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 Resignation of Representative of the Generation Licensee class of Market Participant.

The Chairman informed the Panel that Mr. Yu Tat Ming has resigned, effective 23 April 2009, as a member of the Rules Change Panel. Mr. Yu was a representative of the Generation Licensee class of Market Participant (SenokoPower).

3.0 Confirmation of Minutes of the 42\textsuperscript{nd} Rules Change Panel Meeting

The Minutes of the 42\textsuperscript{nd} Rules Change Panel meeting held on Tuesday, 3 March 2009 were tabled and taken as read.

The Panel asked EMC to make the following amendments:

Under Item 3.1, 3\textsuperscript{rd} paragraph to replace the 1\textsuperscript{st} sentence with “Mr. Langdale expressed his concern that the review of the PSO budget by the RCP gave the impression that the RCP provides a check and balance process over the PSO budget”.

Approved at the 44\textsuperscript{th} RCP Meeting
Held on 7 July 2009
3.1 Under Item 6.0 – Conflict of Interest Management for the Market Surveillance and Compliance Panel, Mr. Langdale informed that the Panel agreed that if a spouse of a potential MSCP member is seen to create a conflict of interest before the appointment, the candidate will not be appointed to the MSCP. If after a member's appointment, the spouse has created a conflict of interest, the MSCP member has to immediately step down. However this was not noted in the Minutes of the 42nd RCP Meeting. The Panel requested EMC to insert an additional sub-point to read as:

“Conflict of interest relating to spouse to be treated the same as that relating to a member, both during appointment and subsequent to appointment”.

Subject to the above amendment to the Minutes, the Rules Change Panel unanimously accepted and approved the Minutes.

4.0 Matters Arising

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

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

The Panel was informed that the PSO responded to the RCP’s comments on the PSO Expenditure and Fees for FY2009/10 dated 26 February 2009.

In reply to Mr. Langdale’s query on whose authority does the RCP review the PSO budget, the Chairman informed that within the Market Rules, the PSO is required to submit its budget to the RCP for comments. The RCP’s comments will then be sent to the EMA.

Mr. Langdale commented that as the PSO is part of the EMA, it is difficult to review the PSO budget without first reviewing the EMA’s budget. This is because there are non-specified EMA allocation costs on the PSO budget.

The Chairman informed him that as the EMA is a statutory board of the Ministry of Trade and Industry (“MTI”), they would have over-sight of the EMA’s budget.

Mr. Yeo Lai Hin clarified that the EMA as a whole includes the Regulation, Power System Operation divisions, etc. The PSO budget is subject to approval of EMA Board.
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It was also noted that the RCP had sought clarification on the comparison of actuals against budget in prior years and that information was not provided to the RCP. It would also be useful for the PSO to separate the costs between the natural gas system from the electricity system.

The Panel stated that insufficient details are given to the Panel on the PSO budget to allow the Panel to provide meaningful comments after each review. The Panel asked the Chairman to raise the concerns of the Panel relating to the Panel’s review of the PSO budget with the EMA.

4.2 Item 2.0 – Summary of Outstanding Rule Changes

The Panel had requested that EMC identify in a separate section on EMC’s website the rule changes that are directed by the EMA and not reviewed by the RCP. Mr. Paul Poh informed that EMC is currently revamping its website and will definite do so in the revamped website. For the current website, EMC will make the modification if it is not too costly. The Panel will be informed accordingly.

4.3 Rules Change Workplan Update

Under Item 7.0 – Proposed Retention and Extension of Type 4 Price Re-runs, Mr. Philip Tan noted that the status showed that it is no longer relevant since the EMA did not approve the rule change to remove Type 4 price re-runs. He advised that the RCP agreed that the rule change comprised 2 issues – the retention of Type 4 price re-runs, and its extension to when the MCE indicates that a transmission line has reached its maximum capacity ex-ante, but not reflected in the actual, physical situation ex-post. He asked EMC to pursue the review of the extension of Type 4 price re-runs and to provide the Panel with new recommendations for consideration.

Mr. Paul Poh informed the Panel that nodal pricing was a key design feature of the market. Thus if a price re-run is performed as suggested, it could effectively remove any nodal pricing signals due to congestion.

Mr. Tan also informed that the Panel had at the last RCP meeting expressed concern about the removal of issues from the Workplan list. He reminded that EMC has to write in formally to the Panel if it considers that the extension of Type 4 Dispatch re-runs are no longer relevant.

EMC was asked to change the status to “not started” and note on the “Comments” column that the scope of Item 7.0 has changed to extend Type 4 re-runs because the EMA has decided not to approve the rule change to remove Type 4 re-runs.
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Mr. Lawrence Lee asked EMC to provide indicative timelines on the status of the Workplan issues i.e. the commencement and end dates.

