MINUTES OF THE 55th RULES CHANGE PANEL MEETING
HELD ON TUESDAY, 10 MAY 2011 AT 9.35AM
AT ENERGY MARKET CO. PTE LTD
238A THOMSON ROAD #11-01
NOVENA SQUARE, SINGAPORE 307684

Present: Dave Carlson         Henry Gan
          Daniel Lee             Philip Tan
          Luke Peacocke          Dallon Kay
          Lawrence Lee          Sean Chan
          Michael Lim           Dr. Goh Bee Hua
          Kng Meng Hwee         Robin Langdale
          Loh Chin Seng

Absent with apologies: Chan Hung Kwan

In Attendance: Paul Poh          Tan Liang Ching
(EMC)            Henry Wee         Wang Jing
                   Nerine Teo

1.0 Notice of Meeting

The Chairman called the meeting to order at 9.35 am. The Notice and Agenda of the meeting were taken as read.

The Chairman welcomed Mr. Loh Chin Seng, Replacement of retail electricity licensee class of market participant representative on the Rules Change Panel (“RCP”) to the 55th RCP meeting.

2.0 Confirmation of Minutes of the 54th Rules Change Panel Meeting

The Minutes of the 54th Rules Change Panel meeting held on Tuesday, 15 March 2011 were tabled.

There being no amendment to the Minutes, the Rules Change Panel approved the Minutes.
3.0 Matters Arising

The Panel noted, as outlined, the follow-up actions for the matters arising.

3.1 Item 1.0 – Recovery and Refund of Reserve and Regulation Payments (Paper No. EMC/RCP/52/2010/300)

The PSO and EMC have reached an agreement to proceed with Option A. EMC will publish the draft rules for consultation and will bring the draft rules to the RCP for their support at the July 2011 meeting.

3.2 Item 5.0 – Load Shed Automation

Mr. Poh informed that the Market Rules provides for the PSO to send load shed file(s) to EMC. EMC then has to immediately adjust the nodal load forecast. After considering the comments of the RCP, EMC is of the view that as the load shed projection is only for the next 4 dispatch periods. If EMC should upload the file later than 2 hours the load shed projection is already over so there is no point in implementing the changes. EMC is required to comply with the rules otherwise EMC will be subject to disciplinary action by the MSCP. Thus EMC has to automate the uploading of the load shed file. However EMC will undertake this in the most cost-effective manner and within its existing approved budgets.

3.3 Item 6.0 - RCP Prioritisation 2011/12 (Paper No.: EMC/RCP/54/2011/06 – 15 March 2011)

Mr. Sean Chan asked if EMC should continue its review on “Differentiation in Probability of Failure (PF) Computation for Multi-shaft plants and Single-shaft Plants” since EMA had recently made its decision on APS and the work on differentiation of PF had already commenced earlier.

3.3.1 Mr. Poh informed that the EMA has decided that APS will not apply when a Generation Registered Facility:

a. has a forced outage
b. is undergoing commissioning
c. is being started up or shut down
d. is performing fuel changeover as required under the Transmission Code.

3.3.2 The Panel was also informed that the review on differentiation of PF was put under the 13-24 months rules change prioritization. The Panel is requested to decide whether the priority should be brought forward for review in the next 12 months and if so which of the 12 issues within 12 month category should be placed under the 13-24 month category.
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3.3.3 The Chairman suggested that EMC provide the Panel with a write up on the original rule change proposal, and the reasons for deferring the work on Differentiation of PF.

3.3.4 In reply to Mr. Kay’s query to include another alternative of just adding the SPF issue to the within 12 month category, the Chairman said that the Panel can discuss that at the next meeting.

3.3.5 Mr. Poh said that the EMA is now asking the PSO, MSSL and EMC for the implemented time line on the APS. EMC will draft the rules change and the EMA will publish the rules change for consultation.

4.0 Summary of Outstanding Rule Changes
The Panel noted the contents of the paper.

5.0 Monitoring List
The Panel noted the contents of the paper.

6.0 Rules Change Workplan Status Update
The Panel noted the contents of the paper.

7.0 Publication of generation registered capacity by facility
(Concept Paper 30)

Mr. Henry Wee presented the concept paper on the proposal to publish Registered Generation Capacity by facility type to facilitate transparency (e.g. allocation of VCs)

Current available information are:

- Licensed capacity of GRFs & capacity of GSFs published on EMA’s website (up to exact capacity)
- Registered capacity by genco/technology published in NEMS market report, in graphical format without figures
- Gencos with allocated vesting contracts are given each others’ adjusted registered capacity for VC allocation

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Publishing Registered Generation Capacity

The benefits to publish the registered generation capacity are:

- Greater transparency allows more complete analysis of SWEM’s competitiveness
- Shed light on vesting allocation process

The concerns are:

