Notice of Market Rules Modification

Paper No.: EMC/RCP/113/2020/362  
Rule Reference: Chap 2 Sec 7.3, 7.4, 7.6 & 7.7; Mkt Admin Mkt Manual (Part 1)  
Proposer: EMC, Market Admin  
Date Received by EMC: 12 November 2019  
Category Allocated: 1  
Status: Approved by EMA  
Effective Date: 21 October 2020

This paper seeks to clarify and align the various timelines in relation to provision of credit support in the market rules.

Specifically, the EMC made the following four proposals:

1) In the event that a market participant’s (MP’s) existing or remaining credit support is less than its credit support value (CSV), if the MP has also been issued a margin call, then the MP shall both satisfy its margin call and meet its CSV requirement within 2 business days (BDs).

2) Replacement credit support shall be provided at least 30 days or 35 days, for the market support services licensee (MSSL) and market participants (MPs) (except the MSSL) respectively, prior to the expiry date of the existing credit support.

3) Non-renewal notification by the guarantor financial institution of a Standby Letter of Credit (SBLC) / Banker’s Guarantee (BG) shall be given to the EMC 33 days or 38 days, for the MSSL and MPs (except the MSSL) respectively, prior to the expiry date of the SBLC or BG.

4) In the event that any part of the credit support provided by an MP ceases to be current or valid for any reason:
   (a) if the MP (except the MSSL) so notifies the EMC more than 35 days prior to the expiry, it shall be required to provide replacement credit support 35 days prior to the expiry, otherwise the MP is required to provide replacement credit support immediately within 2 BDs; and
   (b) if the MSSL so notifies the EMC more than 30 days prior to the expiry, it shall be required to provide replacement credit support 30 days prior to the expiry, otherwise the MSSL is required to provide replacement credit support immediately within 2 BDs.

At the 113th RCP meeting, the RCP unanimously supported the proposed modifications.

Date considered by Rules Change Panel: 21 January 2020  
Date considered by EMC Board: 19 March 2020  
Date considered by Energy Market Authority: 06 April 2020  
Proposed rule modification:  
See attached paper.  
Reasons for rejection/referral back to Rules Change Panel (if applicable):
Executive Summary

This paper seeks to clarify and align the various timelines in relation to provision of credit support in the market rules. Specifically, the EMC looked into five issues and made four proposals:

1) different timelines for satisfying a margin call and meeting credit support value (CSV) requirement
   In the event that a market participant’s (MP’s) existing or remaining credit support is less than its CSV, if the MP has also been issued a margin call, then the MP shall both satisfy its margin call and meet its CSV requirement within 2 business days (BDs).

2) provision of replacement for expiring credit support
   Replacement credit support shall be provided at least 30 days or 35 days, for the market support services licensee (MSSL) and market participants (MPs) (except the MSSL) respectively, prior to the expiry date of the existing credit support.

3) non-renewal notification requirement of Standby Letter of Credit (SBLC) / Banker’s Guarantee (BG)
   Non-renewal notification by the guarantor financial institution of an SBLC or BG shall be given to the EMC 33 days or 38 days, for the MSSL and MPs (except the MSSL) respectively, prior to the expiry date of the SBLC or BG.

4) provision of replacement for invalid credit support
   In the event that any part of the credit support provided by an MP ceases to be current or valid for any reason:
   a) if the MP (except the MSSL) so notifies the EMC more than 35 days prior to the expiry, it shall be required to provide replacement credit support 35 days prior to the expiry, otherwise the MP is required to provide replacement credit support immediately within 2 BDs; and
b) if the MSSL so notifies the EMC more than 30 days prior to the expiry, it shall be required to provide replacement credit support 30 days prior to the expiry, otherwise the MSSL is required to provide replacement credit support immediately within 2 BDs.

The following issue was also reviewed by the EMC. Our assessment is that status quo is satisfactory, hence no change is proposed.

5) whether a minimum term of validity should be applied for BGs as a form of credit support

At the 112th RCP meeting, the RCP by majority vote supported Proposal 1, unanimously supported Proposals 2 to 4, and tasked the EMC to draft the relevant rule modifications. The proposed modifications to give effect to the RCP’s decisions are summarised in section 8 of this paper and set out in Annex 1 and 2.3

At the 113th RCP meeting, the RCP unanimously supported the proposed modifications set out in Annex 1 and 2 to give effect to the RCP’s decisions.
1. **Introduction**

This paper clarifies and aligns the various timelines in relation to provision of credit support in the market rules and proposes changes to the current rules.

2. **Background**

2.1 **Current Prudential Requirements in the SWEM**

Prudential requirements set out in the current market rules stipulate that every market participant (MP), including a market support services licensee (MSSL), that intends to participate in the Singapore Wholesale Electricity Market (SWEM) needs to provide and maintain credit support with the EMC that is no lesser than its credit support value (CSV). The CSV is computed as follows:

\[
\text{Credit Support Value} = \text{Estimated Average Daily Exposure (ADE)} \times 30 \text{ calendar days} \tag{1}
\]

Where Estimated ADE = \(-1 \times \text{average of net settlement amounts set out on the 90 most recently available Preliminary Settlement Statement (PSS) or corresponding Final Settlement Statement (FSS) (if available)}\)\(^2\).

As per the formula above, credit support would be required from all net debtor MPs. For the avoidance of doubt, all references to an MP in this paper shall include a reference to an MSSL, unless otherwise expressly stated.

2.2 **Forms of Credit Support**

The market rules allow credit support provided by an MP to be in the form of:

- a Banker’s Guarantee (BG) or Standby Letter of Credit (SBLC) by a financial institution that is (i) a local bank, or (ii) a foreign bank licensed to carry on banking business in Singapore and acting through its office in Singapore, rated “A” or better by Standard & Poor’s,
- cash deposits made with the EMC,
- Singapore Government Treasury bills\(^3\),

or a combination of the above.

