MINUTES OF THE RULES CHANGE PANEL
109TH MEETING
HELD ON TUESDAY, 7 MAY 2019 AT 10.00AM
AT ENERGY MARKET CO. PTE LTD
4 SHENTON WAY #03-01
SGX CENTRE 2, SINGAPORE 068807

Present
Toh Seong Wah (Chairman) Marcus Tan
Teo Chin Hau Tony Tan
Carol Tan Daniel Au
Sean Chan Senthil Kumar
Matthew Yeo Ho Yin Shan
Dr. Toh Mun Heng Fong Yeng Keong
Tan Chian Khong

Absent with
Henry Gan Soh Yap Choon

Apologies:

In Attendance: 
Veronica Rodriguez Wang Jing
Li Zhenhui Jo Ong
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.

1.1 Replacements of Representatives of the Generation and Retail Electricity Licensee classes of market participants

The RCP was informed that the EMC Board approved the appointment of Mr. Marcus Tan Yam Ngee from Senoko Energy Pte. Ltd. as representative of the Generation Licensee class of market participants and Mr. Senthil Kumar from I Switch Pte. Ltd. as representative of the Retail Electricity Licensee class of market participants.

The Chairman welcomed Mr. Marcus Tan and Mr. Senthil Kumar to the 109th RCP Meeting.

2.1 Confirmation of Minutes of the 107th RCP Meeting

The Minutes of the 107th RCP meeting, held on 5 March 2019, were noted and the RCP approved the Minutes.

2.2 Confirmation of Minutes of the 108th RCP Meeting

The Minutes of the 108th RCP meeting, held on 7 May 2019, were noted and the RCP approved the Minutes.
3.1 Matters Arising from the 106th RCP Meeting

- Monitoring List

At the 106th RCP Meeting, the RCP discussed and agreed on the addition of the Lerner Index to the Monitoring List as an additional indicator of the level of market power.

3.1.1 Ms. Qin Wei Xiao updated that EMC has included the Lerner Index in the Monitoring List and presented the methodology used to calculate Lerner Index in NEMS as well as the limitations of using this index.

3.1.2 Mr. Tony Tan commented that fuel cost used in vesting price is typically set using the previous quarter’s forward prices. For actual month’s bidding, different gencos will have different cost structure but it is typically pegged to oil prices of that month. As such, the fuel component cannot remain the same for the whole quarter. He suggested refining the formula to define fuel costs on a monthly basis.

3.1.3 Mr. Sean Chan said that vesting price is determined based on long-run marginal cost and asked if there will be any conflict in using vesting price to calculate the short-run marginal cost (“SRMC”). Ms. Wang Jing replied that EMC recognised that the short run marginal cost in the vesting price may not truly reflect the real short-run marginal cost that generators are facing in each dispatch period and has identified this as one of the limitations of using Lerner Index in NEMS.

3.1.4 Mr. Senthil Kumar asked if the short run marginal cost can be calculated based on the marginal cost of units in Singapore. The Chairman replied that EMC has neither the necessary information nor the right to access to Platts data to calculate SRMC.

3.1.5 Mr. Teo Chin Hau and Mr. Tony Tan opined that they consider that the methodology used is correct and indicated that using the Lerner Index is a good way to measure market competitiveness.

The Chairman highlighted that the RCP should not rely solely on the Lerner Index to evaluate market concentration. The RCP has considered various measures to determine market concentration and market competitiveness in the past, such as the Residual Supplier Index, and the Herfindahl-Hirschman Index. The inclusion of the Lerner Index in the monitoring list represents an additional measure to the previous observed indexes.

3.2 Matters Arising from the 107th RCP Meeting

- Review of Credit Support Requirements in Alignment with the Lead Time of Transfers During a Retailer of Last Resort Event (“ROLR”)

At the 107th RCP Meeting, Mr. Soh Yap Choon suggested that EMC seek the assistance of the EMA to facilitate the discussion and clarification with SP Services on their issues and concerns regarding Option 4 to give proper closure to Option 4 before deciding.
### Minutes of 109th RCP Meeting – 7 May 2019

**3.2.1** Ms. Wang Jing updated that EMC has sought assistance from EMA to facilitate clarification with SP Services on the ROLR process and feasibility of Option 4 on 19 March 2019. EMA suggested that the RCP Chair contact SP Group directly to discuss.

**3.2.2** Given no further inputs received from SP Services on the feasibility of Option 4, EMC recommended that the RCP:

- a) support the implementation of Option 2, which is to increase the credit support to 38 days of a MP’s daily exposure;
- b) support implementation by deploying 2 internal contract staff; and
- c) task EMC to draft the proposed rule modifications to give effect to Option 2.

**3.2.3** Mr. Senthil Kumar commented that independent retailers do not have a level playing field compared to the gentailers, who can use bilateral contracts to offset. He indicated that independent retailers do post prudential requirements for the electricity futures market and asked if it is possible to offset prudential requirement with electricity futures.

