

RULES IMPLEMENTATION

**IN THE
NIGERIAN ELECTRICITY MARKET
(NEM)**

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PRESENTATION OUTLINE

1. GENERAL

2. PARTICIPATION

- ◉ APPLICATION FOR REGISTRATION
- ◉ REJECTION OF APPLICATION
- ◉ APPEAL AGAINST REJECTION OF APPLICATION

3. BREACH OF THE RULES, SANCTIONS AND SUSPENSION

4. DISPUTES AND DISPUTES RESOLUTION

5. CONCLUSION

GENERAL

- No any serious business can be successfully conducted without a set of business rules guiding the way the business will be carried out, out-lining rights, roles and obligations to everyone and providing sanctions and penalties for the breach of these rules. Electricity business is not an exception.

GENERAL continued.....

The Nigeria Electricity Market has a set of Rules and Codes to guide Electricity trading and ensure efficient, effective and economic administration and operations of the Power Market and system.

These Rules and Codes derive their authorities from the Electric Power Sector Reform Act of 2005.

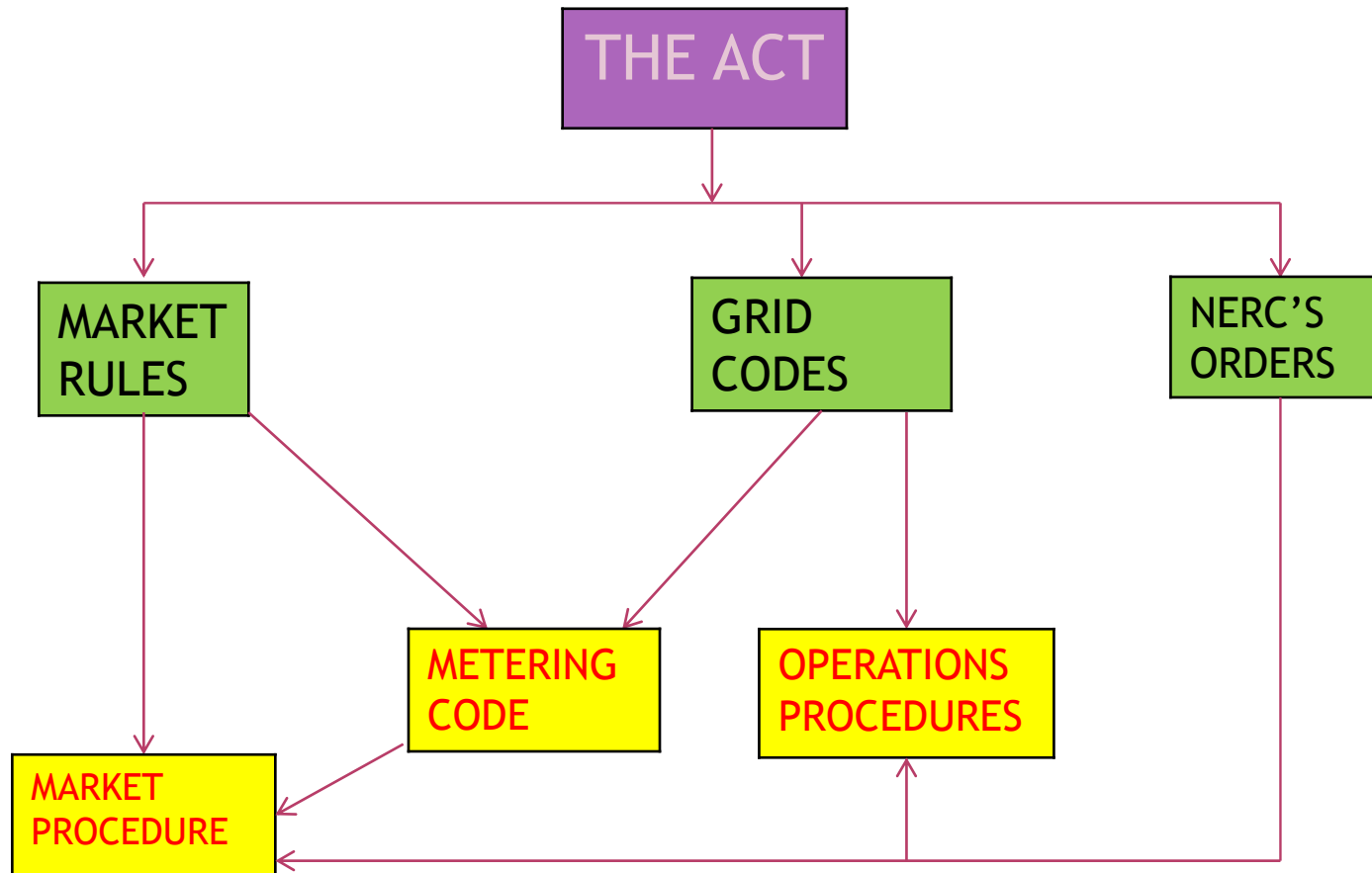
In addition to the Rules and Codes, the Market Operator and System Operator, who are the commercial and technical administrators of the Market, developed Market Procedures and Operational Procedures to further help them in:

GENERAL continued.....

