

Insertion of sections 34B in Act 4 of 2006 includes...

- (3) A market operator must—
- (a) provide for a transparent, non-discriminatory trading platform, approved by the Regulator, for power market participants to trade;
- (b) develop a market code and rules, including qualifying criteria for power market participants approved by the Regulator; and
- (c) the market code shall include, but is not limited to, provisions related to the following:
 - (i) The different types of markets necessary to ensure effective and secure operation of the industry including both physical and financial transactions between power market participants in the appropriate timescales, to enable the market transactions and regulated transactions;
 - the method of operation, as well as development of systems, processes and procedures for the implementation of these markets;
 - (iii) provisions for reconciliation in order to identify imbalances between scheduled and actual production, the consumption of electricity by power market participants, and the allocation of costs of remedial action and penalties where applicable;
 - (iv) the qualifying criteria for power market participants, including financial and prudential requirements;
 - (v) governance of the market code, including mechanisms for power market participants and stakeholders to propose changes to the code; and
 - (vi) any other aspects necessary for effective and efficient market operation.

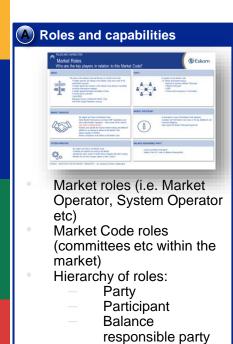
Section 34 B. (3) page 17

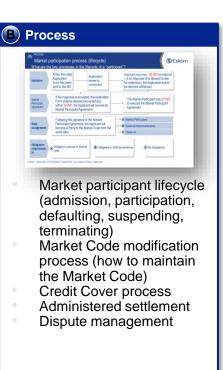
Market Operator must,

- Provide a transparent, non-discriminatory trading platform, approved by the Regulator, for market participants to trade
- Develop a market code and rules, including qualifying criteria for the market participants approved by the Regulator
- Market will include, but not limited to the following provisions:
 - Different types of markets; physical, financial and regulated
 - Method of operation; systems, processes and procedures
 - Provisions for reconciliation
 - Qualifying criteria for participants
 - Governance of the market

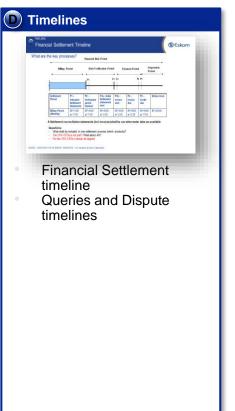


There are four essential parts to implement the Market Code









Who are the key players in relation to this Market Code? Market Roles

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

- BRP Could be a Market Participant.
- Subject to the SO's rules on Balance Responsibility



COMMITTEE

MARKET CODE ADVISORY COMMITTEE (MCAC)



- This is the "modification committee" for the Market Code that are responsible for the modification process of the Market Code NERSA approves, (groups from Grid Code)
- No remuneration, cost by NERSA
- Chairperson elected by the group
 - Acting as technical advisor to NERSA
 - Shall meet at least every 2 months

MARKET SURVEILLANCE PANEL(MSP)



- 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.
- Remuneration, cost by NERSA
- NERSA appoints this panel

MARKET CODE SECRETARIAT(MCS)



- This is a working secretariat for the MCAC
 Market Code Secretariat will be part of the MO.
 - None of the Secretariat's personnel shall be a member of the MCAC
 - MO shall be responsible for the performance by the MCS of its functions necessary for the proper functioning of the Modifications Process under the Market Code

MARKET SURVEILLANCE UNIT(MSU)



- 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





Market participation is covered in section 6 of the Code

6	MAF	RKET PARTICIPATION AND BALANCE RESPONSIBLE PARTIES	. 39
	6.1	MARKET PARTICIPANTS AND BALANCE RESPONSIBLE PARTIES	. 39
	6.2	ADMITTING PARTIES	. 39
	6.3	DEFAULTING PARTIES	. 40
	6.3.2	Default Notice	. 40
	6.4	Suspending Parties	. 41
	6.4.3	Effect of Suspension Order	. 42
	6.5	TERMINATING AND DEREGISTRATION OF PARTIES	. 44
	6.5.2	Effect of Termination Order	. 44
	6.5.2	Voluntary Termination of a Party	. 44
	6.5.3	Consequences of Termination of a Party	. 45
	6.5.4	Consequences of Deregistration	. 45
	6.6	FORCE MAJEURE	

This section deals with the life cycle of the code.



Market participation process (lifecycle)

What are the key processes in the lifecycle of a "participant"?

MARKET PARTICIPANT ADMISSION

- When starting the admission process, a potential Market Participant becomes and Applicant to the Market Code
- there are other requirements (Connection agreement, Balance Agreement, License agreements) that might be a prerequisite
- It starts with the Application Form
- The Applicant needs to pay a fee

BECOMING A MARKET PARTICIPANT PROCESS

- When the initial Application Form has been sent to the MO, it has to respond within 10 WD if additional information is needed
- ► The Applicant then have 20 WD to respond if no response (it is allowed to ask for extension), the Application would be deemed withdrawn
- ▶ If the response is accepted, the Application Form shall be deemed accepted and within 10 WD, the Applicant will receive its Market Participant Agreement
- ► The Market Participant has 20 WD to execute the Market Participant Agreement
- Following the signature of the Market Participant Agreement, the Applicant will become a Party to the Market Code from the same date
- Based on its registration of Unit(s) and the relationship with the SO, the Party will then become a Market Participant and potentially a BRP under the Market Code



Default, suspension and termination of a Party

The life cycle of a Party (not only Market Participant), but focused on market participation

Definitions

Default = Party deemed to be in 'Default' where it is in breach of the Market Code or any other obligation which materially affects its ability to perform its obligations under the Market Code

Could be any Party!

