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The Regulatory Assistance Project is an independent global NGO advancing policy innovation and thought leadership within the energy community. Our mission is to assist governmental decision-makers develop and implement policies that will effect the transition to a low-cost, low-carbon energy future, for the benefit of all.

We want to thank the West Bengal Electricity Regulatory Commission (WBERC) for this opportunity to comment on the draft regulations issued on March 22, 2023, regarding Ancillary Services (AS) in wholesale electric markets.

We are writing to say that we generally support promulgation of regulations to set the rules of the road to provide clarity to market participants. We offer suggestions below for further improvement. WB ERC should be commended for being the first ERC in India to propose regulations for Ancillary Services (AS).

The draft WB ERC AS Regulations document is a good start. It contains many important elements such as

- Who the regulations apply to (Section 4)
- Identifying the AS that need to be procured including (Section 5)
- Designates the State Load Dispatch Center (SLDC) as the entity responsible for determining the required quantity of AS in the DAM and RT (Section 6)
- Who is eligible to provide AS (Section 7)
- When SRAS should be deployed by the SLDC (section 8)
- How the SLDC will procure AS (Section 9)
- Selection of SRAS providers and dispatch (Section 10)
- Payments to SRAS providers (Section 11)

In many instances specific details are left to the SLDC to develop “Detailed Procedures.”

While the above elements are helpful, there are some key details that are unclear and could be further clarified or elaborated on. The following informal comments are suggestions for the WBERC to consider.

1) SLDC should be required to file tariffs and manuals:

The regulations should require the SLDC to file tariffs and manuals. It would be useful for the SLDC to file tariffs for the WBERC approval to provide certainty and regulatory clarity to

market participants. The tariffs should contain the specifics on how the SLDC will procure the AS resources, and how it will collect payments from users of the AS services. The tariff should also spell out the criteria for setting the AS resource requirements, qualifications of AS suppliers etc., consistent with the final WBERC regulations. The SLDC tariff proposal should be subject to public consultation before approval by the WBERC. For example, see an excerpt of the tariff filed by the New York Independent System Operator (NYISO) and approved by the Federal Energy Regulatory Commission (FERC), dealing with Operating Reserves at <https://etariff.ferc.gov/TariffBrowser.aspx?tid=898>.

Also, see the NYISO Open Access Tariffs (pages 306-320 deal with AS) at <https://nyisoviewer.etariff.biz/ViewerDocLibrary/MasterTariffs/9FullTariffNYISOOATT.pdf>

Similarly, the SLDC should also prepare a Manual that goes into significant detail regarding various aspects of the Ancillary Services. As the Indian wholesale market opens its doors to new entrants, such manuals would be extremely helpful to better understand how the services will be procured and paid for. For example, see the AS manual issued by the NYISO at <https://www.nyiso.com/documents/20142/2923301/ancserv.pdf/df83ac75-c616-8c89-c664-99dfea06fe2f>.

2) Regulations should provide guidance on how AS quantities and prices are set:

While the SLDC may perform the calculations, the regulations can provide further guidance to the SLDC on the criteria they need to use to determine the required AS quantities for various AS products. Similarly, guidance should be provided on how the winning AS providers will be selected from the available AS providers and how the price they will be paid will be determined

3) Determining the right incentives:

While we have not done the analysis, it would be helpful for the WBERC to evaluate whether the regulations send the right incentives to AS providers to minimize gaming and optimizing the procurement of AS resources. Typically, the AS quantities required are not huge, relative to the energy or capacity quantities required. Many thermal and hydro plants can provide the system operator with needed AS. It is unclear if a 'market' is envisioned for procuring AS on a competitive bid basis. It appears from the draft regulations that AS providers bid their 'costs,' and the system operator picks the lowest cost providers. But it is unclear who determines the "correct" costs, especially for Demand Response and Storage AS providers. It is also unclear whether and how generators have unbundled their costs to identify specific costs associated with providing AS, especially if they are competing with DR and Storage resources.

4) Implementation:

It would be helpful for the regulations to clarify that Primary and Secondary reserves should be mandatory and regulated to start with and both these should be automatic, whereas the tertiary reserve would be manual. It should be recognized that the ecosystem necessary for

any kind of AS is very important, be it hardware, software, systems, and processes etc., for effective implementation. These should be put in place, and they take time. Regulators should also be open to making modifications over time as necessary based on lessons learned.

We stand ready to assist the WBERC, in whatever way we can be most helpful.

Thank you.

Regards,

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