MINUTES OF THE 56th RULES CHANGE PANEL
MEETING
HELD ON TUESDAY, 12 JULY 2011 AT 9.35AM
AT ENERGY MARKET CO. PTE LTD
238A THOMSON ROAD #11-01
NOVENA SQUARE, SINGAPORE 307684

Present: Dave Carlson  
Daniel Lee  
Luke Peacocke  
Lawrence Lee  
Dr. Goh Bee Hua  
Kng Meng Hwee  
Loh Chin Seng

Henry Gan  
Philip Tan  
Dallon Kay  
Sean Chan  
Chan Hung Kwan  
Robin Langdale

Absent with apologies
Michael Lim

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

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.

2.0 Confirmation of Minutes of the 55th Rules Change Panel Meeting

The Minutes of the 55th Rules Change Panel meeting held on Tuesday, 10 May 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 3.0 – New Forms of Collateral (Concept Paper No. 31)

The Panel was informed that SP Services had sought feedback from potential insurance companies on the operational feasibility of using insurance bonds as collateral. However, these insurers have conveyed that they are unable to meet the one-day payout requirement. This is due to their internal claim procedures, which usually involve a week of processing time before making payouts to beneficiaries.
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The RCP supported EMC’s recommendation not to allow the use of insurance bonds as collateral in the SWEM.

4.0 Summary of Outstanding Rule Changes

The Panel noted the contents of the paper.

5.0 Monitoring List

Mr. Paul Poh informed that from April to May 2011, there were reruns for 128 periods. However, of this, 126 periods were due to a single episode whereby a power station switchhouse was physically disconnected from the grid together with planned maintenance outage of all its GRFs, resulting in abnormal prices. In accordance with the market rules Chapter 6, D.7.3.A, EMC, after consulting the PSO, re-ran the periods to bring the prices back to normal. This is not expected to recur.

5.1 Mr. Dallon Kay asked if there was any advisory notice issued, and whether there was an obligation to do so. He was told that the PSO did not issue any advisory notice for this event, although EMC did issue a notice for the re-runs. Mr. Kng questioned the purpose of asking PSO to issue advisory notice for such planned event.

5.2 Mr. Philip Tan enquired on the cause for 2 periods in 06 April whereby the dispatch runs were missing due to an unplanned NEMS system failure. He was informed that EMC failed for 2 periods to run the NEMS system’s Dispatch Runs (“DPR”) and Look Ahead Runs (“LAR”) during the system updates of the shareplex application software. This was a potential rule breach and EMC had already self-reported to the MSCP.

6.0 Rules Change Workplan Status Update

The Panel noted the contents of the paper.

6.1 Mr. Kay commented that some work items have been pushed from the third quarter to the fourth quarter. He requested EMC to provide a note in future to explain the rescheduling of projects.

7.0 Matters Arising - Review of SPF Methodology

(Paper No. EMC/RCP/50/2010/CP26 – 6 July 2010)

The Panel was informed that it was proposed to revise the current SPF methodology to better reflect the reliabilities of different types of plants. In particular, the proposer felt that multi-shaft plants are technically designed to be more reliable than single-shaft plants – thus, SPF computation should reflect this.
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At the 50th RCP meeting, the RCP deferred its decision on revising the SPF methodology until there is further clarity on whether and how the NERA - Automatic Penalty Scheme (APS) and KEMA policy proposals will be implemented.

Ms. Wang Jing presented and said that at the 51st RCP meeting, the RCP decided not to implement the KEMA policy proposal. On 27 April 2011, EMA released its decision paper on the NERA – APS policy proposal. EMA decided to fine-tune APS such that the scheme would not apply when a GRF:

1. has a forced outage;
2. is being started up or shut down;
3. is undergoing commissioning i.e. being a CGF; or
4. is performing fuel changeover as required under the Transmission Code.

At an industry briefing, gencos raised the following concerns regarding the SPF methodology for EMA to clarify:

a. When a forced outage occurs, there may not be sufficient time to change the offers of GRFs in the subsequent period(s) and these GRFs would be penalised under the APS. EMA requested gencos to suggest – for EMA’s consideration – a reasonable amount of time needed to change the offers of GRFs.

b. Generators that fail to sync arising from a forced outage should not be covered under the APS. EMA is considering whether – and if so, how – a GRF’s “failure to synchronize” should be classified as a forced outage.

EMC recommended that the review of the SPF methodology be deferred till the Market Rules on the APS are approved by EMA for implementation.

The Panel supported EMC’s recommendation.

