



Notice of Derogation

Date of Application: 14 November 2006
Name of Applicant: Dave Carlson, Jennise Ting
Decision of Board (Status): Granted
Date of Decision: 29 November 2006

Nature of Derogation:

Derogation from provision in Section 8.3.1.1 of Chapter 5 of the Market Rules, permitting EMC to procure contracted ancillary services for a 15-month period from 1 January 2007 to 31 March 2008.

Justification for Derogation:

Alignment of ancillary services contract period with financial year of providers, leading to administrative and audit cost savings for providers.

Period of Derogation:

1 January 2007 – 31 March 2008

Mitigating Factors on any adverse effects of Derogation:

No significant adverse effects of derogation.

Estimate of Cost imposed on EMA, PSO, MPs or MSSL:

Nil.

Terms and Conditions for granting of derogation:

This derogation is granted on the following terms and conditions:

1. EMC can procure ancillary service contracts for a period not exceeding 1 year and 3 months for the period 1 January 2007 to 31 March 2008;
2. EMC shall revert to procuring any ancillary service contract for a period not exceeding 1 year for any period beginning 1 April 2008; and
3. This derogation comes into effect on 29 November 2006 and expires on 1 April 2008.

Based on the
Singapore
Electricity
Market Rules



Energy
Market
Company

Derogation Application Form

including explanatory notes.

Market Rules References

Chapter 1 Section 14.1

Please read this important information to help you complete this form.

Why do you need to complete this form?

The Energy Market Company Pte Ltd (EMC) is the market operator for the wholesale electricity market in Singapore and has responsibility for processing derogation requests relating to the Singapore Electricity Market Rules (the 'Market Rules'), any Market Manuals or the System Operations Manual and monitoring the effects of derogations. You must complete this form if you want to:

- submit an application for an exemption from compliance with a specific obligation, requirement or standard which is or may be imposed on you or in respect of your facilities or equipment by the Market Rules, any Market Manuals or the System Operations Manual.
- submit an application for a permanent exemption from any obligation, requirement or standard which is or may be imposed on you or in respect of your facilities or equipment by the Market Rules, any Market Manual or the System Operations Manual.

What about derogation applications under any Codes of Practice, Licence or Agreements?

You will need to submit your application for derogation under these regulatory documents to EMA.

Why has EMC developed this form?

We have developed this form to facilitate the derogation process described in the Market Rules. You should read the relevant sections of the Market Rules prior to completing the form.

Am I eligible to apply for derogation?

You must be a registered Market Participant before EMC can decide on your application. However, you may start applying for derogation while waiting for your electricity licence and/or approval of your registration as Market Participant and/or facilities registration.

What if EMC needs further information and clarification?

We may request further information or clarification to process your application. It is important that you respond promptly to our requests to help us process your application as efficiently as possible.

Chapter 1, Section 14.3.1

When will I know the outcome of my application?

You will be notified within 20 business days of receipt of your fully completed derogation application form. In the event that EMC is unable to issue a decision within 20 business days of receipt of the application, you will be notified, indicating the date on or before which the decision is expected to be issued.

Chapter 1, Section 14.7.3

How much is the application fee?

The application fee is S\$5,500 (inclusive of 3% GST) per application. Please make the crossed cheque payable to "Energy Market Company Pte Limited" and attach it to your application form. EMC reserves the right to levy a fee any time in the future to defray additional costs associated with processing your derogation application. (Please refer to appendix A for the derivation of the application fee.)

How do I submit the application form?

Completed application forms should be submitted to Energy Market Company Pte Ltd, Market Administration at 9 Raffles Place #22-01 Republic Plaza Singapore 048619 by registered post or by courier.

General instructions on completing the application form

- Please print legibly.
- No field or any part thereof is to be left blank. Please state 'Nil' or 'Not Applicable' where appropriate.

A. UNDERTAKING

*I/We hereby certify that the particulars contained in this application for derogation are true to the best of *my/our knowledge and belief.

*I/We understand that information submitted for derogation application will be published in its entirety unless parts of this information over which confidentiality is claimed are highlighted.

*I/We undertake to inform EMC in writing of any change of information and provide information and documentation as may be required by the EMC.

Φ Name: DAVE CARLSON Signature:  Date: 30/10/06

Φ Name: JENNISE TING Signature:  Date: 30/10/06

* Delete where applicable.

Φ Person(s) that is duly authorized, by the applying company/under the seal of the applying company, to complete this derogation application form.

