

Feedback on Proposed Modifications to the Market Support Services Code

	<u>Modification Ref. No.</u>	<u>Section¹</u>	<u>Industry's Comments</u>	<u>EMA's Response</u>
1.	MSCC/2007/1 to 15	As in the changes proposed	<p>To allow a format where comments of the proposed changes in its entirety so that constructive feedback to market principles can be illustrated and not be confined to a fragmented approach of individual clauses.</p> <p>To refine the consultation process of any market of code changes to a more systematic approach where the proposed changes would first be discussed by the industry group concerned at a meeting, such as the IFEF in the MSS Codes where the issues and redesign of the codes are adequately addressed, a forum or briefing by the agency preparing for the proposed changes to the industry before the formal consultation of the actual articulated proposed changes. Such progressively stepped processes will ensure optimal quality of both feedback and implementation of any changes in codes and market rules.</p> <p>Please refer to the section following this</p>	<p>It is already an existing practice for EMA to consult the industry as appropriate on broad principles before considering implementation details.</p> <p>The review on the treatment to embedded generating units (EGs) has been consulted before through Frontier Economics (Frontier) which was engaged jointly by the EMA and EDB to undertake a review of the treatment of EGs.</p> <p>EMA will continue to refine and improve upon its consultation processes as required when necessary. Proposed code modifications can be discussed at IFEF in addition to electronic consultation.</p>

¹ Reference to the section of the code where change has been made in the version dated on Jan 2005 as published on the web.

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			<p>table for the concerns of the current proposed changes which cannot be properly drafted by placing comments against each individual modification as these concerns are based on the design and concepts used to formulate the modifications.</p> <p>COMMENTS & CONCERNS ON DESIGN & CONCEPTS USED FOR PROPOSED CHANGES:</p> <p>Proposed changes to the MSS Codes are focused for a new group of customers with Embedded Generating Facilities (abbreviated as EFGs) with Classified Associated Loads (abbreviated as CALs)</p> <p>Market should not favour or neglect any group of customers, even if they are small but there should be a need to balance the costs of serving them against processes which are complex and costly to comply. The imperative principle that a group of customers who benefits from the market must be charged an appropriate fee cannot be violated.</p>	<p>The proposed modifications are necessary for the implementation of Government's policy decision to grant net treatment of non-reserve charges for embedded generators which do not inject electricity into the grid (as set out in EMA's information paper on "Net Treatment of Embedded Generators" issued on 21st Aug 06).</p> <p>The new policy affects the entire market settlement and the IT system as a whole. The IT costs are recovered through the retail market system related charges. This change should be viewed as a change in the market design affecting all consumers.</p> <p>There will be no changes to the existing VCC (vesting contract calculator). Load data from</p>

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			<p>The original codes, agreements and market rules were drafted so that the same set of basic meter data can accomplish the compliance of requirements in the MSS codes to charge customers served by private retailers, to settle retailers' purchases in accordance to the market rules and to compute transmission charges according to PowerGrid schedule. The current introduction of the proposed MSS Code changes seem to favour CALs, if not located inside the premises of the EGFs, especially when there would be electrical losses occurring and that for EGFs producing a very high proportion of the energy used by the CALs so that the nett withdrawal becomes very small. The potential for bypassing the vesting contract regime for contestable customers while paying lower fees to the market for the extra services is possible in the implementation of the current proposed changes. This is evident in the redesigned role of the MSSL, its processes and its software systems to dedicate a fair amount of resources while collecting fees from a greatly reduced amount of electricity withdrawn from the market. When the registration, processing fees (if any as</p>	<p>MSSL's Data Management System (DMS) will already be taking into consideration the net value (WCQ) for non-injecting EGs which form part of the EG system change</p> <p>MSSL is the market support services licensee and its role is not limited to just the provision of "metering services". MSSL is required to meet all standards of performance and it is not allowed to on-pass any financial penalties to its customers.</p> <p>MSSL's role will remain unchanged despite the introduction of net treatment on non-reserves charges for non-injecting EGs. EMC will continue to be the settlement entity for the EG consumers while MSSL will continue to provide market settlement ready data.</p> <p>In making the necessary system changes, MSSL is obliged to ensure that the changes are made in accordance to the approved code modifications. The new system will have to undergo a series of stringent tests (UAT, SIT, Market trials) before going live. MSSL does not foresee any problem in meeting the deadline for submission of settlement data. Moreover, there are adequate provisions in the Market Rules to penalize any market participant, including MSSL for any breaches</p>

