

**MINUTES OF THE RULES CHANGE PANEL
12TH PANEL MEETING
HELD ON MONDAY, 15 MARCH 2004 AT 10.10AM
AT ENERGY MARKET CO. PTE LTD
9 RAFFLES PLACE #22-01
REPUBLIC PLAZA, SINGAPORE 048619**

Present:	Allan Dawson (Chairman) Yip Pak Ling Tan Boon Leng Dr. Daniel Cheng	Eu Pui Sun Ben Lau T P Manohar Kok Shook Kwong
Absent with Apologies:	Lee Sin Chong Francis J. Gomez	Robin Langdale
In Attendance:	Paul Poh, EMC Shashank Swan, EMC	Teo Wee Guan, EMC
By Invitation:	Tan Zing Yuen, EMC	

Action By

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 11th Rules Change Panel Meeting

The Minutes of the 11th Rules Change Panel Meeting held on Tuesday, 6 January 2004 was tabled and having previously been 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 the 10th Rules Change Panel Meeting

Item 5.0 Informing MSSL when a retailer is in default or suspension/termination process
(Paper No. EMC/RCP/10/2003./225)

The RCP requested EMC to study the information disclosure provisions during default/suspension/termination in the market rules.

EMC, in analyzing the provisions of the rules on who should be informed, considered two opposing interests i.e. the right of the affected party to privacy considering the sensitivity of their situation and the need of other parties to be informed of the affected parties' situation.

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The Panel was informed that the rules have adequate disclosure i.e. no party is treated unfairly while maintaining the balance between the right of the affected party to privacy and those who need to be informed. No rule change is required.

The Panel **supported** EMC's recommendations.

Item 7.0 EMC Information Policy (Paper No. EMC/RCP/10/2003/01)

The Panel had requested EMC to look into the feasibility of incorporating elements of the test framework of EMC's information policy for general application in the market rules.

EMC informed the Panel that this has not completed EMC will return to the Panel when work is completed.

Action By

EMC

Matters Arising from the 11th RCP Meeting

Item 5.0 Short Term Schedule (Paper No. EMC/RCP/10/2003/227)

The Panel was informed that the Short Term Schedule went live on 3 March 2004 and EMC will review the gate closure period within six months from implementation date.

5.0 Paper No.: EMC/RCP/12/2004/076 – Publishing Outage Reports Submitted to MSCP

The proposal is to publish the outage reports submitted to the MSCP by the PSO (Chapter 5, Section 7.1.3). This would provide greater transparency of the market. This paper had previously been presented to the Panel.

The Panel had requested EMC to look at 5 issues.

a) The Panel had raised that the outage report may not be sufficiently useful as it only showed the start time but not the end time of an outage. The Panel was advised that the end time is indicated in the "Remark" column of the report.

b) The Panel requested EMC to delve further on how providing the outage report would impact efficiency and pricing of the market. The Panel was informed that after applying the tests in the information policy supported by the RCP, on balance the conclusion is that potential investors' confidence in the NEMS can be increased by the publication of the outage information by the MSCP. This would enhance the level of transparency in the market. Since the NEMS started, high USEP prices could be caused by forced outages and as USEP is the standard price paid by consumers, the consumers have an interest in the performance of generation units and power equipment.

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- c) The Panel was concerned that the publication of the report would breach National Security. The Panel was informed that planned outage report was already publicly available and that reviewing names of equipment would not
1. enable the identification of a critical power installation in the Singapore power system network; and
 2. be key to locating a critical power installation or useful to a person planning an attack on the installation that can cause disruption or serious interference with public utilities.

This is the test (in the information policy paper) whether releasing information would breach National Security.

On EMC's statement that "*details of planned outages are already published. Identity of equipment scheduled for outages are already public information*", Mr. Kok Shook Kwong informed that this statement was wrong as the information is only available in the private website.

The Panel felt that this statement is inaccurate and misleading and does not enable the Panel to make an informed decision.

Dr Cheng feedback that SP PowerGrid was greatly concerned about the potential adverse impact on national security caused by the proposed publishing of transmission equipment outages to the public.

d) The Panel requested EMC to look into how other markets deal with this type of information. EMC advised that NEMMCO (Australia) and Nordpool publish information on forced outages on public websites. This information on forced outages is published close to real-time, whenever they occur. This rule change proposal is conservative by comparison since the outage report to the MSCP is submitted only quarterly

The Panel pointed out that the information provided in this paper was exactly the same as the information presented at the 8th RCP Meeting. The Panel expressed disappointment that no additional information has been provided.

