MINUTES OF THE RULES CHANGE PANEL
44th MEETING
HELD ON TUESDAY, 7 JULY 2009 AT 10.10AM
AT ENERGY MARKET CO. PTE LTD
238A THOMSON ROAD #11-01
NOVENA SQUARE, SINGAPORE 307684

Present:  Dave Carlson  Kenneth Lim
          Yeo Lai Hin  Michael Lim
          Sim Meng Khuan  Philip Tan Pei Lip
          Chan Hung Kwan  Dr. Goh Bee Hua
          Annie Tan  Lawrence Lee
          Robin Langdale  Ng Meng Poh

Absent with apologies:  Brendan Wauters
                        Dallon Kay

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

1.0  Notice of Meeting

The Chairman called the meeting to order at 10.10am. The Notice and Agenda of the meeting were taken as read.

2.0  Confirmation of Minutes of the 43rd Rules Change Panel Meeting

The Minutes of the 43rd Rules Change Panel meeting held on Tuesday, 5 May 2009 were tabled and taken as read.

There were no amendments to the Minutes, the Rules Change Panel unanimously accepted and approved the Minutes.

3.0  Matters Arising

The Panel noted that the follow-up action was completed on the matters arising as outlined.

3.1  Item 1.0 - PSO Proposed Expenditure and Fees for the Fiscal year (Paper No. EMC/RCP/41/2009/05)

The Chairman informed that he met with the CE of the EMA on 29 June 2009.
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The CE said that he understood the RCP’s concerns in reviewing the PSO budget with limited information and recognised that there was an EMA head office allocation in making up the PSO costs. However, he believed that it was not appropriate for the RCP to review the EMA’s budget given that this was already subject to approval by the EMA Board and MTI. He therefore believed that in future the RCP need not review the PSO budget. He asked that this be conveyed to the RCP members at this stage and said that the EMA would look to formalise this rule change during the year.

3.2 Item 5 – Data responses from market participants on the shortening of settlement cycle (Paper No. EMC/RCP/43/2009/CP18)

EMC received the additional inputs on the proposal to shorten the settlement cycle, and will provide an update on the revised costs and savings to the Panel at a later part of the meeting.

4.0 Monitoring List

4.1 Mr. Poh informed the Panel that EMC earlier tracked data on “Payment to Reserve/Regulation Providers who failed to provide” in the Monitoring List. This is related to the RCP’s request in 2004 to monitor the 12-month rolling total for such payments, and to look into implementing a claw-back mechanism should it exceed $600,000.

Mr. Langdale noted a substantial increase in the May figures for such payments, arising from the tripping incidents on 13 May 2009. He asked if it is feasible for the money to be clawed back into the market and for the money to be returned to consumers as this would reduce the energy cost.

Mr. Poh informed that reserve costs are paid by generators and thus, any claw back should be returned to generators. The exact distribution is complicated by the fact that reserve charges are based on generator’s output and probabilities of failure.

The Chairman asked EMC to make available the concept paper on “Reserve and Regulation Payment to Non-complying Units” to the Panel. The matter will be further discussed at the next meeting.

4.2 Mr. Philip Tan informed that there was a revision on regulation price from $2,750 to $300. He asked to place a Note in the listing.

4.3 Mr. Poh informed that the EMA has responded to the 3 outstanding issues on:

1. Imposition of Default Levy
2. Regulated Pricing under Price Separation
3. Report of the Task Force on Settlement Adjustments due to Meter Tampering

Approved at the 45th RCP Meeting
held on 8 September 2009
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Under Item 2 – Regulated Pricing under Price Separation, Ms. Annie Tan noted that there is no resolution on the issue. If there are future incidents of transmission constraints, the market would face a recurrence in the price separation cases similar to that back in January 2008.

Mr. Poh informed that at the time EMA informed the industry that EMA will review the minimum generation requirement that will be imposed on certain Genco(s) and proposed an urgent rule change to impose administrative prices under certain situation. Certain market participants did not agree with the manner of determining when administrative prices should be imposed.

The Chairman asked EMC to make available EMA’s papers on its discussion with the industry to the Panel for discussion at the next meeting.

5.0 **Summary of Outstanding Rule Changes**

The Panel noted the contents of the paper.

6.0 **Rules Change Workplan Status Update**

The Panel noted the contents of the paper.

6.1 Under Item 8 – Transparency of transmission constraint and compensation for must-run units. Mr. Ng asked if this is related to price separation.

Mr. Poh informed that certain genco(s) are subject to minimum generation obligations. They are concerned that in certain situations they had to offer more expensive steam plants at a low price so as not to cause price separation resulting in an operating loss. EMC will have discussions with the PSO and the genco to have clarity on specifics of the issue.
7.0 **Shortening of Settlement Cycle**  
(Paper No. EMC/RCP/43/2009/CP18)

As a matter arising from the 43rd RCP meeting, Mr. Lawrence Lee presented the MSSL’s response on the Shortening of Settlement Cycle.

