

**MINUTES OF THE RULES CHANGE PANEL
40TH MEETING
HELD ON TUESDAY, 4 NOVEMBER 2008 AT 10.05AM
AT ENERGY MARKET CO. PTE LTD
238A THOMSON ROAD #11-01
NOVENA SQUARE, SINGAPORE 307684**

| | | |
|---------------------------|--|---|
| Present: | Dave Carlson Tay Swee Lee Dr. Kang Cheng Guan Dr. Daniel Cheng Annie Tan | Henry Gan Michael Lim Philip Tan Pei Lip Dr. Goh Bee Hua Lawrence Lee |
| Absent with Apologies: | Robin Langdale Ng Meng Poh | Low Boon Tong Dallon Kay |
| In Attendance: (EMC) | Paul Poh Tan Liang Ching Wang Jing | Poa Tiong Siaw Nerine Teo Henry Wee |

1.0 Notice of Meeting

The Chairman called the meeting to order at 10.05am. The Notice and Agenda of the meeting were taken as read.

2.0 Confirmation of Minutes of the 39th Rules Change Panel Meeting

The Minutes of the 39th Rules Change Panel meeting held on Tuesday, 2 September 2008 were tabled and taken as read.

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

3.0 Matters Arising

The Panel noted that the follow-up action was completed on the matters arising as outlined.

Minutes of 40th RCP Meeting – 4 November 2008

Action

4.0 Summary of Outstanding Rule Changes

The Panel noted the contents of the paper.

5.0 Monitoring List

The Panel noted the contents of the paper.

6.0 Publishing Generation Offers and Dispatch Quantities

(Paper No. EMC/RCP/40/2008/CP16)

Mr. Poa Tiong Siaw provided a background recap of the Publishing Generation Offers and Dispatch Quantities discussed previously.

At the 39th RCP Meeting, the RCP did not vote on a decision on the Conceptual Proposal (CP16). Thus, Mr. Poa presented a summary of further findings and the matters arising between the 35th and the 39th RCP Meeting and concluded that the RCP:

- a. support the proposal (CP16) not to publish generation offers and dispatch quantities; and
- b. review this decision when the level of market concentration reduces (e.g. monitoring EMA's assessment on Vesting Contract levels)

Dr. Kang asked at what point the level of market concentration would be considered to have reduced.

The Panel was informed that the initial criteria was to use the level of HHI falling below 1800 as a trigger to review whether offers should be published. Taking into account some members concerns that such a trigger would be too far in the future, the revised trigger proposed to be used is vesting contract (VC) levels because the whole intent of vesting contract levels is to manage market power. One possibility was to set the trigger to carry out a review when VC level fall to the minimum of 40% since the next level would be removing of VC.

Dr. Kang also highlighted to the Panel that through the publication of the AGOP, the market knows what generating units are available or unavailable. If there is concern that publishing offers may provide strategic information, then the AGOP already provides much more strategic information to the MPs. Moreover in the light of the recent consumer outcry over high electricity prices, publishing the offers will allow the public to know if the MPs exercise their market power.

The Chairman called on the Panel to vote on EMC's recommendation to:

- a) support the proposal not to publish generation offers and dispatch quantities

Minutes of 40th RCP Meeting – 4 November 2008

Action

The following Panel members who voted **to support** are:

Mr. Lawrence Lee
(representative of the Market Support Services Licensees class of market participant)
Ms. Annie Tan
(representative of the Retail Electricity Licensee class of market participant)
Mr. Philip Tan
(representative of the Generation Licensee class of market participant)
Dr. Goh Bee Hua
(representative of the consumers of electricity in Singapore)
Mr. Michael Lim
(representative of the consumers of electricity in Singapore)
Mr. Henry Gan
(employee of the EMC not being the Chief Executive)

The following Panel members who voted **but did not support** are:

Mr. Tay Swee Lee
(representative of the Generation Licensee class of market participant)
Dr. Kang Cheng Guan
(representative of the PSO)

The following Panel member **Abstained from voting**:

Dr. Daniel Cheng
(representative of the transmission licensee class of market participant)

The Panel discussed and agreed that VC levels would be monitored and used as a trigger to decide when to carry out a review of whether offers should be published.

The Panel requested EMC to include the vesting contract level on the Monitoring List.

EMC

7.0 Composition of Rules Change Panel
(Paper No. EMC/RCP/40/2008/274)

The Panel was informed that the rules change proposal was to extend the time period of a current exemption which allows a market participant (MP), or market support services licensee (MSSL), and its affiliates to concurrently be represented on the RCP. It is intended that in the Market Rules the composition of the RCP should result in fair representation and no conflict of interests. It is feasible only in a privatized electricity industry where ownership is not concentrated. Clearly, this is not feasible in the current market context where there is still a state-owned electricity company under Temasek Holdings.