2.3 **Risk Exposure Monitoring and Margin Call**

On each business day (BD), the EMC assesses the adequacy of credit support held in respect of each MP by calculating their respective Risk Exposure (RE), which is:

\[
\text{Risk Exposure (RE)} = \frac{\text{Estimated Net Exposure}}{\text{Credit Support Held}} = \frac{\text{Current Exposure} + (20 - X) \text{Estimated ADE} - \text{Prepayment Amount}}{\text{Credit Support Held}}
\]

where:

\(^1\) Rules modifications in relation to RC 359 (Review of Credit Support Requirements in Alignment with the Lead Time for Transfers During a Retailer of Last Resort Event) will take effect from 8 January 2020. Unless otherwise stated, analysis in this paper is based on current market rules.

\(^2\) For MPs with no more than 90 days of trading in the SWEM, their Estimated ADEs are calculated by averaged prices multiplied by forecast or actual quantities, whichever is greater.

\(^3\) Such Treasury bills shall be valued as cash at their current market value less 2%. No MP has provided or intended to provide credit support in the form of Treasury bills in the SWEM till present.
Current Exposure = -1 × aggregate of net settlement amounts set out on all of the MP’s PSSs (or corresponding FSSs if available) for all trading days where the invoices for such settlement statements would not yet be due for payment on that given day; and

X refers to the number of trading days to which the Current Exposure relates.

As metering data is only available to the EMC 5 BDs after a trading day, the EMC determines the net settlement amount for a given trading day only 6 BDs after that trading day. The Risk Exposure calculation thus uses Estimated ADE to approximate the exposure for the period during which an MP’s actual exposure is unknown (i.e. exposure incurred from trading day D - 5BD to D as shown in Figure 1 below).

Figure 1: Risk Exposure Monitoring

The EMC notifies an MP when the MP’s RE reaches 60% and issues a margin call when the RE reaches or exceeds 70%. The MP must satisfy a margin call within 2 BDs via providing additional credit support or making pre-payment to the EMC such that the MP’s RE is brought down to 50% or less.

3. Description of Issues and Proposals

In this section, we examine five associated issues that have been raised in relation to this proposal.

3.1 Different Timelines for Satisfying a Margin Call and Meeting the CSV Requirement

If the EMC has revised the CSV requirement or claimed any credit support of an MP, resulting in the existing or remaining credit support becoming less than the MP’s CSV requirement, then the MP needs to provide additional credit support within 5 BDs to bring its credit support to at least the CSV requirement. The same event may trigger a margin call as well and the MP is required to satisfy the margin call within 2 BDs. Table 1 below provides a numerical illustration of how the MP could satisfy the margin call and meet its CSV requirement respectively.

Table 1: A Numerical Illustration

<table>
<thead>
<tr>
<th>Margin call and insufficient credit support</th>
<th>To satisfy margin call</th>
<th>To meet CSV requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Exposure</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Estimated ADE</td>
<td>$115,000</td>
<td>$115,000</td>
</tr>
<tr>
<td>(20-X)*Estimated ADE</td>
<td>$920,000</td>
<td>$920,000</td>
</tr>
</tbody>
</table>

Rules modifications in relation to RC 359 (Review of Credit Support Requirements in Alignment with the Lead Time for Transfers During a Retailer of Last Resort Event) will take effect from 8 January 2020. Unless otherwise stated, analysis in this paper is based on current market rules.
Prepayment Amount - $620,000 - -
ENE $2,120,000 $1,500,000 $2,120,000 $2,120,000
Credit Support Held $3,000,000 $3,000,000 $3,000,000 $3,000,000
Additional Credit Support - - $1,240,000 $450,000
RE 70.67% 50.00% 50.00% 61.45%
CSV = 30* Estimated ADE $3,450,000 $3,450,000 $3,450,000 $3,450,000
Credit Support Shortfall = CSV – Credit Support Held $450,000 $450,000 $0 $0

For the sole purpose of satisfying a margin call, providing additional credit support can be twice as costly as making prepayment. As shown in Table 1, in order to bring its RE to 50%, the MP is required to either a) make prepayment of $620,000 or b) provide additional credit support of $1,240,000. Although making prepayment creates additional administrative work and settlement checks for both the MP and the EMC, it is sometimes preferred by MPs with tight cash flows to meet their immediate obligations in satisfying margin calls.

The MP in the example given in Table 1 above has two rule obligations with different timelines: satisfying the margin call within 2 BDs and meeting its CSV requirement within 5 BDs. We set out three different approaches that the MP may take in Table 2 below.

Table 2: Analysis of Different Approaches

<table>
<thead>
<tr>
<th>Approaches</th>
<th>Numerical Illustration in Table 1</th>
<th>Difficulty of Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) provide additional credit support within 2 BDs to both satisfy margin call and meet CSV requirement</td>
<td>Minimum $1,240,000 of additional credit support provided in 2 BDs</td>
<td>Most cash outlay with tight timeline</td>
</tr>
<tr>
<td>(ii) make prepayment to satisfy margin call first (within 2 BDs) and provide additional credit support later (within 5 BDs)</td>
<td>Minimum $620,000 of prepayment provided in 2 BDs</td>
<td>Less cash outlay with slightly more extended timeline</td>
</tr>
<tr>
<td>Minimum $450,000 of additional credit support provided in 5 BDs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) provide a combination of additional credit support and prepayment to meet CSV requirements and satisfy margin call concurrently within 2 BDs</td>
<td>Minimum $450,000 of additional credit support provided in 2 BDs</td>
<td>Least cash outlay with tight timeline</td>
</tr>
<tr>
<td>Minimum $395,000 of prepayment provided in 2BDs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With either Approach (i) or (iii), the potential credit risk due to insufficient credit support of the MP could be remedied within 2 BDs when the MP meets its CSV requirement. Although MPs are encouraged to provide a reasonable buffer on top of their CSV requirements, Approach (i) entails more cash outlay from the MP and the credit support held of the MP could become unnecessarily excessive compared to its CSV requirement. Approach (iii) provides certain flexibility to the MP to choose an optimal combination of additional credit support and prepayment amount.