Suspension = process whereby MO suspends a Party from trading in the Market in respect of some or all of its registered Units

Termination = when a Party voluntary, or as a result of a Termination Order, ceases to be a Party to the Market Code.

Three triggers:

- Failure to comply with the requirements of the Settlement Timeline (i.e. missing a payment or Credit Call)
- Failure to behave in according with the requirements of the Market Code
- Voluntary termination

Formal process – can be run in parallel

Default Notice

- can be issued by the MO without prior consent from NERSA
- will specify the nature of the Default, the time to remedy and any other actions
- can at the same time issue a Suspension Order and a Termination Order

Suspension Order

- can be issued by the MO without prior consent from NERSA IF the breach is for Financial reasons (not paid, not responded to a Credit Call) If the breach of the Market Code is not for Financial reasons, the
- Suspension Order needs prior consent from NERSA will specify effective date and time of the Suspension
- when a Suspension Order is effective, the Party is suspended from the Market

Termination Order

- can **NOT** be issued by the MO without prior consent from NERSA
- when effective, the Termination will terminate the Party's ability to participate in the Market

Some important generic rules

- It is important to notice that even in any of these processes, your obligations under the Market Code still
- The Default/Suspension/Termination could be valid for none, partial or all of a Party's Unit(s) You will be subject to the Financial rules until the last Settlement Rerun for the last Billing Period where any of the affected Unit(s) were part of the Market: this means also maintaining the required Credit Cover



Market Governance is covered in section 4 of the Code

4 MARKE	T GOVERNANCE	28
4.1 MA	ARKET CODE MODIFICATION PROCESS.	28
4.1.1	Modification Recommendation Report timeline	29
4.1.2	Procedure for Developing Proposals	29
4.1.3	Spurious Proposals	30
4.1.4	Urgent Modifications	30
4.1.5	Alternative Proposals	31
4.1.6	Final Modification Recommendation & Report	31
4.1.7	No recommendation or decision by MCAC	32
4.1.8	Decision of NERSA	32
4.1.9	Information about the Modifications Process	33
4.1.10	Intellectual Property Issues Associated With Modification Proposals	33
4.1.11	No Retrospective Effect	34
4.1.12	Market Code Secretariat	34

Most of the Governance aspects deals with the modification process with respect to the Market Code





Market Code Modification process

Generic requirements

- Modification Proposals to the Market Code can be proposed by <u>any person</u> including the Market Operator and NERSA.
- Any Modification Proposal shall be submitted to the Market Code Secretariat and shall be clear and substantiated with appropriate detail, including how it furthers the Market Code Objectives, to enable it to be considered by the MCAC.
- Each Modification Proposal shall include draft text of the relevant provision of the Market Code as amended by the Modification Proposal.

High-level process

- The MCS shall publish a notice of the modification proposal after receipt
- The Modification Proposal shall be presented in the next scheduled meeting
- The person (or representative) shall be entitled to join the meeting
- The first decision, is if this shall be accepted (not spurious) – i.e. Is it contrary to the Market Code. If so, it will be rejected
- If accepted, the MCAC can combine different Modification proposals and (if needed) also put the Modification Proposal out on public consultation
- The MCAC is allowed to invite other affected parties to the meeting(s) discussing the Modification Proposal and also engage external consultants.

Urgent Proposals

- If the person(s) proposing a modification deems it urgent, it shall mark the Modification Proposal as Urgent and then also sent it to NERSA which will determine if it is urgent or not based on the following:
 - threaten or prejudice safety, security or reliability of supply of electricity; or
 - unduly interfere with, disrupt or threaten the operation of the Market; or
 - if a Modification is required to correct an obviously material error; or
 - inconsistency in the Market Code.
- If agreed as urgent, an Emergency meeting will be arranged by the MCS

Timeline and reporting

- MCAC shall produce a Modification Recommendation Report in respect of each Modification Proposal
- This shall include a Final recommendation from MCAC on what to implement. It shall be decided by majority voting between the members of MCAC and has a detailed content overview where the full process including documents will be an integral part
- If the MCAC is not able to reach a decision, it will be referred to NERSA.
- This report shall be submitted to NERSA within 8 months of receipt unless such period is extended with the consent of NERSA
- NERSA will then take the final decision, but it can also return it and ask for more information
- The Modification will come into force 2 WD after the decision of NERSA (or otherwise agreed in the document)

Other elements:

- If a person does not agree to a Modification Proposal, he/she is entitled to deliver an Alternative proposal within the same timeframe as the original
- All Modification Proposals shall be made public on the MO's website
 - No Party or person submitting a Modification Proposal waived any potential Intellectual Property Rights concerning the details of the proposal
- A Modification will not have retrospective effect.

SOURCE: CAPACITIES FOR AN ENERGY TRANSITION - Giz. Nordpool & Eskom Collaboration