Minutes of 40th RCP Meeting – 4 November 2008

Action

The Panel noted the contents of the paper.

The Panel **supported** EMC's recommendation to extend the exemption period for one more year i.e. until end of 31 December 2009 and would make the necessary recommendation to the EMC Board for adoption.

8.0 Registration of Generation Facilities at the same Generating Station
(Paper No. EMC/RCP/40/2008/275)

The Panel was informed that generation settlement facilities (GSFs) are not subject to dispatch. GSFs can generate as and when they wish and in any quantity. The Market Rules require any generation facility (one or more generating units at the same physical location) with a name-plate of 10MW or more to be registered as a generation registered facility (GRF) which are subject to dispatch. This is because the operation of multiple GSFs at the same location could have adverse impact on the system.

However, some market participants have misunderstood that the 10MW threshold applied to each generating unit's nameplate rating. It is thus necessary to make it explicit in the rules that 10MW threshold applies to the aggregate capacity of all generating units at the same physical location.

This rule change proposal is to amend the rules to clarify that all generation facilities at the same physical location must be registered as one or more GRFs (i.e. subject to dispatch) if their aggregate name-plate(s) is 10 MW or more.

As the term "physical location" can be ambiguous, it is also proposed that the term "generating station" be used in its place.

The Panel noted the contents of the paper.

Dr. Daniel Cheng informed that some generators were not located in a generating station but in consumers' production plants. He was concerned that such generators can avoid being required to be registered as GRFs if the rules are made more specific i.e. replacing the term "physical location" with "generating station". Ms Wang Jing stated that under the rules, generating station means "*any installation used for, or for purposes connected with, the production of electricity*". The Panel agreed that the definition of generating station would include generators located at consumers' production plants.

Mr Philip Tan asked whether the proposed rules impose any restriction that multiple generating units at the same generating station (aggregate capacity less than 10MW) must be registered as a single generation settlement facility. The Panel was informed that the market participants have the option to register multiple generating units at the same generating station as one facility or multiple facilities as long as relevant requirements are met.

Minutes of 40th RCP Meeting – 4 November 2008

Action

The Panel **supported** EMC's recommendation to amend Chapter 2 and Appendix 2B of Chapter 2 and Chapter 8 and the proposed revised Market Administration Market Manual (Part 2) and would make the necessary recommendation to the EMC Board for adoption.

9.0 Auditing of Contracted Ancillary Services Proposals
(Paper No. EMC/RCP/40/2008/276)

The Panel was informed that the PSO's rule change proposal was to introduce a provision to audit the proposals of the prospective ancillary service providers ("PASP"). These PASPs provide contracted ancillary services through both competitive tenders and direct negotiations. These services include black-start, fast-start, reliability must-run, reactive support and voltage control.

The aim of the audit is to ensure that the PASP's proposal is cost efficient, promotes lower-cost technology and/or have a reasonable level of capital deployment needed to meet the performance standards. The audit is not meant to reduce the contracted ancillary service costs as such; rather, it is intended to serve as an objective and independent input, safeguarding the interests of both the PASPs and loads who bear the cost of contracted ancillary service.

The Panel was informed that EMC would choose an independent consultant, with inputs from PSO and PASP with audit fees recovered from MEUC.

The Panel decided that the scope of the audit shall be determined jointly by the PSO and EMC, with inputs from the prospective ancillary service provider (section 8.3.4.3 of proposed rules).

The proposed rules would also provide that the PASP should cooperate fully and provide necessary information and/or access to its facility where relevant to the audit.

In reply to Mr. Lee's query on having a separate independent party to trigger the audit, Mr. Poh informed that it is sufficient that either the PSO, as system operator or EMC, as market operator who are independent parties initiate the audit.

The Panel noted the contents of the paper.

The Panel **supported** EMC's recommendation to introduce an audit provision and would make the necessary recommendation to the EMC Board for adoption.

Minutes of 40th RCP Meeting – 4 November 2008

Action

10 Review of Qualifications for members of the Dispute Resolution and Compensation Panel (Paper No. EMC/RCP/40/2008/279)

The Panel was informed that as required under the Market Rules (Chapter 3, Section 3.15.1), the EMC Board initiated a review of the Dispute Resolution Procedures by publishing a review notice on 06 August 2008. Only one submission was received from the Dispute Resolution Counselor (DRC), proposing to broaden the selection criteria for candidates to the Dispute Resolution and Compensation Panel (DRCP).

The DRC's proposal to include candidates with legal background and experience as arbitrators or mediators in previous disputes, even if they may not have practiced as an advocate and solicitor of the Supreme Court of Singapore would benefit the market by expanding the pool of potential candidates. This is also in line with the selection guidelines of candidates from other backgrounds (e.g. economics or power system operation), or other comparable setups such as the Singapore Mediation Centre (SMC) and the Singapore International Arbitration Centre (SIAC).

