

Comments on the Interim Rule Amendment

	Company	Comments	Draft MCR Position	Rationale	Management Decision	Action
1	PTFP	IR should be amended to enforce the gas contracts	Not agreed.	Impossible to implement without enforcing all other contracts. Increasing baseline remittance should help		
		Work plan/program for the achievement of the deliverables and responsible agencies before the conclusion of IRP to TEM	Agreed. The deliverables – gas, tariff review, SO and SO system, DRP, amendment of market rule, fit and proper, joining up agreements will be put on the rule with timeline, market initiation, ATC&C, tariff Review shadow trading, subsidy (PTFP), DISCOs must embark on aggressive embedded generation capacity: 50MW acquisition	The work plan will help to guide and manage the requirements for TEM implementation	<ul style="list-style-type: none"> • This is desirable, but IR is not designed for this but to define legal relationships/requirements. It is Rules not a roadmap. IR should focus on enforceable obligations. • TSG should come with a definitive work Plan which Commission will adopt. A secondary document may be prepared e.g an annexure. • Also provide mechanism for effective monitoring. Monthly 	<ul style="list-style-type: none"> •

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					<p>reporting on what has been done and identifying specific owners of responsibilities.</p> <ul style="list-style-type: none"> • NOT AGREED, A SEPERATE DOCUMENT WILL BE PUT OUT TO CAPTURE WORKPLAN. 	
		<p>Increase penalties for non-compliance and start tracking performance defaults</p>	<p>Agreed. Penalties will be increased. Performance tracking was done for Nov and Dec, but needs to continue.</p>	<p>Non-compliance has been significant and a greater deterrent is needed. The interest penalty for non-remittance should be increased from NIBOR + 7.5% to NIBOR + 22.5%. also violation for any 3 months should result in the suspension or dismissal of the CEO by the Commission.</p>	<ul style="list-style-type: none"> • NIBOR + 22.5% is too high. Leave it at NIBOR +7.5% and enforce that. • The provision should be enforced now, not during TEM. • Consider section 88(12) EPSRA. Amend IR because the EPSRA states that penalties and fines don't come to the Commission but go to the Rural Electrification 	<p>See Rule 38</p>

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					<p>Fund.</p> <ul style="list-style-type: none"> • Also state “If Penalty subsists for 3 months, the Commission will take action to suspend or remove the CEO”. • Section 75 EPSRA • For every other month that this penalty is not paid, the rate increases i.e from 7.5% to 22.5% • Penalty will take effect (i.e removal or suspension of CEO) if the default continues for 3 months. i.e if the offence remains for 3 months, if a month’s offence is cleared with remittance and interest paid, then that month 	

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					is cleared.	
		MO/NERC to compute the amount of subsidy due and write to Ministry of Finance for the release of the subsidy	Agreed. NERC should write to MO requesting details of MYTO 2 subsidy received and currently outstanding. NERC should then write a letter to MoF and PTFP requesting subsidy.	This action is needed to make funds available to reduce shortfalls in the market	<ul style="list-style-type: none"> • NERC to write to MO and request these details and review. • Agreed 	•
		To meet with the ministry of Power and PACP to determine source funding market shortfall during the interim period	Agreed. PTFP should arrange the meeting –(NERC can write to PTFP to suggest this)	It is PTFP’s role to facilitate such meetings in its capacity as a reform driver. PTFP also serves as the secretariat of the PACP so it is best placed to arrange the meeting	<ul style="list-style-type: none"> • Agreed 	•
		Conduct quarterly review of baseline remittances and link payment to energy level.	Partially agreed. Possibly make it a monthly review. MO should provide monthly data required for this review. Linking payment to energy level is not advisable because level of losses tends to increase with energy.	This will incentivise the DISCOs to collect more revenue from the market. There is evidence that DISCOs have already pushed up their collection. The DISCOs should be improving more in collection as we progress into TEM.	<ul style="list-style-type: none"> • Monthly review AGREED • Change “ review” to “increase” • Benchmark is established as takeoff, commission will review every month based on analysis of what we have reviewed. • An order will be issued stating the new baseline remittances • There should be 	See Rule 20

