Energy Market Company

Notice of Market Rules Modification

Paper No.:	EMC/RCP/57/2011/305
Rule Reference:	Market Rules/Chapter 6 Section 9.3.3
Proposer:	Energy Market Company
Date Received by EMC:	31 December 2010
Category Allocated:	3
Status:	Approved by EMA
Effective Date:	05 January 2012

Summary of Proposed Rule Modification:

Under the Market Rules, EMC produces dispatch and forecast schedules with different coverage horizons, and publishes market advisory notices if any incidents (e.g. energy/reserve/regulation shortfall) are expected for any period(s) within these horizons. When these conditions no longer exist, EMC is required to withdraw these notices.

A proposal suggested removing the requirement for EMC to withdraw Type 1 (Surplus/Shortfall/Price Warning) market advisories. The proposer gave an example where a PDS forecasts regulation shortfall in the high load scenario within the upcoming 4 periods and issues a corresponding advisory notice. However, even if conditions change, this advisory notice will be retained by default as the newer STS/RTDS runs only cover the normal load scenario but not the high/low load scenarios over these upcoming 4 periods. The proposer opined that since the market will rely on updated results (e.g. from STS/RTDS) without bothering about the previous results, there is no real need to “withdraw” the previous notice.

The intent of Type 1 (Surplus/Shortfall/Price Warning) market advisories for future periods is to give Market Participants advance notice of possible surplus/shortfall events, so that they are given the opportunity and lead time to react. Conversely, so long as the forecast surplus/shortfall ceases to exist for future periods, these market advisories should be removed so as not to mislead Market Participants.

The concept paper was published for consultation on 31 May 2011, and EMC (Market Operations) suggested that “not withdrawing advisory notices in respect to Section 9.3.1 is in line with the principle of giving the Market Participants accurate information, because those advisories when issued were accurate at the point of issue. This practice will conform to how the MCE forecast runs and PSO advisory notices are being currently issued. To gather the latest accurate information, the market participant just needs to refer to the latest set of advisory notices. The withdrawn status should be reserved to correct those advisory notices that has been erroneously issued only.”

We note EMC (Market Operations)’s views, and agree that it is not necessary to withdraw advisory notices which are issued in respect of MCE schedules. Since the MCE schedules are run at regular intervals, the latest market conditions and any related advisories are continually being updated. Thus Market Participants should just refer to the most recent advisories. However, there is still a requirement for the withdrawal of other types of notices, as they are not subjected to regular updates.

At the 56th RCP meeting, the RCP supported EMC's proposal and tasked EMC to draft the market rule changes required to implement the proposal. At the 57th RCP meeting, EMC presented the draft rules in Annex 1 incorporating RCP's decision, which the RCP unanimously supported.

Thus, the RCP recommends that the EMC Board adopt the changes to the Market Rules as set out in Annex 1.

Date considered by Rules Change Panel:	13 September 2011
Date considered by EMC Board:	25 November 2011
Date considered by Energy Market Authority:	19 December 2011

Proposed rule modification:

See attached paper.

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

PAPER NO.	:	**EMC/BD/XX/2011/XX**
RCP PAPER NO.	:	**EMC/RCP/57/2011/RC305**
SUBJECT	:	**REMOVAL OF REQUIREMENT TO WITHDRAW MARKET ADVISORY NOTICES**
FOR	:	**DECISION**
PREPARED BY	:	**TAN LIANG CHING** **VP, MARKET ADMINISTRATION**
REVIEWED BY	:	**PAUL POH LEE KONG** **SVP, MARKET ADMINISTRATION**
DATE OF MEETING	:	**XX September 2011**

Executive Summary

Under the Market Rules, EMC produces dispatch and forecast schedules with different coverage horizons, and publishes market advisory notices if any incidents (e.g. energy/reserve/regulation shortfall) are expected for any period(s) within these horizons. When these conditions no longer exist, EMC is required to withdraw these notices.

A proposal suggested removing the requirement for EMC to withdraw Type 1 (Surplus/Shortfall/Price Warning) market advisories. The proposer gave an example where a PDS forecasts regulation shortfall in the high load scenario within the upcoming 4 periods and issues a corresponding advisory notice. However, even if conditions change, this advisory notice will be retained by default as the newer STS/RTDS runs only cover the normal load scenario but not the high/low load scenarios over these upcoming 4 periods. The proposer opined that since the market will rely on updated results (e.g. from STS/RTDS) without bothering about the previous results, there is no real need to "withdraw" the previous notice.

