

Notice of Market Rules Modification

Paper No.:	EMC/RCP/102/2018/353
Rule Reference:	Mkt Admin Mkt Manual (Part 1)
Proposer:	EMC, Market Admin
Date Received by EMC:	5 April 2018
Category Allocated:	4
Status:	Approved by EMA
Effective Date:	1 July 2018

This paper seeks to implement the decision for EMC to impose a registration application fee on each applicant to be registered as a market participant (MP) by modifying the market manual.

This proposal arises from CP68 Review of Methodology for the Recovery of EMC's and PSO's Fees which concluded that imposing a one-off MP registration application fee is in alignment with the user-pay principle. Amongst other decisions taken at the 92nd RCP meeting on 7 March 2017, the Panel by majority vote in-principle supported introducing an MP registration application fee. On 27 March 2018, arising from the EMA's review of EMC's economic regulation framework, the EMA's final determination on the schedule of fees for the regulatory period of 1 April 2018 to 30 June 2023 allows EMC to levy the MP registration application fee (one-off) amongst other fixed fees.

At the 102nd RCP meeting, the RCP unanimously supported the proposed modifications set out in Annex 1, and recommends that the EMC Board adopt the proposed modifications.

Date considered by Rules Change Panel:	03 May 2018
Date considered by EMC Board:	18 May 2018
Date considered by Energy Market Authority:	11 June 2018

Proposed rule modification:

See attached paper.

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

Board Paper Number : **EMC/BD/05/2018/02**

RCP Paper Number : **EMC/RCP/102/2018/353**

Subject : **IMPOSITION OF MARKET PARTICIPANT REGISTRATION APPLICATION FEE**

For : **Approval**

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Date : **18 May 2018**

Executive Summary

This paper seeks to implement the proposal for EMC to impose a registration application fee on each applicant to be registered as a market participant (MP) by modifying the market manual.

This proposal arises from CP68 Review of Methodology for the Recovery of EMC's and PSO's Fees which concluded that imposing a one-off MP registration application fee is in alignment with the user-pay principle. Amongst other decisions taken at the 92nd RCP meeting on 7 March 2017, the Panel by majority vote in-principle supported introducing an MP registration application fee. On 27 March 2018, arising from the EMA's review of EMC's economic regulation framework, the EMA's final determination on the schedule of fees for the regulatory period of 1 April 2018 to 30 June 2023 allows EMC to levy the MP registration application fee (one-off) amongst other fixed fees.

At the 102nd RCP meeting, the RCP unanimously **supported** the proposed modifications set out in **Annex 1**, and recommends that the EMC Board adopt the proposed modifications.

1. Introduction

This paper seeks to implement the proposal for EMC to impose a registration application fee on each applicant to be registered as an MP by modifying the market manual.

2. Background

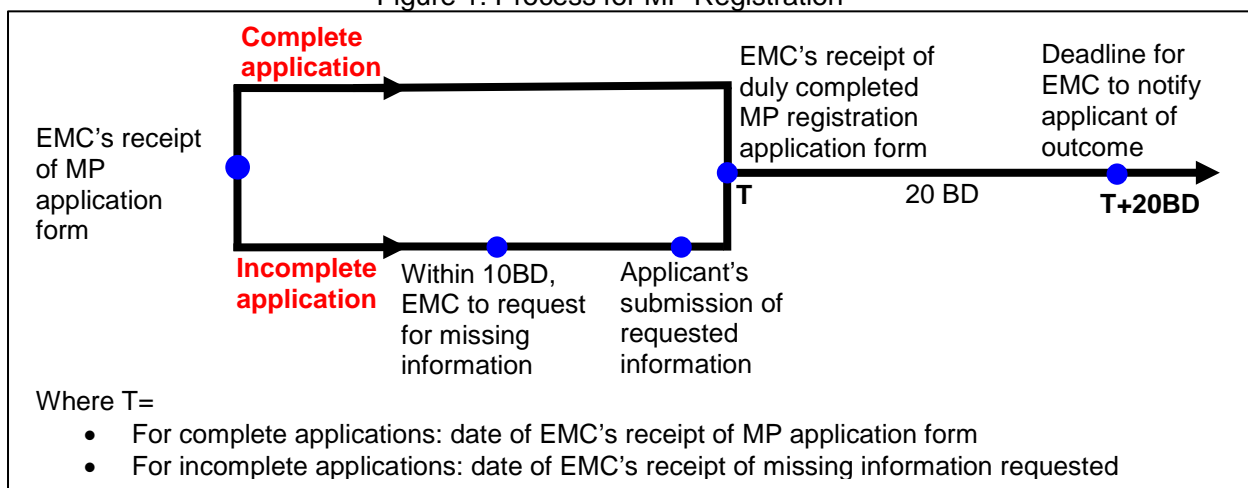
In 2017, as part of the RCP's work plan issues, EMC assessed the EMC's and PSO's fee methodology¹ and presented several recommendations to the RCP. Amongst other decisions taken at the 92nd RCP meeting on 7 March 2017, the Panel by majority vote in-principle supported introducing MP registration application fee for EMC's fee methodology.

