

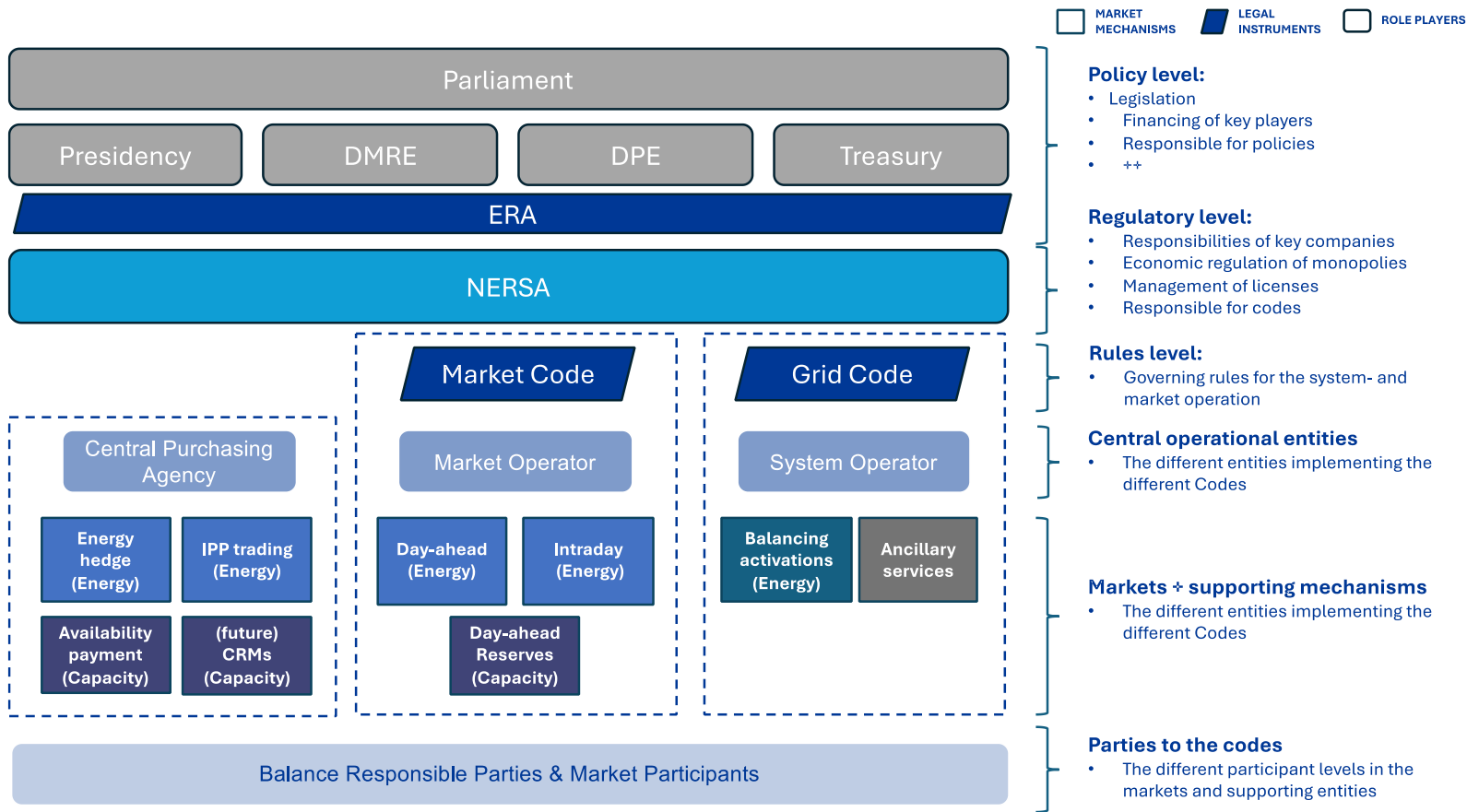
Market Code Consultation WS 1

Presentation of the Participants, parties and role
players



NECOM
NATIONAL
ENERGY CRISIS
COMMITTEE

The key stakeholders and its responsibilities




Market roles – who are the key parties?