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At the 56th RCP meeting, the RCP supported EMC's proposal and tasked EMC to draft the market rule changes required to implement the proposal. At the 57th RCP meeting, EMC presented the draft rules in **Annex 1** incorporating RCP's decision, which the RCP unanimously supported.

Thus, the RCP recommends that the EMC Board adopt the changes to the Market Rules as set out in **Annex 1**.

1. Introduction

This paper assesses the proposal to remove the requirement for EMC to withdraw market advisories, when these notices are already superseded by more recent updates.

2. Background

Under the Market Rules, EMC produces the following schedules with their respective coverage horizons:

Table 1: Schedules Published by EMC

Type of Schedule	Real Time Dispatch Schedule (RTDS)	Short Term Schedule (STS)	Pre-Dispatch Schedule (PDS)	Market Outlook Scenarios (MOS)
Also Known as	Dispatch Run (DPR)	Look Ahead Run (LAR)	Day Ahead Run (DAR)	Week Ahead Run (WAR)
Frequency of Publication	Every Period	Every Period	Every 2 Hours	Every Day
Published at	T-30 seconds	T+5 Mins	15 Mins before each 2-hour block, starting from 0000hrs	2am of each day
Coverage	Upcoming Period T	Upcoming Periods from T+1 to T+12	Upcoming Period T till end of day (if published at or before 12 noon) or till end of following day (if published after 12 noon)	All Periods from the start of the next day for 6 consecutive days.
Market Rules Reference	Chpt 6, Section 9.2.1	Chpt 6, Section 7.4A	Chpt 6, Section 7.4	Chpt 6, Section 7.3
Comments	Unlike the other schedules, the RTDS is a binding dispatch schedule, not a forecast schedule.	Upcoming Period T is excluded as it is already covered under the RTDS.	Schedules include additional low and high forecasts, based on adjustments using the load sensitivity factor.	

Further, under the Market Rules (Chapter 6, Sections 9.3.1 and 9.3.2), EMC is required to publish advisory notices for any dispatch period falling within the above coverage horizons, as described in the following table:

Table 2: Market Advisories Published by EMC

Type of Advisory	Advisory Issued when	Initiated by
1) Surplus/Shortfall/Price Warning (MR Chpt 6, Sections 9.3.1, 9.3.2.3)	MCE forecasts • Energy surplus • Energy/reserve/regulation shortfall In conjunction with these surplus/shortfall situations which will likely lead to price spikes, price warning advisories will be issued informing the market that prices may be subject to price revision.	Automatically generated by the MCE
2) System Status (MR Chpt 6, Section 9.3.2.1)	PSO expects: • major equipment outage • load shedding • other abnormal condition	PSO when required
3) Communications Warning (MR Chpt 6, Section 9.3.2.2)	EMC expects difficulties in delivering/receiving communications between EMC-PSO or EMC-MP	EMC when required

The aim of the forecast schedules (STS, PDS, MOS) and market advisories is to provide market participants with more complete information about the future market situation so that they can react accordingly (e.g. run up their units if they expect high prices arising from tight energy supply in future periods).

However, these forecasts could be overtaken by events/situations such that they are no longer valid. For the forecast schedules, they will be superseded by newer runs using more updated inputs; for market advisories, the market rules require EMC to withdraw any advisory notice as follows:

> *Chapter 6, Section 9.3.3 of the Market Rules*
>
> *The EMC shall, as soon as practicable, withdraw any of the advisory notices referred to in sections 9.3.1 and 9.3.2.1 to 9.3.2.3 (i.e. the notices listed in Table 2) and issued in respect of a dispatch period to the extent that the conditions referred to in such advisory notices are no longer or are expected to no longer be applicable to such dispatch period.*

