

professional transparent cost-effective people ideas integrity commitment teamwork

CEO's Message

I am pleased to report that the National Electricity Market of Singapore (NEMS) performed well in the first half of 2005 although the market experienced higher second quarter Uniform Singapore Electricity Prices (USEP). Full details on the rise of the spot market prices are available on page 3 in our market analysis.

In response to our market participants adopting more sophisticated risk management and trading strategies, the EMC Board appointed a fifth member, with many years of trading experience, to the Market Surveillance and Compliance Panel. I am delighted that David Wong accepted the appointment to this important governance institution. Details are reflected in the article on page 4.

Once again, we were happy to host several international delegations in June, who were here to learn more about the NEMS and Singapore's electricity market reform process. The delegations were from the Electricity of Vietnam, Transpower New Zealand (here to learn more about the NEMS systems), South Korea (comprising government officials and journalists) and CTCI Corporation from Taiwan. Each foreign delegation offers EMC the opportunity to showcase Singapore as the region's leading electricity market, as well as allowing us to engage in information sharing and building closer relationships with these markets.

On another note, the EMC Training Programme got off to a successful start with the first course on 17-18 May. There has been great interest in this course and I would like to thank all market participants for their

support of this new initiative. My hope is that this programme is seen as a complementary option to enhance your existing staff development programmes.

In closing, I would like to highlight the excellent performance targets EMC achieved for FY2004/2005 with full details in the article below. These results are a testament to the efforts my team has gone through to deliver world-class customer service to you, our customers. Looking ahead, we will, in partnership with all of our customers, continue to strive to make further inroads in the successful development of the NEMS.

Allan Dawson
CEO, Energy Market Company

EMC Exceeds Performance Targets in all Categories for FY2004/2005

EMC completed its financial year with excellent performance results as measured by the Energy Market Authority (EMA) using the industry-approved performance incentive management system (PIMS).

Allan Dawson, CEO of EMC, was very delighted with the results, "We are committed to provide a high standard of service to our customers. This year's achievement demonstrates the tremendous efforts put in by all EMC staff as well as the partnership of all of our stakeholders."

The PIMS comprises a set of targets and

measures designed to assess the quality of EMC's performance across its key services. This performance-based assessment rewards EMC with a bonus if it exceeds the performance standards agreed with the industry. Under the PIMS, EMC identifies the key services that are of most value to its customers. Performance is evaluated using both quantitative and qualitative measures.

Performance measures

EMC uses three quantitative measures to assess its own performance on an ongoing basis throughout the year:

- pricing and information accuracy (target 99.4%),
- settlement accuracy (target 99.9%) and
- systems availability (target 99.6%).

The three qualitative measures are assessed by means of a survey to market participants, users of EMC's services, the Rules Change Panel, the Market Surveillance and Compliance Panel and the Dispute Resolution Counsellor, depending on their involvement:

- customer responsiveness (target 70%),

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(continued from page 1)

- satisfaction with market assessment and dispute resolution services (target 70%) and
- satisfaction with rule change process (target 80%).

An independent party, EMC's auditor Ernst & Young, surveyed market participants in May 2005 to gauge their satisfaction with EMC's services in accordance with the PIMS. The results are shown in the table at right; the total response varies as each group responded only to the areas they were involved in.

Results of survey on qualitative measures

	Customer Responsiveness	Satisfaction with Market Assessment Process	Satisfaction with Rule Change Process
Very satisfied	10 (43.5%)	4 (25.0%)	3 (14.3%)
Satisfied	11 (47.8%)	11 (68.75%)	14 (66.7%)
Neither satisfied nor dissatisfied	2 (8.7%)	1 (6.25%)	4 (19.0%)
Dissatisfied	0	0	0
Very dissatisfied	0	0	0
Total response	23	16	21

The table below shows the overall performance results.