8.0 Matters Arising - Review of Exemption to allow Temasek Holdings Affiliates to be concurrently represented on the RCP

(Paper No. EMC/RCP/52/2010/299)

At the last annual review of this matter (52nd meeting in November 2010), a Panel member proposed that EMC considers narrowing the exemption to apply only to the Transmission Licensee (TL) & the MSSL when reviewing the extension of such an exemption this year.

Implication of Proposal (if exemption is narrowed):

- A given company’s nominee will be ineligible for appointment to the RCP if its company is
  1. from a class of MP competing in SWEM
  2. Affiliated to an MP/MSSL, and the latter already has a
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- Could result in a smaller pool of candidates from which to select future RCP members
- But alleviated by the changes in ownership of the genco/retailers

Declaration of affiliation

To allow the RCP to accurately assess the impact of this proposal and decide whether to limit the scope of exemption or even remove the exemption completely, EMC sent out a request to all MPs, potential MPs and the MSSL to declare their affiliation.

Based on the results of the declarations where all the competing MPs declared non-affiliation to Temasek, the concentration of affiliated MPs to Temasek is gone.

Hence EMC recommended that the RCP supports the proposal to narrow the exemption to only the MSSL and Transmission Licensee as they are essential service providers who do not compete in SWEM, and proposed to remove the requirement for an annual review of this narrowed exemption.

Mr. Kay commented that a trigger mechanism could be implemented to reintroduce the annual review because ownership can change.

The Chairman said that the market has reached a position where MPs (competing ones) have made clear that they are no longer related to Temasek Holdings. Thus it is would be regressive to reintroduce such exemption in the future.

Mr. Luke Peacocke noted that EMC was not included in the exemption list and what is the outcome in the event that EMC ownership changed. Mr. Poh informed him that both EMC and PSO are excluded from the market rules on affiliation.

The Panel supported the proposal to:

1. narrow the exemption for affiliation to apply only to the transmission licensee and the MSSL; and
2. remove the requirement to review this exemption on an annual basis.

EMC will draft the rules change proposal for industry comments and for the Panel’s review.
9.0 Recovery and Refund of Reserve and Regulation Payments
(Paper No. EMC/RCP/56/2011/300)

Mr. Tan Liang Ching presented the proposal to recover reserve and regulation payments made to market participants that failed to provide the respective service in real-time.

Mr. Philip Tan suggested shortening the time which the PSO has for determining a non-provision event from 5 business days to 4, so that MPs can have 1 business day to resolve any disagreement before the issuance of the settlement statement.

Mr. Daniel Lee pointed out that as the preliminary settlement statement is posted on the 6th business day, there is time catered to dispute the preliminary settlement statement before the final settlement statement is issued on the 10th business day.

Mr. Poh added that non-complying providers have up to 3 business days to clarify the issue with EMC or the PSO as the final statement was issued on the 10th business day. The non-complying providers can still raise a dispute after the 10th business day if they disagree with EMC/PSO assessment.

Mr. Peacocke felt that Chapter 10 of the SOM has sufficient detail covering the PSO’s responsibility in monitoring and reporting non-compliance and therefore it is not necessary for the Market Rules to additionally require the PSO to provide reasons for non-compliance determinations. He queried if there were currently cases where the PSO withdrew non-compliance notices, due to valid reasons given by the provider Mr. Kng replied that there were rare cases when the PSO did so.

Mr. Kng added that currently, the PSO will issue a notice to the MP for non-provision and copy the non-compliance to MAU for record purposes, which the MP will also receive usually within the 1st trading day following the non-provision event. If there are frequent non-compliances or if the non-compliance creates system security issues, the PSO will make a formal referral to MSCP.

Mr. Daniel Lee clarified with Mr. Kng that PSO would in the non-provision notice to the MP indicate the dispatch periods applicable, relevant generation facilities as well as the type (Primary/Secondary/Contingency reserve, regulation reserve) of non-compliance indicated in the System Operation Manual for the market participants to do their own investigation. {Post meeting note: As stated in the SOM, the relevant MP is required to submit a preliminary report to PSO stating the cause of the non-compliance within 24 hours of receiving the non-provision notification from PSO.}
Mr. Henry Gan enquired if, in the event that PSO changes the nature of their determination of non-provision after appeal by the Market Participant, the PSO will issue a revised notice to EMC by TD + 9BD, 5 pm for it to adjust the final settlement statement. Mr. Kng responded in the affirmative.

Mr. Kay asked how EMC intends to flag the specific settlement period to highlight that it had been zeroised or reduced. Mr. Gan explained that in the settlement statement, all MPs will be able to see their reserve and regulation settlement credit for each trading date, period and type of reserve and regulation.