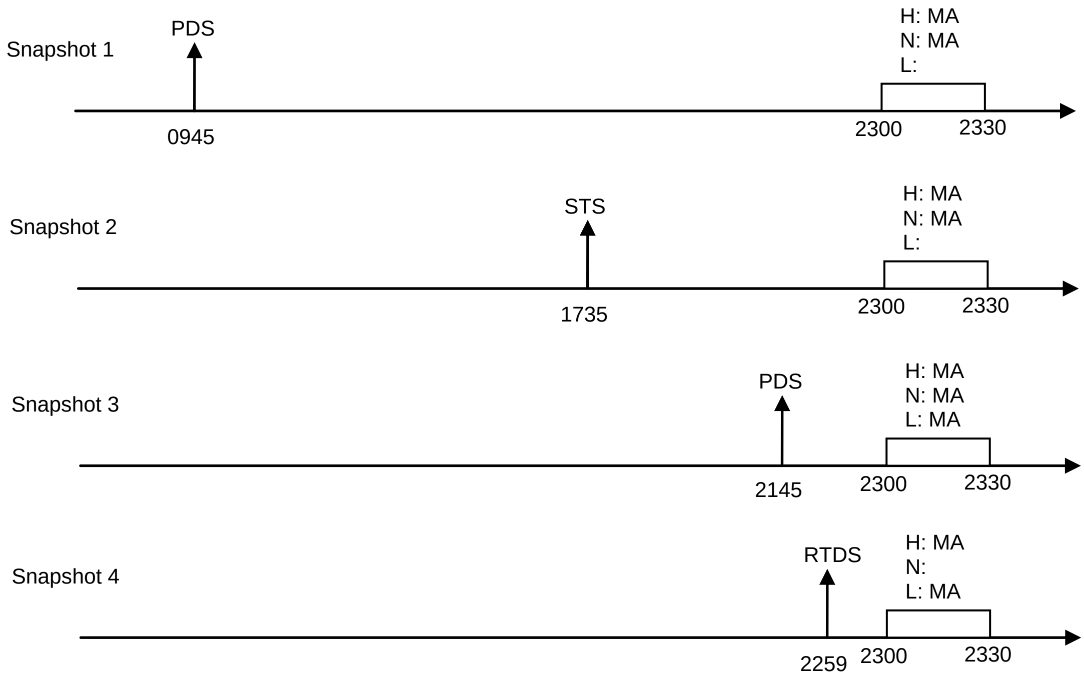
3. Proposal Received

A proposal suggested removing this requirement for EMC to withdraw market advisory notices, specifically Type 1 (Surplus/Shortfall/Price Warning) notices. For simplicity, all references to market advisories subsequently shall refer to these Type 1 notices, as no concerns were raised on other types of notices.

The proposer gave an example whereby a PDS forecasts regulation shortfall in the high load scenario for a period 1-4 periods into the future, and issues a corresponding advisory notice for said scenario/period. However, as there are no newer runs of the same high load scenario for this period (i.e. newer STS and RTDS runs do not have high load scenario, and PDS is run only every 2 hours), the system will not withdraw the notice even if conditions change during these 4 periods. The proposer opined that since the market will rely on updated results (e.g. from STS/RTDS) without bothering about the previous results, so there is no real need to "withdraw" the previous notice.

This example can be illustrated through the following diagram:

Figure 1: Market Advisories Published by EMC (Current Treatment)



Note: There are other schedules interwoven between these 4 schedules (e.g. there are STSs published at 1805hrs, 1835hrs, 1905hrs and so on) but for simplicity of illustration, we assume that these schedules do not change the picture (e.g. the STSs published at 1805hrs, 1835hrs, 1905hrs generate the same MAs as that run at 1735hrs).

Snapshot 1: At 0945hrs, a PDS forecasts regulation shortfall for Period 47 (2300-2330hrs) for the High and Normal Load scenarios and sends out the corresponding market advisories (MA) for the two scenarios.

Snapshot 2: At 1735hrs, a STS forecasts the same regulation shortfall for Period 47 for the Normal Load scenario. The MA for the Normal Load scenario is thus retained. The MA for the High Load scenario is also retained by default, since there is no High Load scenario by the STS.

Snapshot 3: At 2145hrs, another PDS forecasts regulation shortfall for Period 47 for all High, Normal and Low Load scenarios. It thus retains the MAs for High and Normal scenarios, and adds a MA for the Low Load scenario.

Snapshot 4: At 2259hrs, the RTDS forecasts no regulation shortfall for Period 47 for the Normal Load scenario and thus withdraws its corresponding MA. However, as it does not forecast for the High and Low Load scenarios, the MAs for these scenarios are retained by default.

