MINUTES OF THE RULES CHANGE PANEL
123rd MEETING
HELD ON WEDNESDAY, 12 MAY 2021 AT 10.00AM
VIA VIDEO-CONFERENCING

Present
Toh Seong Wah (Chairman)       Henry Gan
Soh Yap Choon                   Teo Chin Hau
Tony Tan                        Calvin Quek
Carol Tan                       Sean Chan
Terence Ang                     Song Jian En
Cheong Zhen Siong               Ho Yin Shan
Dr Toh Mun Heng                 Fong Yeng Keong
Tan Chian Khong

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 10.00am. The Notice and
Agenda of the meeting were taken as read.

2.1 Confirmation of Minutes of the 121st RCP Meeting

The Minutes of the 121st RCP meeting, held on 10 March 2021, were noted
and the RCP approved the Minutes.

2.2 Confirmation of Minutes of the 122nd RCP Meeting

The Minutes of the 122nd RCP meeting, held on 1 April 2021, were noted
and the RCP approved the Minutes.

3. Monitoring List

The RCP noted the content of the Monitoring List.

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. Deterrence of Late Payment by Market Participants
(Paper No. EMC/RCP/123/2021/CP87)

Ms Clarissa Ooi presented the paper which considered proposed measures to deter a Market Participant (“MP”) from making late payment due to the Singapore Wholesale Electricity Market (“SWEM”). She briefed the RCP on the background and EMC’s analysis and assessment on the proposed three deterrence measures:

1. Introduce a threshold for repeated payment default beyond which the trading by MP should be halted.
2. Impose an administration charge for each payment default.
3. Publish a watchlist of defaulting MPs.

6.1 Mr Clarissa Ooi informed the RCP that the concept paper was published on 9 April 2021 for consultation. EMC has responded to comments received from the Market Surveilliance and Compliance Panel (“MSCP”), and Keppel Merlimau Cogen.

6.2 EMC recommended that no rule change is required, and for EMC to, where appropriate, impose an administrative cost for late payment by a MP in accordance with Chapter 3 Section 7.3.6 of the Market Rules.

6.3 Ms Carol Tan asked if EMC imposes default interest in accordance to Chapter 3, Section 7.3.6 of the Market Rules. Ms Clarissa Ooi replied that currently EMC does not imposed any default interest for late payment by 1 business day. Ms Tan went on to ask if there is any particular reason why default interest is not imposed even though it was allowed under the Market Rules. Ms Clarissa Ooi said that default interest was not imposed because there was not many cases of default between 2013 to 2017. It was only in recent years that the number of default cases increased.

6.4 In response to Ms Carol Tan’s query about computation of administrative cost for late payment by a MP, Ms Clarissa Ooi said that EMC is still in the process of assessing the best way to provide the administrative cost. Mr Poa Tiong Siaw added that there are administrative actions that EMC may have to take when a MP defaults. It will be a cost recovery mechanism for the administrative costs and will be calculated based on the effort that EMC expended in the event a MP does not pay on time.

6.5 Mr Y K Fong asked if it is correct to assume that there will be no further action taken against a MP who is able to rectify the default payment quickly. Ms Clarissa Ooi replied that this proposal is for MPs who are able to rectify the late payment within 1 business day. For a MP who is not able to rectify within 1 business day, EMC will request for MSCP to issue a suspension order to the MP.
6.6 Dr Toh Mun Heng said that he had no objection to the deterrence but would like to know if it is possible for EMC to send payment reminder to MPs a day or two before payment due date. Mr Henry Gan replied that EMC will send the invoice to MP in T+10 business day and the MP has sufficient time to make the payment as it only need to do so in T+20 calendar day. When a MP defaults, EMC will call the MP to remind them on the payment and works closely with the bank to ensure that the MP pays. It is important for MP to make payment on time as EMC has to make payment to the gencos in T+21 day. If a MP makes payment at or after 5pm on T+21 calendar day, EMC may face difficulty in making payment to gencos. Mr Gan said that this is the reason why late payment is taken very seriously and opined that a deterrent need to be meted out to MPs who fail to make payment on time.