Approach (ii) could be preferred by MPs with critical cash flow issues since the immediate cash top-up within 2 BDs is the least. Note that the prepayment amount is more than that in Approach (iii) as the credit support amount (prior to the MP meeting its CSV requirement) used for RE calculation is smaller. However, while the MP has satisfied its margin call by making prepayment, its credit support remains less than its CSV requirement for another 3 BDs before the shortfall is remedied. We examined the potential credit risk exposure to the market during the 3 BDs as a result of Approach (ii). As shown in Table 3 below, during the 3 BDs, risks associated with the

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5 Assuming both credit support top-up and prepayment are done using cash deposit
credit support shortfall of $10,000 are not fully met by the prepayment amount of $4,000. There is still uncovered credit risk of $6,000 to the market.

Table 3: Credit Risk Analysis of Approach (ii)

<table>
<thead>
<tr>
<th>Margin call and insufficient credit support</th>
<th>Approach (ii)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Step 1 - to satisfy margin call by making prepayment within 2 BDs</td>
</tr>
<tr>
<td>X</td>
<td>12</td>
</tr>
<tr>
<td>Current Exposure</td>
<td>$6,000</td>
</tr>
<tr>
<td>Estimated ADE</td>
<td>$1,000</td>
</tr>
<tr>
<td>(20-X)*Estimated ADE</td>
<td>$8,000</td>
</tr>
<tr>
<td>Prepayment Amount</td>
<td>-</td>
</tr>
<tr>
<td>ENE</td>
<td>$14,000</td>
</tr>
<tr>
<td>Credit Support Held</td>
<td>$20,000</td>
</tr>
<tr>
<td>RE</td>
<td>70.00%</td>
</tr>
<tr>
<td>CSV = 30*Estimated ADE</td>
<td>$30,000</td>
</tr>
<tr>
<td>Credit Support Shorfall = CSV – Credit Support Held</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

To avoid possible confusion of timelines and the potentially uncovered credit risk associated with Approach (ii), in the event an MP that has insufficient credit support also receives a margin call from the EMC, the MP should both satisfy its margin call and meet its CSV requirement within 2 BDs.

To complete the review of this issue, one should note that it is possible that an MP is assessed to have insufficient credit support compared to its CSV requirement, but no margin call is issued as its RE stays below 70%. Given the formula of RE, this is typically associated with the situation where the MP’s recent daily exposure is much less than its Estimated ADE. The status quo requirement of meeting the CSV requirement within 5 BDs is still acceptable given that the MP’s RE is considered reasonably healthy (below 70%). In addition, the timeline of 5 BDs serves to provide the MP with more flexibility in terms of the forms of credit support it can obtain, especially if the MP’s intention is to provide additional credit support in the form of an SBLC or a BG.

Proposal 1

In the event that an MP’s existing or remaining credit support is less than its CSV, if the MP has also been issued a margin call, then the MP shall both satisfy its margin call and meet its CSV requirement within 2 BDs. Figure 2 below illustrates the outcome of this proposal 1.
3.2 Provision of Replacement for Expiring Credit Support

If an expiring credit support would bring an MP’s credit support below its CSV requirement, the MP is required to provide a replacement credit support at least 10 BDs prior to the expiry date of its existing credit support. Failure to do so would constitute an event of default under the market rules.

However, if an MP fails to provide replacement credit support in time and starts to default on its payments, its total trading exposure is about 35 days which includes 20 days (subject to BD convention) of payment cycle, up to 4 BDs of suspension process, and 3 BDs of Retailer of Last Resort (RoLR) process if the MP is not the MSSL. The EMC is only able to claim the MP’s credit support in respect of its due and unpaid invoices up to the expiry date of its existing credit support.

As illustrated in Figure 3 below, if an MP (except the MSSL) starts to default on its payment 10 BDs before the BG expiry date, out of its total trading exposure which is about 35 days, the EMC can only recover about 15 days (10 BDs) of due and unpaid invoice amount of the MP by the expiry date of its credit support. The MP’s invoices that are due and unpaid after the expiry date of the credit support leave uncovered risks to the market.

**Figure 3: Uncovered Exposure Due to Expiring Credit Support**

Proposal 2

In order to cover an MP’s total trading exposure in the event of its non-provision of replacement credit support and default on payment, the EMC proposes that the replacement credit support to be provided at least 30 days or 35 days, for the MSSL and MPs (except the MSSL) respectively, prior to the expiry date of the existing credit support. Figure 4 below illustrates the outcome of this proposal 2 for the case of MPs (except the MSSL).

The proposal is unlikely to have material financial impact on MPs. If the replacement credit support is in the form of BG, the replacement BG is typically effective from the day after the expiry date of the existing credit support; if the MP intends to provide cash deposit to replace the expiring BG, this would require the cash deposit to be transferred to EMC 30 or 35 days in advance.

**Figure 4: Illustration of Proposal 2 (MPs except the MSSL)**
3.3 Non-renewal Notification Requirement of SBLC/BG

If an SBLC or BG allows for auto renewal, the guarantor financial institution is required to give written notice to the EMC about its intention not to renew at least **30 days** prior to the expiry date of the SBLC or BG. The 30-day timeline covers the existing CSV requirement which is 30 days of Estimated ADE.

In the modified CSV requirements in RC 359 (Review of Credit Support Requirements in Alignment with the Lead Time for Transfers During a Retailer of Last Resort Event) which will come into effect on 8 January 2020, the MSSL are required to provide credit support equivalent to 33 days of Estimated ADE and all MPs (except the MSSL) are required to provide credit support equivalent to 38 days of Estimated ADE. The notification timeline needs to be updated accordingly to provide sufficient coverage of trading exposure of MPs.

**Proposal 3**

In alignment with the modified CSV requirements, the EMC proposes that the non-renewal notification by the guarantor financial institution of an SBLC or BG to be given to the EMC **33 days** or **38 days**, for the MSSL and MPs (except the MSSL) respectively, prior to the expiry date of the SBLC or BG.

3.4 Provision of Replacement for Invalid Credit Support

If any part of the credit support provided by the MP ceases to be current or valid for any reason, the MP is currently required by the market rules to immediately notify the EMC and provide to the EMC a replacement credit support to at least meet its CSV requirement within **2 BDs** of the date on which the existing credit support ceases to be current or valid ("expiry date").

