

**MINUTES OF THE 57th RULES CHANGE PANEL
MEETING
HELD ON TUESDAY, 13 SEPTEMBER 2011 AT 9.30AM
AT ENERGY MARKET CO. PTE LTD
238A THOMSON ROAD #11-01
NOVENA SQUARE, SINGAPORE 307684**

Present: Dave Carlson Henry Gan
 Daniel Lee Philip Tan
 Luke Peacocke Dallon Kay
 Lawrence Lee Sean Chan
 Dr. Goh Bee Hua Chan Hung Kwan
 Kng Meng Hwee Robin Langdale
 Michael Lim

Absent with Loh Chin Seng
apologies:

In Attendance: Paul Poh Tan Liang Ching
(EMC) Henry Wee Wang Jing
 Nerine Teo Lucia Loh

1.0 Notice of Meeting

The Chairman called the meeting to order at 9.30 am. The Notice and Agenda of the meeting were taken as read.

2.0 Confirmation of Minutes of the 56th Rules Change Panel Meeting

The Minutes of the 56th Rules Change Panel meeting held on Tuesday, 12 July 2011 were tabled.

EMC was requested to amend the word “non-determination” to read as “non-provision” in the second sentence of page 6.

Subject to the above amendment to the Minutes, the Rules Change Panel approved the Minutes.

3.0 Matters Arising

The Panel noted, as outlined, the follow-up actions for the matters arising have all been completed.

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4.0 Summary of Outstanding Rule Changes

The Panel noted the contents of the paper.

5.0 Monitoring List

Mr. Paul Poh informed that for June and July 2011, there was an increase in the payments to non-providers of reserve/regulation.

He added that EMA has approved the rule change to recover reserve and regulation payments to non-providers, which will be implemented in February 2012.

5.1 Mr. Robin Langdale enquired on the 128 MCE re-runs in April and May 2011.

5.1.1 Mr. Henry Gan explained that these re-runs were necessary due to how the system is modeled in the MCE. In this situation, a generation facility went on maintenance and its switch house was isolated from the main grid. Thus, when the MCE initiates the price discovery process, the energy price at this islanded node can be -/+\$4500. In accordance with the Market Rules, EMC worked with PSO to identify a default bus to notionally connect this islanded node to, so as to normalise the MNN price.

5.1.2 The Chairman noted that the Panel had earlier decided to track the number of re-runs on the monitoring list, as having a large number of reruns may have a financial impact and undermine confidence in the system.

5.2 Mr. Dallan Kay asked if EMC will compile and report the aggregate clawback amounts, after the rule change to recover from non-providers of reserve and regulation is implemented.

5.2.1 The Chairman said that the report of payments despite non-provision was for the Panel to monitor and decide further action when the amounts became material. Once the decision not to pay for non-provision has been implemented there does not seem to be any value to monitor it further.

5.2.1.1 Mr. Kay recommended to continue to report for sometime after the rule implementation.

5.2.1.2 Mr. Henry Gan informed that the figures are manually collated. Thus he felt that it would be a use of unnecessary resource to continue collating the data after the implementation of no payment for non-provision.

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- 5.2.1.3 The Chairman suggested that following the February 2012 rule change implementation, EMC is to analyze the data from the new process, and report on the number of non-provision cases where settlement amounts were reduced to zero, and cases that will still be reported by PSO to the MSCP for the RCP information at its May 2012 RCP meeting. The RCP will then decide whether to continue to collate the information on no payments for non-provision.

EMC

6.0 Rules Change Workplan Status Update

Mr. Paul Poh informed that for Item 6 of the Workplan on Demand side bidding, EMC is working closely with EMA and will provide further updates to the Panel on the progress.

Mr. Kay noted that the expected completion of demand side bidding in the energy market work plan item had been deferred to Q4 (previously Q2) and requested that any changes are communicated to the RCP with explanation remarks.

In response to Mr. Kay's query on why EMC was not able to progress on this work plan item independently, Mr. Poh informed that this particular issue required the engagement and coordination from the whole industry.

