

**MINUTES OF THE RULES CHANGE PANEL  
6th PANEL MEETING  
HELD ON WEDNESDAY, 09 JULY 2003 AT 10.15AM  
AT ENERGY MARKET CO. PTE LTD  
9 RAFFLES PLACE #22-01  
REPUBLIC PLAZA, SINGAPORE 048619**

|          |  |   |
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| Present: | Allan Dawson (Chairman)<br>Robin Langdale<br>Seow Kang Seng<br>Lee Sin Chong<br>Francis J. Gomez | Eu Pui Sun<br>Ben Lau<br>Yip Pak Ling<br>Daniel Cheng |
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|                        |                 |               |
|------------------------|-----------------|---------------|
| Absent with Apologies: | Kok Shook Kwong | Tan Boon Leng |
|------------------------|-----------------|---------------|

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|----------------|-------------------------------------|--|
| In Attendance: | Paul Poh, EMC<br>Shashank Swan, EMC | Poa Tiong Siaw, EMC<br>Teo Wee Guan, EMC |
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**Action**

**1.0 Notice of Meeting**

The Chairman called the meeting to order at 10.15am. The Notice and Agenda of the meeting were taken as read.

**2.0 Confirmation of Minutes of the 5th Rules Change Panel Meeting**

The Minutes of the 5th Rules Change Panel Meeting held on Tuesday, 10 June 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 5th Rules Change Panel Meeting**

**Item 4.0 Summary of Outstanding Rules Change Submissions**

Mr. Paul Poh informed the Panel that the revised Market Rules Book, with effective date of 01 July 2003, is now published on EMC's website.

EMC was requested to provide a webpage link to the revised market rules book with rules that were approved by the EMA after 01 July 2003 but were not incorporated into the rules book. EMC has taken note of the Panel's request and would make the necessary updates onto the webpage link.

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**Action**

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

The Panel was advised that EMC had published the revised rule change and received a comment from PSO. PSO pointed out that Market Participants are also required under the Act to ensure that their activities do not put system security at risk. PSO does not support the removal of the requirement for EMC to solicit offer variations and thinks that the amount of information available on the advisory notices may not be sufficient for MPs to respond. It suggested that EMC sought MPs' views on what information should be provided so that they can respond positively to a shortfall/surplus situation.

EMC's opinion is that due to the co-optimization of the MCE, EMC cannot guarantee that it will be able to solicit offer variation of the right amount and from the right unit(s) to alleviate a particular shortfall or surplus situation. Using market advisory notices to encourage MPs to respond to a situation makes the best use of the notices.

The Panel was of the view that if adequate information could be provided in the advisory notice for market participants to react appropriately, EMC's proposal might be acceptable. However, there was a concern that the information in the current advisory notice might not be adequate and the disclosure of further information in the notice might entail commercially sensitive information. The Panel therefore requested EMC to consult the market participants to ascertain whether the current information in the notice would allow the market participants to react appropriately or further disclosure of non-commercially sensitive information could achieve the intention of attracting appropriate reaction from the market participants before the Panel would support EMC's position.

EMC

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

The Panel was informed that Basis Risks are

- price difference between MEP and USEP greater than explained by losses;
- caused by violation penalties &/or network constraints;
- MEP can be higher or lower than USEP

The illustration below shows that the use of weighted average MEP as VCRP **eliminates** the basis risk for **both** the Genco & retailer:

| <b>Genco Receives (per HQ)</b>      | <b>Retailer Pays (per HQ)</b>                               |
|-------------------------------------|---|
| Spot = Wt MEP<br>VCSC = HP - Wt MEP | Spot = USEP + HEUC = Wt MEP<br>VCSC = HP - Wt MEP           |
| <b>Net amount:</b><br>= HP          | <b>Net amount:</b><br>= HP + HEUC – (Wt MEP - USEP)<br>= HP |

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Mr. Seow Kang Seng commented that the formula "Spot = USEP + HEUC = Wt MEP" would not be true if not all generating units were covered by vesting contracts.

Mr. Ben Lau added that, for completeness, the analysis should be conducted based on both the supply side and demand side of the vesting contract regime designed, i.e.

