



RAJASTHAN ELECTRICITY REGULATORY COMMISSION

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PUBLIC NOTICE

In exercise of powers conferred under Section 181(2) (zp) of the Electricity Act, 2003 (36 of 2003) read with relevant sections of the Electricity Act, 2003, and all other provisions enabling it in this behalf, the Rajasthan Electricity Regulatory Commission having framed the Draft Regulations, "Rajasthan Electricity Regulatory Commission (Demand Flexibility (DF)/Demand Side Management (DSM)) Regulations, 2026", invites comments/suggestions from the interested person before finalizing them.

Notice is hereby issued inviting comments/suggestions on the above draft Regulations from interested persons. The comments/suggestions, if any, in six set/copies in writing shall reach the Receiving Officer of the Commission on or before 27.02.2026. The copy of the draft Regulations along with Explanatory Memorandum may be obtained from the Receiving Officer of the Commission on payment of Rs. 100/-. The draft Regulations along with Explanatory Memorandum are also available on Commission's website www.erc.rajasthan.gov.in.

Secretary

(Not to be published)

Dated: 28.01.2026

Secretary



राजस्थान विद्युत विनियामक आयोग

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सार्वजनिक सूचना

विद्युत अधिनियम, 2003 की धारा 181(2)(zp) तथा सहपठित संबंधित धारा द्वारा प्रदत्तशक्तियों का प्रयोग करते हुए एवं अन्य सभी प्रावधान जो इस संदर्भ में इसे सामर्थ्य प्रदान करते हैं, के अंतर्गत राजस्थान विद्युत विनियामक आयोग द्वारा प्रारूप विनियम, "राजस्थान इलेक्ट्रिसिटी रेगुलेटरी कमीशन (डिमांड फ्लेक्सिबिलिटी / डिमांड साइड मैनेजमेंट (DSM)) रेगुलेशन, 2026", बनाए गए हैं, इस विनियम को अंतिम रूप देने से पूर्व आयोग द्वारा सभी इच्छुक व्यक्तियों से सुझाव/टिप्पणियां आमंत्रित की जाती हैं।

एतद्वारा उपरोक्त वर्णित प्रारूप विनियम की सूचना जारी कर इच्छुक व्यक्तियों से सुझाव/टिप्पणियाँ आमन्त्रित की जाती है। अगर कोई सुझाव/टिप्पणियाँ देना चाहे तो छह सेट/प्रतियां लिखित रूप में आयोग के प्राप्तकर्ता अधिकारी को दिनांक 27.02.2026 तक या इससे पूर्व प्रस्तुत कर सकता है। प्रारूप विनियम की प्रतिलिपि आयोग के प्राप्तकर्ता अधिकारी के पास उपलब्ध है जिसे रू 100/- का नकद भुगतान दे कर प्राप्त किया जा सकता है। प्रस्तावित विनियम आयोग की वेबसाईट www.erc.rajasthan.gov.in पर भी उपलब्ध हैं।

सचिव

(अप्रकाशनीय)

दिनांक 28.01.2026

सचिव

EXPLANATORY MEMORANDUM

Draft Rajasthan Electricity Regulatory Commission (Demand Flexibility (DF)/Demand Side Management (DSM) Regulations, 2026

Rajasthan power sector is currently undergoing a structural transformation, and has established itself as a national leader in renewable energy, dominated by solar power. While this achievement aligns with national climate goals, it has introduced significant operational complexities, primarily the "duck curve" phenomenon. This occurs as solar generation surges during the day but collapses just as evening demand peaks, requiring the rapid ramping of expensive thermal plants or costly short-term power purchases. To address this, the Government of Rajasthan, in its Integrated Clean Energy Policy 2024, has emphasized the integration of energy efficiency and demand side management in the energy ecosystem. Further, Chairman Discoms has also requested vide their letter dated 09.01.2026 to formulate a comprehensive regulatory framework for Demand Flexibility and Demand Response.