**7.0 Review of Dispute Resolution Procedures
(Paper No. EMC/RCP/57/2011/06)**

Ms. Nerine Teo informed that the EMC Board initiated a review of the current dispute resolution procedures on 22 July 2011. Arising from this review, the dispute resolution counselor (DRC) proposed to introduce a detailed set of arbitration procedures.

Ms. Teo presented the DRC's proposed arbitration rules. She also informed that:

1. An external legal review on the proposed arbitration rules will cost an estimated \$60,000. EMC will have to seek EMA's approval for additional budget for these expenses. Market participants and service providers will also need to expend resources to review these proposed Rules.
2. The current rules empower the arbitration tribunal with discretion on the arbitration procedures to adhere to. While there is merit in including the proposed additional detailed procedures in the Market Rules, the challenge lies in determining how much of these details should be included in the Market Rules.

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It also raises the question of whether these procedures can encompass all eventualities in an arbitration proceeding and if it cannot be done, should consideration then be given to the current approach of empowering the arbitration tribunal with discretion on the arbitration procedures.

3. There has been no arbitration case since the start of the SWEM in 2003, which suggests that the current arbitration rules have not been applied to real cases.

Given the costs involved for both EMC and the industry in considering the proposal of these proposed arbitration rules and the fact that no arbitration case has arisen thus far, EMC recommended that the DRC use these additional proposed rules as a guide in carrying out arbitration. After the guide has been refined with adequate experience, the RCP can then consider if they should be incorporated into the Market Rules.

Mr. Robin Langdale asked if the DRC was aware of the implication that it will be difficult to change or amend these proposed arbitration procedures once they have been included in the Market Rules. Ms. Teo said that the DRC's original intention was to put in as a guide rather than in Market Rules but felt that a few arbitration procedures are legally binding and should be in the Market Rules.

Mr. Poh explained that the Market Rules provide that an arbitration tribunal can be appointed by the parties to a dispute when arbitration occurs. The DRC steps in to appoint the tribunal if these parties fail to appoint a tribunal within an allotted time. Once the tribunal is formed, the members of the tribunal can then decide on the procedures it intends to undertake. The DRC is suggesting that the tribunal refer to a standard set of arbitration rules when deciding on the procedures to undertake.

Mr. Langdale said that it makes sense that the DRC would be the best person to decide suitable procedures for the tribunal. The Chairman informed that he is unsure as to whether the DRC wants to have control over these procedures or have the industry take certainty on how arbitration would take place instead.

Mr. Daniel Lee felt that flexibility is preferred because in setting up an arbitration tribunal, the disputing parties may prefer a particular framework for the arbitration rather than be bound by the Market Rules.

Mr. Luke Peacocke added that his preference is for them to be excluded from the Market Rules, but used as a framework or guideline.

Mr. Chan Hung Kwan asked if these rules are procedural. If they are procedural, it is best to leave them to the arbitration tribunal's discretion.

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Mr. Philip Tan said that if these are procedures, it is not meaningful for the Panel to determine if they are appropriate for the Market Rules. This is because the Panel does not have the legal capability to decide and it is better to get formal industry consultation feedback.

Mr. Langdale said that it is best to leave it to the discretion of the DRC and for him to set procedures. If there are special cases, the arbitration tribunal can approach the DRC to modify the procedures to follow. Mr. Langdale felt that this should not come to the Rules Change Panel.

Mr. Kng agreed that this should left to the DRC's discretion. He said that arbitration rules should not be part of Market Rules and arbitration tribunal already has the right to decide on procedures.

The Chairman added that the DRC intended to use this review process to seek the industry's views on his proposed arbitration procedures. This is because including it as a part of the Market Rules implies that these procedures will be binding guidelines for the arbitration tribunal, which in turn, impacts the industry.

Mr. Peacocke said that the DRC should be commended for seeking feedback and he agreed that the arbitration rules should not be put into the Market Rules.

The Panel agreed not to make the proposed arbitration procedures a part of the Market Rules. The Panel also asked EMC to inform the DRC that the Panel commends him on his proposal and request for the DRC to brief the industry on his proposed procedures.

EMC

6.1 **Proposed Amendments to Dispute Resolution and Compensation Panel (DRCP) Criteria and selection process for a mediator and for the arbitration tribunal**
(Paper No. EMC/RCP/57/2011/06(a))

Ms. Teo informed the Panel that the PSO also proposed 2 rule changes as part of the DRP review process.

