

**MINUTES OF THE RULES CHANGE PANEL
5th PANEL MEETING
HELD ON TUESDAY, 10 JUNE 2003 AT 10.10AM
AT ENERGY MARKET CO. PTE LTD
9 RAFFLES PLACE #22-01
REPUBLIC PLAZA, SINGAPORE 048619**

Present:	Allan Dawson (Chairman) Kok Shook Kwong Robin Langdale Seow Kang Seng	Eu Pui Sun Tan Boon Leng Ben Lau
Absent with Apologies:	Lee Sin Chong Francis J. Gomez	Yip Pak Ling Daniel Cheng
In Attendance:	Chiao Yen Shong, EMC Paul Poh, EMC TeoWee Guan, EMC	Poa Tiong Siaw, EMC Shashank Swan, EMC

Action

1.0 Notice of Meeting

The Chairman called the meeting to order at 10.10am. The Notice and Agenda of the meeting were taken as read.

2.0 Confirmation of Minutes of the 4th Rules Change Panel Meeting

The Minutes of the 4th Rules Change Panel Meeting held on Tuesday, 06 May 2003 was tabled and having been previously circulated was taken as read.

There being no amendments to the Minutes, the Rules Change Panel unanimously accepted and approved the Minutes.

3.0 Matters Arising from 4th Rules Change Panel Meeting

Item 4.0: Point 4.2 Allocation of Default Levy

As the issue is not a straight forward one, Mr. Paul Poh informed the Panel that this issue would be included in the prioritisation list of market design issues that Market Admin would present to the Panel for their consideration at the next meeting.

EMC

4.0 Summary of Outstanding Rules Change Submissions

The Panel was informed that the next revision of the Market Rules Book will be published on EMC's website incorporating all rule changes that have been approved as at 01 July 2003. The updated version is targeted to be published in the first week of July.

EMC was requested to review how information on rule changes that have been approved by EMA for implementation are published to make it easier for public accessing the EMC website to know what approved rule changes have not been incorporated into the last updated rule book.

EMC

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Action

5.0 Paper No.:EMC/RCP/05/2003/166 – Market Advisories

EMC presented a paper on a revision on a proposed rule change submitted by EMC's Market Operations to remove the requirement for EMC to assess the overall system security before soliciting offer variations when an energy surplus advisory notice is issued and/or when an energy/reserve/regulation shortfall advisory notice is issued. (Chapter 6, Appendix 1 Section 9.3.4 and Section 9.3.5).

In the current rule, when there is a quantity surplus or shortfall, EMC does three things:

- 1) Issue Market Advisory Notice
- 2) Ascertain if soliciting offer variations would threaten system security
- 3) Solicit offer variations in response to surplus/shortfall

The issue in the original proposal was whether EMC is in a position to ascertain system security risk. EMC's role as a market operator is to ensure maximum free interaction between demand and supply and soliciting offer variations could lead to distortion of the free interaction. EMC therefore proposed to delete the rule to require EMC to solicit offer variations i.e. revising the original rule change proposal.

The Panel enquired if the proposed revision to the original rule change proposal (the original proposal has been published for comments) had been posted on the website for comments. Mr. Paul Poh informed the Panel that after obtaining the RCP's support on a rule change proposal, EMC is required to publish proposed rule change. If rule change proposal differs in a material respect from the original rule change proposal, the rules provide that the original rule change proposer has a right to make further comments. These comments would be incorporated in the RCP's proposal to the EMC Board.

There is no requirement for EMC to publish for comments any revision to the original rule change proposal for comments before the RCP meeting. The Panel requested EMC to publish for comments the revised rule change proposal

EMC

The Panel agreed that sufficient information is already provided in the Market Advisory Notice to Market Participants without the need for solicitation of offer variations. However, the Panel requested EMC to look into including messages in the Market Advisory Notice that will draw market participants' attention to their rights, under market rules, to respond by adjusting their offers.

