MINUTES OF THE RULES CHANGE PANEL
117TH MEETING
HELD ON TUESDAY, 14 JULY 2020 AT 10.00AM
 VIA VIDEO-CONFERENCING

Present
Toh Seong Wah (Chairman)  Henry Gan
Soh Yap Choon            Marcus Tan
Teo Chin Hau            Tony Tan
Carol Tan                Sean Chan
Sim Meng Khuan           Matthew Yeo
Ho Yin Shan             Dr. Toh Mun Heng
Fong Yeng Keong         Tan Chian Khong

Absent with Apologies:
Senthil Kumar

In Attendance:
Poa Tiong Siaw            Wang Jing
(EMC)                        Li Zhenhui          Qin Weixiao
                      Joash Seng          Clarissa Ooi

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.

2.1 Confirmation of Minutes of the 116th RCP Meeting

The Minutes of the 116th RCP meeting, held on 12 May 2020, were noted and the RCP approved the Minutes.

2.2 Matters Arising from 116th RCP Meeting

- Compensation Guidelines for Interruptible Load Facilities Interrupted for Prolonged Duration (Paper No. EMC/RCP/116/2020/CP81)

At the 116th RCP Meeting, the Chairman called for a vote to adopt Option 1, task EMC to draft compensation guidelines based on Option 1, and propose at the next RCP meeting the use of a reference price (i.e. the MEP, the USEP or a variant) as the basis for the compensation. The RCP by majority vote gave in-principle support of this proposal.

Mr. Poa Tiong Siaw updated that EMC has conducted further study and recommend the use of USEP as the basis for compensation. EMC’s analysis and the draft compensation guidelines will be presented later in the meeting.

3. Monitoring List

The RCP noted the content of the Monitoring List.

(Mr. Matthew Yeo joined the meeting.)
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4. Summary of Outstanding Rule Changes

The RCP noted the summary of outstanding rule changes.

5. Rules Change Work Plan Status Update

The RCP noted the update on the Rules Change Work Plan.

6. Compensation Guidelines for Interruptible Load Facilities Interrupted for Prolonged Duration

(Paper No. EMC/RCP/117/2020/CP81)

Mr. Joash Seng recapped that at the 116th RCP meeting, the RCP gave its in-principal approval to adopt Option 1, i.e. to base the Interruptible Load (“IL”) compensation amount calculation on the prevailing USEP/MEP, or a variant of it and tasked the EMC to study Option 1 in further detail and draft the compensation guidelines and necessary market rule modifications to make reference to the guidelines should Load Registered Facilities (“LRF’s) request for compensation.

6.1 Mr. Joash Seng updated the RCP that EMC has conducted further study on Option 1 and assessed the use of prevailing USEP under Option 1b remains the preferred approach as it properly captures the system avoided cost.

6.2 Mr. Joash Seng presented EMC’s analysis on the use of the prevailing USEP as the reference price to compute compensation amounts for LRFs across affected periods.

He went on to present the compensation calculation formula with respect to an LRF is defined as:

\[ \text{Comp}_n = Q_n \sum j_i / 60 \times USEP_i \]

Where:

\[ \{ n | n \in \text{LRFs activated to provide reserve} \}, \{ i | i \in \text{qualified periods of compensation} \} \]

\( Q_n \) is \( LRF_n \)’s reserve scheduled quantity for the period which IL is activated, or any other curtailed load quantity (MW) as instructed by the PSO.

\( USEP_i \) is the Uniform Singapore Energy Price for the period \( i \).

\( j_i \) is the number of minutes the \( LRF_n \) is curtailed for within the period.
6.3.1 Mr. Soh Yap Choon queried if the compensation formula will be included as part of the Compensation Guidelines or the Market Rules. Mr. Joash Seng replied that the compensation formula will be captured in a document stipulating Compensation Guidelines. The said Guidelines will be published on EMC website and will not form part of the Market Rules. The only proposed modification to the Market Rules will be additional line(s) in the section for the market participants to make reference to the Compensation Guidelines when seeking compensation.

6.3.2 Mr. Soh Yap Choon asked if any future proposed modifications to the Compensation Guidelines will undergo the same RCP approval process. Mr. Poa Tiong Siaw replied that EMC intents to follow the same RCP approval process.

(Ms Ho Yin Shan joined the meeting.)

6.4 EMC recommends that the RCP
   a) endorse the compensation guideline for LRFs facing prolonged interruption, as set out in CP81 Appendix C; and
   b) task EMC to draft modification to the Market Rules for the compensation guideline to be used as a reference for the calculation of compensation amount.

6.4.1 The RCP by majority vote supported EMC’s recommendation as stated above.

The following RCP members supported EMC’s recommendation:

- Mr. Henry Gan (Representative of EMC)
- 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. 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)
- Mr. Tan Chian Khong (Person experienced in financial matters in Singapore)

The following RCP member abstained from voting:

- Mr. Soh Yap Choon (Representative of the PSO)
- Mr. Sim Meng Khuan (Representative of Retail Electricity Licensee)
- Mr. Matthew Yeo (Representative of Wholesale Electricity Trader)
- Ms. Ho Yin Shan (Representative of the market support services licensee)
7. Review of Allowable Remedies for Events of Default
(Paper No. EMC/RCP/117/2020/CP82)

Ms. Clarissa Ooi presented the paper that reviews the allowable remedies for each event of default listed in Chapter 3 Section 7.3.6 of the Market Rules. She gave the background of the existing market rules and current EMC process when an event of default occurs.

