



professional transparent cost-effective people ideas integrity commitment teamwork

### CEO's Message

With the first two months of 2009 already over, I hope everyone had a good start to the year and a happy Lunar New Year.

In the National Electricity Market of Singapore (NEMS) the Uniform Singapore Electricity Price (USEP) rose in January and February after four months of decline. Demand continues to be lacklustre, however. For more details on the wholesale market activity, see the article on page 4.

The first two months of each year are busy for EMC, as we finalize our business plans and budget for the financial year commencing 1 April 2009. EMC's budget received the endorsement of the Rule Change Panel (RCP) in its meeting in early January, and the Energy Market Authority (EMA) approved it in February.

EMC Market Administration team has been active, meeting with NEMS stakeholders to consult with them on their priorities for the RCP work plan. This is an important annual exercise

with the market to assess urgent, ongoing and other issues that will contribute to the long-term evolution of the market. The team has prioritised this stream of work in accordance with the needs of the industry and market as a whole. The updated work plan will be presented to the RCP in its March meeting.

EMC is proud of what the NEMS has achieved since its commencement in January 2003. We also recognize that lessons learned could be useful for other related commodity markets in Singapore as well as for supporting broader regional electricity liberalisation. I am pleased to welcome Dr Chiao Yen Shong as our Business Development Manager to pursue some of these initiatives. However, please be assured that EMC's business development activities are funded by our shareholders and not by NEMS fees.

The 2008 NEMS Market Report and the Annual Report of the Market Surveillance and

Compliance Panel (MSCP) are being finalized. We target to publish them on the EMC website in late March/early April. Each report provides a comprehensive overview of the market activities and shares insights into the performance of the market over the year. The MSCP report also provides an assessment of competitiveness and compliance in the NEMS. Printed copies will be available in late April and will be mailed to market participants and interested parties who are registered on our mailing list.

We look forward to working with you over the course of the year, exchanging ideas and addressing issues vital to our evolving marketplace.

Dave Carlson Chief Executive Officer

### New e-Tax Guide for the NEMS

The Inland Revenue Authority of Singapore (IRAS) published on 21 November 2008 the new e-Tax Guide for the NEMS. The new guide is intended to give clarity and certainty of GST treatment for electricity supply, bilateral financial contracts and price neutralization. The main highlights of the GST treatments outlined in the guide are as follows:

1. Electricity is a standard-rated supply. Therefore all GST-registered suppliers of electricity need to charge and account for

GST at the prevailing GST rate.

2. Bilateral and vesting contracts are exempt supplies since they are settled financially without physical delivery of electricity. Therefore, only the contracting parties should report the realised gain or loss as exempt supplies in their GST returns. The Market Operator, who is only a settlement agent and not a contractual party in the bilateral contract, is not the supplier of the exempt supplies. Hence, as Market

Operator, EMC is not required to charge or account for GST on such transactions.

3. Price neutralization is treated as a "no supply" for GST purposes on the premise that the price-neutralization is statutorily mandated and that the price paid by the Embedded Generators (EGs) to the retailers is independent of the sale from the EGs to the Market Operator. Hence, the Market Operator and EGs should not charge or reflect GST in invoices or

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1. payment vouchers issued for such transactions. Similarly, they do not have to declare the price neutralization transactions in their GST returns. Price neutralization was introduced to allow the EGs to only pay for the electricity consumed in excess of their injection.

To ensure that the GST treatments provided in the e-Tax Guide have been properly reviewed and considered by all relevant parties in the NEMS, EMC hosted a GST information session on 27 February 2009. The session covered the following information:

- an educational briefing on the salient issues of the e-Tax Guide by Yeo Kai Eng, tax consultant from Ernst & Young,
- a review and discussion of the e-Tax Guide and

- a review and discussion of potential implementation and/or post-implementation difficulties that market participants (MPs) may have in complying with the e-Tax Guide.

The GST session, attended by representatives from various MPs, was productive and the response overwhelmingly positive. EMC consolidated the feedback and comments from the session and has passed them on to IRAS.

The e-guide on the GST treatment for the market participants in the NEMS can also be found at this IRAS weblink: <http://www.iras.gov.sg/irasHome/page.aspx?id=906>.

## Visit by Malakoff Corporation Berhad to Energy Market Company



**Delegation from Malakoff Corporation with EMC staff**

This February EMC was delighted to host a delegation of seven members from the Malakoff Corporation Berhad (Malakoff Corporation), one of the leading independent power and water producers based in Malaysia.

The group, comprised of the Deputy Chief Executive and primarily senior management staff from the Ventures and Asset Management Division, visited EMC on 13 February. They wanted to learn more about the workings of EMC and gain an understanding of the NEMS.

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Delegation from Malakoff Corporation with EMC Chief Executive Officer, Dave Carlson

EMC's Chief Executive Officer Dave Carlson presented overviews of EMC and the NEMS, describing the company's role and responsibilities, NEMS market reform, market structure and the market's performance since opening. A lively Q & A followed; many questions centred on the workings of the NEMS market, from settlement to price-finding mechanisms to the traded price products under the market structure.