The proposed regulations recognize that modern Demand Side Management (DSM) must work on two complementary levels to be effective. The first fold focuses on Load Shifting and Demand Flexibility, which aims to defer or shift demand from high-cost peak periods to low-cost, low-demand periods, specifically the solar-rich hours. This Active management helps the grid absorb excess renewable energy that might otherwise be wasted. The second fold remains rooted in Energy Efficiency, which focuses on reducing overall demand by increasing the efficiency of end-use appliances and industrial processes. Together, this two-fold approach directly reduces the power procurement costs of Discoms by minimizing the need for expensive peaking power. These systemic savings subsequently reduce the overall tariff burden on consumers.

To operationalize these goals, the regulations mandate that every Distribution Licensee (Discom) shall establish a dedicated DF/DSM Cell led by a senior officer of Chief Engineer rank. This cell will be responsible for conducting load research and designing programs tailored to various consumer segments. Discoms will be required to meet specific targets for flexible demand. To support this, a DF/DSM Consultation Committee may be constituted to act as a technical advisory body, ensuring that demand-side resources are managed with the same professional rigor as traditional supply-side assets.

Recognizing that individual small-scale consumers may lack the technical means to participate directly, the regulations introduce the role of Aggregators. These entities will bundle the flexible loads of multiple consumers, such as electric vehicle fleets or smart-appliance users, and offer them as a single resource to the Discom. This creates a new marketplace for demand flexibility. Special emphasis is placed on the agricultural sector through the PM-KUSUM scheme, where solarizing pumps allows for massive shifts in agricultural load to daylight hours. Furthermore, the framework leverages the Advanced Metering Infrastructure (AMI) being deployed under the Revamped Distribution Sector Scheme (RDSS) to provide the necessary real-time data for these flexibility programs.

Every proposed DF/DSM program must undergo rigorous economic testing, including the Total Resource Cost test to ensure net social benefit and the Ratepayer Impact Measure test to prevent adverse tariff hikes for non-participants. Furthermore, the Commission has mandated an Evaluation, Measurement, and Verification (EM&V) process. This involves the appointment of Independent Verification Agencies (IVAs) who will use international protocols to verify that the reported load shifts and efficiency gains are accurate and yield real financial benefits for the utility and its consumers.

The Draft RERC (Demand Flexibility and DSM) Regulations, 2026, represent a comprehensive response to the challenges of the energy transition in Rajasthan. By aligning with the Integrated Clean Energy Policy 2024, the Commission is providing a clear legal path for demand-side resources to contribute to grid stability and cost effective power purchase. This two-fold strategy of shifting peak load and improving efficiency will drive down system costs, enhance reliability, and ensure that Rajasthan's abundant solar energy translates into lower bills for every consumer.

Overall, the Draft Regulations represent a progressive and timely regulatory reform that aligns with the operational realities of a renewable-dominated grid. Subject to careful implementation, monitoring of cost recovery, and phased capacity building, the Regulations have the potential to enhance grid reliability, moderate tariffs, and maximize utilization of low-cost renewable energy in the State.

Considering the above aspects, the Commission has prepared draft RERC (Demand Flexibility / Demand Side Management) Regulations, 2026.

Before finalizing the draft Regulations, Commission invites objection/suggestions from the stakeholders on the draft Regulations as enclosed herewith.

RAJASTHAN ELECTRICITY REGULATORY COMMISSION (DEMAND FLEXIBILITY (DF) / DEMAND SIDE MANAGEMENT (DSM)) REGULATIONS, 2026

DRAFT NOTIFICATION

In exercise of the powers conferred under Section 181(2) (zp) of the Electricity Act, 2003 (36 of 2003) read with sections 3, 61, 66, 86 and all other powers enabling in this behalf, the Rajasthan Electricity Regulatory Commission hereby makes the following Regulations, namely:

1. Short Title, extent and Commencement

- (1) These Regulations may be called the" "Rajasthan Electricity Regulatory Commission (Demand Flexibility (DF)/Demand Side Management (DSM)) Regulations, 2026."
- (2) These Regulations shall be applicable to all the Distribution Licensees including deemed Distribution licensees in the State of Rajasthan.
- (3) These Regulations shall come into effect from the date of notification in the Rajasthan Gazette.
- (4) Demand Flexibility Portfolio obligation under Regulation 3.4.1(c) shall be effective from 1 Apr, 2026.