Mr Lawrence Lee explained that with the suggested proposal, MSSL is concerned of the following:

a) MSSL has to make available IEQs to Gencos on T+3  
b) MSSL has to read the meters of contestable consumers who are not under any Retailer daily instead of weekly  
c) pay EMC earlier for both contestable and non-contestable consumers

The above will incur both one-time setup costs and recurring cost as detailed in the table below. These costs would be borne by consumers. In addition, the Metering Code will also need to be changed.

<table>
<thead>
<tr>
<th>One-time Setup Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reconfiguration to EBT to send IEQs to Gencos on T+3 business day</td>
</tr>
<tr>
<td>2. System changes due to change in meter reading frequency for MSSL contestable consumers</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recurring Savings / Costs to SPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings:</td>
</tr>
<tr>
<td>Reduction in required credit support</td>
</tr>
<tr>
<td>Costs:</td>
</tr>
<tr>
<td>Interest cost from having to pay 10CD earlier to EMC after netting off savings from earlier receipts of payment (about 4 days for CC)</td>
</tr>
<tr>
<td>1. Contestable Consumers</td>
</tr>
<tr>
<td>2. Non-Contestable Consumers</td>
</tr>
<tr>
<td>Additional manpower cost and telephone charges due to higher meter reading frequency</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

The Panel thanked Mr. Lee for his presentation.

Mr. Tan Liang Ching informed the Panel that market participants have provided updated inputs on the costs and savings involved with implementing the proposal to shorten the settlement cycle. If the MSSL has to increase its meter reading frequency from weekly to daily for contestable consumers who are not under any Retailer, then the proposal would fail the cost-benefit assessment.
Mr. Ng Meng Poh suggested holding the proposal in abeyance until such time when developments in the market would make it more feasible.

The Chairman concluded that based on the analysis conducted thus far, the cost benefit assessment would be affected by the following factors:

- a) The cost and availability of bankers guarantees, which would impact the potential savings from the proposal;
- a) Full retail competition, which could impact the billing cycles for non-contestable consumers;
- b) Number of contestable consumers between MSSL and Retailers

The Panel decided not to follow-up with this rule change proposal based on the cost benefit analysis.

8.0 Conflict of Interest Management for the Market Surveillance and Compliance Panel (Paper No. EMC/RCP/44/2009/280)

Mr. Tan Liang Ching presented the rule changes required to effect the Conflict of Interest framework, which incorporates comments from the MSCP, RCP and EMC Board.

The Panel supported EMC’s recommendation to the rule modification proposal to relax the COI criteria for MSCP candidates/members and would make the necessary recommendation to the EMC Board for adoption.

9.0 Disqualification of Banker’s Guarantees issued by the SWEM Clearing Bank as Credit Support
(Paper No. EMC/RCP/44/2009/285)

Under current market rules, Bankers Guarantees are provided by Market Participants to cover their trading exposure. Mr. Tan Liang Chiang presented the rule change proposal to require that these Guarantees are not drawn from the SWEM Clearing Bank (currently OCBC), so as to manage concentration risks.

Mr. Philip Tan asked if OCBC Bank is aware of this proposal to disqualify BGs issued by them from being used by Market Participants. Mr. Kenneth Lim informed that OCBC was informed and they reverted to say that they hope to continue to provide BGs.

Mr. Lawrence Lee commented that although EMC stated that Citibank could provide BGs denominated in Singapore dollars, MSSL could not previously obtain any quotes from Citibank and some of the other foreign banks.
Mr. Lee informed that MSSL do not support the proposed rule change in view of the higher costs that will be incurred.

Mr. Robin Langdale said that to transfer BGs from OCBC to other foreign banks would increase the risks as local banks are more well capitalised than foreign banks and there are limited foreign banks that could offer S$ BGs.

The Panel requested for MSSL to seek indicative quotes from other foreign and local banks and revert to the Panel for discussion at the next meeting.

The proposed rule change will be brought back at the next meeting for further consideration.


Mr. Tan Liang Ching presented the rule change proposal to subject SOM amendments proposed by the PSO to be approved by the EMA, rather than by PSO itself currently.

Mr. Yeo Lai Hin informed that according to the Electricity Act, the EMA is defined as the authority that is empowered under the Act to ensure system security. PSO is a division in EMA and was defined under the Transmission Code and Market Rules as the authority acting in its capacity as the person responsible for ensuring the security of supply of electricity to consumers and arranging for the secure operation of the transmission system in accordance with the Market Rules and applicable codes of practice as described in section 3(3)(e) of the Act. He also stated that the SOM is essentially a set of technical operation procedures that PSO and relevant Market Participants must comply within the NEMS environment. Commercial considerations are addressed in the Market Rules.

