

**RESPONSE TO COMMENTS ON RC381**

Submitted by	Reference	Comments	Response from EMA
Senoko Energy	Market Rules, Appendix 5E	<p>With reference to proposed Section E.3.4:            “Such a temporary scheme under E.3.3 approved by the <i>Authority</i> shall end after a maximum of two years from its start date, <b><u>unless otherwise directed by the Authority.</u></b>”</p> <p>We are proposing that this Sandbox lasts no longer than 2 years, i.e., no extension to be granted.</p>	<p>The DR/IL Sandbox will be implemented for a period of 2 years. EMA will assess the impact of the Sandbox before deciding on the appropriate regulatory adjustments after the Sandbox.</p>
Senoko Energy	General Comments	<p>Senoko understands that EMA is encouraging further uptake of DR and IL, but lowering the threshold ultimately leads to inaccuracy and further distortion of market prices due to DR.</p> <p>Additionally, participants are now entitled to penalty waivers for the first 2 instances of non-conformance which could lead to undesirable behaviour, further distorting market prices.</p>	

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PacificLight Power	General Comments	<p>PLP supports the implementation of the temporary sandbox scheme which will be in force from 1 Jan 2023 to 31 Dec 2024, but with refinement as proposed below.</p> <p>Implementation of the temporary scheme will help reduce risks, which would subsequently encourage higher participation rate into the demand response programme. However, we believe that risk and reward should be proportionate to each other so that it does not discriminate against other segments/players of the electricity market.</p> <p>We understand that the proposal is to lower the compliance thresholds as well as the penalty amounts at one go which is a major easing of the existing penalty scheme that has been in place for years to instil discipline and prevent gaming. Whilst we are supportive of the intent to increase the participation rate, we believed that the changes should be calibrated into three phases. First phase would include relaxing the compliance standard. Next will be a monitoring phase to observe the change in the participation rate. Last phase would involve amending the penalty formula, if required.</p> <p>If the EMA insists to implement the broad framework of the latest proposal all at one go, then we would propose:</p> <ul style="list-style-type: none"> <li>(i). Specifically, for the “4-strikes” regimes, <ul style="list-style-type: none"> <li>a. To amend the definition of “one instance” of non-compliance to include 3 periods only. This will provide sufficient time for the demand response participants to bid out if they cannot meet the schedule.</li> <li>b. The penalty for the third and fourth instances of non-compliance should be higher to discipline recalcitrant offenders.</li> <li>c. If a participant fails four times, not only must it be disqualified from the sandbox scheme, it should also satisfy the MSCP of the reasons for non-compliance before it can be reinstated for the original scheme; and</li> </ul> </li> <li>(ii). Reduce the reward (e.g., lower the 1/3 of the pay out of savings to 1/5) accordingly as the risk is significantly reduced. Less payout would mean more savings to the consumer to partially offset the increase in the MEUC as a result of this scheme.</li> </ul>	<p>The objective of the DR/IL sandbox is to relax certain parameters to encourage further DR/IL participation. The regulatory changes proposed under the DR/IL sandbox will be valid for a period of 2 years. At the end of the 2-year mark, EMA will review the impact of these regulatory changes on market participants, and review if subsequent changes are needed. We thank you for your suggestions and we will consider them in our next review.</p>

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Market Surveillance and Compliance Panel	Market Rules, Appendix 5E	<p>Under the current Appendix 5E of the Market Rules, the market participant of a deviating load registered facility may appeal to the MSCP for a refund of any financial penalties paid, or required to be paid under the automatic financial penalty scheme if it can demonstrate to the MSCP that compliance with a dispatch instruction was not required on the ground(s) that such compliance would endanger the safety of any person and/or violate any applicable law.</p> <p>We seek EMA's clarification on whether the same applies under the Sandbox scheme, and if so, including the (i) grounds of appeal; (ii) means of appeal; (iii) assessment of appeal to be conducted by which governing body. We propose that the EMA includes its policy intent in the factsheet for clarity and completeness.</p>	<p>As this is a regulatory sandbox set up by the EMA, all sandbox-related appeals should be submitted to the EMA, and will be assessed on a case-by-case basis.</p>

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Market Surveillance and Compliance Panel	Annex 2: EMA Factsheet	<p>Page 5 of Annex 2 indicated that non-compliance is dealt with by the MSCP on a case-by-case basis under the current practice, and for the Sandbox (“Change”) adds the introduction of the 4 strikes penalty regime including that the participants will also be administratively suspended in the fifth instance.</p> <p>We seek EMA’s clarification to specify that the monitoring of non-compliance is under the MSCP, however, the suspension from the Sandbox is issued by the EMA.</p>	<p>EMA and EMC will work closely together to implement the regulatory sandbox. While an LRF is participating in the sandbox, monitoring of non-compliance will be conducted by EMC. Administrative suspension from the sandbox is issued by the EMA, based on EMC monitoring and reporting.</p> <p>Only for LRFs that have been administratively suspended from the sandbox (i.e., LRFs participating under the original DR and/or IL conditions), will the monitoring of non-compliance be conducted by the MSCP as per status quo.</p>

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Dispute Resolution Counsellor	Market Rules, Appendix 5E	<p>Under the current Appendix 5E of the Market Rules, a market participant may submit a dispute related to a notice of error by filing a notice of arbitration with the DRC.</p> <p>We seek EMA's clarification on whether the same applies under the Sandbox scheme. We propose that the EMA includes its policy intent in the factsheet for clarity and completeness.</p>	<p>Details on sandbox implementation are published on <a href="#">EMC's website</a>, which should minimise the possibility of disputes. Market participants can also write-in to EMA or EMC to clarify any doubts. Potential disputes due to remaining implementation gaps should be submitted to the EMA as a recourse, and the dispute will be assessed on a case-by-case basis.</p>