Mr. Kok also informed the Panel that in light of the 911 incident, several US markets had taken measures not to release sensitive information. These include the Ontario IMO, California ISO and the PJM where no transmission outage information is provided.

e) The Panel requested that EMC assess all rule change proposals relating to information released using a consistent set of principles. EMC has applied the tests in the information policy paper supported by the RCP in Dec 2003 to assess this rule change proposal.

The Panel requested EMC to resubmit the paper taking into account the feedback of the Panel.

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6.0 Paper No. EMC/RCP/12/2004/209 – Margin Call – excluding outlier in the computation of Estimated Net Exposure

This proposal submitted by the MSSL is to exclude the net settlement amount (NSA) for a trading day completely from the ENE when an outlier occurs. However, such NSA should form part of the ENE since it is an amount owed to the EMC by a market participant. Adopting MSSL's proposal would understate a MP's actual liability.

Instead, EMC has proposed an alternative way to compute ENE when outliers occur. The proposed computation method comprises two components:

- (i) the 12-day current exposure
- (ii) an estimated 8-day exposure calculated by using a revised CE that excludes outliers

EMC's proposal would remove the inflationary effect of outliers on a MP's ENE and would yield an improved estimate of the ENE. It is envisaged that the proposed method need only be applied very rarely when price spikes are triggered by temporary ("one-off") incidents that do not reflect underlying market conditions.

However, EMC's proposed computation will not apply if there are 7 or more outliers. Instead, the existing formula for ENE will be used. This is because frequent outlier occurrences indicate a highly volatile (risky) market, and EMC needs to be prudent and incorporate the increased market risk when it calculates the MP's ENE.

EMC recommended that the RCP do not support MSSL's proposal and instead, support EMC's proposal.

The Panel **supported** EMC's recommendation and to make the necessary recommendation to the EMC Board for adoption.

7.0 Paper No. EMC/RCP/12/2004/210(C) – Concept Paper for Rule Change Proposal on Extending Deadline for Fulfilling Margin Call

In this rule change proposal, the MSSL seeks to extend the deadline (from 2 business days to 30 days) for it to meet a margin call when it has taken over non-MP contestable consumers from a suspended retailer.

EMC proposed to allow the MSSL to obtain corporate guarantees from suitable credit rated organizations as temporary credit support for a limited grace period that would allow it to arrange for additional credit support of the normal form.

The Panel was informed that Singapore Power does not agree to give corporate guarantees.

EMC was requested to work with MSSL to look at other options and to revert to the Panel.

EMC

8.0 Paper No. EMC/RCP/12/2004/228 – Modification of Market Operations Market Manual – Standing Offers, Offer Variations and Standing Data

This proposal seeks to revise the Market Operations Market Manual – Standing Offers, Offer Variations and Standing Data.

These revisions are mostly consequential amendments upon introducing Short-Term Schedules (STS). The STS rule changes have been supported by the RCP on 6 January 2004.

The Panel **supported** EMC's recommendation and to make the necessary recommendation to the EMC Board for adoption.

9.0 Paper No. EMC/RCP/12/2004/229 – Dynamic Load Participation Factors

This paper assesses the rule modification that proposes a new methodology to improve the calculation of load participation factors (LPF). At present, the methodology for the calculation of LPFs is static, i.e. based on historical data that may be up to 3 months old. The proposal is to use the most recent data from the network status file to determine LPFs. This captures dynamic changes in real time load distribution in the power system. One important benefit of the change is to ensure that the LPFs would capture changes in connectivity status. Further, load shifting in the network will also be captured so that a constraint violation penalty would not be invoked and the resulting prices will take load shifting into account.

The Panel **supported** EMC's recommendation and to make the necessary recommendation to the EMC Board for adoption.

10.0 EMC's Performance Incentive Management System (PIMS) for Financial Year 2004 (Paper No. EMC/RCP/12/2004/01)

The Panel invited Mr. Tan Zing Yuen to the meeting.

The Panel noted that Mr. Kok Shook Kwong abstained from the discussion.

PIMS was due to be introduced last year but was delayed due to negotiations on revenue/return issues. This paper is to update the RCP on developments regarding EMC's proposed Performance Incentive Management System and seeks the RCP's approval for the proposed targets, measures and financial incentives for EMC's PIMS for the financial year commencing 1 April 2004.