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					<p>some reward for those Discos that perform better than others i.e by meeting their remittance, etc. An example may be Load allocation. This should be done properly so as not to unduly punish other Discos.</p> <ul style="list-style-type: none"> All Discos should be obliged to perform even without an incentive 	
2	Market Operator	Increase the baseline remittance to 100% for Eko and Ikeja and others to 85%	Not agreed. Suggested levels are too high in the absence of tariff review.	Data available to the Commission suggests that Discos do not currently collect enough to make such high remittances. We have proposed an increase (based on applying a factor of 25% on the outstanding remittance percentage) across board which is fair to all Discos.	<ul style="list-style-type: none"> DRAFT MCR POSITION AGREED 	<ul style="list-style-type: none">
		DISCO should give access to MO on their collection	Agreed. MO should design reporting template and forward	This will increase transparency and confidence in the market.	<ul style="list-style-type: none"> AGREED 	Rule 10 has been amended

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		account they should also submit a Payment Default Report monthly	to the Commission. Discos should ensure that all their collection accounts are in the main company name and ensure that the MO has visibility into all these accounts			
		Cost of transmission losses should be borne by FG	Partially agreed. The TCN departments have different estimates for transmission losses. TCN should first reconcile its loss figures and provide proof of how final figure is determined. If funds are made available by FGN, they can be used to cover difference between assumed MYTO figure and actual figure	MO, SO and TSP have different opinions about the true level of transmission losses.	<ul style="list-style-type: none"> • PARTIALLY AGREED, FG will pay the difference between actual loss and 8.05%. • Once TCN concludes loss studies, they should inform the Commission and the change will be effected. Losses can be reviewed biannually per the Market Rules and MYTO. 	<ul style="list-style-type: none"> •
		Service providers should be paid in full subject to approved budgets.	Not agreed. This can't happen until tariffs are adjusted and remittances are much improved. The following service providers should get revenue due to approved budget- MO, SO, TCN,NBET, NERC (Rules will be	Service providers have fixed budgets and are not profit-making. MO, SO and NBET should submit their budget to the Commission through ISAP (as required by the MR).	<ul style="list-style-type: none"> • Draft MCR position agreed 	<ul style="list-style-type: none"> •

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		Suspend Imbalance Payments due to serial default by Discos to the detriment of the market	<p>edited to reflect this). The percentages in the interim rule will be retained</p> <p>Opinion 1: Agreed. Discos are not paying the imbalance portion of their invoices. Making everyone pay for the energy they receive (even when above proper allocation) will improve market revenues</p> <p>Opinion 2: Not Agreed. Discos like Yola will be unable to meet their fixed costs if their energy allocation (which is already low) continues to be diverted to other discos through no fault of theirs.</p>	Discussions were inconclusive.	<ul style="list-style-type: none"> • Take action against the SO for not following the Load Allocation Formula. Ask him to explain why he has not been complying. • Ask SO to comply and if default continues, recommend his dismissal. • Imbalance Formula should be retained. • Chairman to meet with SO and enquire why he has not been complying. • Consider making MO and SO independent, i.e commonly owned by licensees Gencos and Discos, who 	•

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					fund them and subscribe them.	
		TSP should be treated as a market participant rather than a service provider	Agreed. TSP "allowable revenue" will be adjusted	TSP income is based on energy wheeled not a defined budget.	<ul style="list-style-type: none"> Agreed 	TSP removed from definition of Service Providers and NBET has been added. TSP allowable revenue remains unchanged
		Deadline for market registration should be May 2 nd 2014 but delay provision of security cover until the month before TEM	Partially agreed. Deadline is ok, but security cover should not be delayed (especially portion due for TCN services)	Market registration has been slow. Discos may argue that providing entire security cover will be difficult.	<ul style="list-style-type: none"> Agreed , deadline will be April (mid or end) 	New Rule 11
3	NBET	MO should share settlement and payment data with NBET	Agreed. Provision will be made in IR	NBET needs greater visibility to conduct shadow trading and prepare for TEM	<ul style="list-style-type: none"> Include a section on information sharing Also include to ensure NBET shares information with MO 	This is already covered by Rule 17 so it simply remains to be enforced
		Reconsider use of baseline remittance i.e. demand full payment	Not agreed. Full payment can only be expected after tariff review	Suggestion is not implementable and recommendation lacks detail.	<ul style="list-style-type: none"> Not Agreed 	<ul style="list-style-type: none">
		NBET should get a larger allowable revenue	Not agreed.	NBET's role is currently limited until TEM so its need for funds is not comparable to other participants. It also has various funding sources	<ul style="list-style-type: none"> Not Agreed 	<ul style="list-style-type: none">