EMC

Mr. Kok Shook Kwong pointed out – Item 3.3 When System Security is a concern – that although PSO is responsible for the secure operation of the system as spelt out in the Electricity Act, it is also the duty of the electricity licencees to ensure that they will not do or not omit to do any act that would adversely affect directly or indirectly the security of the system. This duty is stated in the Electricity Act Section 20(5).

EMC was requested to resubmit the rules change paper and incorporate any new comments received after publication for the Panel's further consideration at the next Panel meeting.

EMC

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6.0 Paper No.: EMC/RCP/05/2003/204 – Proposed use of weighted average MEP to replace USEP as the VCRP

EMC presented a paper on the proposed rules change (Chapter 7 Section 2.5 and Section 3.6.1) by EMC's Market Administration to use weighted average market energy price (MEP) for Gencos to replace USEP as the Vesting contract Reference Price (VCRP).

The use of USEP as the VCRP poses shortcomings as both Gencos and MSSL effectively will not settle at the hedge price (HP) for their hedge quantity (HQ), and it creates a basis risk for the Gencos and subjects them to substantial adverse financial impact when the USEP is substantially higher than the spot prices that Gencos receive in the wholesale market.

The Panel was informed that the proposed rules change offered a simpler and more efficient solution than allocating FTRs to Gencos to manage their basis risks.

The Panel was also informed that the proposed rules change has no impact on the Gencos' systems, although it will involve some development changes to EMC's and MSSL's systems.

Notwithstanding the proposed rules change, Mr Seow Kang Seng commented that EMC should still look into how the proposed rule change would impact on the implementation of FTR regime in the future. EMC noted Mr Seow's comments and informed the Panel that EMC will study this issue as one of its strategic work plan items.

EMC

Mr. Seow also said that he understood the cost for implementing the change in the MSSL IT Systems for this proposed rule change was estimated to be around \$200,000.

Mr. Ben Lau expressed that the proposed rule change may mitigate the basis risks from the Gencos. However, it is not clear whether the basis risks are indeed entirely eliminated from all the parties or simply shifted to consumers. EMC is requested to investigate if this will be the case for completeness of the economic analysis.

EMC

The Panel **supported** EMC's recommendation to use weighted average MEP instead of USEP as the Vesting Contract Reference Price.

7.0 Paper No.: EMC/RCP/05/2003/206 – Deadline for Issuance of Real Time Schedule

EMC presented a paper on the rule change proposal by EMC Market Operations (Chapter 6, Appendix 6A and A.2) to change the timeframe for issuance of real time schedule, taking into account PSO's operational requirement.

Under current market rules, EMC can issue RTS even one second before the start of a period. However, for such schedule to be operationally useful, the PSO must receive the RTS **prior** to 30 seconds before the start of that period. This is because a schedule has to be validated and then loaded in the AGC system.

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The rule change proposes that the market operation timetable be amended to bring the rules in line with operational requirement and to enhance the workability of the rules.

The Panel **supported** EMC's recommendations to change the timeframe for issuance of real time schedule.

8.0 Paper No.: EMC/RCP/05/2003/037 – Determination of HQ and HP by MSSL

EMC presented a rule change proposal (Chapter 7 Section 2.5.1, 2.5.2, 2.5.3 and 5.4.2.12) to state that MSSL would determine HQ and HP in accordance with the applicable vesting contract and not the market manual as stated in the current rules. The rule change proposal also stated that MSSL is to determine HQ and HP applicable to a settlement account associated with a market participant and not a generation facility. Furthermore, it was proposed that the current use of VCQ and VCP be change to HQ and HP respectively, for consistency with the terminology used in EMA's vesting contract documents.

The Panel was informed that the proposed rules change has minimal impact on the market participants' systems.

The Panel **supported** EMC's recommendation to the proposed rules change.

9.0 Date of Next Panel Meeting

The next Panel meeting is scheduled to be held on 9 July 2003 at 10.00 am at the EMC Board Room.

There being no other matters, the meeting adjourned at 11.20am.

ALLAN DAWSON
Chairman

EUNICE KOH
Market Panel Administrator