

SAWEM RULE 1 – MARKET CONDUCT RULES

Introduction

- (1) These Rules form part of the Market Code and Rules governing the South African Wholesale Electricity Market (SAWEM).
- (2) The Market Conduct Rules provide for the required conduct of Market Participants and Parties to the Market Code.
- (3) The definitions in the Market Code apply to these Rules unless specified otherwise.

Conduct Rules

- (4) Market Participants must at all times act in accordance with these Market Conduct Rules when engaged in trading and related activities, and shall seek to promote integrity and efficiency in the Market. Parties shall take due account of any relevant Legal Requirements, any proper and relevant professional standards of conduct, and the need for the Markets to operate fairly and efficiently for all Parties.
- (5) Each Market Participant shall ensure that any orders placed by it reflect a real purchase or sales interest, and that all transactions to which it is a party are genuine.
- (6) A Market Participant may not in any way improperly influence the price or price structure in the Markets, or otherwise disturb other Market Participants' access to or participation in the market.
- (7) Market Participants must not apply unreasonable business methods when carrying out trading and shall always seek to act in accordance with good business practice.
- (8) Market manipulation is defined as:
 - (a) entering into any transaction or issuing any order to trade in electricity market products which:
 - a. gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of the wholesale electricity market products;
 - b. secures or attempts to secure, by a person, or persons acting in collaboration, the price of one or several wholesale electricity market products at an artificial level, unless the person who entered into the transaction or issued the order to trade establishes that their reasons for doing so are legitimate and that that transaction or order to trade conforms to accepted market practices on the wholesale electricity market concerned; or
 - c. employs or attempts to employ a fictitious rumour or any other form of deception or contrivance which gives, or is likely to give, false or misleading signals regarding the supply of, demand for, or price of wholesale electricity market products; or
 - (b) disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply

of, demand for, or price of wholesale electricity market products, including the dissemination of rumours and false or misleading news, where the disseminating person knew, or ought to have known, that the information was false or misleading.

- (9) When information is disseminated for the purposes of journalism or artistic expression, such dissemination of information shall be assessed taking into account the rules governing the freedom of the press and freedom of expression in other media, unless:
 - (a) those persons derive, directly or indirectly, an advantage or profits from the dissemination of the information in question; or
 - (b) the disclosure or dissemination is made with the intention of misleading the market as to the supply of, demand for, or price of wholesale electricity market products.
- (10) Attempting to manipulate the market is also considered an abuse and shall be considered a case for investigation by the MSU, and prosecution by the MGC.
- (11) Inside information means information of a precise nature which has not been made public, which relates, directly or indirectly, to one or more wholesale electricity products and which, if it were made public, would be likely to significantly affect the prices of those wholesale electricity products.
- (12) Whether or not information can be regarded as inside information must be assessed on a case-by-case basis. Determining what is inside information is not straightforward, for instance identical information may or may not constitute inside information depending on the current market situation, because in a strained situation the information may be more likely to affect prices significantly.
- (13) As a starting point, if a normal rational trader would assess that it would be possible to profit from trading on the information that is a good indication that the information could be considered as being significant, and therefore may constitute inside information.
- (14) Insider information shall be published using the prescribed information service in the SAWEM.
- (15) The prohibition of insider trading is set out as:

Persons who possess inside information in relation to a wholesale electricity market product shall be prohibited from:

 - (a) using that information by acquiring or disposing of, or by trying to acquire or dispose of, for their own account or for the account of a third party, either directly or indirectly, wholesale electricity products to which that information relates;
 - (b) disclosing that information to any other person unless such disclosure is made in the normal course of the exercise of their employment, profession or duties;
 - (c) recommending or inducing another person, on the basis of inside information, to acquire or dispose of wholesale electricity market products to which that information relates.
- (16) Note: information regarding the Market Participant's own plans and strategies for trading should not be considered as inside information. Consequently, Market Participants do not have to publish information regarding marginal costs at power plants, water values etc.

- (17) Disclosure of transparency information:
- (a) The information to be publicly disclosed shall be limited to information relevant to facilities for production, consumption or transmission of electricity regarding (a generation unit is defined as one generator and a production unit is defined as a unit holding several generation units);
 - (b) Any outage, limitation, expansion or dismantling of capacity in the transmission grid affecting cross zonal capacities by 50 MW or more, up to three (3) years forward, including updates of such information;
 - (c) Any outage, limitation, expansion or dismantling of capacity in the transmission grid affecting power feed-in and/or consumption by 50 MW or more, up to three (3) years forward, including updates of such information;
 - (d) Any outage, limitation, expansion or dismantling of capacity of 200 MW or more for one Generation Unit, or 20 MW or more for one Production Unit with an installed capacity of 200 MW or more, up to three (3) years forward, including updates of such information;
 - (e) Any erroneous or missing Orders in the Market of 200 MW or more;
 - (f) Any Inside Information not covered by sub-paragraph (a) to (f) above.
- (18) Where information is subject to public disclosure pursuant to this section, the public disclosure shall when relevant as a minimum include information on:
- (a) The affected geographical area(s);
 - (b) The affected Trading Unit or Transmission Line;
 - (c) The time of decision or occurrence of the event;
 - (d) The installed capacity in MW;
 - (e) The available capacity to the market in MW during the event;
 - (f) The estimated start time of the event, and the corresponding stop time;
 - (g) The cause of the event.
- (19) Each Market Participant shall publicly disclose this information in an effective and timely manner through a publicly available system. These disclosure requirements do not apply to information regarding the Participant's own plans and strategies for trading. Effective and timely manner shall be considered as to be within 1 hour unless the Market Participant can provide legitimate justification for the publication delay.
- (20) The procedures applicable to the investigation by the MSU of possible breaches and disciplinary actions in respect of these Market Conduct Rules shall be as follows:
- (a) If the MSU suspects a breach of the Market Conduct Rules, it will initiate an investigation. Such investigations may be initiated in the sole discretion of MSU regardless of the knowledge of the Party(s) involved.
 - (b) If the investigations of the MSU support the suspicion of a breach of Applicable Law, MSU may in its sole discretion report to the MGC, Market Operator and/or NERSA.

- (c) If the investigations of the MSU support the suspicion of a breach of these Market Conduct Rules, the MSU may in its sole discretion recommend disciplinary actions (sanctions) against the Party(s) involved, as further provided for below.
 - (d) The MGC may, subject to the procedures in Section 6, issue a sanction on a case-by-case basis.
- (21) Decision of MSU
- (a) The MSU manager will in its full discretion decide if and what disciplinary actions against the Party(s) shall be recommended to the MGC.
 - (b) The Market Operator and MGC shall follow the process in Section 6 regarding Default Notices and further action.
 - (c) The MSU shall formally report to the MGC on investigations and conclusions of an investigation.
- (22) The MGC may impose sanctions if the Party does not comply with the Market Conduct Rules or other parts of this Market Code. The MGC is authorized to impose sanctions on Market Participants and on Balance Responsible Parties as authorised by NERSA from time to time.
- (23) By signing these Market Conduct Rules each Party accept charges imposed under this section as an enforceable basis for execution.
- (24) The MGC will be the body taking the decision of suspension of a member due to misconduct in the SAWEM.
- (25) Sanctions imposed by the MGC may be appealed to NERSA where such dispute falls within NERSA's authority.