MINUTES OF THE RULES CHANGE PANEL

118TH MEETING

HELD ON TUESDAY, 8 SEPTEMBER 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)                    Qin Weixiao
                 Li Zhenhui               Clarissa Ooi
                 Joash Seng

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 117th RCP Meeting

The Minutes of the 117th RCP meeting, held on 14 July 2020, were noted and the RCP approved the Minutes.

3. Monitoring List

The RCP noted the content of the Monitoring List.

(Mr. Matthew Yeo joined the meeting.)

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. Rectification of Second Default Levy and Estimated Net Exposure Formulae  
(Paper No. EMC/RCP/118/2020/364)

Ms. Qin Weixiao presented the paper which reviews the current formulae applicable to the calculation of the second default levy and the estimated net exposure of market participants (“MPs”), and proposed amendments to the formulae.

6.1 Ms. Qin Weixiao went on to present the proposed modifications to the Market Rules and the Market Manual. She informed the RCP that the proposed modifications were published on 11 August 2020 for consultation and EMC responded to one comment received from PacificLight Power.

6.1.1 In that comment, PacificLight Power suggested that a second notice of default levy should not be issued in situations where failure to realise credit support is due to errors on EMC’s part. Mr. Henry Gan said that an administrative failure by EMC to claim credit support due to its own negligence constitutes a breach of the Market Rules that is subjected to the Market Surveillance and Compliance Panel’s investigation. Therefore, it is not necessary for an additional rule on that front. He added that it is a straightforward process to cash out a banker’s guarantee and he does not foresee a scenario where EMC can be negligent when cashing out a banker’s guarantee.

6.1.2 Ms. Qin Weixiao quoted the example given by PacificLight Power where EMC could have missed the expiry date of a banker’s guarantee, thus resulting in the banker’s guarantee becoming invalid. Mr. Henry Gan highlighted that under the Market Rules, it is the obligation of a MP to ensure that its banker’s guarantee placed with EMC has a credit rating of “A” and above by S&P and to replace any expiring banker’s guarantee with a new one in a timely manner. He added that EMC is proactive in reminding MPs when their banker’s guarantees are due for renewal. This is to protect the financial integrity of the market and MPs should not take it as an obligation of EMC to do so.

Ms. Qin Weixiao reiterated that the purpose of this paper is to correct the current formulae to calculate the second default levy, and not the conditions under which the second default levy applies.

6.2 EMC recommends that the RCP
a) supports the proposed rule modifications;
 b) recommend that the EMC Board adopt the proposed rule modifications; and
 c) recommend that the proposed rule modifications, subject to the approval of the Authority, come into force on 31 December 2020.

6.2.1 The RCP unanimously supported the proposed modifications to the Market Rules and Market Manual and recommended that the EMC Board adopts the proposed modifications and for the proposed modifications, subject to the approval of the Authority, to come into effect 31 December 2020.
7. **Compensation Guidelines for Interruptible Load Facilities Interrupted for Prolonged Duration**  
(Paper No. EMC/RCP/118/2020/365)

Mr. Joash Seng recapped that at the 117th RCP meeting, the RCP had, by majority vote, supported EMC’s recommendation to endorse the compensation guideline for Load Registered Facilities (“LRF”) facing prolonged interruption; and tasked EMC to draft the relevant modifications to the Market Rules.

7.1 Mr. Joash Seng went on to present the proposed modifications to the Market Rules. He informed the RCP that the proposed modifications were published on 14 August 2020 for consultation and comments received from Keppel Merlimau Cogen and Senoko Energy were responded to.

7.2 Mr. Joash Seng informed the RCP that the said compensation claims for LRFs will be recovered from the market through the Monthly Energy Uplift Charge (‘MEUC’). He said that EMC will have to incur cost to insert a new line item in the MEUC calculation module. The 2 options to enable this are as follows:

**Option 1**  
To incur a one-off cost to overhaul the MEUC module (to allow for dynamic MEUC data entry), such that new line items can be inserted at zero cost. This option will involve a comprehensive revamp of the module design, programming, function and display:
- Data Entry – dynamic creation of component (name and $ value) in the 0MEUF form for ingestion in MEUC module,
- Display – EMC can select sequence of line items to be displayed in the MEUC report,
- Calculation – system automatically calculates the MEUC amount with the dynamic entry in the MEUF form.

**Option 2**  
- To incur cost to create additional line items for Sect 9.3.7;
- Placeholders can be created for future compensation provisions.

7.3 EMC recommends that the RCP
a) supports the proposed rule modifications to the Market Rules;
 b) recommend that the EMC Board adopt the proposed rule modifications;
c) endorse the publication of the compensation guidelines; and d) discuss and decide which implementation option to adopt.

The Chairman invited the RCP to discuss and decide on the implementation option to adopt.

