

Notice of Market Rules Modification

Paper No.: EMC/RCP/76/2014/326

Rule Reference: Market Rules Chap 3, Sec 3.9.6, 3.11.4, 3.11.5, 3.11.6 & 3.15.1

Proposer: EMC, Market Admin

Date Received by EMC: 09 October 2014

Category Allocated: 3

Status: Approved by EMA

Effective Date: 20 January 2015

The EMC Board initiated a review of the current dispute resolution procedures (DRP) on 09 October 2014. EMC received submissions from the Power System Operator (PSO) and the Dispute Resolution Counsellor (DRC).

This paper discusses the proposed changes as follows:

Proposal 1: Extension of deadline to notify claimant of eligibility for compensation To require the EMC/PSO to notify claimant of eligibility within 20BDs after either (i) receipt of compensation request, or (ii) receipt of further information or clarifications sought by EMC/PSO, whichever is later

EMC agrees with the proposal which will allow the PSO/EMC to have sufficient time to assess the claimant's additional submissions, when further information and clarification were requested

Proposal 2: Introduction of time limit for acceptance of compensation and filing of notice of arbitration

To stipulate a time limit for claimant to (i) notify EMC/PSO of its acceptance of compensation amount or (ii) file a notice of arbitration

EMC agrees with the proposal and recommends that claimants be given 20BD to either accept the compensation amount determined by the EMC/PSO, or to submit the matter for arbitration. EMC also recommends that no provision for extension of the time limit be given, to ensure that the matter can be concluded expeditiously.

In summary, for this DRP review, EMC recommends supporting Proposals 1 and 2, with the proposed rule modifications as set out in Annex 3. The next review will be carried out in 3 years' time, by 31 December 2017.

The proposed rule modifications to implement EMC's recommendations for Proposals 1 and 2 and to update the timeline for the next review of the DRP, as set out in Annex 3, were presented at the 76th RCP meeting. The RCP unanimously recommends that the EMC Board adopt the proposed rule modifications as set out in Annex 3.

Date considered by Rules Change Panel: 04 November 2014

Date considered by EMC Board: 11 December 2014

Date considered by Energy Market Authority: 13 January 2015

Proposed rule modification:

See attached paper.

Reasons for rejection/referral back to Rules Change Panel (if applicable):



PAPER NO. : **EMC/BD/XX/2014/XX**

RCP PAPER NO. : **EMC/RCP/76/2014/326**

SUBJECT : REVIEW OF DISPUTE RESOLUTION PROCEDURES

FOR : **DECISION**

PREPARED BY : LOH LUCIA

ECONOMIST, MARKET ADMINISTRATION

REVIEWED BY : PAUL POH LEE KONG

HEAD OF MARKET DEVELOPMENT AND POLICY

DATE OF MEETING: 11 DECEMBER 2014

Executive Summary

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This paper discusses the proposed changes as follows:

Proposal 1: Extension of deadline to notify claimant of eligibility for compensation

To require the EMC/PSO to notify claimant of eligibility within 20BDs after either (i) receipt of compensation request, or (ii) receipt of further information or clarifications

sought by EMC/PSO, whichever is later

EMC **agrees with the proposal** which will allow the PSO/EMC to have sufficient time to assess the claimant's additional submissions, when further information and clarification were requested

<u>Proposal 2: Introduction of time limit for acceptance of compensation and filing of notice</u> of arbitration

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matter for arbitration. EMC also recommends that no provision for extension of the time limit be given, to ensure that the matter can be concluded expeditiously.

In summary, for this DRP review, EMC recommends supporting Proposals 1 and 2, with the proposed rule modifications as set out in Annex 3. The next review will be carried out in 3 years' time, by 31 December 2017.

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1. Introduction

The Singapore Electricity Market Rules¹ provide for a set of Dispute Resolution Procedures (DRP), as summarised in Annex 1. These procedures aim to resolve disputes between parties in the Singapore Wholesale Electricity Market (SWEM) amicably and avoid incurring unnecessary costs.