6.7 Mr Henry Gan opined that imposing a day’s interest and administrative cost on the defaulting MP is not a good deterrent as the amount may not be high enough to deter such behaviour. He felt that recalcitrant should be investigated by the MSCP so that they are aware of the seriousness of defaulting in payment and will not repeat the same. It should not be the case where MPs take the extra 1 BD to make good just by paying the additional interest and administrative costs. Mr Gan proposed that new rules be introduced for MSCP to investigate the root cause for repeated cases of late payment and for defaulting MP to be held accountable for the repeated late payments. He added that it is unfair to the rest of the MPs who have been making prompt payment. If the default MP does not have sufficient credit support, EMC will receive a pro-rata payment and will have to pay out lesser to the Gencos.

6.7.1 Ms Carol Tan said that SP faces the same problem as well and suggested for EMC to start enforcing its rights under Chapter 3, Section 7.3.6 of the Market Rules to impose late default interest and to come out with a mechanism to compute the administrative cost so that such cost is not unnecessary or unfairly borne by the rest of the non-defaulting MPs. She asked if EMC could explore other measures to further deter or reduce the defaults and proposed to the RCP again.

6.7.2 Mr Tan Chian Khong suggested that the credit period for MPs that habitually default to be reduced as that will affect the MP’s cashflow and thus making them plan their payments more carefully.

6.7.3 Ms Clarissa Ooi noted the above various suggestions from the RCP. She informed the RCP that EMC had discussed with MSCP and MSCP is of the view that it does not have a case to impose enforcement actions as the MP is no longer in default once the payment is made within 1 business day. Mr Poa Tiong Siaw explained that EMC was initially of the view that there should be some punitive measures but agreed with MSCP’s view to respect the market rules which allows a MP to remedy a payment default by 1 business day. He added that EMC has an avenue to impose administrative cost when it considers appropriate as allowed under the Market Rules. If EMC encounters MPs trying to take advantage of the additional 1 business day to pay their invoice, EMC can raise this as a behavioural issue to MSCP.
6.8 With reference to proposal 1 “Introduce a threshold for repeated payment default beyond which the trading by MP should be halted.”, Mr Soh Yap Choon noted that the proposal will not be implemented but he sought clarification if MSCP is the party that will halt the trading if the proposal is implemented. Ms Clarissa Ooi replied that if the proposal is to be implemented, it will be EMC’s responsibility to halt the trading of an MP instead of MSCP. Mr Soh advised that the process has to be robust to ensure security of supply can be maintained for the market and operations.

6.9 Mr Soh Yap Choon asked if any payment reminder is sent to MP before payment due date. Mr Poa Tiong Siaw replied that MPs are invoiced daily and EMC will issue a notice of default if no payment is received by 5pm on the due date. In response to Mr Soh Yap Choon’s comment about the drawdown on the MP’s credit support if no payment is received after the 1 business day, Mr Henry Gan clarified that in the event the credit support is insufficient, partial payment will have to be made to the gencos.

6.10 Mr Soh Yap Choon suggested that EMC publishes the administrative cost and late charges that it intends to implement. Ms Clarissa Ooi noted Mr Soh’s suggestion.

6.11 The Chairman called for a vote on EMC’s recommendations as stated above.

6.11.1 The RCP by majority vote supported EMC’s recommendations.

The following RCP members supported:

- Mr Soh Yap Choon (Representative of the PSO)
- Mr Teo Chin Hau (Representative of Generation Licensee)
- Mr Tony Tan (Representative of Generation Licensee)
- Mr Calvin Quek (Representative of Generation Licensee)
- Ms Carol Tan (Representative of Transmission Licensee)
- Mr Sean Chan (Representative of Retail Electricity Licensee)
- Mr Terence Ang (Representative of Retail Electricity Licensee)
- Mr Song Jian En (Representative of Retail Electricity Licensee)
- Mr Cheong Zhen Siong (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 member did not support:

- Mr. Henry Gan (Representative of EMC)
7. **Providing Real-Time Estimates of Reserve Responsibility Share for Each Generation Registered Facility**  
(Paper No. EMC/RCP/123/2021/RC368)

