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PHD Chamber of Commerce and Industry



## **Framework for Implementation of Market Based Economic Dispatch (MBED) – Phase1 for lowering the cost of power purchase to Consumers released**

### **Around 5% reduction in the cost of power to the consumers from MBED expected**

Ministry of Power has been examining suitable mechanisms to enhance competition in the power sector with the objective of lowering the cost of electricity to consumers. With success in generation capacity additions over the past few years and a well-integrated national electricity grid, the time is right to move towards optimizing the operation of generating plants in the country to deliver benefits of reduced operating costs to the distribution utilities and end consumers. A robust day-ahead market will also form the basis for transitioning away from the country's over-dependence on longer-term PPAs to sustainable market-based operations.

It is hence widely recognized that an essential next step in reforming electricity market operations and in moving towards "One Nation, One Grid, One Frequency, One Price" framework is to implement Market Based Economic Dispatch (MBED) in the day-ahead horizon, initiated by the Central Electricity Regulatory Commission. MBED will ensure that the cheapest generating resources across the country are dispatched to meet the overall system demand and will thus be a win-win for both the distribution companies and the generators and ultimately result in significant annual savings for the electricity consumers.

Ministry of Power recognized the need for a consensual and phased approach in implementing MBED that will help participants, power exchanges and load dispatch centers to adapt gradually to the new regime. To this effect, a Discussion Note was circulated on 1st June 2021 by the Ministry of Power to all concerned stakeholders for obtaining their inputs and comments. A consultation workshop covering State Governments was convened by the Ministry of Power on 6th July 2021. Several comments were obtained during the workshop which was subsequently deliberated by the Ministry. Pursuant to that, a second consultative workshop was held with Discoms, Electricity Regulatory Commissions, State Gencos, etc. on 26th August 2021.

Ministry of Power noticed substantial alignment amongst all key stakeholders on a phased approach and the process to be followed for implementing Phase 1 of MBED starting with the mandatory participation of the Inter State Generating Stations. Generation plants of others can also participate in Phase 1 on a voluntary basis. The implementation of Phase 1 of MBED is planned to start with effect from 1st April 2022. Before this CERC will align their

regulations and mock drill will be carried out to ensure that the system runs smoothly.

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Warm Regards,

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