2. Definitions

2.1 In these Regulations, unless the context otherwise requires:

- a) "**Act**" means the Electricity Act, 2003(36 of 2003) as amended from time to time.
- b) "**Aggregator**" is an entity registered with the Distribution Licensee to provide aggregation of one or more of the services like demand response services under the demand flexibility mechanism, Distributed Generation, Energy Storage etc., within the area of distribution licensee;
- c) "**ARR**" means Annual Revenue Requirement.
- d) "**Avoided Costs**" means the incremental costs saved by the distribution licensee when it avoids purchase of power or distribution related costs in existing or new distribution system investment or upgrades because of implementation of DF / DSM programmes;
- e) "**Baseline data**" means the data relating to the consumption and/or demand for electricity from any specified class or category of consumers or any distribution area, before a DSM/DF programme begins, to provide a starting point for comparison for assessing the program impact;
- f) "**Commission**" means the Rajasthan Electricity Regulatory Commission (RERC) as constituted under Section 82 of the Act;
- g) "**Cost Effectiveness**" means an indicator of the relative performance or economic attractiveness of any investment in DF/DSM programme or when compared to the costs of energy produced and delivered in the absence of such an investment and as stipulated in

Chapter II of these Regulations;

- h) **"Demand Flexibility" or "DF"** means the ability of demand-side loads that can vary consumption patterns hourly or any other time scale, for making electricity more affordable to consumers with the co-benefits of reducing or deferring system costs or an end-use consumption that can increase or decrease as a demand response measure;
- i) **"Demand Flexibility Portfolio Obligations" or "DFPO"** means a trajectory of flexible demand that a distribution licensee needs to ensure availability on an annual basis to provide quick ramping-up and ramping-down of the load based on the system requirements, including maximizing renewable energy integration services;
- j) **"DF/DSM Resource"** means a saving in consumption (kWh) and/or demand (kW/KVA), as a result of implementation of DF /DSM programme (as a single or group of devices at a single or multiple locations), expressed in three important dimensions namely Quantum (kWh and/or kW/kVA), Time and Cost;
- k) **"Distribution Licensee"** means a person who has been granted a license under Section 14 of the Act to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply and includes a deemed Licensee;
- l) **"DF / DSM Cell"** means a specific Cell to be set-up by the Distribution Licensee for targeted activities towards implementation of the DF/DSM activities mandated under these Regulations.
- m) **"Demand Response"** means variation in electricity usage by the end consumers or by a control area manually or automatically, on standalone or aggregated basis, in response to the system requirements.
- n) **"DSM"** means Demand Side Management; capturing the actions of a Distribution Licensee towards altering the end-use of electricity - whether it is to increase demand, decrease it, shift it between high and low peak periods - in the overall interests of reducing Distribution Licensee costs.
- o) **"Energy Efficiency"** means activities or programs that encourage consumers to reduce energy use by making investments in more efficient equipment or control that reduces energy use while maintaining a comparable level of service as perceived by the consumer;
- p) **"Evaluation, Measurement and Verification or EMV"** means activities included under **Chapter III of these Regulations**, which involves evaluation, monitoring, measurement and verification of DF / DSM programmes;
- q) **"Independent Verification Agency or IVAs"** are either individuals certified as energy auditors or energy managers or measurement and verification professionals or organisations with individuals certified as energy auditors or energy managers or measurement and verification professionals;
- r) **"IPMVP"** means International Performance Measurement & Verification Protocol which

provides guidelines that can be used to estimate the savings from the DF/DSM programmes;