B. DEROGATION APPLICANT – GENERAL INFORMATION

1. Organization name (in full): ENERGY MARKET COMPANY
2. Electricity Licence No.: EMA/MC/001
3. Market Participant Registration No.: N/A
4. Mailing Address: 9 RAFFLES PLACE #22-01 REPUBLIC PLAZA
5. Tel/Mobile No.: 6779 3000 Fax No.: 6779 3030
6. Web Site (URL): www.emcsg.com

C. DEROGATION APPLICANT – MAIN CONTACT

7. Name / Designation: JENNISE TING
8. E-mail address: jennise.ting@emcsg.com
9. Tel/Mobile No.: 96239100 Fax No.: 6779 3030

D. DEROGATION APPLICANT – ALTERNATIVE CONTACT

7. Name / Designation: GLENN WONG
8. E-mail address: glenn.wong@emcsg.com
9. Telephone No.: 6779 3000 Fax No.: 6779 3030

E. INFORMATION ABOUT THE DEROGATION APPLICATION

Chapter 1,
Section 14.2

10. What is the subject of your derogation application?
- Singapore Electricity Market Rules
(Chapter, section and clause number): _____
- System Operations Manual
(Chapter, section and clause number): _____
- Market Manuals
(Chapter, section and clause number): _____
11. Please specify the duration for which you would like the derogation granted in months: _____

Please use
separate
sheet

F. DOCUMENTATION TO BE ATTACHED TO APPLICATION FORM

12. Please quote (including section number(s)) policy, standard or procedure to which this derogation application relates.
13. Please detail the reasons and justify your derogation request.
14. Please attach a plan specifying:
 - the manner and time within which the derogation applicant will become compliant with the obligation, requirement or standard that is the subject of the derogation application; and
 - the manner in which the derogation applicant proposes to mitigate any adverse effects of any non-compliance with the obligation, requirement or standard, and to operate or modify its equipment or facilities or to otherwise conduct its operations during the period of time for which the derogation would be in effect so as to operate in a manner that achieves, as closely as possible, the objectives of the obligation, requirement or standard that is the subject of the derogation application; and
 - the derogation applicant's estimate of any costs that may be imposed on the EMC, the PSO, market participants or market support services licensees if the derogation requested in the derogation application were to be granted.
15. Please submit written confirmation from the EMC, the PSO, market participants (if available) or market support services licensees that they are agreeable to the estimated costs that are likely to be imposed on them if derogation application were to be granted.
16. Please provide a detailed assessment as to whether or not the derogation application, if granted, would:
 - materially threaten the ability of the PSO to direct the operation or maintain the reliability of the power system;
 - materially affect the ability of the EMC to operate the wholesale electricity market in an efficient manner;

- give the derogation applicant an undue preference or advantage over other market participants in the wholesale electricity market ;
 - impose significant extra costs on market participants or market support services licensees; or
 - impose significant extra costs on the EMC or the PSO.
17. Please provide a detailed assessment as to whether the cost or delay to the derogation applicant of complying with the obligation, requirement or standard that is the subject of the derogation application is unreasonable, having regard to:
- the nature of such obligation, requirement or standard;
 - the identity and nature of the derogation applicant; and
 - the anticipated impact of non-compliance by the derogation applicant with such obligation, requirement or standard in terms of the elements referred to above.
18. Please provide an estimation of the cost that may be incurred by the derogation applicant as a result of a withdrawal or modification to this derogation if it had been granted.

- End -



EMC's disclaimer

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EMC reserves the right to make changes and corrections to this publication, at any time and without notice.

Application fee for derogation

No.	Description	Estimated Time (hr)	Cost including Overheads(\$)
1	Initial registration, verification of information, check with Dispute Resolution Counsellor, market surveillance panel, PSO, MSSL, Market Operations as well as IT (where appropriate) & publish application on EMC web site.	4	146.00
2	Receive clearance from PSO, MSSL and the panels if necessary and screen all submissions received.	4	146.00
3	Draft terms and conditions (if necessary) and send to legal counsel for vetting.	2	235.00
4	Draft report including terms and conditions to the EMC Board and discuss with team leaders.	6	616.00
5	Submit report to EMC Board for approval.	2	3,928.00
6	Notify Market applicant and publish decision on EMC web site.	1	37.00
7	Monitor derogation plan (assuming derogation granted for 6 months).	6 (assuming 1hr per month)	392.00
Total:		25 hrs	5,500.00

Note: Any additional cost incurred or fees levied by a third party will be charged to applicant at cost.

PART F.

12. Please quote (including section number(s)) policy, standard or procedure to which this derogation application relates.

Chapter 5 Section 8.3.1

The EMC shall, subject to section 8.3.3, include in each ancillary service contract terms and conditions that address, at a minimum, the following:

Section 8.3.1.1- the duration of the ancillary service contract, which shall not exceed 1 year; ...

EMC proposes to derogate from the provisions of Section 8.3.1.1 and shall grant for the period of 1 January 2007 to 31 March 2008, the ancillary service contracts for a duration not exceeding 1 year and 3 months.

13. Please detail the reasons and justify your derogation request.

EMC proposes to derogate from the provisions of Chapter 5 Section 8.3.1.1 of the market rules in order for EMC to contract on a one off basis, for ancillary services for the duration of 1 year and 3 months. This will extend the usual ancillary service contract period till 13 March 2008. The extension of 3 months will bring the renewal and contract periods for ancillary service in line with the opening and closing of the financial year of each respective ancillary services provider, as well as with that of the EMC.