Proposal 1

Ms. Teo conveyed that PSO suggested that at least one of the members of the DRCP have experience in power system operation, as opposed to at least one of the 6 disciplines as reflected under Chapter 3, Section 3.5.5 of the Market Rules.

Ms. Teo informed that EMC sought the DRC's comments on the first proposal, including whether the proposal should be extended to all 6 disciplines.

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The DRC commented that:

PSO's proposal can be implemented in practice by enlarging the panel to include some members with experience in power system operation. Are many around who are independent candidates?

He also added that there is no need for a rule change to implement the proposal.

In response to EMC's suggestion to extend PSO's proposal to all six disciplines, the DRC believes that:
It is possible but would mean that the panel will be very large.

Consequently, Ms. Teo requested for the RCP to consider the following:

- a) Should DRCP be made up of at least 1 member with experience in power system operations?
- b) Should proposal be extended to include all 6 disciplines?
- c) Should the existing DRCP criteria be retained and instead, request for the DRC to appoint members with experience in power system operations when selecting members to the DRCP?

EMC would also like to request for the PSO to assist the DRC by providing him with potential list of candidates with experience in power system operations.

Mr. Peacocke asked if expertise could be drawn from outside of the DCRP if the Panel has no expertise on specific skill sets. Mr. Poh said that under arbitration, the Market Rules provide for arbitration tribunal to appoint outside expertise if all parties to the dispute agree. For a dispute that has not yet reached the arbitration stage, it will be up to the DRC to appoint a new member at any point in time.

The Chairman asked what avenue the DRC has to ensure that a DRCP member has experience in power system operation to mediate a dispute. Mr. Poh advised that the DRC can increase the size of the Panel and also appoint a new member to the DRCP at any point in time. It is just a matter of whether the DRC can appoint the member in time to mediate a dispute.

The Panel then **agreed** to proceed with 1(c) above and retain the existing criteria, but instead, have the DRC appoint a member with experience in power system operations when selecting members to the DRCP. The Panel would also like to request for the PSO to assist the DRC by providing him with a potential list of candidates with such experience.

The Panel also requested for EMC to revert at the next meeting with a list of the current DRCP members.

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Proposal 2

Ms. Teo informed that PSO's also proposed for the process for selecting a mediator to be aligned with that of selecting an arbitration tribunal, citing consistency as a reason.

Ms Teo informed that the PSO's proposal can be interpreted in 2 ways, either,

- Allow parties to dispute to select mediator or allow DRC to select arbitration tribunal; or
- Enable 3 mediators to be selected under mediation or restrict arbitration tribunal to 1 arbitrator.

The Panel was informed of the DRC's views:

As a mediator cannot bind the parties and the rationale was to set up the mediation quickly....better to have one mediator appointed by the DRC. No need for 3 mediators, as there is no adjudication and the mediator's role is to facilitate.

As the two processes are different, there is no added value in aligning the selection process.

Mr. Peacocke said that mediation and arbitration are different processes so it would be better to have different selection criteria. He agreed with the current Market Rules.

The Panel **agreed** on the DRC's response to keep the 2 processes separate and retain the existing selection criteria.

7.0 Publication of generation registered capacity by facility
(Paper No. EMC/RCP/57/2011/302)

Mr. Henry Wee presented the rules change paper on the proposal to publish Registered Generation Capacity by facility type to facilitate transparency (e.g. allocation of VCs). He reiterated the decisions made at the 56th RCP Meeting. The Panel had unanimously supported not publishing the MNN of each generation facility (it has the same information as the identity of the GF, which will be published) and by majority vote, decided the following:

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- to publish the identity of each registered facility as originally proposed; and
- to publish the registered capacities of regulation and primary/secondary/contingency reserve of all registered facilities.

Mr. Wee informed the Panel that the implementation cost will remain at \$10,800 with a 3 month timeframe for implementation, after EMA's approval of the rule change. In addition, after EMA's approval of the proposed rule changes, EMC will write to EMA to request for information on generation transmission planning zones and the corresponding zones where each registered facility is located.