NERSA




The owner of the Market Code and thereby be a Party to the Code
 Formally approves all changes to the Market Code (and is part of the modification process)
 Formally appoint the members of the Market Code Advisory Committee including chairing their meetings
 Formally appoint the Market Surveillance Panel
 Fund the MCAC and MSP
 Certify BRPs
 Managing licenses (outside the Market Code)
 Part of the Dispute Resolution process

PARTY



A signatory to the Market Code
 For market participation being a
 Applicant to become a Market Participant
 A Market Participant
 A BRP
 A Party under Suspension or Termination

MARKET OPERATOR




Be subject and Party to the Market Code
 Admit Market Participants according to BRP registrations and other administrative regulations –
 Maintain and operate the required market trading and settlement platform(s) as required to adhere to the Market Code
 Report regularly to NERSA
 Monitor compliance of all Parties to the Market Code

MARKET PARTICIPANT



A participant in some of the Market Code market(s)
 Compliant with the Market Code rules on Pricing, Settlement and Financial obligations
 Have signed the Market Participant Agreement

SYSTEM OPERATOR



Be subject and Party to the Market Code
 Schedule and dispatch according to the Market.
 Operate the power system of South Africa compliant with other Code(s)
 Maintain the security of supply subject to other Code(s)

BALANCE RESPONSIBLE PARTY

Could be a Market Participant?
 Subject to the SO's rules on Balance Responsibility

Market roles – new committees

MARKET CODE ADVISORY COMMITTEE



This is the “modification committee” for the Market Code that are responsible for the modification process of the Market Code
 NERSA / TSO appoints
 No remuneration, cost to NERSA / TSO
 Chairperson elected by the group
 Acting as technical advisor to NERSA
 Shall meet at least every 2 months

MARKET SURVEILLANCE PANEL



Responsible for the application of the Market Code by the MO and SO,
 Compliance of Parties to the Market Code (via their licences); and
 Handling of disputes between participants.
 Remunerated, cost to NERSA
 NERSA appoints

MARKET CODE SECRETARIAT



This is working secretariat for the MCAC
 Market Code Secretariat will be part of the MO
 and formally owned by the MO Manager

MARKET SURVEILLANCE UNIT



MSU shall monitor and survey the markets governed by the Market Code with the main purpose of detecting incorrect behaviour of market participants leading to market abuse.
 The MSU shall also monitor that the MO is complying with these Market Rules and its timelines
 MSU shall have the authority to represent and act on behalf of Market Operator in all matters regulated by the Market Conduct Rules
 MSU employees shall operate under strict confidentiality arrangements

MARKET CONDUCT RULES



Market Conduct Rules are defined to ensure “that the Markets shall operate fairly and efficiently for all Market Participants”
 The aim is to promote integrity and efficiency in the Market
 It is the Market Participants obligation to act according to these rules at all times when engaged in trading and related activities

Code requirements

Definitions:

“NERSA” means the legal entity established in terms of the National Energy Regulator Act, 2004 (Act 40 of 2004), as amended;

“Market Operator” means organisation responsible for the tasks as defined in section 3.3 of the Market Code;

“System Operator” means the legal entity licensed to be responsible for short-term reliability of the NIPS, which is in charge of controlling and operating the Transmission System and dispatching generation (or balancing the supply and demand) in real time; “Market Participant Agreement” means an agreement between the Market Operator and a Market Participant regulating the participation of the Market Participant in the SAWEM;

3.1 NERSA

- (1) NERSA is the administrative authority for the Market Code in terms of section 34A of the Act, as amended. NERSA shall ensure that the Market Code is compiled, implemented and complied with for the benefit of the industry.
- (2) NERSA shall perform the following functions:
 - (a) constitute the MCAC and review its membership on an annual basis;
 - (b) constitute the MSP and review its membership on an annual basis;
 - (c) consider and respond to MCAC submissions within three months after the matter has been referred to them for approval;
 - (d) certify Balance Responsible Parties, and decertify if a Balance Responsible Party fails to adhere to Market Code requirements or the MSP recommends such action;
 - (e) establish conditions for approval of Market participation in the voluntary Market by the Market Operator;
 - (f) publish Market Code documentation;
 - (g) chair all MCAC meetings in line with the requirement of this code; and
 - (h) fund the administrative activities of the MCAC and MSP.

Code requirements (cont.)

3.2 The System Operator

- (1) The SO shall with respect to this Market Code:
 - (a) apply the Market Code;
 - (b) Schedule and Dispatch Generation and Supplier Units based on the economic merit order provided by the MO whilst maintaining the prescribed system security;
 - (a) provide regular reports to NERSA regarding the scheduling and dispatch of the NIPS;
 - (b) maintain data for the auditing of the dispatch function; and
 - (c) disclose to participants upon request the reasons for Dispatch Instructions;
- (2) In the event that generation capacity and Supplier Units are insufficient to meet the demand, the SO may take mitigating actions that may not be in line with the Market Code but in accordance with its functions in terms of the System Operation Code.
- (3) Under normal operating conditions any contractual requirements that restrict dispatch instructions from the SO shall apply. Under Emergency Operating Conditions the SO may override these contractual requirements and enforce dispatch instructions on all Generators, provided that the Generator is able to comply with SO Dispatch Instruction within statutory limits.