To ensure continued relevance of these procedures, Chapter 3, Section 3.15 of the Market Rules requires a review of the DRP by 31 December 2014. The EMC Board thus initiated this review by publishing a notice on 09 October 2014, inviting interested parties to submit proposals to improve these procedures.

The review is conducted by the RCP in consultation with the Dispute Resolution Counsellor (DRC) and should consider the following:

- Whether the current procedures are fair and effective;
- Whether any additional procedures are necessary; and
- Any other matter that the EMC considers appropriate.

EMC received three submissions², from the Power System Operator (PSO) and the Dispute Resolution Counsellor (DRC), relating to the application process for compensation in section 3.11 of Chapter 3. However, as two of the submissions relates to the same issue, they will be handled as together.

Hence, the two proposals arising from this review are:

- Proposal 1: Extension of deadline to notify claimant of eligibility for compensation (in section 3.11.4 of Chapter 3) – Proposed by PSO
- Proposal 2: Introduction of deadline for acceptance of compensation and submission of matter for arbitration (in section 3.11.5 and 3.11.6 of Chapter 3) – Proposed by both PSO and DRC

Section 2 will first provide an overview of the compensation application process, while sections 3 and 4 analyses the two proposals.

2. Background on Compensation Application Procedures

Section 3.11 of Chapter 3 sets out the process for a MP or MSSL (i.e. the claimant) to seek compensation from the PSO or the EMC based on the provisions in section 3.3.1.5 of Chapter 3. This process, together with the stipulated timelines, is summarised in Figure 1 below.

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¹ Section 3 of Chapter 3

² Please refer to Annex 2 for details of the three submissions received from the PSO and DRC.

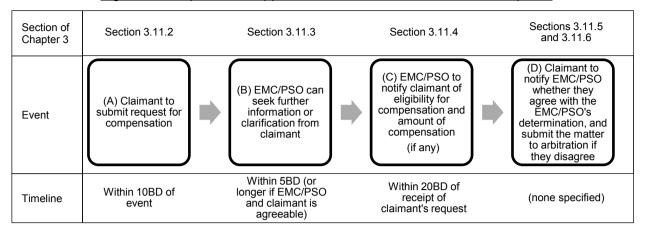


Figure 1: Compensation Application Process in section 3.11 of Chapter 3

3 Proposal 1: Extension of deadline to notify claimant of eligibility for compensation

Section 3.11.4 of Chapter 3 requires that the EMC/PSO notify the claimant of their eligibility for compensation and the applicable compensation amount within 20 business days (BD) of receipt of the compensation request (Event C).

PSO proposes that the 20BD time limit should apply only <u>after</u> they have received the further information or clarifications sought (if any).

EMC's analysis

EMC agrees with the proposal for the 20BD time limit to begin from the date of receipt of either (i) the claimant's request or (ii) the information requested by EMC/PSO in section 3.11.3, whichever is later. This will allow the PSO/EMC to have sufficient time to make a decision based on the claimant's submissions, if further information and clarification were subsequently provided.

4 Proposal 2: Introduction of time limit for acceptance of compensation and submission of matter for arbitration

After the EMC/PSO has notified the claimant of the amount of compensation, the current rules does not set any time limit for the claimant to either agree with the compensation (section 3.11.5), or submit the matter for arbitration (section 3.11.6) (Event D).

The PSO proposes that claimants respond on their acceptance within 5BD of the EMC/PSO's determination, or longer if both parties agree, while the DRC proposes that claimants submit the matter for arbitration within 20BD upon receipt of the EMC/PSO's determination.

Both cited that setting a time limit will avoid unnecessary delays, and help conclude the matter earlier.

EMC's analysis

Compensation is not paid until both parties (i.e. claimant and EMC/PSO) agree on the amount. As such, claimants should already be incentivised to respond in a timely manner given that unresolved compensation claims result in no payment received. Nevertheless, setting a time limit for the claimant to respond to the EMC/PSO's determination could enhance administrative efficiency.