EMC recommended that the Panel conclude the DRP's review required under the Market Rules by considering only the rule change to expand the selection criteria for candidates to the DRCP.

The Panel noted the contents of the paper.

The Panel **supported** EMC's recommendation to expand the DRCP selection criteria and would make the necessary recommendation to the EMC Board for adoption.

11 Update of Market Operations Market Manual – Standing offers, Offer Variations and Standing data (Paper No. EMC/RCP/40/2008/281)

The Panel was informed that the Market Operations Market Manual was last updated and published in 24 May 2004. Since then, there have been changes to the Market Rules and market operations. EMC presented a summary of the changes made to the Market Manual and a proposed change to the Market Rules as a result of the review.

The Panel noted the contents of the paper.

Mr. Philip Tan noted that MPs have an obligation to submit offers under certain circumstances. He felt that there should be provisions in the market manual to deal with steps MPs could take in the event of system problems with respect to the submission of offers.

Minutes of 40th RCP Meeting – 4 November 2008

Action

Mr. Henry Gan informed that if the MCE is totally out of operation, there is no mechanism for submission of offers. In the event whereby the market system is operating but somehow the MP is unable to submit an offer, the MP has an alternate means through back up email access or make provision to submit the offer in a different format. These alternative methods are addressed in Section 2.3.1 of the Market Operations Market Manual.

Mr Philip Tan felt that the market manual could for example provide that MPs need not submit offers when there is a complete system outage. The Panel agreed that this issue should be dealt with as a separate issue.

EMC

The Panel **supported** EMC's recommendation to modify the Market Operations Market Manual - Standing offers, Offer Variations and Standing data and would make the necessary recommendation to the EMC Board for adoption.

12 Report of the Task Force on Meter Tampering Settlement Adjustment
(Paper No. EMC/RCP/40/2008/07)

The Panel was informed that in the Rule Change Work Plan 2008 – 2010, there was a proposal to institute a one-time wholesale market settlement adjustment for metering data corrections due to meter tampering.

EMC formed a Task Force comprising one representative from each retail market participant and a representative each from SP Services (the MSSL Licensee) and EMC settlement team, to study the proposal and explore other potential solutions.

The Task Force role was to discuss settlement adjustment issues arising from meter tampering; and to identify and agree on an approach to solve these settlement issues.

The Panel was informed that the Task Force considered three proposed options and did not come to an agreement on the preferred one. These are:

1. Remove bilateral settlement adjustments between retailers and MSSL after closure of wholesale market settlement;
2. extend wholesale market settlement re-run period; and
3. introduce official provisions for bilateral settlement adjustments between retailers and MSSL after closure of wholesale market settlement

There was also no clear majority view on any of the options and the Task Force did not recommend any of the three options studied.

Minutes of 40th RCP Meeting – 4 November 2008

Action

It was noted that on top of the existing procedures for meter tampering and unauthorized energy use provided in the Metering Code and the MSS Code, SP Services (MSSL) has also put in place mitigation measures to mitigate any tampering for new installations.

Nevertheless, there was an agreement within the Task Force that the physical act of meter tampering amounts to cheating and should be appropriately dealt with. The Task Force considered that measures should be taken by the Authority to deter the occurrence of meter tampering.

The Panel was also informed that the Task Force unanimously agreed on the following:

- 1) Meter Tampering amounts to cheating and should be dealt with by the Authority with punitive measures for effective deterrence;
- 2) Accordingly, there should be no market re-settlement arising from discovery of meter tampering attempts; and
- 3) The Market Rules governing wholesale settlement had been rigorously established by the Task Force on Settlement Re-runs in 2004 and should not be changed.

The Panel noted that the Task Force recommended that the EMA adopt the following:

- Modify the MSS Code such that the Meter Data Manager (MDM) does not apply estimation or submit corrected meter data (to the EMC for settlement purposes) that are due to meter tampering.

The Panel noted the contents of the paper.

Mr. Lee felt that the Task Force's recommendation was not sufficient. The Panel requested that the Task Force re-convene and revert from a settlement point of view, how to address the issue of cross subsidy if non-contestable consumers have to bear the cost of such losses if contestable consumers that tamper their meters are not back-charged.

EMC

13 Any Other Business

The Chairman informed the Panel that Mr. Poa Tiong Siaw has recently been promoted to Senior Vice President of the Market Assessment Unit. On behalf of the Panel, the Chairman would like to extend the Panel's appreciation of Mr. Poa's consistent and diligent contributions to the Panel for the past five years.

There being no other matters, the meeting ended at 12.20pm with a vote of thanks to the Chair.

Dave E Carlson
Chairman

Minutes taken by:
Eunice Koh
Senior Executive - Corporate Secretariat