Malakoff Corporation rounded off the visit by presenting an overview of their company and businesses all over the world, emphasising

their involvement with an independent power plant in Malaysia.

Visits like this offer EMC the opportunity to build valuable relationships with other Asia-based electricity markets. Further, with such contacts, EMC can facilitate the exchange of best practices and lessons learned that are important for the liberalization process in other countries.



EMC staff explaining to our visitors from Malakoff Corporation the real-time display of daily trading prices in EMC's office lobby

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## Data Subscription Service—Dataset 2008 Available Now

The latest dataset covering the full year 2008 is now available for all interested parties.

EMC's Data Subscription Service is available to non-market participants wanting to learn more about the NEMS. Various subscription packages offer access to real-time and forecast information for prices and demand, historical online market data, market trading reports with commentaries and Data Sets starting from 2003.

More information on our subscription packages and subscribing, please visit our website at [www.emcsg.com/subscriptions](http://www.emcsg.com/subscriptions) or contact Amber Oh at +65 6571 9885.

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## Re-appointment of the DRC

The EMC Board has reappointed the Dispute Resolution Counsellor (DRC) for a term of 3 years ending 31 December 2011.

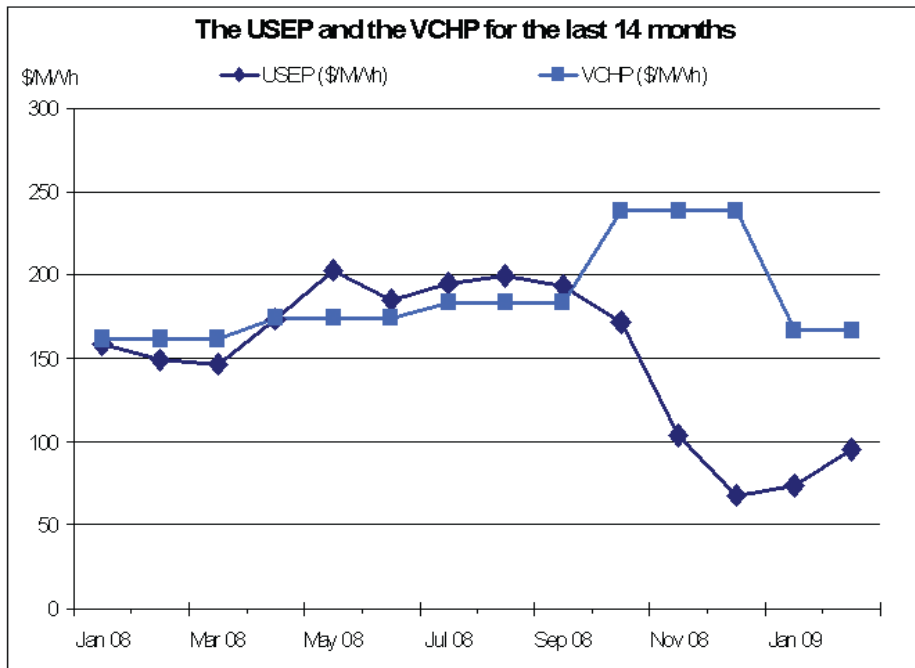
Mr George Lim, litigation lawyer, mediator and arbitrator was appointed Dispute Resolution Counsellor to help resolve market disputes.

EMC would like to express its appreciation to Mr Lim for his continued commitment to the NEMS.



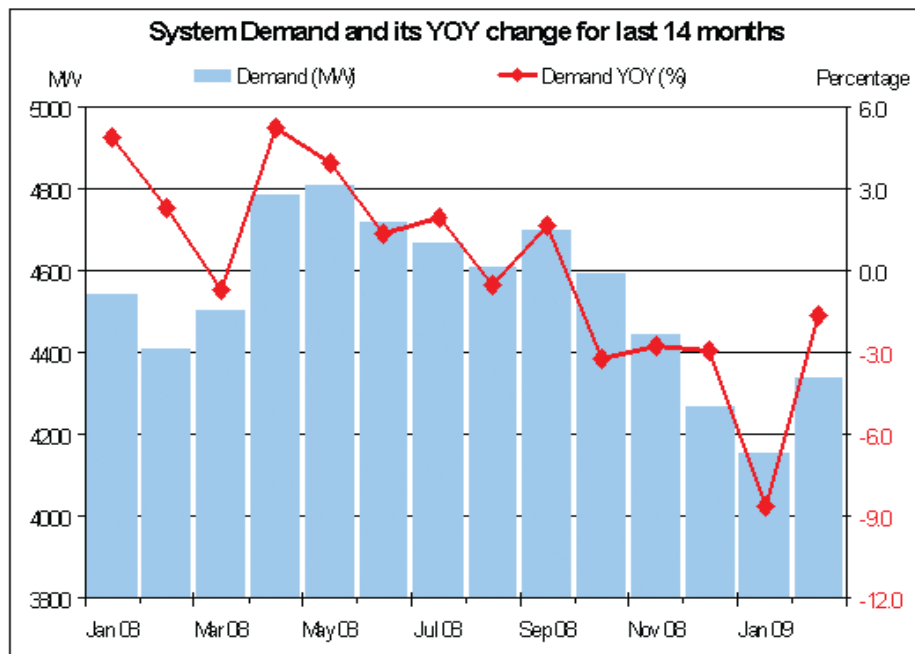
## Market Update

The USEP remains below the VCHP in Jan and Feb 2009, while demand continues to be lacklustre



