Supply-side Outlook and Potential Interventions

WRI - Advisory Group Podcast

Rasika Athawale
Advisor
The Regulatory Assistance Project (RAP)®

+91 98190 16338
Mumbai, India

rathawale.consultant@raponline.org
raponline.org
Supply-side cost optimization key to maintain competitiveness

- Alternative sources of supply are explored for
  - **Cost savings**
  - Better reliability
  - Power quality
- Can discom tariff compete with supply offers from alternative sources?
- Where to start? **Power Purchase Costs**
Strategies for Supply-side Cost Optimization

1. Re-assessment of Power Purchase Contracts
2. Participation in Wholesale Electricity Markets
3. Dynamic Pricing for Retail Consumers to integrate cheaper resources
Strategies for Supply-side Cost Optimization (1/3)

1. Re-assessment of Power Purchase Contracts

2. Participation in Wholesale Electricity Markets

3. Dynamic Pricing for Retail Consumers to integrate cheaper resources

- Karnataka became a power surplus state in June 2019 – per PCKL
- BESCOM should revisit past decisions regarding long-term procurement plans
- BESCOM should ask for review of PCKL’s transmission infrastructure commitments
Strategies for Supply-side Cost Optimization (2/3)

1. Re-assessment of Power Purchase Contracts
   - CERC DAM simulation exercise for Karnataka, hinted at power procurement cost reduction of 77 Cr

2. Participation in Wholesale Electricity Markets
   - Markets offer twin opportunities for BESCOM
     - Access to low-cost, under-utilized power plants located across the country
     - Access to marketplace to trade surplus power
   - BESCOM should explore setting-up power trading as a separate business activity

3. Dynamic Pricing for Retail Consumers to integrate cheaper resources
   - BESCOM should advocate for self-control over its procurement portfolio – limiting mid-term changes to allocation from state/central high cost gencos (Kudigi)
Strategies for Supply-side Cost Optimization (3/3)

1. Re-assessment of Power Purchase Contracts

2. Participation in Wholesale Electricity Markets

3. Dynamic Pricing for Retail Consumers to integrate cheaper resources

- Dynamic pricing provides consumers with a choice to consume less when prices are higher, and a choice to consume more when power is available for cheap, with overall aggregate consumption remaining unchanged.

- Dynamic pricing supports cost causation, more than flat rates or tariff with vanilla TOD.

- BESCOM may test a more targeted renewable energy procurement-consumption match –
  - deep discounts during afternoon high-solar generation hours, and night high-wind generation hours
  - along with a more cost-reflective peak hour energy charge
Becoming a progressive Utility of the Future

1. Re-assessment of Power Purchase Contracts

   Regulatory guidance for pass-through of lower costs to select categories

2. Participation in Wholesale Electricity Markets

   Pilots and Impact Analysis can be the starting points

3. Dynamic Pricing for Retail Consumers to integrate more RE

   Any steps towards economic efficiency shall lower costs
About RAP

The Regulatory Assistance Project (RAP)® is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at raponline.org

Rasika Athawale
Advisor
The Regulatory Assistance Project (RAP)®
+91 98190 16338
Mumbai, India
rathawale.consultant@raponline.org
raponline.org