Mr. Kay sought clarification that publishing the registered capacities of the regulation and primary/secondary/contingency reserve of all registered facilities is in relation to the facility's name and not the name of the incorporated entity. Mr. Wee confirmed this.

Mr. Kay reiterated that he will not be supporting the rule change proposal on the grounds that it may have adverse impact on Diamond Energy (as raised at the 56th RCP meeting).

Mr. Langdale asked Mr. Kay for the grounds on what needs to be changed for him to support the rule change and it is also important for the market to know of his concern.

Mr. Kay said that there ought to be additional masking of customer's name, location or actual equipment, as the customers may consider such information sensitive. The identity of generation facilities does not have, in his opinion, the same degree of granularity to that of an ILF.

Mr. Kay commented that this rule change as proposed poses a potential adverse impact on Diamond Energy. For clarification purposes, Mr. Kay sought the Panel's vote in terms of who is supporting and who is not supporting the rule change proposal.

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Those who voted for:

- | | |
|------------------------|---|
| 1. Mr. Chan Hung Kwan | Representative of Transmission Licensee |
| 2. Mr. Daniel Lee | Representative of Generation Licensee |
| 3. Dr. Goh Bee Hua | Representative of Consumers of Electricity in Singapore |
| 4. Mr. Henry Gan | Representative of EMC |
| 5. Mr. Kng Meng Hwee | Representative of the PSO |
| 6. Mr. Lawrence Lee | Representative of Market Support Services Licensee |
| 7. Mr. Michael Lim | Representative of Consumers of Electricity in Singapore |
| 8. Mr. Luke Peacocke | Representative of Generation Licensee |
| 9. Mr. Philip Tan | Representative of Generation Licensee |
| 10. Mr. Robin Langdale | Person experienced in Financial Matters in Singapore |
| 11. Mr. Sean Chan | Representative of Retail Electricity Licensee |

Those who voted against:

- | | |
|-------------------|---|
| 1. Mr. Dallon Kay | Representative of the Wholesale Electricity Market Trader |
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By majority vote, the Panel supported the rules changes.

8.0 Removal of Requirement to withdraw market advisory notices (Paper No. EMC/RCP/57/2011/305)

Mr. Tan Liang Ching informed the Panel that at the 56th RCP meeting, the RCP supported the recommendation to:

- Remove the requirement for EMC to withdraw market advisories issued in respect of MCE schedules (referred to in Section 9.3.1 and 9.3.2.3); and
- Tasked EMC to draft the relevant rule modifications under this proposal

Mr. Tan then presented the proposed rule changes to the Panel.

The Panel unanimously supported the draft rules to implement the proposal to remove the requirement for EMC to withdraw market advisories, when these notices are already superseded by more recent updates.

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9.0 Review of exemption to allow Temasek Holdings affiliates to be concurrently represented on the RCP
(Paper No. EMC/RCP/57/2011/306)

Mr. Henry Wee reiterated the decision made at the 56th RCP meeting, where the Panel agreed unanimously to:

1. Narrow the exemption to apply only to the Transmission Licensee (TL) & the MSSL;
2. Remove the requirement for an annual review of this narrowed exemption.

Mr. Wee then presented the proposed rule changes.

Mr. Kay enquired why Temasek Holdings was not surveyed directly because it would be useful to garner their perspective on this particular issue. Mr. Wee informed him that all related companies (MPs) have responded to the survey. The Chairman said that it is a preference to put the obligation on the entity itself to provide its declaration and take its own responsibility.

The Panel unanimously supported EMC's proposed rule changes.

10.0 Deregistration of generation facility that is not directly connected to the transmission system – Matters Arising (Concept Paper No. 32)

Ms. Nerine Teo conveyed that at the 56th RCP Meeting, the RCP noted that a GF may request to deregister the unit for a certain period of time, and re-register the GF thereafter. This may result in the MP incurring potentially expensive disconnection and re-connection charges.

The RCP then tasked EMC to consider expanding the proposal to remove this requirement from current deregistration procedures at the 56th RCP Meeting.