From the above illustration, it is shown that even if system conditions change between 2145hrs to 2259hrs such that the Market Advisory for the High/Low Load Scenarios may need to be withdrawn, they are retained by default because the newer runs do not cover these two scenarios.

To reiterate, the proposer was of the view that since the market will rely on the updated results from the STS/RTDS without bothering about the previous results (i.e. ignore the market advisories issued for High/Low Load scenarios under Snapshot 4), there is no real need to “withdraw” the previous notice.

4. Analysis

The intent of Type 1 (Surplus/Shortfall/Price Warning) market advisories for future periods is to give Market Participants advance notice of possible surplus/shortfall events, so that they are given the opportunity and lead time to react. Conversely, so long as the forecast surplus/shortfall/price warning for future periods ceases to exist, these market advisories should be removed so as not to mislead Market Participants.

With this principle in mind, the current Market Rule requiring the withdrawal of these market advisories is fundamentally sound.

5. Consultation

The concept paper was published for consultation on 31 May 2011, and the following feedback was received:

Comments from EMC (Market Operations)

Not withdrawing advisory notices in respect to Section 9.3.1 is in line with the principle of giving the Market Participants accurate information, because those advisories when issued were accurate at the point of issue. This practice will conform to how the MCE forecast runs and PSO advisory notices are being currently issued. To gather the latest accurate information, the market participant just needs to refer to the latest set of advisory notices. The withdrawn status should be reserved to correct those advisory notices that has been erroneously issued only.

Response from EMC (Market Administration)

We note EMC (Market Operations)’s views. We agree that it is not necessary to withdraw advisory notices which are issued in respect of MCE schedules (i.e. Type 1 notices referred to in Table 2). Since the MCE schedules are run at regular intervals the latest market conditions and any related advisories are continually being updated. Thus, Market Participants should just refer to the most recent advisories. However, there is still a requirement for the withdrawal of other types of notices (as described in Table 2), as they are not subjected to regular updates.

Comments from Senoko Energy

Senoko Energy is satisfied with current practice. However, if it is ultimately decided to withdraw advisory notices, then we request that such notices are not removed or deleted from the system so that records of all advisories issued are maintained.

Response from EMC (Market Administration)

Given that we are changing our recommendation to remove the requirement for EMC to withdraw market advisories relating to those issued in respect of MCE schedules, this comment is moot.

6. Discussion at RCP Meetings

The RCP unanimously supported the proposal at the 56th RCP meeting, and unanimously supported the draft rules in **Annex 1** at the 57th RCP meeting.

7. Impact on Market Systems

It would require no external implementation cost, and a timeline of **1 week**.

8. Legal Sign Off

The text of the rule modification has been vetted by EMC's external legal counsel, whose opinion is that the modification reflects the intent of the rule modification proposal as expressed in the third column of the Table in **Annex 1.**

9. Consultation (Proposed Rule Changes)

The proposed rule changes as set out in Annex 1 were published for consultation on 01 Aug 2011, and no feedback was received.

10. Recommendation

The RCP recommends that the EMC Board:

a) adopt the changes to the Market Rules 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 **1 week** after the date on which the approval of the Authority is published by the EMC

Draft Rule Changes to Remove Requirement for EMC to Withdraw Market Advisory Notices

Existing Market Rules **(1 January 2011)**	**Proposed Rule Changes** (Deletions represented by strikethrough text and additions represented by double-underlined text)	**Reasons for Rule Change**
CHAPTER 6	**CHAPTER 6**	
9.3.3 The *EMC* shall, as soon as practicable, withdraw any of the *advisory notices* referred to in sections 9.3.1 and 9.3.2.1 to 9.3.2.3 and issued in respect of a *dispatch period* to the extent that the conditions referred to in such *advisory notices* are no longer or are expected to no longer be applicable to such *dispatch period*.	9.3.3 The *EMC* shall, as soon as practicable, withdraw any of the *advisory notices* referred to in sections ~~9.3.1 and~~ 9.3.2.1 ~~to~~ and 9.3.2.~~3~~2 and issued in respect of a *dispatch period* to the extent that the conditions referred to in such *advisory notices* are no longer or are expected to no longer be applicable to such *dispatch period*.	To remove the requirement for EMC to withdraw market advisory notices issued by the MCE on energy/reserve/regulation surplus/shortfalls (section 9.3.1) and price warnings (section 9.3.2.3).