The uncovered trading exposure of the MP differs depending on when the MP becomes aware of such situation and notifies the EMC ("notification date"), relative to the expiry date of the credit support. Different lead time between the notification date and the expiry date should warrant different treatments.

**Proposal 4**

Figure 5 below illustrates the intention of proposal 4.

**Figure 5: Illustration of Proposal 4**

a) For MPs (except the MSSL), if the notification date is more than 35 days prior to the expiry date, there is no uncovered trading exposure as illustrated by Figure 5 above. In this case, it is not an immediate requirement for the MP to provide replacement credit support, as long as the MP does so **35 days** prior to the expiry date of the credit support.

b) For MPs (except the MSSL), if the notification date falls within 35 days to the expiry date or after the expiry date, there will be uncovered trading exposure if the MP does not provide replacement credit support immediately. The MP shall be required to meet its CSV requirement **within 2 BDs**.

c) For the MSSL, the corresponding cut-off time is 30 days. The MSSL is only required to provide replacement credit support **30 days** prior to the expiry date of its credit support if the notification date is more than 30 days prior to the expiry date while it should top up its credit support **within 2 BDs**.
support immediately within 2 BDs with the EMC if the notification date falls within 30 days to the expiry date or after the expiry date.

3.5 Minimum Term of Validity for BG

The current market rules stipulate that credit support in the form of an SBLC shall be valid for at least a year or provide for auto renewal while there is no such requirement for credit support in the form of a BG. It is proposed that the same requirement to be applied for credit support in the form of a BG.

The proposal could potentially increase the banking cost of MPs if a one-year term of validity is deemed not necessary for the MP’s individual credit profile. In the past two years, we have observed an upward trend of MPs providing BGs with shorter term of validity. In 2018, 10% of the BGs received by the EMC have terms of validity that are less than one year; in the first 9 months of 2019, the figure has gone up to 32%.

Taking a snapshot at mid of September 2019:

▪ 6 MPs (including the MSSL) provided BGs with validity of less than one year and the face value of those BGs made up a rather significant proportion of the MP/MSSL’s respective total amount of credit support;
▪ out of the 33 BGs provided by MPs (except the MSSL), 10 (30%) of them have terms of validity that are less than one year; and
▪ the total face value of all BGs provided by MPs (except the MSSL) is about $280 million and BGs with validity of less than one year made up 22% of that total face value.

While the proposal of having a minimum term of validity of one year for BGs would require less frequent monitoring of expiry of BGs and improve operational efficiency from the EMC’s point of view, we understand that there might be certain commercial considerations which make BGs of shorter term of validity more favourable than those of longer term of validity, or the alternative of providing credit support in the form of cash deposits. Status quo grants MPs with a reasonable level of flexibility in choosing their preferred form of credit support and we do not propose any changes to it.

4. Summary of Proposals and Conclusion

This paper has reviewed the various timelines in relation to provision of credit support and proposed the following changes to the current market rules:

1) In the event that an MP’s existing or remaining credit support is less than its CSV, if the MP has also been issued a margin call, then the MP shall both satisfy its margin call and meet its CSV requirement within 2 BDs.

2) Replacement credit support shall be provided at least 30 days or 35 days, for the MSSL and MPs (except the MSSL) respectively, prior to the expiry date of the existing credit support.

3) Non-renewal notification by the guarantor financial institution of an SBLC or BG shall be given to the EMC 33 days or 38 days, for the MSSL and MPs (except the MSSL) respectively, prior to the expiry date of the SBLC or BG.

4) In the event that any part of the credit support provided by an MP ceases to be current or valid for any reason:
   a) if the MP (except the MSSL) so notifies the EMC more than 35 days prior to the expiry, it shall be required to provide replacement credit support 35 days prior to the expiry, otherwise the MP is required to provide replacement credit support immediately within 2 BDs; and
b) if the MSSL so notifies the EMC more than 30 days prior to the expiry, it shall be required to provide replacement credit support 30 days prior to the expiry, otherwise the MSSL is required to provide replacement credit support immediately within 2 BDs.

5. Consultation (Concept Paper)

The concept paper was published for consultation on 11 October 2019 and a comment was received from Markets and Operations of the EMC.

Comments from Markets and Operations of the EMC

Out of the five issues raised, Issue 2 and 4 has a timeline to provide credit support at least 30 or 35 days for the replacement of the existing credit support. Whereas non-renewal notification by the guarantor financial institution of an SBLC/BG shall be provided 33 or 38 days for MSSL and MP. As there are potentially long weekends due to public holidays, the timeline to provide credit support as well as the non-renewal notification of the auto-renewal BG may fall on the same day.

EMC’s response

In the event that the guarantor financial institution of an SBLC/BG gives written notice to the EMC about its intention not to renew at least 38 days (or 33 days for the case of the MSSL) prior to the expiry date of the SBLC/BG of an MP, the EMC will consider notifying the MP accordingly and require the MP to provide replacement credit support within 2 BDs. For clarity, the timeline to provide replacement credit support at least 30 or 35 days, for the MSSL and MPs (except the MSSL) respectively, prior to the expiry date of the existing credit support is not applicable in this case.

6. Implementation Time and Cost

Table 4 summarises the implementation time and cost estimates.

<table>
<thead>
<tr>
<th>Time Estimates</th>
<th>Man week(s)</th>
<th>Elapse Time Calendar week(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0. Vendor Selection/Preparation</td>
<td>N.A.</td>
<td>8</td>
</tr>
<tr>
<td>1. Change Requirement Scoping and Analysis</td>
<td>8.0</td>
<td>3</td>
</tr>
<tr>
<td>2. System Development/Testing/Project Management</td>
<td>30.2</td>
<td>9</td>
</tr>
<tr>
<td>3. User Acceptance Testing (UAT)</td>
<td>3.0</td>
<td>5</td>
</tr>
<tr>
<td>4. Audit</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Total Effort Required</strong></td>
<td><strong>41.2</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal EMC Manpower</td>
<td>$27,808</td>
</tr>
<tr>
<td>2. External resource to support (Vendor)</td>
<td>$62,918</td>
</tr>
<tr>
<td>3. Audit</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

7. RCP’s Decisions at the 112th RCP Meeting

The concept paper was presented at the 112th RCP meeting held on 12 November 2019. The RCP:

(i) by majority vote supported Proposal 1;
(ii) unanimously supported Proposals 2 to 4; and
(iii) tasked the EMC to draft the relevant rule modifications.
Details of the voting outcome of Proposal 1 are listed below.