Mr. Kay asked if there was partial provision of service, whether MPs will not be paid. He was informed that the RCP had previously decided that no payment should be made for partial provision.

The following Panel members voted that the PSO do not need to provide specific reasons, and support the changes to the Market Rules and Market Manual:

- Henry Gan (Employee of EMC)
- Dr. Goh Bee Hua (Representative of Consumers)
- Daniel Lee (Representative of Generation Licensee Class)
- Philip Tan (Representative of Generation Licensee Class)
- Luke Peacocke (Representative of Generation Licensee Class)
- Sean Chan (Representative of Retail Licensee Class)
- Kng Meng Hwee (Representation of the PSO)
- Robin Langdale (Representative experienced in financial matters)
- Loh Chin Seng (Representative of Retail Licensee Class)
- Chan Hung Kwan (Representative of Transmission Licensee Class)
- Lawrence Lee (Representative of Market Support Services Licensee)

The following member voted not to support the rule change:

- Dallon Kay (Representative of Wholesale Electricity Market Trader Class)

Mr. Kay commented that he did not support the proposal because he objected to the principle of treating partial provision the same as non provision for settlement purposes.
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10.0 Publication of generation registered capacity by facility
(Paper No. EMC/RCP/56/2011/302)

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

At the 55th RCP Meeting, the Panel gave in-principle approval to the following recommendations from EMC, subject to cost of implementation and proposed rule changes:

1. Publish the data categories excluding “entitlement to VCs”
2. Publish the registered capacity data of all facilities connected to the transmission system including Interruptible loads
3. Publish the above data as and when updated, with corresponding time stamp

The proposed rule changes are as follows:

1) Chapter 2, Section 5.6.1 (new section) - to require EMC to publish the list of information specified in sections 5.6.2 and 5.6.3

2) Chapter 2, Section 5.6.2 (new section) - To publish the following information of each generation facility (GF) registered with EMC:
   1. the identity of the MP under which the GF is registered
   2. the identity of the facility
   3. the facility’s market network node
   4. whether the facility is a GRF, GSF or CGF
   5. whether the facility is classified as an EG
   6. the type of generation facility (i.e. technology)
   7. the maximum generation capacity
   8. whether the facility is frequency responsive

3) Chapter 2, Section 5.6.3 (new section) - to publish the following information of each load registered facility (LRF):
   1. the identity of the MP under which the LRF is registered
   2. the identity of the LRF
   3. the largest max reserve capacity across all classes of reserve that such LRF is registered to provide

Implementing the proposal to publish the proposed data (as reflected in the proposed rule changes above) will incur an estimated cost of $10,800, and an implementation timeline of 3 months to prepare, test and implement the changes required.
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On account of the additional feedback arising from the proposed rule change consultation process, EMC recommended that the RCP:

1. Decide whether to publish the identity of each registered facility;
2. Decide whether to publish the registered capacities of the regulation and primary/secondary/contingency reserve of a frequency responsive facilities;
3. Agree not to publish the MNN of each registered facility given the reasons from EMC market operations;

In reply to Mr. Ng’s query about where such capacity information will be published, Mr. Gan confirmed that it will be published on the corporate website so that the general public will have access to it.

Mr. Henry Gan asked if the contingency reserve capacity of OCGTs (which are not frequency responsive units) should be published as well. Mr. Paul Poh clarified that the publication applies to all facilities.

Generation Transmission Planning Zone

With regards to Generation Transmission Zone and the corresponding zone for each generation facility, Mr. Kay asked if the EMA could provide such information to EMC for publication since EMC does not maintain such data. The Chairman said that asking for additional information from the EMA should not be a concern but it cannot be put under the market rules, as the EMA is not bound by the market rules. The Chairman suggested that the RCP can write to the EMA to provide such information to the EMC on a voluntary basis.

Mr. Daniel Lee added that knowing the corresponding zones for LRFs will allow one to know if there is too much IL in that zone.

Mr. Kay also asked if transmission zones are tied to specific units, how the MCE would effectively manage a constraint on inter-zonal transmission constraint. Mr. Daniel Lee replied that the MCE works on constraints in real time. The Chairman and Mr. Gan concurred. Mr. Gan and Mr. Poh clarified that information on constraints are modeled in the MCE right down to the bus level in real time, in much more detail than at zonal levels.