- Need to measure against the 6 criteria mentioned (e.g. national security risks, adverse financial impact or facilitate collusion)
- However, assessed that registered capacity data is static, would not flout any of the 6 criteria
- Proposed publication simply aligns registered capacity data with that of licensed capacity data

EMC recommended that the RCP support the proposal to:

- Publish the data categories including Diamond Energy’s proposal, excluding “entitlement to vesting contracts”
- Publish the registered capacity data of all facilities connected to the transmission system and all wholesale traders (including ILs)
- Publish the above data as and when updated, with corresponding timestamp

Mr Henry Wee commented that EMC would need PSO’s notice that a generation facility is non-frequency responsive before EMC publishes as such. Mr Paul Poh added that the PSO usually conduct tests to determine if a generation facility is frequency responsive. Mr Kng replied that the ability to provide primary or secondary reserve would mean the facility is frequency responsive and that is reflected in the standing capability data form.

With regard to date stamp, Mr Henry Gan suggested using the same method currently used to access price information on EMC’s website, where the user will be able to access or download the latest available information at the most recent date available, selected from a calendar. Mr Kay said that is fine as long as the user can tell the date at which the information is made available.

Mr Henry Gan said he will need to check if there will be any additional cost required to implement the publication of the proposed information as he preferred to automate the process.

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Mr Philip Tan raised that there may be discrepancy in the way that information on security constraints is released to the market participants as to when it actually happens. The chairman suggested for this issue to be addressed at the market system user group meeting since it is about the process of information release rather than the content itself.

The Panel unanimously supported the proposal recommended by EMC, but agreed that they would make the final decision upon the confirmation on the cost of implementation and the proposed rule changes at the next RCP meeting.

8.0 New forms of Collateral
(Concept Paper 31)

Ms. Nerine Teo informed the Panel that Market Participants (MPs) are currently only permitted to put up cash deposits, letters of credit, bankers’ guarantee or Singapore government treasury bills as credit support (collateral) with the Energy Market Company (EMC). The credit support is used to guard against an MP’s non-payments to EMC arising from its trades in the Singapore Wholesale Electricity Market (SWEM). This paper explores new instruments that can be used as credit support in the SWEM.

Ms. Teo also presented the guiding principles of low credit risk, low market risk and high liquidity, which form the basis of accepting new types of collateral into an exchange.

Ms. Teo thereafter presented 4 potential types of collateral that EMC considered in this proposal. These include unsecured credit limit, corporate guarantees, Singapore government bonds and stocks. Of the four, only corporate guarantees fulfil the guiding principles of low credit risk, low market risk and high liquidity, provided they meet the following conditions:

a. Guarantor should not have a direct or indirect legal or beneficial interest of 5% or more of the value of shares in the MP.

b. Guarantee must be issued by an institution that has a credit rating of “A” or above by S&P.

c. Guarantor must agree to a prescribed standard form of agreement issued by EMC.

d. Guarantor must be an entity incorporated in Singapore.
Ms. Teo then presented SP Services’ feedback on their difficulty in obtaining corporate guarantees that meet the 4 conditions, and their counter-proposal for EMC to consider using insurance bonds as credit support.

Specifically, SP Services conveyed that the insurance bonds will be issued by an insurer to insure against events of default by the MP as set out in Chapter 3, Section 7.3.1 of the Market Rules and are priced competitively. These bonds would also satisfy the criteria set out by EMC, as follows:

- Payout will be made immediately upon written demand by EMC at a value that will not change with market conditions.
- Insurer will have an S&P rating of “A”
- Format of agreement will be similar to that used for Banker’s Guarantees

SP Services added that allowing insurance bonds as alternative collateral will likely result in lowering the cost of obtaining credit support for MSSL, and thus benefitting consumers in the long run.

Dr. Goh Bee Hua asked how the cost savings can be passed on to the consumers. Mr. Poh informed that SP Services is a regulated entity on cost recovery approach so tariffs can be lowered if SP Services cost is lower.

Mr. Kay asked if there is a proposed limit on the amount of insurance bonds that an MP can use to satisfy its credit requirements.

The Chairman said that the Market Rules do not prescribe any concentration of requirements but it was known that the Panel previously wanted to limit the amount of guarantees obtained from each bank.

Mr. Peacocke supported SP Services proposal to consider insurance bonds. He also commented that insurance bonds should be held to the same standards as bank guarantees with a credit rating of “A”.

EMC recommended that the RCP:

- **do not support** the use of corporate guarantees as collateral in the SWEM
- **task** EMC to work with SP Services to further explore the operational feasibility of using insurance bonds as collateral in the SWEM
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The Panel supported EMC’s recommendation:

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

Dave E Carlson  
Chairman

Minutes taken by:  
Eunice Koh  
Senior Executive – Corp. Secretariat