By aligning the contract renewal for ancillary services in line with the financial year, the respective ancillary service providers will be able to reduce the administrative and audit costs undertaken when ensuring that the budgeted cost of the ancillary services are audited against actual costs. At present, according to the market rules, ancillary services providers are required to engage auditors to review the cost of providing ancillary services on an annual basis. If contracts for ancillary services are aligned with the financial year of the respective ancillary service provider, there would be no need to span the audits across 2 financial years, thus reducing costs. Administrative and audit costs are also further reduced by ensuring that such audits are performed alongside the ancillary service providers annual financial audit.

As a majority of market participants conduct their businesses with a financial year ending at the end of March of each year, it is unlikely that other prospective market participants would be affected by this derogation. Furthermore, EMC does not preclude the possibility of contracting in future, for a shorter, 9 month ancillary service contract, should any ancillary service provider have a financial year that runs with the calendar year.

The granting of a derogation from the existing rule in Chapter 5 Section 8.3.1.1 is seen as preferable to contracting for a shorter 3 month contract followed by a renewed ancillary service contract as this would incur further costs to the market. EMC believes that providing for a longer contract period will not incur any additional

costs to the market and is supported by the respective ancillary service providers and the PSO.

For the reasons set out above, EMC would like to request for the application for derogation to be granted.

14. Implementation plan:

The manner and time within which the derogation applicant will become compliant with the obligation, requirement or standard that is the subject of the derogation application	EMC intends to derogate from market rules Section 8.3.1.1 of Chapter 5 for the period 1 January 2007 – 31 March 2008 EMC may contract for several ancillary service contracts during this period.
Date which EMC will re-comply with obligation Section 8.3.1.1 of Chapter 5	1 April 2008
Likely adverse effects of non-compliance	It is unlikely that the derogation will have any adverse effects of the market, EMC will not issue any ancillary service contract for a period exceeding 1 year and 3 months.
Estimate of costs if derogation were granted	EMC expects that due to the alignment of the ancillary service contracts with the financial year of the respective ancillary service providers, there will be a reduction of administrative costs to the market in the future (reasons are provided in above) EMC does not expect to incur any additional costs and the market will not bear any additional cost as a result of the derogation of this market rule.

15. Please submit written confirmation from the EMC, the PSO, market participants (if available) or market support services licensees that they are agreeable to the estimated costs that are likely to be imposed on them if derogation application were to be granted.

Written confirmation from PSO on agreement to derogate from Section 8.3.1.1 of Chapter 5 of the market rules is attached to this application.

16. Please provide a detailed assessment as to whether or not the Derogation Application, if granted, would:

· materially threaten the ability of the PSO to direct the operation or	There is no impact on the ability of PSO to maintain reliability of the power
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maintain the reliability of the power system;	system.
· materially affect the ability of the EMC to operate the wholesale electricity market in an efficient manner;	There is no impact on the ability of EMC to operate the wholesale electricity market in an efficient manner.
· give the derogation applicant an undue preference or advantage over other market participants in the wholesale electricity market ;	EMC does not gain any undue advantage over any other market participant. Ancillary service providers will not be affected by the derogation.
· impose significant extra costs on market participants or market support services licensees; or	Not significant costs are imposed on the existing and prospective market participants who provide contracted ancillary services, however upon expiry of the ancillary service contract in 2008, if any ancillary service contract were required to commence on the start of the calendar year instead, EMC may contract for a lesser period.
· impose significant extra costs on the EMC or the PSO.	No additional costs are imposed on EMC or the PSO

17. Please provide a detailed assessment as to whether the cost or delay to the derogation applicant of complying with the obligation, requirement or standard that is the subject of the derogation application is unreasonable, having regard to:

- the nature of such obligation, requirement or standard;
- the identity and nature of the derogation applicant; and
- the anticipated impact of non-compliance by the derogation applicant with such obligation, requirement or standard in terms of the elements referred to above.

EMC believes that there is no significant cost implied by the derogation and that the request for derogation of Section 8.3.1.1 of Chapter 5 is reasonable and will benefit the market for the reasons explained above.

18. Please provide an estimation of the cost that may be incurred by the derogation applicant as a result of a withdrawal or modification to this derogation if it had been granted.

Should the derogation be withdrawn after EMC has contracted with the relevant ancillary service providers for the period 1 January 2007 to 31 March 2008, EMC will be required to amend the relevant ancillary service contracts to ensure that no ancillary service is contracted for a period exceeding one year in accordance with the market rules.

Furthermore, as the quarterly wash-up calculated by the EMC is based on a 15 month period, a revision of the Ancillary service contract would necessitate a recalculation of all payments made or charged for ancillary services in the next contract period.

Ancillary service providers may also incur the additional cost of ensuring that the revised and amended ancillary service contracts will meet the requirements under the market rules. They may also incur additional costs associated with ensuring reliability of contracted ancillary services procured.