Identity of each registered facility

The Chairman noted that there is concern raised that EMC should not publish the identity of registered facility under certain conditions. He asked if there is any detriment in doing so. Mr. Poh explained that the Interruptible Load (IL) provider has reasoned that it is commercially sensitive to release such information when the IL does not own the facility.
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The Chairman questioned why the owner of a LRF would not want to be identified and questioned if the reason is to prevent others from knowing that it could provide interruptible load. Mr. Kay replied that it is a challenging question and he could not elaborate further other than reiterating that there are sensitivities.

The Chairman, on behalf of the Panel, said that he was reluctant to support rule changes that could cause detrimental impact on specific contractual relationships and to retrospectively override contracts is not a good practice. He asked if the Panel wished to proceed with the rule change on publishing identity of facilities, and allow specific cases to opt out.

Mr. Philip Tan voiced out that since most members agree that the market should be as transparent as possible, it is important to proceed with the proposed rule change in order to give market transparency a chance. Whatever decision the regulator may ultimately make, the Panel would have at least tried introducing transparency in the market.

Mr. Gan clarified that the identity of a facility is made up of abbreviations and does not reveal the facility owner’s name completely. It is made up of the string of information in 3 parts (B1, B2, B3).

Mr. Kng added that facility ID for generators are clear while that for load facility is much more cryptic and location is embedded in the load facility's identity. He recalled creating abbreviations that would mask the owner’s identity of Diamond’s registered facility, given that Diamond had raised concern over its sensitivities.

Mr. Langdale reckoned that companies might not want their competitors to know what they are doing and so would not want their identities to be revealed through the facility IDs.

In response, Mr. Kay thinks that with a little investigation, one could still identify the company from the abbreviated identity of a facility.

Commissioning Generation Facility

Mr. Kng asked how one knows whether a unit is under commissioning or not. Mr. Poh said that under the market rules if a unit is under CGF, it is deemed to be under commissioning.

Mr. Kng said that there is implication in disclosing such CGF status of a facility and asked why there is interest in it. He recalled that the unit will still be able to receive payments regardless if it is a CGF or a GRF, except under the Automatic Penalty Scheme, the unit under commissioning will not be subjected to penalty under APS.
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Mr. Philip Tan queried if a CGF provides any reserve or regulation. Mr. Kng’s reply was, not unless the units have been proven capable.

Mr. Kng reminded that a CGF commissioning schedule requires PSO’s approval and timeline extensions should be requested early to prevent being caught in-between commissioning status and registered status as the Market Rules require the CGF at the end of its approved commissioning schedule be removed from the market until it is re-registered as a GRF.

Mr. Gan highlighted that commissioning data is sensitive on offer variations and one have to be mindful that publishing such information can have implications on offer strategies.

Mr. Tan agreed that there could be many changes during the commissioning process and it could cause confusion to non technical people.

Finally, the Chairman recommended to put to vote the full publication of registered facility regardless of type (or whether it is an IL or not) but not the MNN, and to publish the commissioning generation status of a facility.

The following Panel members VOTED:

1. to publish the identify of each registered facility owned by a MP; and
2. to publish the registered facilities of the regulation and primary/secondary/contingency reserve

- Henry Gan (Employee of EMC)
- Dr. Goh Bee Hua (Representative of Consumers)
- Daniel Lee (Representative of Generation Licensee Class)
- Philip Tan (Representative of Generation Licensee Class)
- Luke Peacocke (Representative of Generation Licensee Class)
- Sean Chan (Representative of Retail Licensee Class)
- Kng Meng Hwee (Representation of the PSO)
- Robin Langdale (Representative experienced in financial matters)
- Loh Chin Seng (Representative of Retail Licensee Class)
- Chan Hung Kwan (Representative of Transmission Licensee Class)
- Lawrence Lee (Representative of Market Support Services Licensee)

The following member ABSTAINED from voting:

- Dallon Kay (Representative of Wholesale Electricity Market Trader Class)
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The Panel unanimously supported the proposal recommended by EMC not to publish the MNN of each registered facility given the reasons from EMC’s market operations.

11.0 Eligibility of Regulation Offers
(Paper No. EMC/RCP/2011/56/303)

Ms. Wang Jing presented the rules modification required for the implementation of option B. Option B is to replace the existing BOP regulation eligibility test with the revised two-part BOP test. At the 54th RCP, the Panel already decided to support the implementation of option B.

Mr. Philip Tan asked if EMC had done any kind of simulation to assess impact to the response time of the market clearing engine. Mr. Poh replied that there are no concerns.

Mr. Tan said that there is a need to tap on the TWG’s expertise in future on technical issues on the MCE formula.

