Regulations in respect of conventional generators, the above aspect was not envisaged. Further, at present, the adjustment of open access power is being carried out based on the slot-wise/ user wise (captive & 3rd party) allotments made by the generators on monthly basis through Open Access Accounting and Adjustment (OAAA) package. If, the DSM Regulations are implemented, in the case of captive category, present method of allotment shall have to be automated based on the shareholding percentage of the captive consumers and in the case of 3<sup>rd</sup> party sources, the generator shall fix the percentage of allotment/based on the approved quantum for each user at the beginning of the month. Under above Circumstances, in order to implement the DSM Regulations for conventional generators, smoothly, it is suggested the following procedure of adjustment of energy purchased/wheeled by the HT consumers under various open access sources w.e.f.01.04.2024.

**Conventional generators :**

1.15. Block wise/day wise generation shall be adjusted against the block wise/day wise consumption and the excess consumption if any shall be billed under the relevant tariff of the consumer category. As the adjustment has to be carried out on block wise/day wise, the facility of higher slot generation against the lower slot consumption shall not be

applicable. Excess allotment (each block and each day) if any, shall be lapsed. Block wise/day wise purchase shall be adjusted against the block wise/day wise consumption and the excess consumption if any shall be billed under the relevant tariff of the consumer category.

Excess purchase (each block and each day) if any, shall be lapsed.

#### 1.16. **Stakeholders Comments**

As per the Commission's daily order dated 25-06-2024 in M.P.No. 22 of 2024, the Miscellaneous Petition filed by the TANGDECO was hosted in the website for inviting comments/suggestions of the stakeholders. The Comments received from the stakeholders up to 15-07-2024 were considered. The various comments received from the stakeholders are furnished as below:

##### **1. M/s. Suryadev Alloys and Power:**

1. To exempt from the levy of basis deviation charges (i.e. for the deviation up to 12%) as the adjustment is being carried out based on actual injected energy instead of scheduled energy.
2. The Commission may direct the TANGDECO to follow the guidelines as per the DSM Regulation
3. The Commission may amend the existing DSM Regulation, 2019 in line with the CERC DSM Regulations, 2022
4. Allotment be made by the generators based on consumption as is being followed and practiced now.



## **2. Tamil Nadu Power Producers Association**

1. The W.P.No. 27617 of 2019 filed by the Association against the implementation of DSM Regulation, 2019 is pending before the Hon'ble High Court of Madras.
2. The Hon'ble Commission is requested to reject the TANGEDCO's contention seeking to consider the actual energy instead of scheduled energy and exemption for basis deviation charges to maintain the parity among the stakeholders.

## **3. M/s. Tulsyan Steel**

1. Actual injection should be the basis in the case of intra-state injection for CPP/third party user and no DSM will be paid at all.
2. Excess units over and above the schedule should be allowed for allocation to CPP/third party user say up to 12% over and above the schedule.
3. To exempt levy of base deviation charges (up to 12%) as the adjustment is being carried out based on the actual injected energy instead of scheduled energy.
4. The order of TNERC should be applicable only prospectively and not retrospectively.

## **4. M/s. OPG Energy Pvt. Ltd.**

1. The procedures sought by the TANGEDCO are entirely contradictory to the DSM Regulations and the procedures issued thereon.

2. The Hon'ble Commission is requested to reject the TANGEDCO's contention seeking to consider the actual energy instead of scheduled energy and exemption for basis deviation charges to maintain the parity among the stakeholders.
3. The Hon'ble Commission may reject the petition filed by the TANGEDCO.

**5. M/s. Sembcorp Green Infra Pvt. Ltd.**

1. If the deviation is to be computed on actual injection, there is no meaning of providing the schedule and the entire DSM mechanism would become futile.
2. Consumer should provide a separate drawal schedule from banking or the excess consumption over and above the generation schedule be first adjusted towards banked energy before calculating the excess drawal by the consumers.
3. If the commission wants to make changes, it may be through amendment to the Regulations and not through the orders.

**6. M/s. OPG Power Generation Pvt. Ltd.**

1. The request made by the TANGEDCO to consider the actual energy for the monthly allotment and exemption for basis deviation charges is not tenable as per the prevailing TNERC DSM Regulations, 2019.
2. The Hon'ble Commission may reject the petition filed by the TANGEDCO.
3. The Generators receive only Rs.3.03 per unit for over injection.