The decline in the Uniform Singapore Energy Price (USEP) since September 2008 was reversed in January 2009 as the monthly average USEP for January and February 2009 rose to \$74/MWh

and \$96/MWh respectively. Nevertheless, these two months of rising USEP levels remain significantly lower than the vesting contract hedge price (VCHP) of \$167/MWh for the first quarter of 2009.



Electricity demand in January 2009 fell to its lowest level since February 2006 to 4,153MW, owing to the Chinese New Year effect. Demand thereafter rose modestly to 4,340MW in February 2009. Comparing year on year (YOY) for January and February 2009,

the percentage change in demand remained negative for the fifth consecutive month, with January and February 2009 recording minus 8.6 and 1.6 percentages respectively (noting that Chinese New Year in 2009 fell in January compared to February in 2008)



## NEMS Charity Initiative—Zoo Outing with Group from Child @ Street 11



Group photo at the zoo

On 20 February, participants from Diamond Energy, PowerSeraya, Senoko and EMC brought children from the Child @ Street 11 to the Singapore Zoo, as part of the NEMS charity initiative. Child @ Street 11 is a childcare and after school centre for underprivileged children which the NEMS group had adopted several years back.

This is the third consecutive year that the NEMS group has organised educational



Children checking out the animals

outings for the children from Child @ Street 11. The children have previously been to the Sentosa Butterfly Park and Insect Kingdom and also visited an exhibition on prehistoric creatures, “Dinosaurs! A T-Rex named Sue and Friends”, at the Singapore Science Centre.

On 20 February, over 30 volunteers from the four organisations took 35 children ages 2 to 6 and their teachers to the Singapore Zoo. Their

favourite destination—and where we spent by far the most time—was the newly revamped Rainforest Kidzworld.

The children were most enthralled by the water arena, with its many activities for splashing and playing. Some children were hesitant at first and needed encouragement to try, but by the end of two hours, all were wet and happy—and none pleased—when we called it a day for them at the water arena.

The children also had plenty of practice checking out the animals at the Rainforest Kidzworld and throughout the zoo whilst on the tram rides. It was indeed a fun-filled and exciting day for us all.

We thank everyone for their on-going support of the NEMS charity initiative and look forward to our next opportunity to come together in support of a good cause in the new financial year.



Children at the Rainforest Kidzworld water area



## User Forum

### Market Information Sharing Forum (MISF)

On 14 January 2009 the MISF offered yet another interesting forum for our attendees, this one delving deeply into the critical market statistics of 2008. The MISF also highlighted significant indicators governing the NEMS for 2009, such as tracing electricity demand outlook. We thank our market participants for their support of our MISF and look forward to your continued participation.

Join us for our next MISF, Wednesday, 18 March 2009.

### Market Systems User Group (MSUG) Update

The first 2009 MSUG forum started on 24 February with a get-together lunch with market participants (MPs). MPs were then briefed on the progress of the EMC digital trader certificate renewal exercise for the NEMS trading website. EMC also provided details of the NEMS systems incidents that had taken place in the past two months.

The next MSUG meeting is tentatively scheduled for Thursday, 16 April 2009.

## EMC Training Programme – Next Course on 21 and 22 May 2009

EMC will be holding its two-day training course, *Understanding Electricity Markets*, on 21 and 22 May 2009. Our staff will be conducting six sessions covering the following topics:

- Understanding Electricity
- Overview of the Electricity Sector
- The NEMS and its Unique Features
- Pricing in Detail
- Settlement
- The Demand Side

The next courses are scheduled for:

20 - 21 August 2009

19 - 20 November 2009

We advise you to book early to secure your place in the course of your choice and benefit from our early-bird discount.

Further details on the programme and on how to register are on our website, [www.emcsg.com](http://www.emcsg.com). For enquiries, please e-mail [trainingprogramme@emcsg.com](mailto:trainingprogramme@emcsg.com) or contact Jan Lee at +65 6779 3000.

## Send us Comments, Feedback or Questions

The EMC Bulletin is written by EMC for you and we are always striving to improve our service. We are interested in any feedback you might have about specific articles and topics covered or comments and suggestions about other areas you would like to see included.

Please send your comments, feedback or any questions either via e-mail to [info@emcsg.com](mailto:info@emcsg.com) or via fax to +65 6779 3030.

Thank you in advance for your time and effort.