- s) **“Life”** means an estimate of the median number of years that the DF/ DSM measures installed and operable under the program or the warrantied years of service.
- t) **“Load Management”** means programs that reduce or shift peak demand from periods of high-cost electricity to non-peak or low-cost time periods, with a neutral effect or negligible increase in electric use;
- u) **“Load Research”** means an activity embracing the measurement and study of the characteristics of electric loads to provide a thorough and reliable knowledge of trends, and general behaviour of the load characteristics of the consumers serviced by the distribution licensee using a variety of metering (including data capture from smart metering systems), surveys, detailed energy audits of consumer-end energy consumption to capture daily, monthly, seasonal and annual usage patterns;
- v) **“MYT”** means Multi Year Tariff;
- w) **“NPV”** means Net Present Value;
- x) **“PCT”** or Participant Cost Test measures the quantifiable benefits and costs to a consumer for participating in a DF/DSM programme;
- y) **“RIM”** or Ratepayer Impact Measure means test which evaluates the impact of the programme implementation and costs on consumers;
- z) **“SCT”** or Societal Cost Test measures the quantifiable benefits and costs of the DF/DSM programme on society as a whole;
- aa) **“TRC”** or Total Resource Cost test means which measures the total quantifiable benefits and costs of a DF/DSM programme;

2.2 Save as aforesaid and unless repugnant to the context or the subject matter otherwise requires words and expressions used in these regulations and not defined, but defined in the Act, or any other Regulations of this Commission, shall have the same meaning as assigned to them respectively in the Act or the Rules or any other Regulations made there under:

CHAPTER I: IMPLEMENTATION

3. Basic Principles in Licensee operations:

3.1 Demand Flexibility (DF)/Demand Side Management (DSM):

- 3.1.1 Every Distribution Licensee shall adopt DF / DSM in their day-to-day operations, and undertake planning, designing and implementation of appropriate DF / DSM programs on a sustained basis that are measurable, replicable and available for smooth grid operations, balancing the supply and demand; and to ensure Resource Adequacy requirements under other Regulations. The Licensees shall adequately staff the DF / DSM Cell as required for its activity and such cell be headed by an officer, who is not below the rank of Chief Engineer.
- 3.1.2 The Distribution Licensee shall pursue the following objectives w.r.t DF and DSM activities:
- (i) Control, change and influence electricity demand;
 - (ii) Encourage consumers to amend their electricity consumption pattern both with respect to timing and level of electricity demand for efficient use of energy;
 - (iii) Complement supply side strategies to help the utilities to avoid or reduce or postpone a) costly capacity (generation, transmission & distribution network) additions b) costly power purchases and embedding cheaper renewable power instead.
 - (iv) Reduce the environmental damage by reducing the emission of greenhouse gases;
 - (v) Supplement national level efforts for implementation of various DSM programmes.
 - (vi) Make strategic efforts to induce lasting structural or behavioural changes in the market that will result in increased adoption of energy efficiency, as well as the identification and integration of flexible demand with relevant technologies, services, and practices;
 - (vii) Protect the interest of the consumers and shall result in overall reduction in tariff for all the consumers.

3.2 Cost recovery of DF/DSM measures:

- 3.2.1 Distribution Licensees may propose to recover all justifiable costs incurred by them in any DF / DSM related activity, including conducting Load Research (LR), planning, designing, implementing, monitoring and evaluating DF/DSM programs, under Capital Investment Plan in the MYT/ARR filing and Annual financial reporting.
- 3.2.2 All such DF /DSM related activities/programs undertaken by the Distribution Licensees.
- (i) shall be cost-effective for the Distribution Licensees as well as to the consumers as stipulated under **Chapter II of these Regulations**;
 - (ii) shall protect the interest of consumers and implemented in an equitable manner;

(iii) shall result in overall tariff reductions to the consumers, or marginal increase as defined in Chapter II;