Arising from this request, EMC sought the PSO's and SPPA's views on the security implications of removing the disconnection requirement from the current deregistration process. SPPA and PSO agreed that the current connection agreement already covers a GF's physical disconnection from the grid. Under such a situation, the agreement states that a Generation Licensee may voluntarily disconnect the GF on a permanent basis if it gives prior notice to the Transmission Licensee. Therefore, it is not necessary to include the requirement to disconnect a GF from the transmission system as part of the deregistration process. Instead, the SPPA requested to be informed of any GF's deregistration from the SWEM.

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EMC thus proposed the following changes to the current deregistration procedures:

1. Remove the current requirement for SPPA to disconnect the GF from the grid
2. Inform the PSO, SPPA and MSSL upon the deregistration of a GF

The RCP supported the recommendation above and tasked EMC to draft the relevant rule modifications under this proposal.

EMC

11.0 Review of composition of RCP (Concept Paper No. 34)

Ms. Wang Jing presented the paper to assess the proposal to assign an equal number of votes for the generation licensee class, retail licensee class and wholesale trader class of MPs on the current Rules Change Panel (RCP).

After analysing the existing RCP composition and rule change process, EMC do not consider that there are sufficient reasons to increase the number of wholesale trader class of representatives nor change the current composition of the RCP.

Mr. Kng supported the recommendation not to increase the number of representatives for wholesale trader class. He asked the Panel to consider the restriction of the number of voting members to one in each class, such that there will be 9 voting members only as below.

- 1 Generator representative
- 1 Retailer representative
- 1 Wholesaler representative
- 1 Market Operator representative
- 1 Grid Operator representative
- 1 Market Support Service representative
- 1 System Operator representative
- 1 Consumer representative
- 1 Financial representative

Mr. Kay expressed concern that by looking at the voting history for those classes that have 1 representative, there are instances where the representative is unable to attend a meeting and hence the position of that class of representative is not included in the voting. There is no mechanism for alternate panel member to represent that class of representative. He was also concerned that the wholesaler class is diverse as there are multiple types of wholesaler licensees with different business interests. For example in the RCP there is not one representative from the embedded generator stakeholder groups. Mr. Poh said that the interest of embedded generators should be represented on the Panel because if they are net sellers then they can be represented by the generators and if they are net buyers they can be represented by the retailers or the consumer representatives.

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On the suggestion of one voting member for each class, Mr. Chan Hung Kwan informed the Panel that similar practice had been adopted in the gas market.

Mr. Daniel Lee clarified that the gencos were represented by Keppel Merlimau Cogen on the Code Modification Panel as a Shipper representative. However, gencos did not agree with the framework for the composition of the Code Modification Panel and changes had been suggested previously.

Mr. Sean Chan commented that from the historical voting, it is noted that different members from the same class may have different views. If only one representative is allowed in each class, then such diversified views would be overlooked.

Mr. Kng said that current Market Rules allow composition of 14 Panel members and the members are generally working positively. But given the fact that the allowed composition of the RCP gives more weightage on gencos and retailers, there is potential for abuse.

Mr. Peacocke said that any potential of abuse has been addressed by the governance process where the EMC Board and EMA's approval is required to pass any rule changes. This is substantial mitigation of potential abuse. He felt that gencos has different business models and one representative cannot represent their differing views. He also felt that if all gencos are to be represented by one representative then similarly all service providers should also be represented by one representative.

Mr. Kng stated that he does not agree with the comparison of gencos, retailers group and the different service providers because they represent different entities and provided different services and thus have different interests. He also does not agree with the argument that the number of votes should be based on market share because by doing that this can encourage market power in the RCP.

The Chairman stated that there is no evidence of members voting en bloc. With a panel of 14 members, the Panel did well to get through the agenda and achieved what have been done. It is important that members do not vote in their own interests en bloc.

The Chairman said that the Panel had looked at the proposal to increase the number of representatives and that is not the appropriate way to proceed. There were also discussions about reducing the panel membership. The Chairman requested EMC to bring back an analysis of that.

EMC

There being no other matters, the meeting ended at 12.15pm.

Dave E Carlson
Chairman

Minutes taken by:
Eunice Koh
Senior Executive – Corp. Secretariat