- 1) At the supply side, vesting contract will initially cover 65% of the market; and
- 2) At the demand side, all non-contestable consumers will be fully covered by vesting contracts and the remaining vesting coverage will be allocated for contestable consumers."

The Panel requested EMC to use actual data, particularly for settlement periods which had exceptional HEUC prices to show if the relationship "Spot = USEP + HEUC = weighted average MEP" holds in practice.

## **Action**

EMC

### **4.0 Paper No.: EMC/RCP/06/2003/104 – Publication of RCP’s Review Report on the Market Manual**

EMC presented a paper on the rule change proposal by NRG Asia Pacific (Chapter 1, Sections 8.1.2 and 8.1.3) to publish RCP’s review of the Market Manual with a view to provide greater transparency to market participants and potential investors.

EMC recommended that the Panel support the proposal since 1) the market manual directly affects the MPs, PSO, EMC and MSSL, and hence, it is important the review of the market manual be transparent, and 2) there should consistency in the review of the market rules and that of the market manual.

The Panel suggested to EMC that there might be a need to specify in the proposed rule change when such report should be published. It also commented that there should be consistency in the use of the word "published" throughout the Market Manual, Market Rules and all other related publications. "Published" should be defined in the rules – e.g. "published unless otherwise stated, the item should be published on EMC’s website as soon as practicable."

Subject to EMC’s review, the Panel **supported** EMC’s recommendations to the proposed rules change.

### **5.0 Paper No.: EMC/RCP/06/2003/110 – To publish a Report on Market Suspension**

EMC presented a paper on the rule change proposal submitted by NRG Asia Pacific (Chapter 6 Section 1.2.1) to publish a report instead of only providing it to the licensees on reasons for and actions taken by EMC, EMA, PSO, MPs and MSSL during suspension of real time and procurement markets. This report is proposed to be published after the resumption of real time and procurement markets as this would provide greater transparency in the markets and to build investor confidence.

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EMC recommended that the Panel consider and support the amended proposed rules change.

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

### **6.0 Paper No.: EMC/RCP/06/2003/202 – Revising Offer when expected Output fall short by 10MW instead of 5MW**

EMC presented a paper on the rule change proposal submitted by the National Environment Agency (NEA) (Chapter 6, Section 4.3) to reduce the number of instances a generator is required to submit offer variations.

Current rules require the dispatch coordinator to submit an offer variation when the unit's output is expected to fall short of valid offer by more than 5MW or 5% in any period. NEA proposes to increase this value to 10MW to reduce the number of offer variations it is required to submit.

EMC recommended that the Panel consider and support the proposed rules change.

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

### **7.0 Paper No.: EMC/RCP/06/2003/205 – Including Experience in Operation of Financial or Commodity Markets as Relevant Expertise for MSCP Members**

The EMC Board seeks to expand the scope of qualification for appointment to the Market Surveillance and Compliance Panel (MSCP). The expansion is to include experience in operating financial or commodity markets as relevant experience for an MSCP member. Given the short supply of qualified candidates under the current rules, this proposal will increase the pool of qualified candidates for the MSCP.

EMC recommended that the Panel consider and support the amended proposed rules change.

The Panel requested EMC to delete, under Section 2.7.1.1, the words "the operation of" in order to expand the scope of qualification to include person who have extensive experience in the wholesale electricity market but not just restricted to experience on the operation of the market.

Subject to the above amendment, the Panel **supported** EMC's recommendations to the proposed rules change.

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### **8.0 Paper No.: EMC/RCP/06/2003/175 – Contractual Force Between PSO and EMC**

EMC presented a paper on the rule change proposal submitted by EMC (Chapter 1, Section 3.2 and Chapter 8, Section 1.1.8.0) to acknowledge that the market rules have force of contract between EMC and PSO by virtue of the execution of the EMC/PSO Agreement. Such relationship is currently omitted from the market rules, while those between PSO and MPs, MPs and EMC, EMC and MSSL, and lastly, PSO and MSSL have been stated in the Market Rules.

While such omission would not have any legal risk per se, it might beg questions as to whether this has been “intentionally” left out. In view that the proposed rule change would clarify the bilateral relationship between PSO and EMC and make such information transparent to all interested parties, EMC recommended that the Panel support the proposed rule change. The *Authority* has imposed condition (13(1)(d) of the *EMC*'s electricity license on *EMC* to enter into a regulatory contract with *PSO* to give contractual force to the *market rules* as between *EMC* and the *PSO*.