3.3 Role of Distribution Licensees:

- (i) To allocate funds (in terms of percentage of the total budget of the Distribution Licensee) to the DF / DSM Cell
- (ii) To develop a robust DF / DSM portfolio structure on a rolling basis for the MYT/ARR period for the purpose of planning.
- (iii) Conduct consumer outreach and awareness to inform consumers of DF/DSM programmes and encourage their participation.
- (iv) To conduct and submit load research reports duly identifying opportunities and proposing measures to implement demand flexibility, load management, energy conservation and energy efficiency programmes;
- (v) To submit a report to the Commission:
 - a. On the impact on energy and demand, together with the cost-benefit analysis as stipulated under **Chapter II** of these Regulations and;
 - b. On the evaluation, measurement and verification of the implemented programmes stipulated under **Chapter III** of these Regulations;
- (vi) Create and maintain a digital registry of aggregators, consumers, flexible resources, baselines, and event performance.
- (vii) Implement specific directions of the Commission.

3.4 DF/DSM Guiding Principles:

3.4.1 The duties of the Distribution Licensees shall be as follows:

- a) Development of DF / DSM portfolio:.** The DF / DSM program portfolio shall broadly include the following:
 - (i) findings of a detailed load research and market research activity including consumers' perspectives and willingness to participate in the DF / DSM initiatives;
 - (ii) detailed working of the possible DF programs to be implemented and the DFPO targets that include all components such as DF, energy efficiency and energy conservation measures;
 - (iii) Prepare a 5 year strategy and a roadmap towards fulfilment of the DFPO portfolio obligation;
 - (iv) portfolio and program-specific cost-effectiveness assessment;
 - (v) develop DF and DSM evaluation, measurement and verification procedures;

- (vi) funds deployment plan to meet the yearly DF targets and other energy efficiency and energy conservation portfolio roll-out on an annual basis.
- (vii) Promotion of load shifting and Demand Response Program.
- (viii) Provide appropriate tariff based incentives or rebates to all HT and LT categories of consumers participating in DR programs by installing smart meters
- (ix) Implementation of latest technologies in the DSM measures such as Internet of Things (IoT) wherever possible for energy savings and operational efficiency.

b) Timelines for submission of DF/DSM portfolio and according approvals: The distribution licensees shall submit a “DF / DSM program portfolio and implementation action plan” (Annexure 1) along with the MYT/ARR Tariff filing. On annual basis, the distribution licensees shall submit “Status report on DF / DSM implementation” along with APR proposals for the respective years.

c) DFPO multi-year targets: Distribution Licensees shall adhere to specific demand flexibility portfolio obligations (DFPO) set-up with a following specific trajectory:

Financial Year	DFPO as percentage of peak demand experienced in previous Financial Year[..]
FY 2026-27	0.25%
FY 2027-28	1%
FY 2028-29	1.5%
FY 2029-30	2.0%

The targets for subsequent years shall be notified by the Commission from time to time. The Licensee may meet the DFPO through its own programs (e.g., behavioral DR apps) or by procuring capacity from registered Aggregators.

d) DFPO incentives and disincentives: Distribution Licensee shall be eligible for an incentive of INR 0.20 Crores for every MW achieved in excess of DFPO. Similarly, Distribution Licensee shall be subjected to a disincentive of INR 0.20 Crores for every MW under-achievement of DFPO. The Distribution licensee shall report its performance regarding achievement of DFPO target in their ARR petition.

e) DF and DSM Zones: Distribution Licensee shall, on annual basis, identify the designated areas/DTs, Feeders, Substations with network constraints as “DF/DSM Zones”. The designated DF/DSM Zones shall be targeted for DF and DSM programmes.

f) DF / DSM portfolio programmes: Distribution Licensees shall implement DF/DSM programs that add to the portfolio of resource adequacy and those that include demand flexibility to provide quick ramp-up and ramp-down services, reduce peak demand and associated costly power purchase. The Demand Flexibility programs shall also include

Demand Response initiatives involving consumers agreeing to modulate their load shapes. Given the new loads that are now experienced by the Distribution Licensees, programs proposed and implemented through these Regulations shall include, but not limited to, the following:

- i. time-based and selective pumping (based on the cost of energy) in Lift Irrigation Schemes, Municipal Corporations, Urban Local Bodies, drinking water schemes at villages and cluster of villages;
- ii. smart charging of electric vehicles in the 2-wheeler, 3-wheeler, passenger cars, fleet vehicles, public transportation buses, freight carriers, first-mile and last-mile delivery vehicles;
- iii. behind-the-meter battery energy storage systems;
- iv. heat pumps in residential, hospitals, hotels, industries, commercial buildings;
- v. thermal energy storage systems in residential, hospitals, hotels, industries, commercial buildings;
- vi. efficient refrigeration/cold storage programmes;
- vii. replacement of old/inefficient appliances with efficient appliances at consumer premises;
- viii. behavioural changes in the end-uses facilitated through awareness programmes that do not need any specific investments.
- ix. Monitoring of Harmonic levels in the grid.
- x. Centralised procurement of demand flexibility from the aggregators
- xi. Shifting the agricultural load to solar or wind hours. Also, leveraging Solar-agriculture or the PM-KUSUM scheme.
- xii. Consumers participating in utility-led aggregation models, such as Virtual and Group Net-metering, can be incentivized to participate in demand flexibility.

Discom shall plan, design, and implement demand response programmes with the objective of reducing peak demand. Discom shall define participation criteria, baseline methodologies, event triggers, and incentive or penalty mechanisms, and ensure transparent measurement, verification, and settlement of demand response performance.

Consumers participating in demand response programmes shall comply with programme guidelines, respond to demand response events by reducing or shifting load as committed, and allow access to required metering or control infrastructure. Participation shall be voluntary unless otherwise mandated by the Commission, and all programmes shall be implemented in a non-discriminatory manner, with safeguards to protect consumer interests and data privacy.

In addition to the above, specific energy conservation initiatives at the consumers' premises, including domestic consumers, agricultural sector etc., shall be included in the portfolio and shall be funded through the DF/DSM portfolio Capex. The said programs can be implemented by the licensees directly or through the Aggregators appointed by them following due procurement processes as the costs incurred towards the appointment of Aggregators are embedded in the programme costs. Distribution Licensee shall satisfy themselves that the Aggregator is technically and financially competent to undertake on their behalf the functions and discharge the obligations specified in these Regulations. Distribution Licensee shall ensure that the Aggregators and the IVAs are separate entities.

Distribution licensee or through aggregators (on behalf of Distribution licensee) shall ensure consumer awareness and willful consent to participate in DF and DSM programmes. Further, consumers shall be made aware of their withdrawal from the programme and associated rights and processes.

g) Public disclosure of the DF / DSM portfolio and review documents: Distribution Licensee shall publish following documents on their websites on an annual basis:

- (i) Load Research,
- (ii) Appliance use and saturation reports,
- (iii) DF/DSM program portfolio and implementation action plan
- (iv) Status report on DF / DSM implementation,
- (v) DF/DSM portfolio evaluation, measurement and verification reports.

Provided that consumer load data shall not be shared with any third party, in compliance with the Digital Personal Data Protection Act, 2023, without explicit, revocable consent, except for the purpose of settlement and verification by the IVA."

4. DF / DSM Consultation Committee (DF / DSM-CC) :

A separate DF / DSM Consultation Committee may also be set up, if required, with a stated tenure and terms of reference.

5. DF/DSM funding:

5.1 Funding of all the DF / DSM portfolio programs and plans to be implemented by the Distribution Licensees shall be included in the MYT/ARR filing. Distribution Licensees shall be allowed to recover all costs subject to prudence check by the Commission based on the cost- effectiveness assessment test included in **Chapter II** of these Regulations.

5.2 The Commission may direct the Distribution Licensees to adopt other complementing DF/DSM funding approaches such as creating a pool of funds through collection of DF-DSM Charge at a later date through tariff; if such an approach is found beneficial.