On 27 March 2018, arising from the EMA's review of EMC's economic regulation framework, the EMA's final determination on the schedule of fees for the regulatory period of 1 April 2018 to 30 June 2023 allows EMC to levy the Market Participant registration application fee (one-off) amongst other fixed fees², in addition to the existing variable EMC fee that is levied based on the amount of energy traded in the Singapore Wholesale Electricity Market (SWEM).

2.1 MP Registration Process

To be registered as an MP, an interested party is required to submit a completed MP registration application to EMC. The market manual sets out the form of the application as well as the list of required documents. In the event that an incomplete MP registration application is received, EMC shall request the applicant to furnish the missing information within **ten business days** of its receipt of the application (or such longer period as EMC may agree with the applicant). Upon receipt of a duly completed MP registration application, EMC will notify the applicant in writing of the outcome within **twenty business days**. Please refer to Figure 1 below for illustration of the MP registration process.

Figure 1: Process for MP Registration



¹ In CP68: Review of Methodology for the Recovery of EMC's and PSO's Fees (https://www.emcsg.com/f1615,120819/CP68_Review_of_EMCSO_Fee_Methodology_09032017_Post_92_RCP_-_Clean_x.pdf)

² The other fixed fees are the Market Participant fee (annual) and the RSA hardware token fee (once every 3 years, from 6th token onwards per MP).

The MP registration application fee was removed in 2007³ and currently there is no application fee payable to register as a MP.

2.2 Rationale for Proposed MP Registration Application Fee

One of the most important cost allocation principles of the SWEM is economic efficiency; specifically, costs of service should be allocated to users of that service (“user-pay”). Since the users of the MP registration service can be directly identified, it is a less distortionary cost allocation method to charge the users directly for the costs incurred in providing this service.

In addition, EMC has observed an increased number of MP registrations in the recent years and anticipate the trend to continue as the Singapore electricity market opens to full retail competition from the second half of 2018. Considering the time and resources that EMC has to spend in providing MP registration service, it makes economic sense to levy a fixed fee on the direct users of this service instead of spreading the cost across the entire market.

2.3 Potential Barrier of Entry for Small Market Participants

The introduction of the MP registration application fee could potentially raise the barrier to entry for smaller prospective MPs such as independent retailers and those with small scale generation facilities such as solar photovoltaic installations. The EMA has taken this into consideration when assessing the EMC’s proposed fixed fees and adjusted the quantum of the fixed fees to avoid unduly raising the barrier to market entry.

3. Implementation Process

To provide the industry sufficient lead time to budget for the fees, the EMA has decided that the MP Registration Application Fee will take effect only on 1 July 2018.

For any MP registration applications that are:

- received by EMC on or after 1 July 2018, or
- received by EMC before 1 July 2018 and considered as an incomplete application by EMC by the end of 30 June 2018,

a one-off MP registration application fee is payable and shall form part of the registration requirement as a MP.

