Notice of Market Rules Modification

Paper No.: EMC/RCP/38/2008/277
Rule reference: Chapter 7 Sec 2.3.1 / Market Manual – Market Operations-Settlement Chapter 2 Sec 2.1
Proposer: Yuen Mei Yee, Market Operations, EMC
Date received by EMC: 22 May 2008
Category allocated: 2
Status: Approved by EMA
Effective Date: 10 September 2008

Summary of proposed rule modification:

This proposal is to remove the ambiguity with regards to the submission timeline of bilateral contract data.

Date considered by Rules Change Panel: 1 July 2008
Date considered by EMC Board: 31 July 2008
Date considered by Energy Market Authority: 8 September 2008

Proposed rule modification:

See attached paper.

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

At present, the Market Rules provide that Market Participants (MPs) may submit bilateral contract data to EMC not earlier than seven business days before and no later than four business days after the dispatch day. However, it is not clear if submissions earlier than seven business days can be made. This proposal is to remove the ambiguity with regards to submission of bilateral contract data.

The RCP unanimously recommend that the EMC board adopt the proposed modifications.
1. Introduction

This paper assesses the proposal to give clarity to the Market Rules on the timeline for submission of bilateral contract data.

2. Background

Section 2.3.1 of Chapter 7 of the Market Rules currently provides that:

“The EMC shall define, and publish in a market manual, procedures and schedules whereby a selling market participant may, up to seven business days before and four business days after the dispatch day to which such bilateral contract data apply, submit to the EMC bilateral contract data that:”

In this provision, the use of the word “may” in the second line creates ambiguity over whether a market participant can submit bilateral data outside the stated window.

3. Analysis

In our analysis, we started by examining the two ends of the window for submission “seven business days before” and “four business days after” in the Market Rules provision.

The “four business days after” restriction is necessary because data submitted after that may not be in time for computation of the preliminary settlement statement, which takes place on T+5 business day. This is immediately obvious.

However, the cap on early submission of “seven business days before” does not seem to serve any meaningful purpose other than administrative. Given that there is a preference for market participants to submit monthly or quarterly bilateral contract data in advance and there is no operational impact, we consider it more efficient to drop the early submission restriction.

Hence, we consider that it should be made clear in the Market Rules that there is no restriction on early submission of bilateral contract data but that, if submitted, they must be submitted no later than four business days after the dispatch day. The submission of such data remains voluntary.

Corresponding change to Section 2.1 of Chapter 2 of the “Market Manual, Market Operations – Settlement” is also proposed to be consistent with the proposed changes to Section 2.3.1 of Chapter 7 of the Market Rules.

4. Conclusion

The proposed change will bring about clarity to Section 2.3.1 of Chapter 7 of the Market Rules and Section 2.3 of Chapter 2 of the “Market Manual, Market Operations – Settlement”, in particular to early submission of bilateral contract data.

We conclude that:

1. There should be no restriction on the time of submission of bilateral contract data except that they must be submitted no later than four business days after the dispatch day; and
2. The Market Rules should be drafted definitively on the above submission.
5. Impact on market systems

There is no impact on the market systems.

6. Consultation

We have published the rule modification proposal on the EMC website for comments. The following comment was received from a market participant:

<table>
<thead>
<tr>
<th>Company</th>
<th>Comments</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>PowerSeraya Ltd</td>
<td>We find the rule change as drafted quite unclear. The present market rules and the supporting market manual state that these can be submitted between 7 days before ad 4 days after the dispatch day. The rule change claims that the existing rule is unclear as to whether bilaterals may be submitted earlier than 7 days. From our understanding, the existing rule is clear and it says No. That being the case, we would like to confirm with EMC that the principle of the change is to allow submission of bilateral contracts to the market “at any time prior to but no later than 4 days following the dispatch day”. If this is so, PowerSeraya would then recommend the rule change be reworded as: For Section 2.3.1 of Chapter 7 of the Market Rules: “The EMC shall define and publish in a market manual, procedures and schedules whereby a selling market participant may submit bilateral contract data (and if submitted, such submission shall be made at any time prior to but no later than four business days after the dispatch day to which the bilateral contract data apply) to the EMC, that:” Correspondingly, for Section 2.1 of chapter 2 of the Market Manual, Market Operations – Settlement we recommend that: “The selling market participant may submit their bilateral contract data (and if submitted, such submission shall be made at any time prior to but no later than four business days after the dispatch day to which the bilateral contract data apply) in accordance with the applicable requirements set out in section 2.3 Chapter 7 of the market rules.” Providing our understanding of the principle of the change is correct and the rule change is reworded as we recommend then Seraya is supportive of the change.</td>
<td>The use of the word “may” in the current rules makes it unclear whether the timeline must be adhered to. Recommendation adopted.</td>
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7. Legal sign off

Text of the rule modification has been vetted by EMC’s legal counsel to reflect the intent of the rule modification proposal

8. Recommendations

The RCP unanimously recommends that the EMC Board

a. adopt the rule modification proposal to amend Section 2.3.1, Chapter 7 of the Market Rules and correspondingly Section 2.1, Chapter 2 of the Market Manual, Market Operations – Settlement, as set out in Annex 1;

b. seek EMA’s approval of the rule modification proposal; and

c. recommend that the rule modification proposal come into force one business day after the date on which the approval of the Authority is published by the EMC
## ANNEX 1

<table>
<thead>
<tr>
<th>Existing Rules (Release 1 Jan 2008)</th>
<th>Proposed Rules (Deletions represented by strikethrough text and addition underlined)</th>
<th>Reason for Modification</th>
</tr>
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</table>
| Section 2.3.1 of Chapter 7 of the Market Rules:  
“The EMC shall define, and publish in a market manual, procedures and schedules whereby a selling market participant may, up to seven business days before and four business days after the dispatch day to which such bilateral contract data apply, submit to the EMC bilateral contract data that.” | Section 2.3.1 of Chapter 7 of the Market Rules:  
“The EMC shall define, and publish in a market manual, procedures and schedules whereby a selling market participant may, up to seven business days before and submit bilateral contract data (and if submitted, such submission shall be made any time prior to but no later than four business days after the dispatch day to which such bilateral contract data apply), submit to the EMC bilateral contract data that.” | To clarify that:  
1. There is no restriction on early submission of bilateral contract data; and  
2. If submitted, bilateral contract data must be submitted no later than 4 business days after the relevant dispatch day. |
| Section 2.1 of chapter 2 of the Market Manual, Market Operations – Settlement:  
“The selling market participant may, up to seven business days before and four business days after the dispatch day submit their bilateral contract data in accordance with the applicable requirements set out in section 2.3 Chapter 7 of the market rules.” | Section 2.1 of chapter 2 of the Market Manual, Market Operations – Settlement:  
“The selling market participant may, up to seven business days before and submit their bilateral contract data (and if submitted, such submission shall be made any time prior to but no later than four business days after the dispatch day submit their bilateral contract data to which the bilateral contract data apply) in accordance with the applicable requirements set out in section 2.3 of Chapter 7 of the market rules.” |