Mr. Ng Meng Poh pointed out that during the RCP Workplan prioritisation exercise this proposal received a high priority ranking. At that point, the PSO representative on the RCP should have stated that the matter is out of bounds. Going forward, he suggested for the Panel to set proper guidelines on what issues should or should not be addressed by the RCP.

Mr. Yeo replied that PSO’s objection was recorded in the 42nd Minutes of Meeting on RCP Workplan prioritisation. However, the RCP decided then to retain all issues raised regardless.
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The Chairman clarified that when the Panel was debating the outcome of the prioritization exercise, the Panel agreed that for greater transparency, all issues should be allowed to go through the rules change process. The Panel decided not to pre-qualify what would be put on the workplan, which would be inappropriate without having conducted the proper analysis. The Chairman also said that during the consultation process, this item was the highest ranked rule change.

Mr. Langdale opined that the security and integrity of the system operation is the absolute responsibility of the PSO and that a cumbersome approval process could be risky. It is part of PSO's own process to monitor and consider feedback from MPs, so the RCP should not try to second guess the PSO's decision.

Mr. Yeo commented on the feedback received from 2 MPs:

1. Sembcorp Cogen Pte Ltd.
   a) It was stated that no proper evaluation process is established to maintain industry confidence. Mr. Yeo clarified that the PSO have followed market rules and sought consultation with market participants before rolling out the revised changes to the SOM.
   b) It was stated that modifications were made to the regulation reserve market to period-based via existing procedure and that no due diligence was carried out to study the impact on market efficiency. Again, Mr. Yeo clarified that before rolling out these period-based modifications, PSO together with EMC had conducted pre-consultation with the industry stating the potential cost savings with the improved method (period-based versus flat 100MW for all periods) of setting regulation reserve requirement.

Mr. Ng said that he will respond with his comments at the next meeting.

2. Seraya Energy Pte Ltd
   a) It was stated that there are no explicit guidelines for what needs to be considered and in the event when urgent changes need to be made to the SOM similar procedures such as urgent rule change modifications can be made. Mr. Yeo said that if it goes through urgent rule changes, it is effective only for 1 year. It still has to go through RCP and if it cannot be approved in 1 year’s time, how could the PSO expect the rule change to be approved in the subsequent year.

The Chairman explained that when an urgent rule change is approved by the Urgent Rule Modification Committee, it is valid for up to 1 year during which time it has to go through the formal rule change process otherwise the urgent rule change will lapse.
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The Chairman concluded and the Panel concurred that the Panel will write to the Regulator to find out, since the PSO is part of the EMA, whether EMA considers the approval of the SOM by PSO as already constituting the approval of the EMA. EMA’s response will serve as input into the Panel’s deliberation of the issue.


Mr. Henry Wee presented a shortlist from 5 categories of data types released in other markets in a survey done by CRA International in 2007. The five categories are:

1. Category 1: Supply Offer Data
2. Category 2: Demand Bid Data
3. Category 3: Generator Operational Data
4. Category 4: Load and Load Forecast Data
5. Category 5: Transmission Data

The shortlisted data-types to be assessed for release:

1. Hourly energy and A/S schedules, Dispatch instructions (with ID or masked)
2. Unit specific operational parameters
3. Load flow model
4. Total Transfer Capability (TTC), Reservations, Available Transfer Capability (ATC)
5. Interface flows (internal)
6. Interface flows (boundary)

Mr. Wee also proposed a methodology to assess whether the shortlisted type of data should be released. The following tests will be used to access if there are any costs in releasing the shortlisted data:

1. National security test;
2. Financial test;
3. Commercial test;
4. Legal test;
5. Market efficiency test
6. Cost test
7. EMA directive on information release

The Panel endorsed the shortlisted data to be reviewed for release and the methodology to be used for accessing if the shortlisted data should be release.
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12.0 Timelines for RCP papers and minutes

Mr. Paul Poh presented timelines for RCP papers and minutes.

The Panel noted and agreed to the timelines as proposed by EMC.

13.0 Any Other Business

13.1 Mr. Philip Tan requested for the quarterly update on Market Rules to be published a clean and tracked changes copy from the previous version on EMC’s website.

EMC will look into this request.

13.2 Review of Economic Generator Reliability published by KEMA.

Mr. Philip Tan said that in the report it was stated that “some generators did not submit offer variations of generating units after force outages for a prolonged period which a seriously compromise system security. He asked the RCP to look into such comments and also to tighten the Market Rules if there are weaknesses.

Mr. Paul Poh informed that based on the report the consultants had posed a series of rule changes and had also proposed automatic penalty to gencos. The industry had been consulted and given their feedback. EMA has released the consultant’s final report.

The Chairman stated that since the study was commissioned by EMA and EMA is already handling the issue, the RCP should not separately deal with the issue.

There being no other matters, the meeting ended at 1.15pm with a vote of thanks to the Chair.

Dave E Carlson
Chairman

Minutes taken by:
Eunice Koh
Senior Executive - Corporate Secretariat