- i. Efficient Administration of the Market.
- ii. Implementation and application of the Rules and Codes.
- iii. Clarification of interpretation and the methodologies to be adopted in the application of the Rules and Codes.

The hierarchy of the Rules, Codes and Procedures is shown below:





GENERAL continues.....

Every Participant and service provider in the Market should be conversant with the rules, codes and procedures as well as any regulatory instrument and orders introduced in to the Market by the commission from time to time.

GENERAL continues.

Our main focus here today will be on the Market Rules.

We will look at what the Rules say about:

- i. Participation**
- ii. Breach of Rules, Sanctions and Suspension**
- iii. Disputes and Disputes Resolution**

PARTICIPATION

Registration:

In order to ensure that any company that intend to sell or/and buy Electricity in the Market, has adequate and proper commercial metering system, for the Market Operator (MO) to track the volume of energy and capacity traded in the Market, among others, the Market Rules made it mandatory for the company to register with the **Market Operator**.

PARTICIPATION continued.....

The Registration process involves the following:

- 1..
filling an Application form.
- 2.Attaching all required documents as requested by MO.
- 3.Payment of prescribed processing fees.
- 4.Forwarding the form, attachment and evidence of payment of processing fees to MO and copying the commission.

The Market Operator, shall within 3 business days, notify the company in writing that it has received its application as well as the evidence of payment of the processing fees. The company shall within 3 business days of receiving this notification furnish the Market Operator, a proposal for a provision of the Security Cover.

PARTIPATION continued.....

Once the proposal is submitted to the Market Operator (MO), processing the application of the company commences, and within 14 business days, the MO shall inform the company whether its application has been accepted or not.

The application can be rejected due to non-compliance with application requirements.

If after 3 months, the company does not comply fully with the application requirements, the processing of the application is automatically terminated. (MR 15.1.1 to 15.1.7)

PARTICIPATION continued.....

If the application is accepted, the MO forwards to the company, a Market Participation Agreement form and requests for the payment of the Security Cover amount.

The company will then do the following and forward them to the MO:

- i. Execute the Market Participation Agreement
- ii. Execute a Grid Connection Agreement with Transmission Service Provider (TSP)
- iii. Furnish evidence of payment of the Security Cover amount.

PARTICIPATION continued.....

Once the MO receives the above documents and is satisfied with them, the MO shall:

- i. Within 15 business days inform the company of its acceptance to be a Participant in Nigerian Electricity Market (NEM)
- ii. Issue a unique identification number to the Participant
- iii. Notify the Participant of the names of all other Participants in the Market
- iv. Notify all other Participants of the name of the newly admitted Participant and some of its details. (MR 15.1.9 to 15.2.1)

PARTIPATION continued.....

REJECTION OF APPLICATION:

The MO can reject an application for admission by a company due to:

- i. Non possession of a licence issued by the Commission
- ii. Non payment of the Security Cover
- iii. MO not satisfied with the revised proposal for the provision of the Security Cover
- iv. Conflict between contents of any agreement the company is a party to and the Market Rules or/and Grid Codes
- v. Non submission of a copy of the application for admission to the Commission
- vi. Objection of admission of the company by the Commission.(MR15.1.8)

PARTIPATION continued.

APPEAL AGAINST REJECTION OF APPLICATION:

A company has the right to challenge the decision by the MO to reject its application. The company can utilise the dispute resolution mechanism in section 43.9(MR 15.2.2.).

BREACH OF RULES, SANCTIONS AND SUSPENSION

The registration and admission of any company as a Participant in NEM is on the condition that, the company will:

- i. Comply with the Market Rules
- ii. Comply with the Grid Codes
- iii. Abide by any Regulatory instrument or Order by the Commission
- iv. Abide by the Market and Operations procedures

BREACH OF THE RULES, SANCTIONS AND SUSPENSION continued..

The Market Operator (MO) is the only entity that has the power to impose sanctions and issue suspension order to a Participant that is found to have breached or is breaching any section of the Rules or/and Grid Codes, as contained in the MR:

- i. If the System Operator has evidence that a Participant or a Transmitter has violated or is violating any provision of the Grid Code, the system Operator shall file a complaint with the Market Operator - section **46.1.3**
- ii. Any Participant that has evidence that another Participant or a Transmitter has violated or is violating provisions of the Market Rules or the Grid Codes may file a complaint with the Market Operator - section **46.1.4**

BREACH OF THE RULES, SANCTIONS AND SUSPENSION continued..

If MO has received a report that a Participant has breached any provision of either the Rules, the Codes or both, It shall notify that Participant of:

- i. Details of the alleged breach and time within which to remedy the breach
- ii. Details of the evidence of committing the breach
- iii. Details of the sanction to be imposed, if the breach is not remedied
- iv. The period within which the Participant can defend herself either through written presentation or meeting with the MO.