## **7. M/s. OPG Renewable Energy Pvt. Ltd.**

1. The request made by the TANGEDCO to consider the actual energy for the monthly allotment and exemption for basis deviation charges is not tenable as per the prevailing TNERC DSM Regulations, 2019.
2. The Hon'ble Commission may reject the petition filed by the TANGEDCO.
3. The Generators receive only Rs.3.03 per unit for over injection.

## **8.Thiru S.Gandhi, PESOT**

1. The cost of energy at supply end cannot be compensated for penalty of not disciplined generation. The charges for deviation and energy cost are different segments.
2. The deviation charges and energy cost as applicable tariff must go concurrently.
3. Deviation charges be equivalent to that of SRLDC charges. As the DSM is inforce, the slot wise settlement became extinct.

1.17. Earlier, the Commission directed to implement the Commercial Operation of the Tamil Nadu Electricity Regulatory Commission (Deviation Settlement Mechanism and related matters) Regulations, 2019 with effect from 01-04-2024 vide Order No. 1 of 2024, dated 22-01-2024 duly considering the safe, secure and reliable operation of the Grid. Further, based on the request of the SLDC/ TANTRANSCO, Commission vide order No. 1-1 of 2024, dated 20-02-2024 has exempted the Hydro Generating Stations including the Pumped storage power plant of the TANGEDCO under the purview of the Deviation

Settlement Mechanism notified vide TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019 for the following reasons:

1. The Hydro generations are utilized as spinning reserve and operated fully as per the directions of SLDC.
2. The Hydro stations generate electricity as per the despatch schedule issued by the SLDC and hence deviation in generation does not arise and hence bringing the hydro plants under the ambit of deviation mechanism may not be required.
3. Most of the hydro plants are irrigation based and are operational only when the PWD release water for irrigation purpose.
4. The deviations in respect of Hydro generating stations are Nil during the entire mock period from 14-01-2021 to till date.
5. The hydro plants are quickly responding to manage the variations in demand and high RE generation variations, unit trippings, etc.

1.18. In response to the clarification sought by the TANGEDCO vide their letter dated 15-03-2024, the Commission vide Lr.No. TNERC/D/E/DDEI/F.DVSM /D. No.423/2024, dt. 27.03.2024 has issued the following clarification in order avoid gaming by the generators and financial loss to the TANGEDCO and in turn tariff burden to the common consumers:

*“7. .... it is ordered that the deviation at the generator end shall be computed between the actual injection and scheduled generation and levy the deviation charges in accordance with the TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019 and the procedure issued in this Regard.*

*8. At the consumer end, if the actual drawal is more than the actual injection (not based on the schedule) by the seller, the excess energy shall be billed at the applicable tariff rates of that consumer category as determined by the Commission from time to time.”*

## **2. Findings of the Commission:-**

2.1. It is observed that no court has stayed the 2019 Regulations and its implementation procedure issued by the Commission. We have considered the comments/suggestions of the stakeholders and perused the records adduced as evidences. A reading of the proposal of the TANGEDCO and the objections of the objectors necessitates the consideration of the following issues and disposal of the Commission:

**1. The first question which arises for consideration is whether to exempt the conventional generators from levy of basic deviation charges (i.e. for the deviation up to 12%) as the adjustment is being carried out based on actual injected energy instead of scheduled energy?**

**2. The second question arises for consideration is whether the DSM rate may be modified in line with the CERC rate i.e. Normal rate of charges for deviation for a time block shall be equal to the higher of [the weighted average ACP of the day ahead market segments of all the power exchanges; and the weighted average ACP of the Real Time Market segments of all the power exchanges, for that time block]?**

**3. The third question arises for consideration is whether the variable fuel charges is to be paid for the scheduled energy or as per the existing PPA for the actual energy injected?**

**4. The fourth question arises for consideration is whether block wise / day wise generation / purchase shall be adjusted against the block wise / day wise consumption and the excess consumption if any shall be billed under the relevant tariff of the consumer category?**

2.2. At present the energy adjustment at consumer end is being done between the actual injection by the generator and the actual consumption by the consumer as per the Commission's direction. The deviation arises in the following conditions:

2.2.1. When the consumer consumes more than the actual injection or lesser than the actual injection by the generator.

2.2.2. When the generator generates more than the schedule or lesser than the schedule;

2.3. At the consumer end, the question is whether to consider the actual generation or scheduled generation made by the generator. If the scheduled generation of the generator is considered for adjustment with the actual consumption by the consumer, the petitioner will be put into severe loss because there are many possibilities that the generators may generate lesser than their schedule, which may be due to gaming by some of the generators. Further, if the scheduled generation is considered for

adjustment, the generator may simply pay the capped price for the under generated units, which is at present 311 paise/unit (Generating stations for which Commission decides the tariff) and 303.04 paise/unit (Generating stations for which Commission does not decides the tariff) under Deviation Settlement Mechanism. These deviation charges are far lesser than the charges to be recoverable by the Distribution Licensee from the consumers, which may lead to loss to the petitioner and add burden to the common consumers through ARR.

2.4. To avoid such loss to the Distribution Licensee, Commission has earlier considered actual generation instead of scheduled generation by the generator for adjustment with the consumption by the consumers and in turn, the generators have to pay the deviation charges of 311 paise/unit (Generating stations for which Commission decides the tariff) 303.04 paise/unit (Generating stations for which Commission does not decides the tariff) as the case may be.

2.5. While so, all the generators have opposed the move and insist the Commission to adopt the scheduled generation by the generators as per the Regulation. However, the following issues are also to be considered in details:

2.5.1. The entire Grid operation is primarily based on Schedule in the Country.

The actual energy injection by generators will not be known to SLDC in advance for Day ahead and Intra-day grid operation and hence the secured Grid operation will be defeated if actual injected energy by the generator is considered. Further, the Grid stability in the entire country is

being maintained by the schedule based Grid operation. Deviation if any shall generally managed through deployment of Ancillary services.

- 2.5.2. After implementation of Inter-State ABT in India in phases during the years 2002-2003 in the Country, the grid separation/failure reduced drastically due to schedule based grid operation commenced.
- 2.5.3. As Schedule based operation is implemented in the entire country for inter-state operations, the grid frequency could be maintained within the stipulated band thereby the grid security / stability has been ensured.
- 2.5.4. The actual energy based grid operation will not bring stability to the Grid since the actual energy is always varying in nature.
- 2.5.5. The power availability for next day is arrived based on the schedule and power purchase from the market is calculated based on schedule based forecast only.
- 2.5.6. If actual injection is above/below the schedule, it will be treated as Unscheduled interchange of energy into the Grid for which only the deviations charges are to be levied to the seller. By imposing penalty charges for the deviation above specified volume limit, the scope for gaming shall be narrowed down and the energy settlement shall be done on scheduled energy to bring parity among all stakeholders.
- 2.5.7. Under Deviation Settlement Mechanism (DSM), Variable Charge/Energy charge is paid to scheduled energy and the deviation from the schedule is covered under DSM charges.



2.6. In view of the above, Commission is of the opinion that the adjustment of energy at the consumer end based on actual energy injected by the generator/seller will not be appropriate and therefore, the Commission withdraws the earlier instruction issued to the TANGEDCO/TANTRANSCO vide Lr.No. TNERC/D/E/DDEI/F.DVSM /D. No. 423 /2024, dt. 27.03.2024 and decides that adjustment of energy at the user end based on the scheduled energy given by the generator. However, in order to protect the interest of the Distribution Licensee and other stakeholders especially consumers of the Distribution Licensee, it is necessary to remove the cap rate for the charges for deviation of the generating stations as prescribed in the Regulation 10(A)(2) and 10(A)(3) of TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019 due to the following reasons:

2.6.1. The DISCOM pays the charges for deviations to the Regional Pool Account at the rate stipulated by the CERC, which is higher than the Cap Rate stipulated in the Regulation 10(A)(2) and 10(A)(3) of TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019, viz. 311 paise/unit (Generating stations for which Commission decides the tariff) and 303.04 paise/unit (Generating stations for which Commission does not decides the tariff). Whereas, the generators pays only the capped rates, and the difference between the payment made by the Distribution Licensee for the State deviation and the deviation charges received by the Distribution Licensee from these State generators have to

be borne by the Distribution Licensee only and in turn falls under the head of common consumers through tariff hike.