For the avoidance of doubt, given that EMC has a lead time of 10 business days to request for missing information of incomplete applications (as set out in Section 3.1.2 of Chapter 2 of the market rules), applications that are received by EMC before 1 July 2018 might be considered incomplete upon EMC’s review, and EMC may inform applicants of such status on or after 1 July 2018. Such applications are nevertheless considered incomplete by the end of 30 June 2018 and subject to the MP registration application fee.

The prevailing MP registration application fee will be published on the EMC website pursuant to Section 11.1.5 of Chapter 2 of the market rules.

4. Proposed modifications to the market manual

³ The MP registration application fee was removed in Rule Change 269 (<https://www.emcsg.com/f306,9005/EMC269-EMA-TS.pdf>).

To give effect to the new MP registration application fee, modifications to the Application form for Market Participant Registration in the Market Administration Market Manual (Registration and Authorisation: Part 1) are proposed to be made to stipulate the application fee payable. Please refer to Annex 1 for the proposed modification.

5. Conclusion

The proposed modifications to the market manual would introduce the imposition of a one-off MP registration application fee by the EMC, so as to achieve greater economic efficiency through a less distortionary cost allocation and align with the schedules of fees approved by the EMA for the EMC's regulatory period of from 1 April 2018 to 30 June 2023.

6. Legal sign off

The text of the proposed market manual modifications as set out in Annex 1 has been vetted by EMC's internal legal counsel, whose opinion is that the modifications reflect the intent of the market manual modification proposal as expressed in the third column of the table in Annex 1.

7. Consultation

The proposed modifications were published for consultation on 5 April 2018. Comments were received from PSO.

Comments from PSO

In view of the RCP's majority vote to review the EMC & PSO fees, similarly, PSO will also introduce an annual fixed fee and Market Participant registration fee to complement the current fee methodology based on the energy traded in the SWEM.

As new market participant is required to submit the PSO/ MP agreement, the imposition of the PSO Market Participant registration fee is consistent with EMC's rationale to allocate the cost to the user of the service.

EMC shall continue to collect the PSO fees and disburse to PSO accordingly.

EMC's response

We noted PSO's plan to impose an annual fixed fee and Market Participant registration fee on MPs. EMC will continue to collect the PSO fees on behalf of PSO in accordance with the market rules.

8. Decision at the 102nd RCP Meeting

At the 102nd RCP Meeting, the Panel unanimously **supported** the proposed modifications set out in Annex 1.



9. Recommendations

The RCP unanimously recommends that the EMC Board:

- a) **adopt** the proposed modifications to the Market Manual as set out in **Annex 1**;
- b) **seek** the EMA's approval of the proposed modifications to the Market Manual as set out in **Annex 1**; and
- c) **recommend** that the proposed modifications to the Market Manual, as set out in **Annex 1**, come into force on **1 July 2018**.

ANNEX 1: Proposed Changes to Application form for Market Participant Registration

Existing Market Manuals (19 March 2018)	Proposed Market Manual Changes (Deletions represented by strikethrough text and additions represented by double underlined text)	Reasons for Modification
<p align="center">Application form for Market Participant Registration</p> <p>[Page 2, paragraph 9]</p> <p>There is no application fee payable for your application to register as a <i>market participant</i>.</p>	<p align="center">Application form for Market Participant Registration</p> <p>[Page 2, paragraph 9]</p> <p>There is no application fee payable for your application a <u>non-refundable market participant registration application fee for each application</u> to register as a <i>market participant</i>. Please refer to the <i>EMC</i> website for the <u>prevailing registration application fee</u>.</p>	<p>To stipulate the registration application fee payable by an applicant.</p>
<p>[Page 10]</p> <p>G. CHECKLIST OF SUPPORTING DOCUMENTS REQUIRED</p> <p>...</p> <p>[New section]</p>	<p>[Page 10]</p> <p>G. CHECKLIST OF SUPPORTING DOCUMENTS REQUIRED</p> <p>...</p> <p><input type="checkbox"/> <u>The market participant registration application fee payable in accordance with the prevailing registration application fee published on the <i>EMC</i> website.</u></p>	