The Chairman replied that EMC recognised the challenges of the independent retailers as there is no natural hedge and the credit support posted is significantly higher than the one of the gentailers. He added that EMC has explored this option with SGX but it is not a straightforward issue to solve. He explained that the NEMS is a physically-settled market, while the futures market is a cash-settled market. The different settlement philosophy means that the futures contracts may help to offset part of the cost but will not be able to fully cover the cost of the physical goods in NEMS. He added that to solve this issue, EMC must have the right to liquidate futures positions, which is currently not allowed, according to the governing Act. The Chairman assured Mr. Senthil Kumar that EMC is looking at this together with SGX to find a solution.

**3.2.2** Mr. Senthil Kumar noted that under the Market Rules, a defaulting retailer’s exposure is shared among the industry and asked why the practice cannot be continued instead of increasing the number of days that the credit support must cover. Ms. Wang Jing said that there is a need to protect the market and the rest of the market participants from the credit risk of a defaulting retailer. She added that the maximum exposure in the wholesale market is 38 days unless changes are made to the settlement cycle or the ROLR timeline.

**3.2.3** Ms. Ho Yin Shan said that the response from EMA may give the impression that SP Services has not been supportive of the feasibility study for Option 4. She clarified on the importance of consulting with EMA first and having their endorsement because SP Services as a licensee is obliged to operate according to the code of practice and the ROLR process is fully prescribed in the code of practice. Hence, it was important to know beforehand if EMA was supportive of amending the ROLR process. The Chairman said that EMC recognised SP Services’ challenges as well as the complexity of the ROLR process and system.
3.2.4 The Chairman indicated that the decision of whether to implement Option 2 has been deferred for 2 RCP meetings. From a market operator’s perspective, there is an urgent need to address this issue which is creating a risk to the market.

3.2.5 The Chairman first called for a vote on whether to implement Option 2.

The following members **by majority vote supported:**

- Mr. Marcus Tan (Representative of Generation Licensee)
- Mr. Teo Chin Hau (Representative of Generation Licensee)
- Mr. Tony Tan (Representative of Generation Licensee)
- Ms. Carol Tan (Representative of Transmission Licensee)
- Mr. Daniel Au (Representative of Retail Electricity Licensee)
- Mr. Matthew Yeo (Representative of Wholesale Electricity Trader)
- 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 members **abstained** from voting:

- Mr. Sean Chan (Representative of Retail Electricity Licensee)
- Mr. Senthil Kumar (Representative of Retail Electricity Licensee)

3.2.6 The Chairman next called for a vote on whether to implement Option 2 by deploying 2 internal contract staff.

The following members **by majority vote supported:**

- Mr. Marcus Tan (Representative of Generation Licensee)
- Mr. Teo Chin Hau (Representative of Generation Licensee)
- Mr. Tony Tan (Representative of Generation Licensee)
- Ms. Carol Tan (Representative of Transmission Licensee)
- Mr. Daniel Au (Representative of Retail Electricity Licensee)
- Mr. Senthil Kumar (Representative of Retail Electricity Licensee)
- Mr. Matthew Yeo (Representative of Wholesale Electricity Trader)
- Ms. Ho Yin Shan (Representative of the Market Support Services Licensee)
- Mr. Tan Chian Khong (Person experienced in Financial Matters in Singapore)

The following members **abstained** from voting:

- Mr. Sean Chan (Representative of Retail Electricity Licensee)
- Dr. Toh Mun Heng (Representative of Consumers of Electricity in Singapore)
- Mr. YK Fong (Representative of Consumers of Electricity in Singapore)
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. **Review of Default Levy Arrangements**
   (Paper No. EMC/RCP/109/2019/358)
   Ms. Qin Wei Xiao recapped the paper, previously presented at the 106th RCP meeting, which reviews the current arrangements on the imposition of default levy in the Singapore Wholesale Electricity Market.

   7.1 Ms. Qin informed the RCP that at the 106th RCP meeting, the RCP (i) by majority vote did not support allocating the default levy to net creditors only or allowing MEUC, the EMC and PSO fees to be recovered in full upfront in the event of a settlement shortfall, and (ii) unanimously supported correcting the erroneous default levy calculations and elucidating definitions and timelines in the Market Rules.

   7.2 Ms. Qin then presented a summary of the proposed modifications to the market rules to give effect to the RCP’s decision stated above. The proposed modifications to the market rules were published on 1 April 2019 for consultation. Comments were received from PacificLight Power Pte Ltd, which were noted by EMC.

   7.3 The RCP **unanimously supported** the proposed modifications to the market rules and recommended that the EMC Board adopt the proposed modifications.

There being no other matters, the meeting ended at 11.10am.

**Toh Seong Wah**
Chairman

Minutes taken by:
Angeline Tan
Executive, Legal and Corporate Secretariat

Approved at the 110th RCP Meeting held on 16 July 2019