7.1 Ms. Clarissa Ooi went on to present EMC’s analysis on the proposed actions in response to the following categories of event of default:

- Category 1: Failure to Make Payment or Provide Credit Support
- Category 2: Where it becomes Unlawful to Fulfil Obligations under the Market Rules
- Category 3: Cessation of Business/Liquidation/Insolvency
- Category 4: Inability to Meet Material Participation Requirement

7.2 Category 2: Where it becomes Unlawful to Fulfil Obligations under the Market Rules

With respect to Category 2 defaults where it becomes unlawful for a market participant’s credit support provider to fulfil its obligations under the Market Rules, Mr. Y K Fong noted that if the credit support provider is unable to rectify the event of default in 2 business days, it will be considered as a market participant’s default under Category 1. He asked if the market participant will be given an extra day to rectify the event of default. Ms. Clarissa Ooi replied that the market participant will first be given 2 business days to replace the credit support provider, and if they are unable to do so, it will be considered as an event of default attributed by the MP under Category 1. The market participant will then be given 1 more business day to rectify the event of default, which makes it a total of 3 business days.

7.3.1 Category 3: Cessation of Business/Liquidation/Insolvency

Mr. Henry Gan said that the current process when a market participant defaults is for EMC to issue a default notice to request the Market Surveillance and Compliance Panel (“MSCP”) to issue a suspension order. He noted that the proposed action is for the MSCP to automatically issue a suspension order and queried how will the MSCP know of the event of default if there is no suspension order request from EMC. Mr. Poa Tiong Siaw replied the process will need to be ironed out at the rules drafting stage. He said the proposed process is that EMC is still required to issue a default notice and the default notice will be submitted to the MSCP. If the event of default falls under Category 3, then the proposed rules will provide that the MSCP can issue a suspension order without conducting a hearing.

7.3.2 Mr. Soh Yap Choon asked if a market participant is suspended immediately upon EMC’s issuance of a default notice. Mr. Poa Tiong Siaw explained that EMC as a market operator does not have the authority to issue a suspension order. He clarified that automatic issuance of suspension order in this case just means that there will be no need for a hearing to be conducted by the MSCP. The rule will still require the MSCP
to make a decision on whether to issue the suspension order when it receives a default notice. This will be clearly reflected in the rules when the rule modifications is drafted. Mr Soh further enquired if the suspension would be immediate if the defaulting MP is a generation licensee. Mr. Poa added that under the Markets Rules, if the MSCP intends to issue a suspension order to a market participant that is a generation licensee or Market Support Services Licensee, the MSCP will need to seek EMA’s approval for the suspension. This will remain unchanged.

7.3.3 Mr. Tan Chian Khong asked if there are any processes in EMC that will pick up companies heading towards insolvency and liquidation. Mr. Poa Tiong Siaw replied that for payment related type of defaults, EMC’s Market Operation is constantly monitoring the exposure and the rate of payment. If the exposure level of a market participant is high, EMC may issue margin calls to the market participant. Hence, there are early warning mechanisms on that front. However, there are other factors that may cause a company to go into liquidation besides their ability to pay their debts. Mr. Poa added that the Market Rules are written to safeguard the financial integrity of the wholesale market. There is no other monitoring mechanisms with regards to a market participant’s status as a going concern.

7.3.4 Mr. Sim Meng Khuan asked if the settlement of bilateral contracts will still continue when a market participant is being suspended. Ms. Wang Jing replied all the bilateral contracts pertaining to trading days before the suspension takes place will have to be settled. There should not be any settlement done for trading days where a suspension is effective.

7.4.1 **Category 4: Inability to Meet Material Participation Requirement**

Mr. Henry Gan asked about the time frame for EMC to take immediate actions to restrict the activities of a market participants, Ms. Clarissa Ooi replied that the operational timeline will be reflected in the rules modifications.

7.4.2 Mr. Henry Gan further queried about the difference between restricting an unlicensed activity of a market participant which may entail restricting trading and a suspension order from the MSCP. Ms. Wang Jing explained that there could be different scenarios of restricting activity of a market participant, depending on the licence that a market participant has and which license has been revoked or terminated by the EMA. She gave an example where a market participant, who holds both retail and wholesale licenses have its retail license revoked or terminated by the EMA. This market participant should be restricted from retail activity but can still participate in Interruptible Load or Demand Response programme as a wholesale trader. However, if the market participant only holds a retail license which has been revoked or terminated by the EMA, then it will be no different from suspension.

7.5 Ms. Clarissa Ooi informed the RCP that the concept paper was published on 17 April 2020 for consultation. EMC has responded to comments received from the MSCP.
7.6 EMC recommends that the RCP
   a) support the proposed modifications as described in Section 3.2 of
      the paper; and
   b) task EMC to draft the relevant rule modifications to give effect to
      the above proposed modifications.

7.6.1 The RCP unanimously supported EMC’s recommendation as stated
      above.

There being no other matters, the meeting ended at 11.18am.

Toh Seong Wah
Chairman

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