Thus, EMC agrees with stipulating a time limit for both the <u>acceptance of compensation</u> <u>amount</u> in section 3.11.5 and the <u>submission of the matter for arbitration</u> in section 3.11.6. We recommend <u>20BD</u> be given, as 5BD may be too short for claimants to assess whether the compensation amount should be accepted.

Further, there should not be any extension of the deadline, even if both parties agree, so that the matter could be concluded expeditiously.

5. Timeline for Next Review of Dispute Resolution Procedures

The next review will be conducted by 31 December 2017. As such, there is also a need to **update** the current timeline in section 3.15 of Chapter 3 of the Market Rules, as set out in Annex 3.

6. Summary of proposed changes arising from DRP review

Table 1 below summarises the proposed changes arising from the review, together with EMC's recommendations.

Table 1: Summary of Proposals and EMC's recommendations

Proposed changes	EMC's recommendations
Proposal 1 Extend deadline for EMC/PSO to notify claimant of eligibility for compensation to the later of receipt of request or further information or clarification.	Agree.
Proposal 2	Agree with stipulating a time limit.
PSO: Require that claimants notify the EMC/PSO of their acceptance of the compensation amount within 5BD, or longer if both parties agree. DRC: Require that claimants submit the matter for arbitration within 20BD of the EMC/PSO's determination.	Recommend that claimants be given 20BD, with no provision for extension even if both parties agree, so that the compensation matter can be resolved within the stipulated timelines.

6.1 Proposed rule modifications

The proposed rule modifications to implement EMC's recommendations in Table 1, and to update the timeline for the next review, are set out in Annex 3, and summarised in Table 2 below.

Table 2: Summary of proposed rule changes

Chapter 3, section	Proposed change	Reasons for change
Section 3.9.6.4	Shift reference to the request for compensation from section 3.9.6.2 to the new section 3.9.6.4. Include a condition for a notice of arbitration, where it relates to a dispute over a request for compensation, to be filed within the time limit specified in section 3.11.5.	For clarity. To require that the notice of arbitration be filed within the time limit stipulated in section 3.11.5.
Section 3.11.4	Add "or any further information or clarification requested under section 3.11.3, whichever is later".	To extend the deadline for the EMC/PSO to make a determination if further information or clarification has been provided.
Sections 3.11.5 and 3.11.6	Add "within 20 business days of the notification in section 3.11.4".	To set a deadline of 20BD for claimants to accept the amount of compensation determined by EMC/PSO, or to submit the matter to the DRC.
	Rename section 3.11.6 to 3.11.5.2.	To subsume section 3.11.6 under section 3.11.5.
	Replace "money" with "compensation amount".	To clarify that the EMC is to pay the compensation amount.
Section 3.15.1	Replace "2014" with "2017".	To update the timeline for the next review.

6.2 DRC's comments on proposed rule modifications

The proposed rule modifications in Annex 3 were submitted to Mr. George Lim for feedback. He replied that he was fine with the proposed changes.

7. Impact on market systems

There is no impact on market systems.

8. Legal sign-off

The text of the proposed rule modifications has been vetted by EMC's internal legal counsel, whose opinion is that the modifications reflect the intent of the rule modification proposal as expressed in the third column of the table in Annex 3.

9. Recommendations

The RCP unanimously **recommends** that the EMC Board:

- a) adopt the proposed rule modifications as set out in Annex 3;
- b) seek EMA's approval of the proposed rule modifications as set out in Annex 3; and
- **c) recommend** that the proposed rule modifications come into force one business day after the date of which the approval of the Authority is published by the EMC.

