MINUTES OF THE RULES CHANGE PANEL
104TH MEETING
HELD ON TUESDAY, 11 SEPTEMBER 2018 AT 10.00AM
AT ENERGY MARKET CO. PTE LTD
4 SHENTON WAY #03-01
SGX CENTRE 2, SINGAPORE 068807

Present
Toh Seong Wah (Chairman)  Henry Gan
Soh Yap Choon             Carol Tan
Daniel Lee                Ho Yin Shan
Sean Chan                 Tan Jun Jie
Tony Tan                  Tan Chian Khong
Y K Fong                  Teo Chin Hau
Vijay Sirse               Dr Toh Mun Heng

Absent with
Matthew Yeo

Apologies:

In Attendance:
Veronica Rodriguez                   Wang Jing
(EMC)                                  Jo Ong
Lucia Loh                               Aiko Lee
Qin Weixiao                             

1. Notice of Meeting

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

2. Confirmation of Minutes of the 103rd RCP Meeting

The Minutes of the 103rd RCP meeting held on 19 July 2018 were noted and the RCP approved the Minutes.

3. Matters Arising from the 103rd RCP Meeting
- Publishing Additional Load Scenarios in the Forecast Schedules

At the 103rd RCP meeting, Mr Soh Yap Choon indicated that he will check on the additional costs to be incurred by the PSO if the proposed changes are implemented before the Energy Management System (EMS) refresh, as well as the timeline if the implementation of the proposed changes is to be timed with the EMS refresh.

3.1 Ms Lucia Loh updated that the PSO has reviewed and confirmed that there will be no change to the existing file format exchange between PSO’s and EMC’s systems even with the proposed removal of high and low load scenarios in the MOS and PDS and addition of high and low load scenarios in the STS. This is because these scenario files are for price discovery purposes and are not transmitted to the PSO. Thus, there are no changes to the PSO’s EMS required arising from this proposal.
3.2 Ms Loh gave a quick recap of the implementation time and costs estimates that were previously presented at the 103rd RCP meeting. She said that there could be additional costs and implementation lapse time relating to the EMC being designated as a Critical Information Infrastructure (“CII”) which are unknown at this stage. She then invited the RCP to discuss and decide whether the proposed modifications to the market rules and the Market Manual will come into force 19 calendar weeks (i) after the date on which the approval of the Authority is published by the EMC or (ii) from March 2019.

3.2.1 Mr Tan Chian Khong asked if the CII-related costs will be high. The Chairman replied that the detailed technical requirements that EMC is required to comply with when developing and making changes to the system are unknown at this juncture and so, EMC is unable to estimate such costs.

3.2.2 Mr Y K Fong sought clarification on whether the CII-related costs will be incurred if implementation of the proposed changes begins upon EMA’s approval. Ms Loh replied that if the system implementation begins before EMC is designated as a CII, then the CII-related requirements, and thereby costs, will not be applied.

3.2.3 Dr Toh Mun Heng sought to understand if the proposed changes to the forecast schedules are critical for operations or to the market, and if implementation can be delayed since the difference in the implementation timeline is only about 5 months. Mr Soh Yap Choon replied that the market had been operating with the current set of load scenarios for a long time.

3.2.4 Mr Sean Chan commented that EMC will still have to comply if certain security measures are required for CII’s. Mr Tan Chian Khong asked if EMC will be asked to retrospectively comply with the CII requirements for changes that have begun implementation before the CII designation.

The Chairman explained that there is a Security-by-Design requirement for CII’s, where security considerations are to be incorporated in every step of the entire implementation lifecycle from designing to software coding. His understanding is that there is no need to comply with the Security-by-Design framework once work on system development has begun. Hence, if implementation of the changes begins earlier, i.e. before the CII designation, the Security-by-Design requirement will not apply to the entire implementation lifecycle.

Mr Sean Chan commented that his understanding is that the Security-by-Design requirements only apply to major upgrades or new systems.

3.2.5 In response to Mr Tan Jun Jie’s query about when EMC is likely to be designated as a CII, the Chairman said that EMC has been verbally informed that it will be designated as a CII in November 2018.