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			<p>none are specified) and recurring fees are not properly designed, there would be a fair amount of cross subsidies by majority of normal contestable customers for the benefits of this exclusive group of EGFs and CALs.</p> <p>From the overall perspective of the proposed changes, the focus is on netting off from load or withdrawal, the generated kWh by the EGF, hence the effect would be less kWh subjected to the MSS fees charged and for the vesting contract borne by the contestable customer. The original intent in the vesting contract was for the credit (benefit of vesting) or debit (costs of vesting) to be borne proportionally by the contestable loads. The concerns are further elaborated in the paragraphs following:</p> <p>A) There is no component for additional service cost recovery from the EGF together with the CAL though they require more or additional services from MSSL compared to the normal contestable customers. The additional services are in terms of the setup, metering and settlement software processes. The MSS</p>	<p>in the Market Rules.</p>

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			<p>fee and charges are co-shared by all contestable customers and these normal contestable customers and other market participants (eg retailers, ILs) should not be bearing the additional service costs off at the intake metering points.</p> <p>B) The MSSL, while obligated to provide the new services, should be allowed to work out both the implementation costs and recurring service costs, and be allowed to recover those costs with new fee components or monthly charges for equity of customers and other market participants; otherwise, there would be a precedent set where new exclusive groups who derive benefits for themselves would expect the market and other contestable customers to bear both the implementation and recurring costs while they reduce their costs in energy usage and in the amount of energy withdrawn from the system.</p> <p>C) Would there be possibility that due to the nett off, there would be impact on the vesting contract since the VHPs are only applied to the computed nett kWh instead of metered withdrawals when large numbers of contestable customers take the</p>	

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			<p>EFG as a new incentive to bypass vesting contract? Would MSSL need some major revamp or modification of the existing software? Who would be paying for this? Has a study been done to check if the proposed changes would result in an increase in motivation to use EGF as a method to bypass Vesting Contract proportion imposed on contestable loads?</p> <p>D) MSSL as the name implies was originally meant to provide "meter services" ie the remote meter reading service for contestable customers with the most complex function being creating the loss adjusted stream of meter data (meter data multiply by an annual derived loss factor, TLF) for EMC to settle the market. The proposed changes seems to modify MSSL role to include some fairly complex settlement work for a small group of customers with EGFs and CALs which goes beyond the remote read and straightforward settlement data to EMC in 5 Business Days - in the event there are problems to remote or manual read the meters of either the EGF's or CAL's or both, how would this impact MSSL's performance requirement of 5 BD and how</p>	

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			would the delay add on to costs and market processes? If MSSL gets "fined" or "penalised" for failure to meet 5 BD due to an incident or repeated incidents of data problems with EGFs and CALs, who should be bearing this cost since this current proposed function change seemed to be much more complicated than the basic MSS functions in existence and there may be impacts caused to existing market processes.	
2	MSSC/2007/2	1.3.1	<p>The concept of a "classified associated load" was first mentioned in Market Rules (MR) Chapter 7 section 4.4.4. However, the term "associated load" had never been explicitly defined. The introduction of a "classified associated load" in this modification does little to clear up questions as to the exact definition of and qualification as an "associated load".</p> <p>MR 7/4.4.4 makes references to MR 7/4.4.1.1 and 4.4.1.2, suggesting that a load to be associated with a group of embedded generation facilities must at least be physically located on the same site as the embedded generation load, if not majority owned and located</p>	<p>The Market Rules clearly explains what constitutes an "associated load" under Chapter 7, section 4.4.4.</p> <p>The definition of "classified associated load" ultimately makes reference to "embedded generation facility" which is defined under the Market Rules, Chapter 7, Section 4.4.</p> <p>An embedded generation facility can have multiple loads associated with it so long as such loads satisfy the requirements under the</p>

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			<p>immediately adjacent and contiguous to the embedded generation facility. Modification MSSC/2007/2, however, implies that mere electrical connection is sufficient. The code modification is silent on ownership and physical proximity and connectedness.</p> <p>That a load only needs to be connected electrically to qualify as an "associated load" under the embedded generation scheme throws up several conceptual problems that urgently need to be addressed before any modification of the code:</p> <p>a) Does this modification mean that any load only needs to be electrically connected for it to be exempted from the normal application of the market related charges? For example, would a load that is located away from but electrically connected to an embedded generation (i.e. does not comply with MR 7/4.4.4) be eligible for nett calculation of MEUC?</p> <p>b) Assuming this modification is passed, how would associated technical issues be resolved? For example, for a remote but connected associated load, would</p>	<p>Market Rules for such consumption to take place.</p> <p>Associated loads of a different voltage can be connected to the embedded generation facility as long as such loads satisfy the requirements for such consumption to take place under the Market Rules. For such cases, the current loss factors applicable to the loads at the different voltages will apply.</p> <p>The MSSL enhancement will allow for multiple associated loads connected at different busbars (i.e. different voltages). Customers will need to open additional settlement accounts if their associated loads are connected at different busbars. Provision of WCQ & WPQ under this setup will be provided accordingly.</p> <p>As for contracted capacity charge, there will be no change to it.</p>