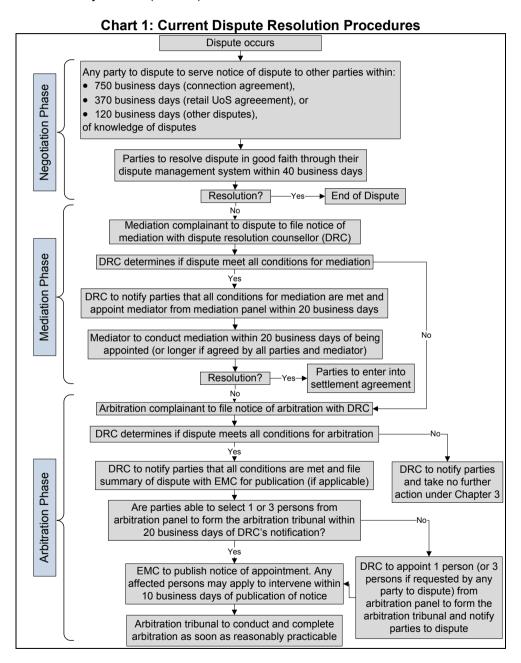
Annex 1: Background on Current Dispute Resolution Procedures

1. Introduction

This section describes the current dispute resolution procedures (DRP) and areas under which stakeholders can file for disputes.

2. Dispute Resolution Process

Chapter 3 Sections 3.5 to 3.9 of the Market Rules describe the current DRP in the Singapore Wholesale Electricity Market (SWEM). These are summarised in Chart 1 below³.



³ This process applies to most disputes. For other disputes, only certain portions of this process apply (discussed in Section 3 of this Annex).

3. Scope

a) The DRP can only be invoked under selected scenarios and applied in disputes between certain stakeholders, as stipulated under Chapter 3, Section 3.3.1 of the Market Rules. These are reproduced in Table 1 below.

Table 1: Areas where DRP applies

				Dispute in	respect of
No.	Disputes between	Market Rules (MR)	Market Manual (MM)	System Operation Manual (SOM)	Agreement(s)
1	EMC and an MP/MSSL		,	,	Any agreement referred to in
2	PSO and an MP/MSSL	V	√	√ √	MR, MM and SOM
3	EMC and PSO	✓	√	✓	Any agreement which relates to the functions, powers and duties of the EMC or PSO in MR, MM or SOM
4	Two MPs				MP-MSSL Market Support Services Connection
5	MP and MSSL	√	√	√	 Retailer UoS Any other agreement that parties agree to apply DRP to
6	EMC and a participation applicant	EMC's denial to any of the following: - Register applicant as an MP - Authorise applicant as an MSSL - Request to transfer a registered facility to the applicant			

b) Chapter 3, Section 3.3.2 further states the areas where DRP does not apply. These are summarised in Table 2 below.

Table 2: Areas where DRP shall not apply

No.	Areas	Description
1	Electricity licence/ MR/MM/SOM	Where documents state a different dispute resolution mechanism or that section 3 does not apply
2	Market Rules modifications	Dispute over the EMC Board's or urgent rule modification committee's decision to modify or not modify the MR
3	PSO/EMC fees	Dispute over EMC/PSO fees which has been approved by EMA
4	Arbitration tribunal	Dispute over determination of an arbitration tribunal

c) The Market Rules also provide for limited application of the DRP under certain types of disputes, as summarised in Table 3.

Table 3: Areas where only the Arbitration stage of the DRP applies

No.	Areas	First Stage	If Dispute Persists
1	Disputes over final settlement statements (FSS)	Employ procedures set out in Chapter 7 section 5.6.6 of the Market Rules	Employ only
2	Compensation relating to sections referred to in Chapter 3 section 3.3.1.5 of the Market Rules	Employ procedures set out in Chapter 3 section 3.11 of the Market Rules	Employ only "Arbitration" stage of the DRP

Annex 2: Proposed changes from the PSO and DRC

1.	Title Application for Compensation (1)	
	Submitted by:	PSO
Proposed Rule Change (State relevant portion of the Market Rules, if applicable) Within 20 business days compensation request) or reinformation or clarification from the EMC or PSO shall notify their view on whether the claim compensation sought and compensation, if any.		Section 3.11.4 of Chapter 3: Within 20 business days (of receiving a compensation request) or receipt of further information or clarification from the claimant, the EMC or PSO shall notify the claimant of their view on whether the claimant is eligible for compensation sought and the amount of compensation, if any.
	Reasons for Proposed Change	Compensation requests may vary in terms of complexity and the number of participants involved. Even though the rules allow PSO to seek further clarification within 5 business days, or longer, we still required to decide on the eligibility and the amount of compensation request within 20 business days. As clarification also depends on the other party to be prompt and forthcoming with their reply, it is unreasonable that PSO has to decide on the outcome within 20 business days.
	Implications on stakeholders, e.g. EMC, PSO, Market Participants, Consumers (optional)	PSO