BREACH OF THE RULES, SANCTIONS AND SUSPENSION continued..

Once the MO established that the Participant has breached the Rules and or the Grid Codes, the MO can than do any one or more of the following:

- i. Direct the Participant to undertake such activities or actions as may be necessary to comply with Rules or Grid Codes
- ii. Direct the Participant to cease, within certain period of time, the act, activity or practice constituting the breach.
- iii. Impose additional or more stringent record - keeping or reporting requirements on the Participant.
- iv. Impose financial penalties/sanctions in accordance with the table below:



Level of non -compliance	Not less than (₦)	Not more than (₦)
L1	93,750	7,500,000
L2	187,500	15,000,000
L3	281,250	22,500,000
L4	375,000	30,000,000

Where L1, L2,L3 and L4 are degrees of breach and level of non compliance as specified in Rules 46.5.3

BREACH OF THE RULES, SANCTIONS AND SUSPENSION continued..

The MO can issue a Suspension and Disconnection Order to a participant if:

- i. The Participant fails to comply with an Order of the Market Operator issued in accordance with the Market Rules.
- ii. The Participant fails to comply with an award made by an Arbitrator, unless such award has been set aside or its execution stayed by a court of competent jurisdiction
- iii. The MO does not receive full payment of the Security Cover amount
- iv. The Participant fails to renew the Security Cover amount with the time specified by MO

BREACH OF THE RULES, SANCTIONS AND SUSPENSION continued.

- v. It becomes unlawful for the Participant to comply with any of its obligation under the Rules or the Grid Code.
- vi. A licence issued by the Commission to enable the Participant to conduct its business, or activities is suspended, revoked or ceases to be effective.
- vii. The Participant ceases or threatens to cease to carry on its licenced business or a substantial part there of.
- viii. The Participant states that it is unable to pay its monthly market obligation.
- ix. The Participant persistently commits breach of the Rules or the Grid code(MR 46.3.1)

DISPUTES AND DISPUTE RESOLUTION

This stage of the market is a learning curve for almost all the Participants and Service Providers in the Market, therefore mistakes are bound to occur from time to time. The Interim Rules is conscious of this fact, and states under section 48, that:

Disputes arising during the Interim period between Participants and/or Service Providers shall be resolved in accordance with the dispute resolution provisions of the Market Rules

DISPUTES AND DISPUTE RESOLUTION continued.....

The most contentious issues in the Market that lead to disputes are:

- i. Technical Data (Energy + Capacity)
- ii. Settlement process
- iii. Settlement figures
- iv. Settlement Amount

The complaints received by the MO on the above issues, make the MO to intensify effort on making improvement, and steadily but surely we are making progress towards perfection. Our main concern however, is the step taken by some Participants towards resolving these disputes, most of which are not in accordance with the Rules, hence this presentation.

DISPUTES AND DISPUTE RESOLUTION continued....

Following is the summary of the steps to be taken in disputes reporting and resolution in the market:

- i. The Participant concern sends a written objections to the MO, called **Notice of Dispute**, written within 10 business days of the date of issue of statement.
- ii. The notice of dispute regarding Settlement Statement shall clearly state;
 - (a) Billing period
 - (b) Dispatch day
 - (c) Issue date
 - (d) Item disputed
 - (e) Reason for the dispute
 - (f) Amount claimed (if any)
 - (g) All supporting documents
- iii. The MO after receiving the dispute notice shall make all necessary effort to, including meeting with the concern Participant, to resolve the dispute, within the period specified in the MO Settlement Calendar.
- iv. While the dispute is being resolved, the Participant shall pay the full amount on the invoice issued to it even if the content of the invoice is the subject of dispute.

DISPUTES AND DISPUTE RESOLUTION continued

iv. If the process of resolving the dispute will require a Re-run of Settlement Statement, concern Participant will pay the MO a refundable fee of ₦100,000. If the cause of the dispute is from MO, the amount paid is refunded.

v. When a Participant is not satisfied with the way the MO is handling the disputes, or the resolution by the MO, the Participant can resort to disputes resolution process detailed in section 43 of the Market Rules i.e. through the Disputes Resolution Panel or an Arbitrator. (MR.36.3.1 to 36.4 and 43)

CONCLUSION

- Movement to the Transitional stage of the Nigerian Electricity Market (NEM) has commenced and there is no going back. Any moment from now, the Commission will advise the Minister of Power to declare the Transitional Market, where the Market Rules, and Grid codes will be fully applied and the transactions between the supply and demand sides of the value chain will be based purely on contracts.

CONCLUSION continued

- The onus is now on all stakeholders to study, know, understand and be conversant with Market Rules, the Grid Codes and all other rules in the Market, so that by the time TEM is declared, we will have a seamless application and implementations of these rules.

THANK YOU