Mr Tan Jun Jie commented that the RCP’s earlier decision to implement the proposal is based on the understanding that the implementation cost is relatively low. If (due to EMC being designated as a CII) the
implementation cost becomes much higher, the RCP’s decision may be different.

3.3 The Chairman called for a vote to decide whether the proposed modifications to the market rules and the Market Manual will come into force 19 calendar weeks (i) after the date on which the approval of the Authority is published by the EMC or (ii) from March 2019.

The following RCP members voted to support the implementation of the proposed modifications to the market rules and the Market Manual 19 calendar weeks from March 2019:

- Mr Soh Yap Choon (Representative of the PSO)
- Mr Tan Jun Jie (Representative of Generation Licensee)
- Mr Teo Chin Hau (Representative of Generation Licensee)
- Mr Tony Tan (Representative of Generation Licensee)
- Mr Daniel Lee (Representative of Retail Electricity Licensee)
- Mr Sean Chan (Representative of Retail Electricity Licensee)
- Ms Ho Yin Shan (Representative of the market support services licensee)
- Dr Toh Mun Heng (Representative of Consumers of Electricity in Singapore)
- Mr YK Fong (Representative of Consumers of Electricity in Singapore)
- Mr Tan Chian Khong (Person experienced in Financial Matters in Singapore)

The following RCP member abstained from voting:

- Mr Henry Gan (Representative of EMC)

Hence, the RCP by majority vote supported the implementation of the proposed modifications to the market rules and the Market Manual 19 calendar weeks from March 2019.

4. Monitoring List

The RCP noted the contents of the Monitoring List.

5. Summary of Outstanding Rule Changes

The RCP noted the summary of outstanding rule changes.

6. Rules Change Work Plan Status Update

The RCP noted the update on the Rules Change Work Plan.
7. Compensation for Load Registered Facilities Adversely Affected by Price Revision  
(Paper No. EMC/RCP/104/2018/CP73)

Ms Lucia Loh presented the paper which assesses the proposal to compensate load registered facilities (“LRFs”) which are registered to provide load curtailment if they are adversely affected by price revision.

7.1 Ms Loh informed the RCP that at the 99th RCP meeting held on 14 November 2017, the RCP supported introducing compensation for generation registered facilities (GRFs) which have received revised Market Energy Prices that are lower than their offer prices, for quantities generated in adherence with dispatch instructions as part of Rule Change 346. Arising from the discussion, the RCP tasked EMC to examine extending the provisions for compensation arising from price revision to LRFs which also participate in the energy market.

She then recapped the principles and considerations of compensation that were previously established in Rule Change 346, which will be used to analyse this proposal, and also gave a background on the current participation of LRFs in providing load curtailment.

7.2 Ms Loh then presented EMC’s analysis on the following:
- revisions in the Load Curtailment Price (LCP); and
- revisions in the Uniform Singapore Energy Price (“USEP”).

(Mr Vijay Sirse joined the meeting)

7.3 EMC’s analysis concluded that there is a basis for compensation for cases where the USEP was revised upwards, and the revised USEP was higher than the bid prices corresponding to bids that were scheduled to be consumed in real time. Ms Loh then presented the proposed compensation methodology for such cases to the RCP.

7.4 It was noted that EMC Market Operations has provided the following two implementation approaches whereby market participants (MPs) will initiate the compensation request under both approaches:

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<th>Option 1</th>
<th>Option 2</th>
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<td></td>
<td>EMC will use an internal excel tool to validate and facilitate the claim process (similar to option adopted in Rule Change 346)</td>
<td>EMC will develop an internal system platform to validate and semi-automate the claim process</td>
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<tr>
<td>Additional implementation costs</td>
<td>$77,320</td>
<td>$233,942</td>
</tr>
<tr>
<td>Operational cost per claim</td>
<td>2 man-days</td>
<td>0.5 man-days</td>
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In view of the implementation costs, coupled with the expected infrequency of claims, EMC recommends adopting Option 1 (which incurs lower implementation costs than Option 2) if the compensation arrangements examined in this paper are to be introduced.
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<td>7.5 (Ms Carol Tan joined the meeting)</td>
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Ms Loh then presented the comments received from Diamond Energy Merchants, Senoko Energy, PSO and EMC Market Operations as part of the consultation.