2.	Title	Application for Compensation (2)	
	Submitted by:	PSO	
	Proposed Rule Change (State relevant portion of the Market Rules, if applicable)	Section 3.11.5 of Chapter 3: Within 5 business days or longer if the EMC or the PSO and the claimant agree, if the claimant notifies shall notify the EMC or the PSO that it agrees with the amount of compensation decided by the EMC or the PSO, then the EMC shall pay the money according to section 3.12.	
	Reasons for Proposed Change	The compensation framework is incomplete without also stating the timeline for the claimant to notify the PSO or EMC whether it agrees with the compensation amount. From our past experience, it took a long time (weeks) to respond to our proposed compensation amount. Therefore, we would like to suggest a timeline for the claimant to notify EMC or PSO whether they accept the compensation amount.	
	Implications on stakeholders, e.g. EMC, PSO, Market Participants, Consumers (optional)	PSO	

3.	Title	Proposed rule change to specify a time limit for compensation claimant to submit the matter to the dispute resolution counsellor for arbitration if it disagrees with the determination of the EMC or the PSO
	Submitted by:	Dispute Resolution Counsellor, Mr George Lim
	Proposed Rule Change (State relevant portion of the Market Rules, if applicable)	In the event that compensation claimants disagree with the determination of the EMC or the PSO, we would propose imposing a time limit of 20 business days upon receipt of the EMC's or the PSO's determination (under paragraph 3.11.4 of Chapter 3, Section 3 of the Market Rules) for compensation claimants to submit the matter to the dispute resolution counsellor for arbitration. The proposed rule change is expected to result in consequential changes to paragraphs 3.9.6 and 3.11.6 of Chapter 3, Section 3 of the Market Rules.
	Reasons for Proposed Change	At present, compensation claimants may submit the matter to the dispute resolution counsellor for arbitration if it disagrees with the determination of the EMC or the PSO. The proposed rule change is intended to enhance this existing procedure by having a time limitation for such requests for arbitration, which is expected to progress and close off the compensation application expeditiously.
	Implications on stakeholders, e.g. EMC, PSO, Market Participants, Consumers (optional)	The proposed rule change is likely to implicate the PSO, EMC and market participants or market support services licensee seeking compensation from the PSO or the EMC. Please see paragraph above on the implications.

Annex 3: Proposed Rules Modifications

Existing Market Rules (1 January 2014)		Proposed Rules Changes (Deletions represented by strikethrough text and additions represented by double underlined text)		Reasons for rule change		
		CHAPTER 3			CHAPTER 3	
3.9	ARBITR	ATION	3.9	ARBIT	RATION	
3.9.6	dispute	king any further action, the resolution counsellor shall all the following conditions	3.9.6	resoluti followin	taking any further action, the <i>dispute</i> on counsellor shall decide if all the ng conditions are met: the notice of dispute was served within	To replace a hyphen with
	3.9.6.2	the <i>notice of dispute</i> was served within the time limit in section 3.7.3-of this Chapter or section 5.6.7 of Chapter 7, or the request for compensation was made within the time limit in			the time limit in section 3.7.3-of this Chapter or section 5.6.7 of Chapter 7, or the request for compensation was made within the time limit in section 3.11.2; and where the <i>notice of dispute</i> :	a space. To shift the reference to the request for compensation to the new section 3.9.6.4 and to add the condition that the
	3.9.6.3	where the <i>notice of dispute</i> : a. relates to a dispute to which section 13.1.4.3, 13.2.4.3 or 13.3.4.3 of Chapter 1 applies (whether because of any of those sections or section 13.5 of Chapter 1 or by agreement); and			 a. relates to a dispute to which section 13.1.4.3, 13.2.4.3 or 13.3.4.3 of Chapter 1 applies (whether because of any of those sections or section 13.5 of Chapter 1 or by agreement); and b. includes a claim for damages, the aggregate of that claim for damages (exclusive of claims for costs) in respect of a given event and a 	disagreement with the determination of the EMC or the PSO shall be submitted within the time limit stipulated in section 3.11.5.