Mr. Kng informed that this proposal has changed the basis of determining what start generation is when scheduling regulation. It should also be applicable to the scheduling of energy and reserve. EMC should also look at whether this is a better way of predicting the start generation used for energy and reserve as well.

Mr. Poh said that this will be placed in next year’s prioritization plan.

The Panel supported EMC’s proposed rule modification to revise the BOP test.

12.0 Deregistration of generation facility that is not directly connected to the Transmission system (Concept Paper No. 32)

Ms. Nerine Teo informed the Panel that currently, the transmission licensee (SP PowerAssets) is required to physically disconnect a generation facility (GF) from the transmission system before the Energy Market Company (EMC) can deregister that GF from the SWEM. However, this requirement is not feasible when the GF is not directly connected to the transmission system. As such, disconnecting the direct line to the transmission system may prevent other facilities from being able to convey physical services into, through or out of the transmission system.
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The paper proposed to introduce the following procedures to deregister a GF that is indirectly connected to the transmission system.

a. Upon receipt of MP’s request for deregistration, SPPA is required to verify whether it is able to disconnect the transmission line in order to disconnect the MP’s GF without preventing other facilities from being able to convey physical services into, through or out of the transmission system.

b. Upon SPPA’s confirmation of the above to the MP and EMC, the MP is then required to disconnect the GF and inform EMC thereafter.

Mr. Kng commented that a GF may request to deregister a GF for a certain period of time, after which the MP may want to re-register the GF. As such, he queried the need to require an MP to disconnect the GF from the system and potentially incur expensive disconnect and re-connection cost.

Mr. Poh said that the Market Rules require that a GF should not convey services into the system if it is not registered in the SWEM. Therefore, as part of the deregistration process EMC will also check if the GF is disconnected from the grid.

Mr. Kng then suggested to exclude the need for an MP to disconnect its GF from the grid during the deregistration process. He added that this is different from the de-commissioning of a GF, which requires the GF to be physically disconnected from the grid.

Mr. Poh added that EMC can consider removing this requirement if the PSO and the transmission licensee have no concerns on a deregistered GF being physically connected to the grid.

The Chairman informed that EMC should broaden the proposal to consider removing this requirement from the Market Rules.

**13.0 Removal of Requirement to Withdraw Market Advisory Notices**  
(Concept Paper No. 33)

Mr. Tan Liang Ching presented the concept paper to remove the requirement for EMC to withdraw market advisories, when these notices are already superseded by more recent updates.
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To Mr. Kay’s query if EMC will provide a draft of the market advisory, Mr. Poh clarified that market advisories are already currently issued, and the proposal is simply to remove the requirement for EMC to withdraw such advisories.

Mr. Philip Tan enquired on the difference between the Type 1 price advisory notices as presented in the presentation slides, and the Type 4 price advisory notices as described in the RCP paper. Mr. Tan Liang Ching clarified that this was a correction, and the latter has been incorporated as a Type 1 advisory. The subsequent rule change paper will show this revision.

The RCP supported the recommendation to remove the requirement for EMC to withdraw specifically market advisories issued in respect of MCE schedules (referred to in Section 9.3.1 and 9.3.2.3), and to draft the relevant rule modifications under this proposal.

14.0 Any Other Business – Review of Dispute Resolution Procedures

Ms. Nerine Teo informed the Panel that in accordance with Chapter 3, Section 3.15 of the Market Rules, the EMC Board will conduct a review of the Dispute Resolution Procedures by 31 December 2011. The review, conducted every 3 years, shall consider:

- Whether the procedures are fair and effective;
- Whether any additional procedures are necessary; and
- Any other matter that the EMC considers appropriate.

Ms. Teo presented the proposed timeline for the review as follows:

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<tr>
<th>Date</th>
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<tr>
<td>21 July 2011</td>
<td>Paper to Board Meeting to initiate review</td>
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<tr>
<td>Late July 2011</td>
<td>Publish notice of Terms of Reference and invite comments from MPs, MSSL(s) and other interested parties</td>
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<tr>
<td>Aug – Oct 2011</td>
<td>Review of DRP in collaboration with DRC, MAU and other MPs</td>
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<tr>
<td>Early Nov 2011</td>
<td>Present recommendations at Nov RCP for endorsement</td>
</tr>
<tr>
<td>Late Nov 2011</td>
<td>Present recommendations at Nov Board Meeting for endorsement</td>
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The Chairman said that the terms of reference will subsequently be sent to the RCP for review.

Mr. Peacocke requested for EMC to send a copy of the previous review to the Panel.

There being no other matters, the meeting ended at 12.45pm.

Dave E Carlson
Chairman

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