- 2.6.2. Further, there is a possibility that the Generator may involve in gaming by under injecting over his committed schedule since the deviation charge is capped and the consumer especially captive consumer will get the benefit of adjusting his consumption over scheduled generation (lesser than the actual injection of power)
- 2.6.3. Moreover, the CERC has not levied any cap limit for the deviation by the generators in respect of inter-state transaction.
- 2.6.4. The generator(s) connected to the STU are selling power within Tamil Nadu through open access / contracts basis and also selling power outside the State of Tamil Nadu. Currently the settlement of charges for the generators who are selling power outside the State of Tamil Nadu is based on Scheduled energy. However the settlement of charges for the same generator who are selling the power within the State is based on actual energy, which may not be correct.
- 2.6.5. The very purpose of Deviation Settlement Mechanism shall be defeated if the settlement is based on actual energy.
- 2.6.6. If the energy settlement is allowed to continue on actual energy injected by the generator is considered may lead to gaming by certain generator, which may inturn lead to grid indiscipline.

- 2.7. While considering the issue in detail, Commission decides the following:
- 2.7.1. Deviation volume limit for the generators will be applicable as per the existing TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019;
- 2.7.2. The charges for deviation as per the TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019 is applicable to all the Generators in respect of transactions of conveyance of electricity through short- term open access or medium-term open access or long-term open access using intra-State transmission system or distribution system of electricity (including inter-state wheeling of power). However, the cap rate prescribed in the Regulation 10(A)(2) and 10(A)(3) of TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019 is removed and necessary amendment to this effect will be issued by the Commission in due course.
- 2.7.3. In case of sale of power to the Distribution Licensee by the seller/generators, the variable fuel charges are to be paid for the scheduled energy only. In case, the PPA made with the Distribution Licensee differs i.e. payment of variable fuel charges for actual energy, necessary amendment to the PPA to that effect may be considered by the Distribution Licensee on mutual consent basis with the seller/generators.

- 2.7.4. a) The Scheduled generation by the Generator/seller available at the consumer end shall be considered for adjustment with the consumption at the consumer end. If the consumer consumes more than the scheduled generation (excluding losses in kind) by the generator, the consumer shall be charged at the appropriate tariff rates of the respective category for the consumption over and above the scheduled energy by the generator as per the Tariff orders issued by the Commission from time to time.
- 2.7.4. b) Further, if the consumer consumes over and above his sanctioned demand, penal levy shall be made as per the Supply Code/tariff orders issued by the Commission from time to time. The under consumption by the consumer over the scheduled generation by the generator will get lapsed.
- 2.7.4. c) At the generator end, the generator shall be charged / paid deviation charges in respect of under injection/over injection made over the scheduled generation as per the TNERC (Deviation Settlement Mechanism and related matters) Regulations, 2019 without any cap limit in order to protect the grid stability, grid security and the interest of all the stakeholders.
- 2.7.4. d) Regarding adjustment of energy at the consumer end, energy accounting shall be done in 15 minutes time block basis. Block wise/day wise scheduled generation/purchase shall be adjusted against the same

block wise/day wise consumption. The surplus energy, if any, available after adjustment in the respective same 15 minutes time block basis will be lapsed and the consumer will be charged at appropriate tariff rate for any over drawal over the scheduled generation by the generators.

2.8. This order will be applicable with effect from 01-04-2024, i.e. date of implementation of TNERC (Deviation settlement mechanism and related matters) Regulations, 2019 as ordered by the Commission vide Order No. 1 of 2024, dated 22-01-2024. Commission also directs that the billing software for adjustment of energy at the consumer end for block wise/day wise generation against block wise/day wise consumption shall be made ready within 6 months from the date of issue of this order. Till such time, adjustment of energy at the consumer end shall be made as per the relevant tariff orders issued by the Commission from time to time.

2.9. As the concept of Deviation Settlement Mechanism is being implemented in the State of Tamil Nadu is in the initial phase, for the first time, the Commission may revisit the TNERC (Deviation settlement mechanism and related matters) Regulations, 2019 after obtaining the feedback on post implementation issues.

The petition is accordingly, disposed of.

(Sd.....)  
Member (Legal)

(Sd.....)  
Member

(Sd.....)  
Chairman

/True Copy /

**Secretary  
Tamil Nadu Electricity  
Regulatory Commission**