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		NERC should find alternative sources of funding since Egbin funds are unavailable	Agreed. Letters will be written requesting subsidy and PTFP will arrange a meeting with PACP to obtain other funding	Egbin sale funds are governed by escrow deeds and so are not accessible.	<ul style="list-style-type: none"> Agreed NERC will follow up on these funds 	Rules have not been changed since wording does not compel NBET to provide Egbin funds
		NERC should hold a meeting on the IR amendments	Agreed. The meeting will hold before IR amendments are finalised.		<ul style="list-style-type: none"> Agreed 	
4	Ibadan and Yola	Enforce market registration	Agreed	Ibadan claims to have registered online and so it feels that others can and should do the same	<ul style="list-style-type: none"> Agreed. Refer to previous comment on MO 	Reflected in Rule 11
		Include the settlement/payment calendar in the IR. Consider rewording Rule 10	Agreed	This will enhance transparency in the payment process.	<ul style="list-style-type: none"> Agreed 	Payment calendar shall be inserted in Rule 18
		The IR should provide details of the CPs for termination of IR i.e. TEM CPs, tariff review, repayment schedule	Agreed. This will likely form part of the work plan (as recommended by PTFP)	Including targets in the Rules will put pressure on responsible entities to deliver on time.	<ul style="list-style-type: none"> State "the IR will be terminated when TEM is declared, TEM will be declared when CP's are met..." 	<ul style="list-style-type: none">
		Change wording of Rule 13 to show that Gencos invoice MO not the Discos ("through MO")	Agreed	The wording will be clarified to avoid confusion	<ul style="list-style-type: none"> Agreed 	Done
		Would like rewording of Rule 14 to stress compliance with IR, MR and existing arrangements	Agreed	There should be no ambiguity on the need for full compliance.	<ul style="list-style-type: none"> Agreed 	Done
		A procedure is needed to reconcile discrepancy between meter reading done	Not Agreed	MO and Discos can meet on this issue. If no agreement is reached, the dispute resolution	<ul style="list-style-type: none"> DR process in the Market Rules will be referred to. 	See Rule 48

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		by MO and by Disco		process under the MR may be followed		
		Wording of Rule 26 creates confusion (in relation to Rule 13) does not reflect current situation	Rewriting Rule 13 will address this issue		<ul style="list-style-type: none"> Agreed 	Rule 13 has been reworded
		Rule 30 (which restricts transfer of market funds to non-market entities) should be removed because its meaning is unclear	Not agreed	The rule is a deterrent to outside influence on MO regarding market funds so it will remain (but will be reworded for clarity)	<ul style="list-style-type: none"> Not agreed 	<ul style="list-style-type: none">
		Reword Rule 36 to explain whether “shortfall” refers to difference between payment and invoice amount or baseline level	Agreed. It refers to difference between payment and baseline level		<ul style="list-style-type: none"> Agreed. Will be clarified 	Done
		Shortfall should be more clearly defined (a definition has been proposed). Also dates and interest rates for repayment should be included. A regulation should be established which says that shortfall recovery will happen during the current MYTO period.	Partially agreed. The definition will be clarified. The establishment of a regulation on repayments may not be necessary if MYTO is shown to accommodate this issue (legal opinion needed).	Details of repayment period will depend on results of tariff review so it cannot be detailed at this point in time.	<ul style="list-style-type: none"> Be amended to say “subject to Discos proving that they have made investment”. Shortfall recovery will be addressed during tariff review 	Definition has been clarified
		Clarify definition of market participants to be “those who have registered with MO”	Agreed. A definition of market participants will be provided	There should be a difference between ‘market participants’ and ‘applicant participants’ (in line with the Market Rules)	<ul style="list-style-type: none"> Agreed 	Done. Definition now reflects the MR
		The Imbalance Price should be	Partially agreed. The portion of	As long as allowable revenue is	<ul style="list-style-type: none"> Will be left at 	Rule 37 has been