Mr Li Zhenhui presented possible implementation options to effect RCP’s decision at the 118th RCP meeting on providing real-time estimates of the Reserve Responsibility Share (“RRS”) for each Generation Registered Facility (“GRF”). At the 118th RCP Meeting, the RCP had by majority vote, supported the following:

- Using the existing RRS calculation methodology to calculate forecasted RRS;
- Calculating forecasted RRS for Real-Time Schedule (“RTS”), Short Term Schedule (“STS”) and Pre-dispatch Schedule (“PDS”); and
- Providing forecasted RRS to the relevant owner-MPs only

7.1 Mr Li Zhenhui briefed the RCP on the 2 possible implementation options for providing real-time estimates of RRS for each GRF:

Option 1: To implement the proposal as a value-added service to MPs  
Option 2: To implement the proposal as a market rule obligation on EMC

Based on EMC’s assessment, Mr Li informed the RCP that the differences between the 2 options relate to cost, implementation time and expected service standard levels. While EMC agreed that the release of forecasted RRS will enhance market transparency, EMC opined that Option 1 is more cost effective than Option 2.

7.2 Mr. Li Zhenhui updated the RCP that the rule change paper was published on 15 April 2021 for consultation. EMC has responded to comments received from Power System Operator, PacificLight Power, YTL PowerSeraya, SembCorp Cogen, Tuas Power, Keppel Merlimau Cogen and Senoko Energy.

7.3 EMC recommend RCP to support the following:

- Implement the forecasted RRS as a value-added service to MP  
- On a best effort basis, for EMC to release the information to relevant owner-MPs within two hours of releasing the corresponding forecast schedules  
- No Auto-recovery or Re-run of forecasted RRS due to system issues

7.4 Dr Toh Mun Heng asked if there is a cost-benefit analysis on Options 1 and 2 and what are the rate of return for each option. Mr Poa Tiong Siaw replied that the proposal is to provide useful information to assist the MPs in allocating their resources in an optimal way. He explained that while EMC is able to estimate the cost, it is not possible to objectively quantify the benefits of information availability to MPs as that depends on MPs’ valuation of the RRS information.
7.5 Dr Toh Mun Heng asked about the big difference in implementation cost between Option 1 and 2 just to improve the time lag of releasing RRS by 1 hour, and to have auto-recovery and re-run of estimated RRS information. Mr Poa Tiong Siaw responded that EMC has estimated the cost based on existing capabilities of its current IT infrastructure. If the provision of forecasted RRS is to be delivered at T+1 hour as an EMC obligation under the Market Rules, EMC will be obliged to improve its IT infrastructure significantly to meet the requirements.

7.6 In response to Mr Soh Yap Choon’s query about the publication of forecasted RRS in other markets, Mr Li Zhenhui said that based on his knowledge, other markets may not have a similar reserve allocation methodology as their reserve markets are structured differently from SWEM.

7.7 Mr Terence Ang noted that Option 1 is to implement the forecasted RRS as a value-added service to MPs on a best effort basis with EMC minimizing the upgrades to its IT infrastructure. He asked what will happen if future rule changes require the computing power needed for this proposal. Mr Li Zhenhui replied that EMC will always try to make sure that new rule change obligations do not affect the current wholesale market in general. If a new rule change requires additional computing resource in future, EMC will upgrade its IT infrastructure to fulfil those new rule obligations.

7.8 The Chairman called for a vote on EMC’s recommendations as stated above.

7.8.1 The RCP by majority vote supported EMC’s recommendations.

The following RCP members supported:

- Mr. Henry Gan (Representative of EMC)
- Mr Calvin Quek (Representative of Generation Licensee)
- Ms Carol Tan (Representative of Transmission Licensee)
- Mr Sean Chan (Representative of Retail Electricity Licensee)
- Mr Terence Ang (Representative of Retail Electricity Licensee)
- Mr Song Jian En (Representative of Retail Electricity Licensee)
- Mr Cheong Zhen Siong (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:

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

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

Toh Seong Wah
Chairman

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