Approved measures, targets and weightings and actual performance FY2004/2005

Measure	Target out of 100	Weighting against target	Performance performance	Bonus/penalty for out of 100 above/below target	Actual weighting
Quantitative Measures:					
Pricing accuracy	99.4%	25	99.82%	Every 0.12% = +/- 5 points	17.5
Settlement accuracy	99.9%	25	99.99%	Every 0.02% = +/- 5 points	22.5
Systems availability	99.6%	25	99.98%	Every 0.075% = +/- 5 points	25.0
Qualitative Measures:					
Customer responsiveness	70%	15	91.30%	Every 4% = +/- 3 points	15.0
Satisfaction with market assessment services	70%	5	93.75%	Every 2% = +/- 1 point	5.0
Satisfaction with rule change process	80%	5	80.95%	Every 2% = +/- 1 point	0.475
Total					85.475

EMC Hosted Delegation from Vietnam



EVN delegation with Allan Dawson

On Monday, 6 June 2005, EMC welcomed seven delegates from the Electricity of Vietnam (EVN). The delegation was led by Nguyen Anh Tuan, Director of the Electricity

Market Department, and included the deputy manager of the Board Management Office, the chief accountant and experts of the Electricity Market Department.

The EVN came to Singapore to learn more about electricity market reform and the NEMS, as the EVN and Vietnam are embarking on a first step towards reforming Vietnam's electricity market. The one-day session was packed with presentations sharing EMC's experiences in electricity market reform and lessons learned and providing an overview of the NEMS wholesale market, the market operations and the IT systems.

Mr Nguyen also shared the EVN's electricity market development plan, providing an overview of the electricity market in Vietnam today and the future plans of the EVN and the government. His presentation provided valuable insights for EMC staff into a market very different to that of Singapore and one that faces unique challenges.

Visits like this afford EMC the opportunity to build valuable relationships with other electricity markets in Asia and to facilitate an ongoing exchange of ideas, approaches and experiences.



Spot Market Prices Respond to Higher Fuel Costs and Record Consumption

In the second quarter of 2005, the Uniform Singapore Electricity Price (USEP) rose 23 percent from the previous quarter.

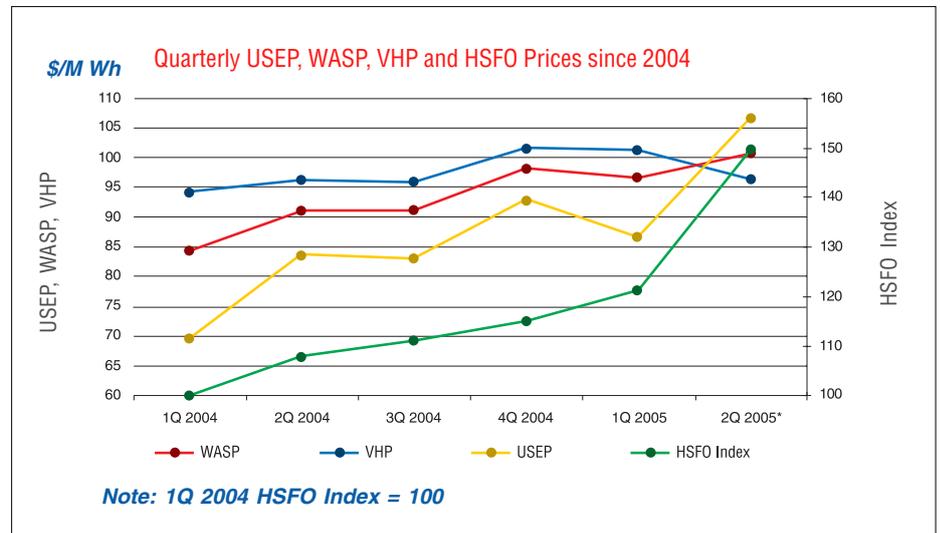
This led to the Weighted Average Settlement Price (WASP)*, which takes into account the influences of both the USEP and vesting contract settlements, rising above the vesting contract hedge price (VHP). This is the first time that this has happened since vesting contracts were introduced on 1 January 2004.

Electricity prices have risen in tandem with an increase in the price of high-sulphur fuel oil (HSFO). In 2005, HSFO prices have risen by nearly 25 percent quarter on quarter. The chart shows these price trends, with electricity and HSFO prices rising by close to 50 percent since vesting contracts were implemented.

In addition to the pressure from rising fuel costs, electricity prices have been influenced

by stronger electricity demand. On 6 June 2005, Singapore recorded its highest ever electricity consumption of 5,243MW. Average electricity demand in the first five months of

2005 was 3.4 percent higher than the same months in 2004, mostly due to the hotter weather in the first few months of 2005 compared to last year.



