Notice of Market Rules Modification

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Proposer: EMC, Market Admin
Date Received by EMC: 11 October 2019
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This paper seeks to change the supporting document required for bank readiness check of a market participant (MP) applicant.

The current market manual requires the MP applicant to submit to the EMC a certified true copy of the duly executed Third Party Authorisation Form of the bank that is designated to be the clearing bank (“the clearing bank”). However, an applicant’s ability to furnish such document does not fully indicate that its bank account is ready for the purposes of its participation in the Singapore Wholesale Electricity Market. To improve the efficiency of the MP registration process and reflect the intent of the document requirement, we propose that the MP applicant provides the clearing bank’s confirmation as the supporting document for bank readiness.

At the 112th RCP meeting, the RCP unanimously supported the proposed modifications to the Market Manual.

Date considered by Rules Change Panel: 12 November 2019
Date considered by EMC Board: 15 January 2020
Date considered by Energy Market Authority: 4 February 2020

Proposed rule modification:
See attached paper.

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

This paper seeks to change the supporting document required for bank readiness check of a market participant (MP) applicant.

The current market manual requires the MP applicant to submit to the EMC a certified true copy of the duly executed Third Party Authorisation Form of the bank that is designated to be the clearing bank (“the clearing bank”). However, an applicant’s ability to furnish such document does not fully indicate that its bank account is ready for the purposes of its participation in the Singapore Wholesale Electricity Market. To improve the efficiency of the MP registration process and reflect the intent of the document requirement, we propose that the MP applicant provides the clearing bank’s confirmation as the supporting document for bank readiness.

At the 112th RCP meeting, the RCP unanimously supported the proposed modifications to the Market Manual as set out in Annex 1, and recommended that the EMC Board adopt the proposed modifications.
1. Introduction

This paper seeks to change the supporting document required in the market manual for bank readiness check of a market participant (MP) applicant.

2. Background

In the Singapore Wholesale Electricity Market (SWEM), all payments between MPs and the EMC in respect of settlement matters are made via electronic fund transfer. The current market rules stipulate that the EMC shall maintain its bank accounts at a single bank or financial institution in Singapore approved by the EMC Board (“the clearing bank”), and all MPs are required to open and maintain a bank account at the clearing bank.

In addition, the EMC needs to be granted necessary authorisations to directly debit and credit an MP’s bank account for the fulfilment of financial obligations arising under the market rules.

2.1 Bank Readiness Check of MP Applicant

Bank readiness is one of the checks in the EMC’s review of an MP application. Specifically, as part of the requirements for registration as an MP, the applicant is required to

a) designate a bank account, opened and maintained with the clearing bank, as the MP bank account, and

b) arrange for the EMC to be given all necessary authorisations to directly debit and credit, and to instruct the clearing bank to directly debit and credit, this MP bank account for the fulfilment of financial obligations arising under the market rules.

Correspondingly, in the Application form for Market Participant Registration (“MP Application Form”) in the Market Administration Market Manual (Registration and Authorisation: Part 1) requires the applicant to

a) indicate its designated bank account from the clearing bank in Question 20, and

b) attach a certified true copy of the duly executed Third Party Authorisation Form (“the TPA Form”) of the clearing bank in Section G.

3. Analysis and Proposal

3.1 Issues with Current Arrangements

The ability of an MP applicant to provide the EMC with a copy of the TPA Form does not necessarily mean that the clearing bank has processed and effected the authorisations given to the EMC by the MP applicant in the TPA Form. The complete process is summarised in the diagram below.

As shown in Figure 1, the MP applicant may submit a copy of the TPA Form to the EMC in Step 1, right after its completion of the TPA Form. Step 2 and Step 3 involve only interactions between the MP applicant and the clearing bank, and the timeline involved varies on a case-by-case basis. When the EMC receives from an MP applicant a copy of the TPA Form and validates with the clearing bank, the TPA Form is often not finalized or processed by the clearing bank yet. The relevant MP registration application could be put on hold for an extended period of time until the EMC receives the confirmation from the clearing bank that the TPA has been processed and

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1 Except MPs whose sole purpose of being registered as MPs in the SWEM is to register one or more generation facilities as one or more non-exporting embedded intermittent generation facilities (“NEIGFs”).

2 Unless otherwise stated, an applicant or an MP applicant in this paper refers to an applicant seeking MP registration, except applicants whose sole purpose of seeking registration as MPs is to register one or more generation facilities as one or more NEIGFs.
effected. The MP applicant’s designated bank account is considered ready for the purposes of market participation only when Step 4 is completed.

Figure 1: Process Flow of Third Party Authorisation

<table>
<thead>
<tr>
<th>Step 1: applicant completes the TPA Form and makes a copy to be submitted to EMC</th>
<th>Step 2: applicant submits the original TPA Form and other documents to the clearing bank</th>
<th>Step 3: the clearing bank reviews the TPA Form and other documents received</th>
<th>Step 4: the clearing bank effects the authorisations to EMC</th>
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<tbody>
<tr>
<td>Step 2: the clearing bank may require clarifications or additional documents from applicant</td>
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</table>

3.2 Proposal

To improve the efficiency of the MP registration process and reflect the intent of the document requirement, we propose that the MP applicant provide the clearing bank’s confirmation as the supporting document for bank readiness instead of a copy of the TPA Form.

Upon completion of Step 4 in Figure 1, the clearing bank shall confirm to the MP applicant in writing that the authorisations for the EMC to directly debit and credit the designated bank account of the MP applicant are in full force and effect. Such written confirmation shall be provided to the EMC to fulfil the bank readiness check of its MP registration application.

4. Proposed Modifications to the Market Manual

To give effect to the proposal, modifications to the Application form for Market Participant Registration in the Market Administration Market Manual (Registration and Authorisation: Part 1) are proposed in Annex 1.

5. 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.

6. Consultation

The proposed modifications were published for consultation on 11 October 2019 and no comments were received.

7. Recommendations

At the 112th RCP meeting, 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 come into force one day after the date on which the approval of the Authority is published by the EMC.
### ANNEX 1: Proposed Changes to Application form for Market Participant Registration

<table>
<thead>
<tr>
<th>Existing Market Manuals</th>
<th>Proposed Market Manual Changes</th>
<th>Reasons for Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>(04 September 2018)</td>
<td>(Deletions represented by strikethrough text and additions represented by double underlined text)</td>
<td></td>
</tr>
<tr>
<td><strong>Application form for Market Participant Registration</strong></td>
<td><strong>Application form for Market Participant Registration</strong></td>
<td>To stipulate that the market participant applicant shall provide a copy of the written confirmation from the clearing bank as one of the supporting documents required for the purposes of market participant registration application.</td>
</tr>
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</table>

### G. CHECKLIST OF SUPPORTING DOCUMENTS REQUIRED

- A certified true copy of your duly executed “Third Party Authorisation” Form of the bank or financial institution at which your market participant bank account is maintained, authorising the **EMC** to directly debit and credit, and to instruct that bank or financial institution to directly debit and credit, your market participant bank account for the fulfilment of financial obligations arising under the **market rules** (if required to have a market participant bank account).

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To stipulate that the market participant applicant shall provide a copy of the written confirmation from the clearing bank as one of the supporting documents required for the purposes of market participant registration application.