7.3.1 In response to Mr. Soh Yap Choon’s query about the 2 options for implementation, Mr. Henry Gan explained that Option 1 is an overhaul of the system to allow the system to be more flexible when factoring for new rule changes and line items. This will allow for future rule changes at no additional cost, provided that the MEUC determination formulae remains
static. Thus, making it more beneficial from a longer-term perspective. Mr. Henry Gan said that Option 2 involves creating an addition line item and a few placeholders for future rule changes. Once the placeholders are used up, EMC will have to seek RCP’s approval again to add in new placeholders at additional costs.

7.3.2 Mr. Soh Yap Choon noted that the implementation needs to be staged in view of the Forward Capacity Market (“FCM”) implementation that is ongoing. He asked if the rule change will not take effect until either of the options is being implemented and if there is any manual work around settlement to implement the rule change. Mr. Joash Seng replied that either of the options will be essential in order for the rule change to take effect as compensation is rightfully recovered through the MEUC. EMC will discuss internally to stage out the implementation timeline once the RCP has decided on the option to implement.

7.3.3 Mr. Soh Yap Choon asked about the effective date for the proposed rule modifications to come in force. Ms. Wang Jing replied that the implementation date will have to be determined later.

7.3.4 Mr. Soh further questioned whether the implementation of the proposed rule modifications will be impacted by the ongoing work on FCM implementation. Mr. Henry Gan explained that the current MEUC module is integrated with invoicing in the settlement system. EMC is unable to manually amend the system as a workaround. As for implementation timeline, Mr. Henry Gan said that EMC is focusing on FCM as a top priority to meet the given time schedule and will need to assess how soon this proposed rule change can be implemented once the proposed rule change is approved. When the system implementation date is decided, EMC will publish it on its website to inform the industry. He added that this approach is the same practice with other rules changes.

7.4 The Chairman first called for a vote on the RCP’s decision to:
   a) support the proposed rule modifications to the Market Rules;
   b) recommend that the EMC Board adopt the proposed rule modifications; and
   c) endorse the publication of the compensation guidelines.

7.4.1 The RCP **unanimously supported** the proposed modifications to the Market Rule, recommended that the EMC Board adopts the proposed modifications, and endorsed the publication of the compensation guidelines.

7.5 The Chairman next called for a vote to decide on which implementation option to adopt.
The following RCP members supported Option 1:

- Mr. Matthew Yeo (Representative of Wholesale Electricity Trader)

The following RCP members supported Option 2:

- Mr. Soh Yap Choon (Representative of the PSO)
- Mr. Marcus Tan (Representative of Generation Licensee)
- Mr. Teo Chin Hau (Representative of Generation Licensee)
- Mr. Tony Tan (Representative of Generation Licensee)
- Mr. Sean Chan (Representative of Retail Electricity Licensee)
- Mr. Sim Meng Khuan (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)

The following RCP members abstained from voting:

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

Hence, the RCP by majority vote supported the adoption of Option 2.

8. Providing Real-Time Estimates of Reserve Responsibility Share for Each Generation Registered Facility
(Paper No. EMC/RCP/118/2020/CP84)

Mr. Li Zhenhui presented the paper which discusses a proposal for EMC to provide real-time estimates of the Reserve Responsibility Share (RRS) for each generation registered facility (GRF). He gave the background of the proposal and presented EMC’s analysis.

8.1 Based on EMC’s analysis, Mr. Li Zhenhui concluded that providing forecasted RRS have its benefits for the relevant owner-MPs at the individual MP level. Due to ‘transient’ market power concerns, it is not advisable to publish all forecasted RRS to all MPs.

8.2 Mr. L Zhenhui informed the RCP that the concept paper was published on 3 July 2020 for consultation. EMC has responded to comments received from Senoko Energy, Tuas Power, Keppel Merlimau Cogen, PacificLight Power, PSO, ExxonMobil and EMC Market Operations Team.

(Ms. Carol Tan joined the meeting.)
8.3 EMC recommends that the RCP
   a) Support the proposal for EMC to:
      i. use the existing RRS calculation methodology to calculate forecasted RRS
      ii. calculate forecasted RRS for RTS, STS and PDS
      iii. provide forecasted RRS to the relevant owner-MPs only; and
   b) task EMC to draft the required market rules to effect the provision of forecasted RRS.

8.3.1 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. Tony Tan (Representative of Generation Licensee)
- Mr. Sean Chan (Representative of Retail Electricity Licensee)
- Mr. Sim Meng Khuang (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 RCP members did not support EMC’s recommendation:

- Mr. Soh Yap Choon (Representative of the PSO)
- Mr. Teo Chin Hau (Representative of Generation Licensee)

The following RCP members abstained from voting:

- Ms. Carol Tan (Representative of Transmission Licensee)

There being no other matters, the meeting ended at 11.45am.

Toh Seong Wah
Chairman

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