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		increased to 100% of the MYTO figure rather than 60%. Otherwise ensure that the remaining 40% should be paid back during TEM	imbalance payments unpaid will be included in the debt to be repaid during TEM	less than 100%, it will be difficult to make imbalance payments (technically a portion of allowable revenue) to be 100%	60%	amended to apply penalty on unpaid Imbalance Payments
		Rule 37 is incomplete	Not agreed	Commenter must not be looking at the signed version of the IR	<ul style="list-style-type: none"> Not agreed 	<ul style="list-style-type: none">
5	Mainstream (Kainji/Jebba)	Provide certainty on duration of IP and how defaults will be repaid. Do not consider the IP as part of the 5 year performance period (BPE) [Rule 3]	Partially Agreed. Interim Period should not be part of the 5 year performance measurement period.	A definite end of the Interim Period cannot be set now as it is dependent on the achievement of TEM CPs	<ul style="list-style-type: none"> IR is tied to declaration of TEM Agreed IR will not be part of 5 year performance period 	<ul style="list-style-type: none">
		MO should release a payment process calendar and stick to it [Rule 10]	Agreed	MO should provide this to all market participants. Specifying the calendar in the Rules will enhance transparency	<ul style="list-style-type: none"> Agreed 	Provision made in Rule 19
		Gencos should also be consulted when creating a calendar for repayments by Discos. The approved calendar should be a TEM CP [Rule 11]	Partially agreed. Gencos will be consulted when creating calendar	Repayment schedules will be subject to the tariff review so they cannot be set now but will be done prior to TEM initiation	<ul style="list-style-type: none"> Agreed 	See Rule 12
		Explain and re-phrase section on “existing arrangements” and clarify roles of parties [Rule 13]	Agreed.	The wording will be clarified to avoid confusion	<ul style="list-style-type: none"> Agreed 	Done
		Rephrase Rule 14 to require compliance with IR and MR	Agreed. Rule 14 will be reworded	The Rule only mentions compliance with MYTO but should go further.	<ul style="list-style-type: none"> Agreed 	Done
		Gencos should also submit	Agreed	This will lead to greater	<ul style="list-style-type: none"> Agreed 	Done. See Rule 18

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		metering data and a procedure for reconciling discrepancies should be created by NERC		transparency and help identify and improve metering issues		
		Increase Gencos' allowed revenue	Not agreed. The proposed increase in the baseline remittance will enable better payment to Gencos	It is not possible to increase allowed revenue (%) because the level of energy delivered and collections are still low.	<ul style="list-style-type: none"> Not Agreed However for Hydro Plants it will be reversed (100% capacity, 45% energy) 	Done
		Adequate records of debts should be kept by MO and shared with Gencos	This is already covered by Rule 37		<ul style="list-style-type: none"> Add that MO will submit audit reports on that to NERC 	Done
		Clarify wording of Rule 30 (which restricts transfer of market funds to non-market entities)	Agreed	The rule is a deterrent to outside influence on MO regarding market funds so it will remain (but will be reworded for clarity)	<ul style="list-style-type: none"> Agreed 	Done
		Clarity is needed on how and when repayments should be made	Partially agreed. Clarity will be provided before TEM during Tariff Review consultations	As explained above	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none">
		Same as above, details are needed on repayment period, interest rates, and procedure. Rule 39	Partially agreed. Rule 39 will be re-examined		<ul style="list-style-type: none"> Agreed will be re-examined 	Repayment details will be specified during tariff review
6	Benin	Imbalance Mechanism should be suspended in the IP	Under consideration		<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none">
		MYTO's load allocation to Benin should be reviewed upwards to reflect the extra load it is forced to take due to	Point noted. However this is not an Interim Rules issue, but a MYTO Major Review issue		<ul style="list-style-type: none"> Noted. This is a major review issue 	<ul style="list-style-type: none">

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		transmission network constraints				
	NSPCL Shiroro	Increase allowable revenue for Gencos	Not agreed	As above		
NERC should mediate between MO and Shiroro about disagreement regarding transformer losses and auxiliary/township consumption		Agreed. Shiroro should formally write to NERC requesting for this meeting				
The company has issued received no payments for ancillary services during the Interim Period. NERC should provide guidelines and procedures for such payments during the Interim Period		Agreed. Any existing debts will be paid back along with other	If a service is provided it must be paid for.		See Rule 22	
	Other adjustments	MO should now pay for gas		Gencos have refused to pay for gas in the Interim Period		Rule 26 has been changed
		NERC will create a template for data submission by MO, Discos and Gencos.				New Rule 13 created and an appendix will be attached detailing data requirements
		Rule 41 has been added to explain requirements for tariff review		Tariff review must occur before end of TEM and so Discos should be aware of what input is required from them well in advance of the event.		