The following RCP members supported Proposal 1:

- Mr. Teo Chin Hau (Representative of Generation Licensee)
- Mr. Tony Tan (Representative of Generation Licensee)
- Mr. Mark New (Representative of Retail Electricity Licensee)
- Ms. Ho Yin Shan (Representative of the Market Support Services Licensee)
- Mr. YK Fong (Representative of Consumers of Electricity in Singapore)
- Mr. Tan Chian Khong (Person experienced in Financial Matters in Singapore)
- Ms. Carol Tan (Representative of Transmission Licensee)
- Mr. Henry Gan (Representative of EMC)
- Mr. Matthew Yeo (Representative of Wholesale Electricity Trader)

The following RCP members abstained from voting:

- Mr. Marcus Tan (Representative of Generation Licensee)
- Mr. Soh Yap Choon (Representative of the PSO)
- Dr. Toh Mun Heng (Representative of Consumers of Electricity in Singapore)


To give effect to the RCP’s decisions at its 112th meeting, the EMC has drafted the proposed modifications to the market rules and market manual set out in Annex 1 and 2 respectively. Table 5 below summarises these modifications.

<table>
<thead>
<tr>
<th>Chapter/Section of Market Rules/Manual</th>
<th>Proposed Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To give effect to the RCP’s decision on proposal 1</strong></td>
<td></td>
</tr>
<tr>
<td>Chapter 2 section 7.3.4 and 7.3.5 of Market Rules</td>
<td>To stipulate that if the estimated net exposure of an MP is greater than or equal to 55% (or 60%, in the case of an MSSL) of the value of its credit support and the EMC has notified the MP of an revision in its credit support value, the MP is required to meet its revised credit support value <strong>by the second BD</strong> from receipt of such notification.</td>
</tr>
<tr>
<td>Chapter 2 section 7.6 and 7.7.6A of Market Rules</td>
<td>To stipulate that if the estimated net exposure of an MP is greater than or equal to 55% (or 60%, in the case of an MSSL) of the value of its credit support and the MP is notified of the EMC exercising its rights under credit support provided by the MP, the MP is required to, <strong>by the second BD</strong> from receipt of such notification, provide additional credit support such that the total credit support of the MP is at least equal to its credit support value.</td>
</tr>
<tr>
<td>Chapter 2 section 7.4.4.1 of Market Rules</td>
<td>To change the risk exposure threshold for the EMC to revoke a margin call from the current 70% level to <strong>55%</strong> (or <strong>60%</strong>, in the case of an MSSL). To clarify that if the MP has received notification from the EMC that its credit support value has been revised pursuant to section 7.3.3 and the MP’s reassessed estimated net exposure is less than 55% (or 60%, in the case of an MSSL), the <strong>timeline in section 7.3.4 shall apply</strong> for the MP to provide to the EMC revised credit support.</td>
</tr>
</tbody>
</table>

| **To give effect to the RCP’s decision on proposal 2** |
| Chapter 2 section 7.6.6 of Market Rules | To require an MP to provide a replacement credit support **at least 35** (or **30**, in the case of an MSSL) **days**, instead of 10 BDs as required under current rules, prior to the expiry of an existing credit support. |
To give effect to the RCP's decision on proposal 3

| Chapter 2 Section 7.6.3.1 of Market Rules, and Section 7 of both Appendix 2A and 2B of Application form for Market Participant Registration | To stipulate that the guarantor of a BG or SBLC (with the principal being an MP) that allows for automatic renewal is required to give written notice to the EMC of the guarantor’s intention not to renew the BG or SBLC at least 38 days prior to the expiry date or (as the case may be) the renewed expiry date. |
| Chapter 2 Section 7.6.3.1 of Market Rules, and Section 7 of both Appendix 2A and 2B of Application form for Authorisation of Market Support Services Licensee | To stipulate that the guarantor of a BG or SBLC (with the principal being an MSSL) that allows for automatic renewal is required to give written notice to the EMC of the guarantor’s intention not to renew the BG or SBLC at least 33 days prior to the expiry date or (as the case may be) the renewed expiry date. |

To give effect to the RCP's decision on proposal 4

| Chapter 2 Section 7.6.7 of Market Rules | To require an MP to provide a replacement credit support within 2 BDs of the MP notifying the EMC of any part of its existing support ceasing to be current or valid, or at least 35 (or 30, in the case of a market support services licensee) days prior to the date on which the existing support ceases to be current or valid, whichever is later. |

9. Legal Sign-Off

The text of the proposed modifications to the market rules and market manual set out in Annex 1 and 2 has been vetted by EMC’s internal legal counsel, whose opinion is that the proposed modifications reflect the intent of the modification proposals as expressed in the third column of the tables in Annex 1 and 2.


The proposed modifications were published for consultation on 13 December 2019 and a comment was received from Seraya Energy.

Comments from Seraya Energy

Seraya Energy would like to submit our feedback that we do not support Proposal No. 2 to increase the timeline for provision of replacement credit support.

Although the commencement date of the replacement credit support is immediately after the expiry date of the existing credit support, the issuing banks charge fees based on the date of issuance. Under the proposed modifications, lengthening the replacement period from 10 business days to 35 days will lead to significantly higher costs borne by Market Participants.

Suppose the validity period of our pledged credit support is 1 year. The bank charges fees per day for this period of 1 year. Given the rule that credit support must be made available 10 business days prior, the bank will thus charge us fees per day for a period of 1 year + 14 calendar days. With the proposed modification to change the rule to 35 calendar days prior, we will be charged fees per day for a period of 1 year + 35 days. We would need to pay the bank fees for an additional 21 days, which would be a 5.75% increase in the cost for credit support provision alone.