The key objective is to identify services of value to Market Participants and to incentivise EMC to achieve high standards in these services

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The Panel was informed that negotiations with the EMA have now proceeded to the point where the Minister has been asked to approve a new regime for regulating EMC's returns and performance. The new revenue cap regime for EMC removes the need for the cost sharing regime so PIMS now only includes service measures and targets linked to a bonus scheme.

The Panel was informed that EMC's performance up to December 2003 are as follows :

▪ Systems availability	99.82%
▪ Pricing accuracy	99.39%
▪ Settlement accuracy	99.92%

EMC has not yet assessed satisfaction with customer responsiveness, market assessment or rule changes

The proposed targets for 2004/2005 are:

▪ System availability	99.6% (? from 99.2%)
▪ Pricing accuracy	99% (? from 96%)
▪ Settlement accuracy	99% (? from 98%)
▪ Customer responsiveness	70% (unchanged)
▪ Market assessment	70% (unchanged)
▪ Rule changes	80% (? from 70%)

2004/05 weightings:

▪ System availability	= +/-25
▪ Pricing accuracy	= +/-20*
▪ Settlement accuracy	= +/-20
▪ Customer responsiveness	= +/-20
▪ Market assessment	= +/- 5
▪ Rule changes	= +/-10*

* was 15 for Pricing and 15 for Rule changes but EMC has since changed these following feedback from a Market Participant

In light of its performance since market start, EMC wishes to raise its performance targets for system availability, pricing and settlement accuracy and rule changes. EMC also wishes to raise the weightings for customer responsiveness and rule change services in light of the apparent increased importance of these to Market Participants.

EMC had also made comparisons with other markets such as the NEMMCO, Australia and the IMO, Ontario.

The Panel was informed that the preliminary PIMS was concurrently sent to the EMA for consideration because of the short time frame available to EMC for implementation.

The EMA had returned with their comments and the Panel is to take note that EMC has not had the opportunity to discuss with the EMA on their comments.

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The EMA's initial comments are:

To raise the targets of the following service measures:

▪ Systems availability	99.8%
▪ Pricing accuracy	99.4%
▪ Settlement accuracy	99.9%
▪ Customer responsiveness, market Assessment and rules changes	85%

To retain the weightings at the previous proposal, namely:

• Systems availability	25%
• Pricing accuracy	25%
• Settlement accuracy	25%
• Customer responsiveness	15%
• Market Assessment	5%
• Rules Change	5%

EMC's previous PIMS proposal incorporated a bonus of up to \$600,000 or 2% of its revenues, whichever is the lower. This remains unchanged.

Each year, EMC would measure its performance throughout the year by consulting market participants and would engage an independent third party to verify EMC's performance against targets, measures and financial incentives. The independent third party would make recommendations to RCP on any bonus and the RCP would be requested to make recommendation to EMA which would have final decision on bonus

The Panel wanted to know if there is a possibility of a negative bonus. The Panel was informed that, at the present moment, discussions between the shareholders and EMA indicated that there will be no penalty.

Mr. Tan Boon Leng pointed out that accuracy on Settlement and Pricing is very important to market participants, and so requested for justification on the derived percentage targets. Mr. Tan also suggested that EMC look into using for example NEMMCO's historical data over the past few years to set their targets and see if EMC can do better than NEMMCO in its earlier years.

EMC

Mr. Eu Pui Sun wanted to know why the Budget is not being used as a measure for the targets i.e. to incentivise EMC for lowering its fees. The Panel was informed that EMC has not seen the proposed rate of return and EMC will share the new regime with the Panel when it is approved.

There was concern from the Panel that the proposed performance targets are lower than what were actually achieved by EMC last year. The Panel also requested for explanation of what the targets measure and the relationship of these measures against the target set in percentage terms.

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EMC would take into account these comments and make the necessary amendments to the PIMS before submitting the proposal to the EMC Board for approval before submitting the same to EMA.

11.0 Report of the RCP on PSO's Proposed Budget for FY04/05

The Panel requested Mr. Kok Shook Kwong to remind EMA to revert to the Panel on the Panel's query on the treatment of over/under recovery of PSO fees.

12.0 Date of Next Meeting

The next Panel meeting is scheduled to be held on 11 May 2004 at 10.00am at the EMC Board Room.

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

ALLAN H. DAWSON
Chairman

Minutes taken by:
Eunice Koh
Market Panel Administrator