* Data for 2Q 2005 compiled using data up to end May

* WASP = (Vested quantity * Quarterly vesting contract hedge price) + (Non-Vested quantity * USEP)

EMC Training Programme – Successful Inaugural Course Accredited by Professional Engineers Board

EMC's first training course took place with 24 participants on 17–18 May 2005 at the EMC Board Room. The majority of the participants were staff from market participant organisations, the others came from law and consulting firms, an industrial user, an academic institution and a public sector organisation.

The Professional Engineers Board accredited the course under its continuing professional development programme. Registered professional engineers who attended the course will be able to accumulate 14 Professional Development Units. EMC will seek accreditation for all future courses.

CEO Allan Dawson opened the course and remarked that, in addition to providing

valuable learning opportunities, this course also offers participants a great opportunity to interact and get to know other members of the industry.

Over the two days of the course, EMC staff conducted seven 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
- An Overview of Current Electricity Market Design Issues

The next course will take place on 16-17 August 2005 and is already fully booked.

However, two further course dates have been confirmed for 9-10 November 2005 and 15-16 February 2006. Interested parties should book early to take advantage of the early-bird discount and to secure a place in the course of their choice.

Further details on the programme and on how to register are on the website, www.emcsg.com. For enquiries, please e-mail trainingprogramme@emcsg.com or contact Ong Pui Sze at +65 6779 3000.

Course Schedule

16-17 August 2005 (fully booked)

9-10 November 2005

15-16 February 2006



Appointment of Fifth Member of the Market Surveillance and Compliance Panel

The EMC Board of Directors appointed David Wong as the fifth member of the Market Surveillance and Compliance Panel (MSCP) of the National Electricity Market of Singapore (NEMS) on 26 May 2005.

Mr Wong is the Managing Director and Chief Executive of ABN AMRO Bank N.V., Singapore and its Regional Head, Financial Markets Asia. He is responsible for the bank's overall operations in Singapore and for the bank's financial markets activities in origination, trading and sales in Asia.

Tan Soo Kiang, EMC Chairman, commented, "The MSCP is an important governance institution tasked with protecting the integrity of the wholesale electricity market. As risk management and trading strategies are becoming more important with our maturing market, the EMC Board was searching for a suitable candidate with comprehensive trading experience to supplement the MSCP. We are pleased that Mr Wong has accepted our nomination as he is highly qualified to provide valuable perspectives in this area of growing relevance to the market."

The MSCP is an independent body established under the Singapore Electricity Market Rules. Panel members are distinguished individuals in the fields of law, economics and power system operations. The panel monitors activities in the wholesale electricity market of the NEMS and enforces compliance with the Market Rules. It is also responsible for assessing the state of competitiveness within Singapore's wholesale electricity market.

Current MSCP members are Joseph Grimberg (Consultant with legal practice Drew & Napier) as the Chair, Professor Lim Chin (Acting Dean of NUS Business School), Lee Keh Sai (Managing Director with engineering practice K.S. Lee & Associates) and TPB Menon (Consultant with legal practice Wee Swee Teow & Co.).

Changes at EMC

Joining

Tham Wai Kay **Applications Developer, IT**

Wai Kay has about nine years of IT experience, which includes five years of application development experience, mostly in the banking industry. Wai Kay joins us from one of the leading foreign banks in Singapore, where he held a lead technical position.

Hari Babu **Applications Developer, IT**

Hari has over seven years of software development experience. He joins us from an international IT company, where he specialised in Java-J2EE technologies.

Wendy Poon **Communications Specialist**

Wendy has well over ten years of corporate communications experience gained in various industries, ranging from hospitality to telecommunications, making her well suited to handle the communications challenges of EMC.

User Forums

Market Information Sharing Forum (MISF)

The MISF held on 16 May covered in detail the market performance, the market outlook and market incidents. EMC also provided updates on additional information now included in its daily, weekly and monthly market publications based on feedback received from market participants in the past few months. The meeting finished with an overview of the status of system enhancements.

The next MISF is scheduled for Wednesday, 20 July 2005.

Settlement Initiatives Sharing Forum (SISF)

No settlement forum is currently scheduled.

Market System User Group (MSUG)

The upcoming MSUG on Thursday, 30 June 2005 will discuss the upcoming disaster recovery exercise scheduled for Friday, 15 July 2005.

The subsequent MSUG meeting is scheduled for Thursday, 25 August 2005.

Send us Comments, Feedback or Questions

The *EMC Bulletin* is written by EMC for you and we are always striving to improve our service. Therefore 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 or via fax to +65 6779 3030.

Thank you in advance for your time and effort.