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<th>7.6 EMC recommended that the RCP hold this proposal in abeyance for the following reasons:</th>
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<td>a) Given the infrequency of upward price revision and limited participation of LRFs, the potential benefits of this proposal are not expected to outweigh the implementation costs; and</td>
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<td>b) Comments received during consultation have highlighted some inherent design issues with the current scheme. While EMC’s assessment in this paper was premised on the current design of the scheme, a preferable outcome would be to review and revise the design of the current scheme before re-considering the provisions for compensation during price revision periods under the revised scheme.</td>
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| 7.7 Mr Vijay Sirse agreed with EMC’s reasoning that there are inherent design issues with the current scheme. He opined that a holistic review of the scheme should be done, which would take into account a compensation scheme during price revision periods as part of the review. |

| 7.8 The RCP **unanimously supported** EMC’s recommendation to hold this proposal in abeyance. |

| 8. **Mid-Year Review of Rules Change Work Plan 2018/19** |
|__________________________________________________________|
| (Paper No. EMC/RCP/104/2018/06) |

Ms Aiko Lee informed the Panel that the mid-year review process of the RCP’s work plan is carried out every September and the intent of the mid-year review is to give stakeholders the chance to raise any urgent issues that may have arisen since March when the work plan was set.

As part of the mid-year review, EMC called for submissions on 23 July 2018 and at the close of the submission, EMC received the following proposals:

- Proposal 1 – Minimum Stable Load for Load Registered Facilities (Proposed by: Diamond Energy)
- Proposal 2 – To remove the requirement to request for final consent before planned outage (Proposed by: PSO)
- Proposal 3 – To require a Market Participant submitting a request for cancellation of facility registration to also state the intended effective date of cancellation (Proposed by: PSO)

EMC recommended that the RCP consider both the urgency and impact of the issues when deciding whether newly raised issues should take priority over an existing work plan issue where work has not commenced.
8.1 Proposal 1 – Minimum Stable Load for Load Registered Facilities

Ms Lee informed the RCP that the proposed rule change is to allow LRFs to have their minimum stable load (MSL) modelled. At present, only GRFs are allowed to have their MSL modelled in the market clearing engine, where they will not be scheduled for energy below their MSL.

The proposal was made with the rationale of ensuring fair and equitable treatment to both GRFs and LRFs, as LRFs similarly have technical constraints that may prohibit compliance with dispatch instructions at or below their MSL level.

8.1.1 EMC assessed that there is no foreseeable urgency to tackle this issue at the moment as:

- It is infrequent for spot prices to reach or exceed the bid price floor. The bid price floor is the minimum level that nodal prices must reach for LRFs to be scheduled for load curtailment. Using USEP as a proxy, for the period from 1 May 2016 to 7 August 2018, USEP reached or exceeded the bid price floor only 1.04% of the time.
- It is infrequent for load curtailment to be scheduled. As at August 2018, load curtailment had been scheduled only once.

8.1.2 As for the impact, the proposed modelling of MSL for LRFs that are registered to provide load curtailment will better reflect the physical capabilities of LRFs. This leads to more reflective schedules, which could potentially improve dispatch compliance and system security. Furthermore, the proposal may encourage higher levels of participation from LRFs, since the proposed rule change would give them higher certainty that they will at least be scheduled to curtail their MSL if they are scheduled to curtail for a given dispatch period.

8.1.3 Mr Vijay Sirse commented that this proposal would provide greater flexibility for LRFs, but concurred with EMC’s assessment that there is no foreseeable urgency to tackle this proposal in the current work plan.