In light of the current market circumstances and the poor financial situation that the gencos/gentailers are facing, we hope that the rule can remain the same or shorter.

EMC’s response

We note Seraya Energy’s comment on Proposal 2. We recognize that lengthening the replacement period would lead to increased banking cost if the MP’s credit support is provided in the form of BGs/SBLCs that do not provide for auto-renewal. However, the existing timeline of provision of replacement credit support exposes the market to uncovered trading exposure if kept the same or made shorter.
11. **RCP’s Decisions at the 113th RCP Meeting**

At the 113th meeting, the RCP *unanimously supported* the proposed modifications as set out in Annex 1 and 2.

12. **Recommendations**

The RCP unanimously recommends that the EMC Board:

a) **adopts** the proposed rule modifications as set out in **Annex 1 and 2**;

b) **seeks the EMA’s approval** of the proposed rule modifications as set out in **Annex 1 and 2**; and

c) **recommends** that the proposed rule modifications as set out in **Annex 1 and 2** come into force **25 calendar weeks** after the date on which the approval of the Authority is published by the EMC.
## ANNEX 1: Proposed Rule Modifications

### Rules approved by EMA

**Chapter 2**

#### PRUDENTIAL REQUIREMENTS

### Proposed Rules Changes

(Deletions represented by strikethrough text and additions represented by double underlined text)

<table>
<thead>
<tr>
<th>Chapter 2</th>
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<tr>
<td><strong>7</strong> PRUDENTIAL REQUIREMENTS</td>
<td><strong>7</strong> PRUDENTIAL REQUIREMENTS</td>
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<tr>
<td><strong>7.3</strong> ESTIMATED AVERAGE DAILY EXPOSURE AND CREDIT SUPPORT VALUE</td>
<td><strong>7.3</strong> ESTIMATED AVERAGE DAILY EXPOSURE AND CREDIT SUPPORT VALUE</td>
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</table>
| **7.3.4** [New section]

A market participant who has received notification from the EMC that its credit support value has been revised as a result of an increase in the market participant’s credit support value pursuant to section 7.3.3, shall, within 5 business days of the time when the revised credit support value becomes effective in accordance with section 7.3.3, provide to the EMC revised credit support in accordance with the form as specified in section 7.6.2.

| **7.3.5** [New section]

A market participant:

- **7.3.5.1** who has received notification from the EMC that its credit support value has been revised as a result of an increase in the market participant’s credit support value pursuant to section 7.3.3; and

- **7.3.5.2** whose estimated net exposure reaches a value equal to or greater than fifty-five (or sixty, in the case of a market support services licensee) percent of the value of the credit support currently provided by that market participant.

To stipulate that section 7.3.4 shall be subjected to section 7.3.5 where a different timeline is specified.

To stipulate that if the estimated net exposure of a market participant is greater than or equal to 55% (or 60%, in the case of a market support services licensee) of the value of its credit support and the EMC has notified the market participant of a revision in its credit support value, the market participant is required to meet its revised credit support value by the
<table>
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<th>Rules approved by EMA</th>
<th>Proposed Rules Changes</th>
<th>Reasons for Rule Changes</th>
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<tr>
<td>(Effective 08 January 2020)</td>
<td>(Deletions represented by strikethrough text and additions represented by double underlined text)</td>
<td>second business day from receipt of such notification.</td>
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</table>

shall, by the close of banking business of the bank at which the EMC’s bank accounts are held on the second business day following the date of the notification issued under section 7.3.3, provide to the EMC revised credit support in accordance with the form as specified in section 7.6.2, without prejudice to its obligations under sections 7.4 and 7.5.

7.4 MARGIN CALLS

7.4.4 The EMC shall consider the merits of each request for reassessment of estimated net exposure made to the EMC in accordance with section 7.4.3, and notify the market participant to which such request relates, by no later than the end of the first business day following the date of the relevant margin call issued by the EMC under section 7.4.2 to which such request for reassessment relates, that:

7.4.4.1 such margin call is revoked, if the market participant’s reassessed estimated net exposure is less than seventy percent of the value of the credit support currently provided by the market participant;

…

To change the risk exposure threshold for the EMC to revoke a margin call from the current 70% level to 55% (or 60%, in the case of a market support services licensee).

To clarify that if the market participant has received notification from the EMC that its credit support value has been revised pursuant to section 7.3.3
### Rules approved by EMA
(Effective 08 January 2020)

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| (Deletions represented by strikethrough text and additions represented by double underlined text) | 7.3.3, section 7.3.4 shall apply in relation to its obligation to provide to the EMC revised credit support in accordance with the form as specified in section 7.6.2:  
...  
and the market participant’s reassessed estimated net exposure is less than 55% (or 60%, in the case of a market support services licensee), the timeline in section 7.3.4 shall apply for the market participant to provide to the EMC revised credit support.  
To stipulate that the issuing financial institution of an irrevocable standby letter of credit (in respect of the credit support provided by a market participant or a market support services licensee, as the case may be) that allows for automatic renewal is required to give written notice to the EMC of its intention to not renew such irrevocable standby letter of credit at least 38 (or 33, in the case of a market support services licensee) days, instead of 30 days as required under current rules, prior to the expiry date or (as the case may be) the renewed expiry date. |

### Obligation to Provide Credit Support

7.6.3 The following terms and conditions shall apply in respect of the credit support provided by a market participant pursuant to section 7.6.2:

| 7.6.3.1 credit support provided in accordance with section 7.6.2.1 shall: |
|-------------------------|--------------------------|
| a. be an obligation in writing; |
| b. be governed by the laws of Singapore; |
| c. where the credit support is in the form of an irrevocable standby letter of credit: |
| i. be valid for a term of at least one year or provide for automatic renewal, subject only to the right of the issuing financial institution to advise the EMC at least thirty days prior to the date of renewal |

7.6.3 The following terms and conditions shall apply in respect of the credit support provided by a market participant pursuant to section 7.6.2:

<p>| 7.6.3.1 credit support provided in accordance with section 7.6.2.1 shall: |
|-------------------------|--------------------------|
| a. be an obligation in writing; |
| b. be governed by the laws of Singapore; |
| c. where the credit support is in the form of an irrevocable standby letter of credit: |
| i. be valid for a term of at least one year or provide for automatic renewal, subject only to the right of the issuing financial institution to advise the EMC at least thirty-eight (or thirty-three, in the case of... |</p>
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<td>that the letter of credit will not be renewed; ...</td>
<td>a market support services licensee) days prior to the date of renewal that the letter of credit will not be renewed; ...</td>
<td>To require a market participant to provide a replacement credit support at least 35 (or 30, in the case of a market support services licensee) days, instead of 10 business days as required under current rules, prior to the expiry of an existing credit support.</td>
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<td>7.6.6 If credit support for the time being held by the EMC in respect of a market participant pursuant to this section 7 (the existing support) is due to expire or terminate and, upon expiry or termination of the existing support the total credit support held by the EMC in respect of that market participant will be less than the market participant’s credit support value then, at least ten business days prior to the time at which the existing support is due to expire or terminate, the market participant must provide to the EMC a replacement credit support as defined in accordance with section 7.6.2, which will become effective no later than the expiry or termination of the existing support, such that the total credit support provided is at least equal to the market participant’s credit support value.</td>
<td>7.6.6 If credit support for the time being held by the EMC in respect of a market participant pursuant to this section 7 (the existing support) is due to expire or terminate and, upon expiry or termination of the existing support the total credit support held by the EMC in respect of that market participant will be less than the market participant’s credit support value then, at least ten business days thirty-five (or thirty, in the case of a market support services licensee) days prior to the time at which the existing support is due to expire or terminate, the market participant must provide to the EMC a replacement credit support as defined in accordance with section 7.6.2, which will become effective no later than the expiry or termination of the existing support, such that the total credit support provided is at least equal to the market participant’s credit support value.</td>
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<td>7.6.7 Where any part of the existing support held by the EMC in respect of a market participant otherwise ceases to be current or valid for any reason, the market participant must immediately so notify the EMC and provide to the EMC, within two business days of the date on which the existing support ceases to be current or valid, a replacement credit support as defined in</td>
<td>Where any part of the existing support held by the EMC in respect of a market participant otherwise ceases to be or shall cease to be current or valid for any reason, the market participant must immediately so notify the EMC and provide to the EMC, (i) within two business days of the date on which the EMC is notified, or (ii) at least thirty-five (or thirty, in the case</td>
<td>To require a market participant to provide a replacement credit support within 2 business days of the market participant notifying the EMC of any part of its existing support ceasing to be current or valid, or at least 35 (or 30, in the</td>
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<td>accordance with section 7.6.2, such that the total credit support provided is at least equal to the market participant's credit support value.</td>
<td>of a market support services licensee) days prior to the date on which the existing support or any part thereof ceases or shall cease to be current or valid, whichever is later, a replacement credit support as defined in accordance with section 7.6.2, such that the total credit support provided is at least equal to the market participant's credit support value.</td>
<td>case of a market support services licensee) days prior to the date on which the existing support (or any part thereof) ceases to be current or valid, whichever is later.</td>
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### 7.7 EXERCISE OF RIGHTS TO CREDIT SUPPORT

**7.7.6** If, as a result of the EMC exercising its rights under credit support provided by a market participant in accordance with this section 7.7 and section 7.3.3 of Chapter 3, the remaining credit support held by the EMC in respect of that market participant is less than the market participant's credit support value, the market participant must, within five business days of receiving notice of the exercise by the EMC of such rights, provide the EMC with additional credit support such that the total credit support provided is at least equal to the market participant's credit support value.

**7.7 EXERCISE OF RIGHTS TO CREDIT SUPPORT**

**7.7.6** If, as a result of the EMC exercising its rights under credit support provided by a market participant in accordance with this section 7.7 and section 7.3.3 of Chapter 3, the remaining credit support held by the EMC in respect of that market participant is less than the market participant's credit support value, the market participant must, unless otherwise provided in section 7.7.6A, within five business days of receiving notice of the exercise by the EMC of such rights, provide the EMC with additional credit support such that the total credit support provided is at least equal to the market participant's credit support value.

To stipulate that section 7.7.6 shall be subjected to section 7.7.6A where a different timeline is specified.

[New section]

**7.7.6A** If, as a result of the EMC exercising its rights under credit support provided by a market participant in accordance with this section 7.7 and section 7.3.3 of Chapter 3, the remaining credit support held by the EMC in respect of that market participant is less than the market participant's credit support value and the estimated net exposure of that market participant reaches a value equal to or greater than fifty-five (or sixty, in the case of a market support services licensee) of the value of its credit support and the market participant is notified of the EMC exercising its rights under the credit support...
<table>
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<tr>
<th>Rules approved by EMA (Effective 08 January 2020)</th>
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<tr>
<td>(Deletions represented by strikethrough text and additions represented by double underlined text)</td>
<td>licensee) percent of the value of the credit support currently provided by that market participant, the market participant must, by the close of banking business of the bank at which the EMC’s bank accounts are held on the second business day following the date on which the market participant receives notice of the exercise by the EMC of such rights, provide the EMC with additional credit support such that the total credit support provided is at least equal to the market participant's credit support value.</td>
<td>provided by the market participant, the market participant is required to, by the second business day from receipt of such notification, provide additional credit support such that the total credit support of the market participant is at least equal to its credit support value.</td>
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## ANNEX 2: Proposed Changes to Application form for Market Participant Registration

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<td>(04 September 2018)</td>
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### Application form for Market Participant Registration

**APPENDIX 2A**

7. This Guarantee shall be effective and remain in full force and effect from [date] to [date] (the “Expiry Date”). Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the Expiry Date. Thereafter, our obligations under this Guarantee shall automatically cease with no further liability on our part, whether or not this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date and remains unpaid.

OR

This Guarantee shall be effective and remain in full force and effect from [date] to [date] (the “Expiry Date”) and shall thereafter be automatically renewed, without amendment except as to the Expiry Date, for successive periods of [X year(s) or month(s)] (such new expiry date being the "Renewed Expiry Date"), unless we have given written notice to you at least thirty days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date of our intention not to renew this Guarantee. Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date or (as the case may be) the Renewed Expiry Date.