	Existing Market Rules (1 January 2014) b. includes a claim for damages, the aggregate of that claim for damages (exclusive of claims for costs) in respect of a given event and a given person, exceeds \$5,000.	ad	Proposed Rules Changes eletions represented by strikethrough text and ditions represented by double underlined text) given person, exceeds \$5,000-; and 3.9.6.4 where the notice of arbitration relates to a dispute over a request for compensation to which section 3.11 of this Chapter applies, the request was made within the time limit in section 3.11.2 and such notice of arbitration was submitted to the dispute	Reasons for rule change To replace the full stop with "; and".
3.11	APPLICATION FOR COMPENSATION	3.11	resolution counsellor within the time limit in section 3.11.5. APPLICATION FOR COMPENSATION	
3.11.4	Within 20 business days of receiving a compensation request, the EMC or the PSO shall notify the claimant of their view on whether the claimant is eligible for compensation sought and the amount of compensation, if any.		Within 20 business days of receiving (i) a compensation request referred to in section 3.11.1, or (ii) any further information or clarification requested under section 3.11.3, whichever is later, the EMC or the PSO shall notify the claimant of their view on whether the claimant is eligible for compensation sought and the amount of compensation, if any.	To clarify that the compensation request is that referred to in section 3.11.1. To require the EMC or the PSO to notify claimants of their view in respect of a compensation request to 20BD within either (i) receipt of the compensation request, or (ii) receipt of further information or clarification requested by the EMC or the PSO.

	Existing Market Rules (1 January 2014)	Proposed Rules Changes (Deletions represented by strikethrough text and additions represented by double underlined text)	Reasons for rule change
3.11.5	If the <i>claimant</i> notifies the <i>EMC</i> or the <i>PSO</i> that it agrees with the amount of compensation decided by the <i>EMC</i> or the <i>PSO</i> , then the <i>EMC</i> shall pay the money according to section 3.12. The <i>claimant</i> shall submit the matter to the <i>dispute resolution counsellor</i> under section 3.9.1.4 if it disagrees with the determination of the <i>EMC</i> or the <i>PSO</i> under section 3.11.4.	3.11.5 Within 20 business days of the notification referred to in section 3.11.4, 3.11.5.1 if If the claimant notifies the EMC or the PSO that it agrees with the amount of compensation decided by the EMC or the PSO under section 3.11.4, it shall notify the EMC or the PSO of its agreement and, then the EMC shall pay the money agreed compensation amount according to section 3.12-; or 3.11.6-3.11.5.2 if the The claimant disagrees with the determination of the EMC or the PSO under section 3.11.4, it shall submit the matter to the dispute resolution counsellor under section 3.9.1.4 if it disagrees with the determination of the EMC or the PSO under section 3.11.4.	To require claimants to notify the EMC or the PSO of their agreement with the compensation amount, or to submit the matter for arbitration, within 20 business days of the notification by the EMC or the PSO in section 3.11.4. To subsume section 3.11.5.
3.15	EMC REVIEW OF DISPUTE RESOLUTION PROCEDURES The EMC Regard shall conduct a review.	3.15 EMC REVIEW OF DISPUTE RESOLUTION PROCEDURES 3.15.1 The EMC Board shall conduct a review of the	To update the timeline for the next review to be

Existing Market Rules (1 January 2014)	Proposed Rules Changes (Deletions represented by strikethrough text and additions represented by double underlined text)	Reasons for rule change		
of the dispute resolution procedures in section 3 by 31 December 2014.	dispute resolution procedures in section 3 by 31 December 2014 2017.	conducted in 3 years' time.		