



## **CONGESTION MANAGEMENT**

Market-splitting methodology shall be adopted for congestion management.

Grid bottlenecks are relieved by comparison of the calculated contractual flow with the transmission capacity available for spot trading, and if the flow exceeds the capacity, the prices are adjusted on both sides of the bottleneck so that the flow equals the capacity. If the flow does not exceed the capacity, a common price is established for the whole area.

If the flow exceeds the capacity at the common price for the whole market area, it is split in a surplus part and a deficit part. The price is reduced in the surplus area (sale > purchase) and increased in the deficit area (purchase > sale). This will reduce the sale and increase the purchase in the surplus area. In the same way, it will reduce the purchase and increase the sale in the deficit area. Thus, the needed flow is reduced to match the available transfer capability. This method of managing congestion is also known as market-splitting. Initially, the electrical regions are defined as bid areas since inter-regional links are most likely to be congested, however, each electrical region of the country has been divided in two bid-areas so as to accommodate any exigencies of congestion in intra-regional transmission system.

- **Treatment of Congestion Revenue**

The area prices shall differ in each region after splitting the market. The Members in different bid areas shall pay different area prices. The funds collected due to differential in area prices shall be kept in separate fund. These funds will be utilized as directed by CERC.