**APPENDIX 2A**

7. This Guarantee shall be effective and remain in full force and effect from [date] to [date] (the “Expiry Date”). Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the Expiry Date. Thereafter, our obligations under this Guarantee shall automatically cease with no further liability on our part, whether or not this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date and remains unpaid.

OR

This Guarantee shall be effective and remain in full force and effect from [date] to [date] (the “Expiry Date”) and shall thereafter be automatically renewed, without amendment except as to the Expiry Date, for successive periods of [X year(s) or month(s)] (such new expiry date being the "Renewed Expiry Date"), unless we have given written notice to you at least thirty-eight days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date of our intention not to renew this Guarantee. Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date or (as the case may be) the Renewed Expiry Date.

To stipulate that the guarantor of a Banker’s Guarantee (with the Principal being a market participant) that allows for automatic renewal is required to give written notice to the EMC of the guarantor’s intention not to renew the Banker’s Guarantee at least 38 days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date.
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<tr>
<td><strong>APPENDIX 2B</strong></td>
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<tr>
<td>7. Our liability under this Standby Letter of Credit shall be effective from [date] to [date, which must be at least one year from the start date] (the “Expiry Date”). We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease with no further liability on our part, whether or not this Standby Letter of Credit is returned to us for cancellation, except for any draft drawn under this Standby Letter of Credit on or before the Expiry Date that remains unpaid. OR</td>
<td>Expired Date. Thereafter, our obligations under this Guarantee shall automatically cease with no further liability on our part, whether or not this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date or (as the case may be) the Renewed Expiry Date and remains unpaid.</td>
<td>be) the Renewed Expiry Date.</td>
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To stipulate that the guarantor of a Standby Letter of Credit (with the Principal being a market participant) that allows for automatic renewal is required to give written notice to the EMC of the
| Date of our intention not to renew this Standby Letter of Credit. We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease with no further liability on our part, whether or not this Standby Letter of Credit is returned to us for cancellation, except for any draft drawn under this Standby Letter of Credit on or before the Expiry Date or (as the case may be) the Renewed Expiry Date that remains unpaid. | Expiry Date of our intention not to renew this Standby Letter of Credit. We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease with no further liability on our part, whether or not this Standby Letter of Credit is returned to us for cancellation, except for any draft drawn under this Standby Letter of Credit on or before the Expiry Date or (as the case may be) the Renewed Expiry Date that remains unpaid. | guarantor’s intention not to renew the Standby Letter of Credit at least 38 days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date. |

| Application form for Authorisation of Market Support Services Licensee | Application form for Authorisation of Market Support Services Licensee |

APPENDIX 2A

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APPENDIX 2A

7. This Guarantee shall be effective and remain in full force and effect from [date] to [date] (the “Expiry Date”). Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the Expiry Date. Thereafter, our obligations under this Guarantee shall automatically cease with no further liability on our part, whether or not this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date and remains unpaid. OR
### Existing Market Manual

(04 September 2018)

This Guarantee shall be effective and remain in full force and effect from \[date\] to \[date\] (the “Expiry Date”) and shall thereafter be automatically renewed, without amendment except as to the Expiry Date, for successive periods of \[X year(s) or month(s)\] (such new expiry date being the "Renewed Expiry Date"), unless we have given written notice to you at least thirty days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date of our intention not to renew this Guarantee. Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date. Thereafter, our obligations under this Guarantee shall automatically cease with no further liability on our part, whether or not this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date or (as the case may be) the Renewed Expiry Date and remains unpaid.

### Proposed Market Manual Changes

(Deletions represented by strikethrough text and additions represented by double underlined text)

This Guarantee shall be effective and remain in full force and effect from \[date\] to \[date\] (the “Expiry Date”) and shall thereafter be automatically renewed, without amendment except as to the Expiry Date, for successive periods of \[X year(s) or month(s)\] (such new expiry date being the "Renewed Expiry Date"), unless we have given written notice to you at least thirty-three days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date of our intention not to renew this Guarantee. Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date. Thereafter, our obligations under this Guarantee shall automatically cease with no further liability on our part, whether or not this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date or (as the case may be) the Renewed Expiry Date and remains unpaid.

### Reasons for Modification

To stipulate that the guarantor of a Banker’s Guarantee (with the Principal being a market support services licensee) that allows for automatic renewal is required to give written notice to the EMC of the guarantor’s intention not to renew the Banker’s Guarantee at least 33 days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date.

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### APPENDIX 2B

#### 7.

Our liability under this Standby Letter of Credit shall be effective from \[date\] to \[date, which must be at least one year from the start date\] (the “Expiry Date”). We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease.

#### 7.

Our liability under this Standby Letter of Credit shall be effective from \[date\] to \[date, which must be at least one year from the start date\] (the “Expiry Date”). We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease.
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<tr>
<th>Existing Market Manual (04 September 2018)</th>
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<td>with no further liability on our part, whether or not this Standby Letter of Credit is returned to us for cancellation, except for any draft drawn under this Standby Letter of Credit on or before the Expiry Date that remains unpaid. OR Our liability under this Standby Letter of Credit shall be effective from [date] to [date] (the “Expiry Date”) and shall thereafter be automatically renewed, without amendment except as to the Expiry Date, for successive [state renewal period in number of months or years] periods (such new expiry date being the &quot;Renewed Expiry Date&quot;), unless we have given written notice to you at least thirty days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date of our intention not to renew this Standby Letter of Credit. We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease with no further liability on our part, whether or not this Standby Letter of Credit is returned to us for cancellation, except for any draft drawn under this Standby Letter of Credit on or before the Expiry Date or (as the case may be) the Renewed Expiry Date that remains unpaid.</td>
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<td>To stipulate that the guarantor of a Standby Letter of Credit (with the Principal being a market support services licensee) that allows for automatic renewal is required to give written notice to the EMC of the guarantor’s intention not to renew the Standby Letter of Credit at least 33 days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date.</td>
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