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			<p>transmission loss factors apply? If not, how would the system transmission loss be spread over the remaining market? The same applies to capacity and market related costs.</p> <p>c) Reading in conjunction with modification MSSC/2007/9, does it mean that an embedded generation can have multiple loads associated with it, as long as there is an electrical connection? There are more comments under this modification in the later section.</p> <p>d) Considering that this modification maintains silence on the connection of loads between voltages, would it not be possible for associated loads of a different voltage to connect to the embedded generation facility? In such cases, how does the Authority intend to reconcile consequential issues that will arise? Examples of such issues include (but are not limited to): settlement (loss factors; splitting of consumption); capacity costs; connection costs and so on.</p> <p>That the concept of "associated load" raises these pertinent questions merits detailed discussion among market</p>	

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			<p>participants before any code change can be considered.</p> <p>These issues are not exhaustive. The proposed modifications in this consultation have far-reaching consequences that merits detailed analysis and separate consultation with market participants. Our subsequent comments highlight only several possible issues that potentially will arise.</p>	
3	MSSC/2007/6	1.3.1	<p>The Authority needs to give some clarity as to how new site adjustment factors, which will inevitably arise should modification MSSC/2007/2 go through, be addressed. Please refer to the comments with respect to MSSC/2007/2. Market participants need to know with some certainty what these "site adjustment factors" will be with the introduction of "classified associated loads" in order to provide meaningful comments on this section.</p>	<p>The code modification is to enable the implementation of net treatment on non-reserve charges for embedded generators which do not inject electricity into the grid. The embedded generator's loads have to satisfy the requirements under the Market Rules for such consumption to take place.</p> <p>No new "site adjustment factors" would be introduced.</p>
4	MSSC/2007/9	Equation 6.1(d)	<p>This modification suggests that an embedded generation facility can have multiple associated loads associated with it. Is there any other condition other than an electrical connection? This does not</p>	<p>The definition of "classified associated load" ultimately makes reference to "embedded generation facility" which is defined under the Market Rules, Chapter 7, Section 4.4.</p> <p>EMA's assessment is that this new policy</p>

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			<p>coincide with MR 7/4.4.4.</p> <p>Also, several questions arise. For instance, does the Authority foresee that this additional flexibility may encourage loads that have otherwise no association with the embedded generation facility to seek connection with the facility in order to bypass market related charges? If more loads are allowed to connect to the facility to exploit this perceived advantage, how would the remaining market-related charges be distributed among the remaining market participants and customers?</p> <p>Also, has there been any provision made for the MSSL and EMC to adjust its systems to accommodate the more complicated settlement process that will inevitably result from this new scheme? For example, would market related charges need to be adjusted or would new charges be necessary to accommodate this new flexibility? This change has far-reaching results. Detailed analysis is needed to examine possible extent of technical and financial impact, and what this would mean for market participants as</p>	<p>affects the entire market settlement and the IT system as a whole. The IT costs are recovered through the retail market system related charges and hence, the change should be viewed as a change in the market design affecting all consumers.</p> <p>There will be no changes to the existing VCC (vesting contract calculator). Also, the current load data from the DMS already takes into consideration the net value (WCQ) for non-inject EGs which form part of the EG system change.</p>

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			<p>well as customers.</p> <p>Finally, what impact would an increased “classified associated load” in the system have on vesting contract-related?</p> <p>The concept of a “classified associated load” represents a fundamental change to the market structure. There is no clarity on the “big picture” of what the Authority has in mind with respect to classified associated loads. Instead of making discrete changes to the Market Rules and codes, the market needs to have a clear and comprehensive picture of the intended scheme before meaningful comments can be made. Comments in this response is hampered by a lack of clarity as to the final structure that is intended by these modifications.</p> <p>The modifications, though straight-forward at first glance, may have unintended impact that has not been considered. We would like to suggest that this modification be put on hold while the EMA and the market participants cooperate on fine-tuning these issues at a conceptual level before code changes be proposed.</p>	<p>The Government has made the policy decision to implement net treatment for non-injecting embedded generators as set out in EMA's information paper issued on 21st Aug 06 on the “Net Treatment of Embedded Generators”.</p> <p>The qualifying criteria for net treatment are set out in the paper.</p>