8.2 Proposal 2 – To remove the requirement to request for final consent before planned outage

Ms Lee briefed the RCP on the second proposal to remove the requirement for MPs to request for PSO’s final consent. Currently, the PSO is required to give final consent between 3 to 4 hours before the scheduled time of a planned outage, following receipt of an MP’s request for final consent.

The PSO’s reason was that system conditions are dynamic and may change even after granting the final consent to the planned outage, which will result in the deferment of the planned outage.
8.2.1 EMC assessed that there is no foreseeable urgency to tackle this issue at the moment. The impact of the removal of the final consent stage is that it may give MPs greater uncertainty as to whether the planned outage would proceed at the scheduled time. However, the proposal could also potentially improve efficiency by reducing the administrative burden for both MPs and the PSO.

8.3 Proposal 3 – To require a Market Participant submitting a request for cancellation of facility registration to also state the intended effective date of cancellation

Ms Lee then presented the third proposal which is to require an MP submitting a request for cancellation of facility registration to also state the intended effective date of cancellation upfront. The reason behind the proposal is that when the PSO conducts the technical assessment, it is unclear when the MP intends to cancel the facility’s registration and this proposal helps to provide a common understanding for all parties involved.

8.3.1 EMC assessed that there is no foreseeable urgency to tackle this issue as there is already a logical timeline and process for cancellation of a facility’s registration. Under the current rules, MPs are required to state the date that it wishes for the facility’s registration to be cancelled after PSO informs them that they can go ahead with the cancellation. As such, there is no significant impact arising from this proposal as the date that the MP will be able to cancel the facility’s registration is contingent on whether a technical assessment is required.

8.4 EMC recommends that the above three proposals be included in next year’s rules change work plan prioritisation exercise.

8.5 The RCP unanimously supported EMC’s recommendation to include the above three proposals in next year’s rules change work plan prioritisation exercise.

9. Any Other Business - EMC Board’s request to consider mandatory auto-renewal of Banker’s Guarantees and Standby Letters of Credit (Paper No. EMC/RCP/104/2018/07)

It was noted that the RCP has supported RC350: Templates for Banker’s Guarantees (“BG”) and Standby Letters of Credit (“LC”) at the 102nd RCP meeting.

Ms Veronica Rodriguez updated the RCP that EMC had presented RCP’s recommendation to the EMC Board, who has adopted the proposed modifications. However, the EMC Board raised the following query for the RCP’s consideration:

- RCP to consider whether the BG template can be further amended to make it mandatory, rather than optional, for BGs to be auto-renewed.
9.1 Ms Rodriguez said that the Market Rule has provided flexibility for BGs to be auto-renewed, nevertheless the EMC Board would like to seek the RCP's views on the issue.

9.2 Mr Tan Chian Khong sought to understand the EMC Board’s concern leading to its request for mandatory auto-renewal of BGs. Ms Rodriguez replied that the Board is concerned about the potential transfer of risks from the issuing bank to EMC or other MPs in the event that a BG expires and a new BG is not provided in time.

9.3 Mr Vijay Sirse opined that it is not necessary to amend the template as the current template now provides MPs with the flexibility to adjust the BG quantum arising from changing prices and trading volumes and furthermore, issuing banks may not agree with the auto-renewal clause. In addition, he noted that there is already a process in place to monitor the expiry and replacement of BGs held by EMC.

9.4 Mr Y K Fong noted that EMC has a monitoring process in place and commented that the main issue here is to not let the BGs expire. He added that banks may impose additional charges for BGs with auto-renewal clauses. Mr Tan Jun Jie also expressed the same concern on the increase in costs for retailers due to the additional bank charges.

9.5 The Chairman suggested that the RCP write to the EMC Board to express the RCP’s views that it is not necessary to amend the BG template further to make it mandatory for BGs to be auto-renewed. EMC will draft the letter and circulate it to the RCP.

10. Date of Next Meeting

The 105th RCP Meeting will be held on Tuesday, 13 November 2018.

There being no other matters, the meeting ended at 11.30am.

Toh Seong Wah
Chairman

Minutes taken by:
Angeline Tan
Corporate Secretarial Executive