The Panel requested EMC to publish the Agreement between EMC and the PSO on EMC's website. EMC has noted the Panel's request.

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

The Panel also suggested that EMC should look into whether to request EMA to publish EMC/PSO Agreement on the EMA's website. EMC noted the Panel's suggestion.

### **9.0 Paper No.: EMC/RCP/06/2003/203 – Erroneous Definitions of “NodeAtEndOf (k)” and “NodeAtStartOf(k)”**

EMC presented a paper on the rule change proposal submitted by EMC (Chapter 6 Appendix 6D Section D.5) to correct the erroneous definitions of 'NodeAtEndOf(k)' and 'NodeAtStartOf(k)' (Chapter 6 Appendix 6D Section D.5).

The Panel was informed that the existing definitions are reversed and the proposed rule change was akin to a correction of typographical errors. The Panel was also told that the proposed rule change had been supported by the TWG in its meeting on 24 Jun 2003.

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

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### **10.0 Removing the Effect of Constraint Violation Penalties on Energy Settlement when Load is Not Shed**

EMC presented a paper on EMC's proposal to remove the effect of constraint violation penalties on energy settlement when no load is shed despite the MCE flagging an infeasible solution. EMC's analysis concludes that the proposal would reduce distortions in the market and, without compromising the ex ante pricing philosophy, promote a more efficient market. The paper further assesses the methods to be adopted for removing the effect of constraint violation penalties during settlement.

The TWG has **supported** the proposed design and would be reviewing the requisite rules for implementing this design in the next TWG meeting.

The Panel noted the contents of the paper.

### **11.0 Task Force on Settlement Re -Runs**

EMC presented a paper on the Task Force on Settlement Re-runs, which was formed and chaired by EMC on request of the EMA.

The Task Force convened its first meeting on 30 June 2003 and the following members have been appointed to the task force:

| <b>Name</b>          | <b>Company</b>              |
|----------------------|-----------------------------|
| Yip Pak Ling         | EMC                         |
| Paul Poh             | EMC                         |
| Ms Foo May Ling      | SembCorp Power              |
| Ms Veon Lim          | SembCorp Cogen              |
| Mr John Ng           | PowerSeraya                 |
| Mr Tan Joo Nhee      | Tuas Power                  |
| Ms Jazz Feng         | Tuas Power Supply           |
| Mr Eu Pui San        | Senoko Energy Supply        |
| Mr Ithnin Bin Makani | Senoko Power                |
| Mr T P Manohar       | SP Services                 |
| Ms Ida Handojo       | Keppel Energy               |
| Mr Teo Hock Kheng    | National Environment Agency |

The goal of this Task Force is to reach a market-based agreement on the ways to resolve the various settlement issues. With representation from all market participants, agreements reached would be representative of the market's collective will.

In its first meeting, the Task Force agreed on a tentative list of issues that it should address. A summary of the issues are listed below:

1. Whether it is desirable or feasible to set best practice codes for retailers
2. Determine a period of time after which no settlement re-run will be performed
3. Specified dates to carry out re-runs for each trading day
4. Impact of one correction on all invoices

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5. The role of estimation
6. Allocating costs of re-runs
7. The need for audit trails
8. Effects on vesting contracts/grid charges
9. EMA's draft policy recommendations

The Task Force expects to meet approximately every 10 days. Solutions that the Task Force agree on the issues raised could result in modifications to the relevant market rules, codes of practice and market manuals.

The Panel noted the contents of the paper.

### **12.0 EMC's PIMS – Update**

The Panel noted the contents of the paper.

EMC informed the Panel that EMC would provide, on a quarterly basis, a report on its performance measurements.

### **13.0 Date of Next Panel Meeting**

The next Panel meeting is scheduled to be held on 5 August 2003 at 10.00 am at the EMC Board Room.

[Post Meeting Note: The above scheduled meeting was cancelled and is re-scheduled to be held on 5<sup>th</sup> September 2003].

There being no other matters, the meeting adjourned at 11.30am.

**ALLAN DAWSON**  
Chairman

**EUNICE KOH**  
Market Panel Administrator