3.3 The Market Operator

- (1) The MO shall:
 - (a) apply the Market Code;
 - (b) provide market platforms to enable trade between market participants;
 - (c) register NERSA certified Balance Responsible Parties and conclude Balancing Agreements as per the South African Grid Code to facilitate trade;
 - (d) approve applications for market participation under conditions established by NERSA and conclude Market Participation Agreements to facilitate trade;
 - (e) clear the market(s) and timeously settle clearing accounts to ensure the integrity of the markets;
 - (f) provide regular reports to NERSA regarding the clearing and settlement of the markets;
 - (g) maintain data for the auditing of the market clearing and settlement functions; and
 - (h) monitor compliance of all Parties to the Market Code.

Zooming in on the market players

Increased obligations under the Market Code

PARTY



- A signatory to the Market Code
 - Includes NERSA, MO and SO
 - Covers all legal requirements, reporting etc.
- For Parties trading in South Africa, they have the following status:
 - Applicant to become a Market Participant
 - A BRP
 - A Market Participant
- A Party under Suspension or Termination

- Is the generic term for all signatories to the SAWEM
- It will follow a standardized accession process
- The accession, defaulting, suspension and termination rules are common
- (last two topics will be covered in next WS)

BALANCE RESPONSIBLE PARTY



- Could be a Market Participant or just buying/selling power bilaterally
- Subject to the SO's rules on Balance Responsibility, rules on nominations and reporting

- Covers the formal balancing requirements
- Covers all parties that are aiming at generating and/or consuming physical power
- Subject to an eligibility criteria set by NERSA

MARKET PARTICIPANT



- A participant in some of the SAWEM market(s)
- Compliant with the Market Code rules on Pricing, Settlement and Financial obligations
- Have signed the Market Participant Agreement
- Plus, all the requirements as a Party and BRP

- The requirements as Party and BRP applies
- Plans to participate in one of the SAWEMs markets
- Will get access to all markets and services offered by/through the MO (DA, ID, reserve and balancing)
- Will require trading capabilities (systems and organisation)

Code requirements

Definitions:

“Party” means a Market Participant, Balance Responsible Party, Transmission Network Service Provider, Distributor, System Operator, Market Operator or any other person governed by this Market Code;

“Balance Responsible Party” means a Generator, Supplier or its chosen representative that takes physical and financial responsibility for maintaining real-time balancing at specified metering points, by submitting forecasts day ahead. The BRP will be accountable through the Imbalance settlement for the cost of any imbalances;

“Market Participant” means Parties responsible for the tasks as defined in section 3.4 of the Market Code;

“Market Participant Agreement” means an agreement between the Market Operator and a Market Participant regulating the participation of the Market Participant in the SAWEM;

3.4 Market Participants

- (1) Each Balance Responsible Party shall:
 - (a) adhere to Market Code obligations, taking into consideration all prevailing constraints, technical and/or economic, prior to submitting information required under the Market Code;
 - (b) conclude Balancing Agreement with the Market Operator to facilitate Balance Responsibility;
- (2) Each Market Participant shall:
 - (a) adhere to Market Code obligations, taking into consideration all prevailing constraints, technical and/or economic, prior to submitting information required under the Market Code;
 - (b) conclude Market Participation Agreement with the Market Operator to facilitate trade.

Code requirements (cont.)

There are several other requirements for Market Participants and Balance Responsible Parties that will be covered later in the workshop series:

- Chapter 6 defines the admission and management of Parties;
- Chapter 7 defines the registration and maintenance of the resources and standing data for both BRPs and all types of Market Participants;
- Chapter 8 defines the international trade and requirements for all that will be participating in the regional market(s);
- Chapter 9 and 10 defines the requirement for BRP registration of their bilateral schedules as well as the DAM/ID requirements for Market Participants to bid both energy, availability and flexibility;
- Chapter 11 defines the dispatching rules;
- Chapter 12 and 13 defines the metering and balancing mechanism;
- Chapter 14 and 15 defines the Settlement reporting and financial settlement mechanisms including collaterals as well as the process of querying and disputing the financial settlements and the rules for administered settlement;
- Chapter 17 defines the transitory arrangements; and finally
- The Annexure 1 on Market Conduct Rules.

THANK YOU
FOR YOUR ATTENTION!

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