Performance Bonds Regime
Comments for Proposed Rule Changes as based on EMA's Final Determination Paper

S/No.	Please indicate in each cell in this column, the section/para to which your comment refers	Comments Received	Comments from EMC	Comments from EMA
Comments from Flo Energy Pte Ltd				
1	Chapter 2 Market Rules on the Performance Bonds Regime	The proposed rule change is to modify the Performance Bonds Regime to allow for the sharing of coverage amounts between Credit Support and Performance Bonds. Specifically, when there is coverage in the Credit Support, it should be allowed to contribute towards the Performance Bond requirements. The rationale for the proposed change is to enhance the efficiency and effectiveness of credit risk management in the electricity retail market. By allowing Credit Support (CS) and Performance Bonds (PB) to share coverage amounts, there is a potential for better utilization of the financial resources of retailers. When there is headroom in the CS, it could be used to contribute to the PB, providing a more integrated approach to collateral management. The proposed change could provide greater flexibility and efficiency for market participants in managing their financial obligations,	EMC notes that the consultation targets whether the proposed rule modifications are aligned with EMA's objectives in the Final Determination Paper on the Enhancements to the Regulatory Regime for Electricity Retailers. Hence, EMC would refer this comment to EMA.	While Credit Support and Performance Bonds are both considered safeguards against default events which could impact the stability of the electricity market, integration of the two regimes is not under consideration presently as they are scoped specifically for different intents. Performance Bonds for unhedged retail load in the 24-months forward assessment period ensure that retailers have sufficient access to capital for the withdrawal of energy in order to fulfil their unhedged contractual obligations to retail consumers over a longer term. On the other hand, Credit Support based on the retailer's 38-days historical average daily exposure is a

		potentially leading to cost savings. For the Market Support Services Licensee (MSSL) and the Energy Market Company (EMC), this change could lead to a more streamlined and effective management of credit risk. The PSO may benefit from increased financial stability in the market. Consumers could benefit indirectly from a more stable and competitive electricity retail market.		mark-to-market mechanism that ensures that retailers are able to meet their financial obligations for ongoing participation in the NEMS.
2	Chapter 2 Market Rules on the Performance Bonds Regime	The proposed change is to include the contracted solar output as a factor in the Performance Bond calculation. This would account for the natural hedging effect of solar energy production, especially during peak periods, and could lead to adjustments in the Performance Bond requirements for retailers. The rationale is to recognize the impact of contracting solar output, such as rooftop solar, on the calculation of the Performance Bond. Since such arrangements can provide a natural hedge against high prices during peak periods, it is logical to consider them in the Performance Bond calculation, potentially leading to a reduced requirement due to decreased market exposure. The proposed change could incentivize market participants to invest in renewable energy sources like solar. For MSSL and EMC, it could introduce a more nuanced approach to Performance Bond calculation, reflecting the	EMC notes that the consultation targets whether the proposed rule modifications are aligned with EMA's objectives in the Final Determination Paper on the Enhancements to the Regulatory Regime for Electricity Retailers. Hence, EMC would refer this comment to EMA.	EMA notes that the calculation of performance bond based on unhedged retail load is not within the scope of the consultation on modifications to Market Rules. As stated in the Code of Conduct for Retail Electricity Licensees, approved hedging instruments include hedging contract, arrangement or instrument which directly hedges against the price risks faced by the Licensee arising from its withdrawal energy quantity from the Wholesale Electricity Market and entered into with reputable counterparties as approved by the Authority. Flo Energy should engage EMA separately to seek approval on the use of solar output to hedge Flo Energy's retail load.

		actual risk profile of market participants. The PSO could benefit from increased integration of renewable energy sources. Consumers could benefit indirectly from a more stable and potentially competitive electricity retail market and an increased focus on renewable energy in the market.		
Comments from Senoko Energy Pte Ltd				
3	Chapter 2, Section 7.9.6	Para #7.9.6 – 2 business days to "top-up" BG is too short. Could EMC consider longer period such as 5 business days.	It is necessary to rectify any discrepancies in the amount of PB posted to EMC within two business days. The rectification will facilitate EMC's follow-up with retailers and PB compliance status reporting to EMA. EMC will send the report to EMA in the final week of the month. Retailers can provide PBs between the second and third full weeks of the month. Extending the remedy period to 5 business days is not feasible as it would affect the other processes mentioned above. EMC urges retailers to provide the correct amount of PB within the 2-week window, in line with their reporting to EMA. There are instances in the rules where the timeline to provide valid credit support, including a Banker's Guarantee, is within two business days, such as in Chapter 2, section 7.6.7.	EMA is supportive of EMC's position and has no further comments.

4	Chapter 2, Section 7.9.2.2 and 7.9.3.2	Para #7.9.2.2 and #7.9.3.2 - Placing cash deposit with EMC is an option for PB and Additional PB. However, there appears to be a need for assignment / written instrument on top of the cash deposit. We would like to clarify what is the process should we elect to use cash deposit as a form of PB / Additional PB and what is the form of assignment / written instrument required by EMA/EMC.	EMC would clarify that if PB or Additional PB would be provided by cash, such amounts should be provided via bank transfer to the appropriate bank account as advised by EMC and accompanied by a written communication in the form of an electronic mail. This is consistent with the provision of cash for credit support as well.	EMA is supportive of EMC's position and has no further comments.