Mr. Poh informed that it is difficult to provide specific timelines as it is dependent on the scope of the issue, technical issues and required collaborative resources with other market participants/MSSL or PSO.

The Panel discussed and requested EMC to indicate in which quarter EMC intends to commence working on an issue.

4.4 Mr. Poh informed the Panel that the EMA has not approved the following rule changes:

1. EMC/RCP/38/2008/272 – Changes Arising from the Review of Price Revision in Singapore Wholesale Electricity Market
2. EMC/RCP/38/2008/278 – Rule Change to implement proposed prudential methodology using Generalised Extreme Value Distribution

5.0 Monitoring List

Mr. Poh informed that there are 3 outstanding issues pending the EMA’s response. These are:

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

The Chairman informed the Panel that the Market Rules provide for EMA to consider rule changes within 25 business days, although this requirement is not binding onto EMA. He will seek the EMA’s response on the 3 issues.

Mr. Lawrence Lee noted that the footnotes on pages 1 and 10 are not updated to reflect the latest detailed data provided.

Under Item 4 – Vesting Contract Levels. The Chairman informed that the EMA is planning to tender an initial block of 3% of the vesting contracts to make them contestable. Pending the results of this tender, the EMA would then decide if vesting contracts will be open to more tenders.

The Panel noted the contents of the paper.

6.0 Summary of Outstanding Rule Changes

The Panel noted the contents of the paper.
7.0 Review of “Application Form for Load Facility Registration” and “Request for Transfer of Load Registered Facility”
(Paper No. EMC/RCP/43/2009/284)

Ms. Wang Jing presented EMC’s proposal to amend the “Application Form for Registration of Load Facility” and the “Request for Transfer of Load Registered Facility” and certain sections of the Market Rules. The proposed changes to these forms and the Market Rules are to ensure that they are consistent with other governing documents and for improved clarity.

The Panel noted the contents of the paper.

The Panel supported EMC’s recommendation to amend the Market Administration Market Manual (Part 4) and Chapter 2 and Chapter 5 of the Market Rules and would make the necessary recommendation to the EMC Board for adoption.

8.0 Change in Singapore Wholesale Electricity Market’s (“SWEM”) Settlement Clearing Bank (Paper No. EMC/RCP/43/2009/286)

Ms. Nerine Teo informed the Panel that the EMC Board has decided to change the SWEM’s Settlement Clearing Bank at its meeting on 26 March 2009. This decision is in accordance with Chapter 7, Section 5.16.3 of the Market Rules which allows EMC to change the bank or financial institution on condition that the EMA Board deems that the new bank is reasonably acceptable. The market participants and the MSSL were kept informed in writing and the change in the settlement clearing bank is expected to take effect on 26 June 2009.

The Panel was informed that under the current Section 9 of the Market Operations Market Manual – Settlements (Chapter 7) the name of the clearing bank is spelt out. The proposed amendment is to remove the name of the clearing bank and it is not necessary to specify the name of the clearing bank as the Market Rules already require EMC to publish the name of the clearing bank on its website.

The Panel noted the contents of the paper.

The Panel supported EMC’s recommendation to amend Section 9 of the Market Operations Market Manual on Settlements (Chapter 7) and would make the necessary recommendation to the EMC Board for adoption.
9.0 **Shortening of Settlement Cycle**  
(Paper No. EMC/RCP/43/2009/CP18)

Mr. Tan Liang Ching presented the concept paper which proposed to:

- Remove the Preliminary Settlement Statement and bring forward the Final Settlement Statement from T+10BD to T+6BD (Savings of 4BD), and
- Bring forward the payment by debtors and receipt of funds by creditors to 2BD and 3BD (i.e. T + 8 BD and T + 9 BD) respectively, after receipt of Final Settlement Statement (Savings of 2-3BD)
- Reduce prudential requirements by 6 days (20%)

He also presented MPs/MSSL/EMC responses on cost and saving arising from the above changes, their comments to the proposal and EMC’s response to those comments.

In reply to Dr. Goh’s query on whether, in the 2006 review, the costs outweighed the benefits, Mr. Tan informed that the additional interest costs incurred by MSSL and Retailers were higher than the interest savings that the gencos will enjoy.

The Chairman commented that the general conclusion from the 2006 study was that generators valued being paid earlier less than what the retailers would suffer from having to pay earlier.

In reply to Mr. Langdale’s query if market participants have borrowings, the Chairman informed that the gencos that had been sold by Temasek are likely to have a 50/50 gearing ratio or as much gearing as possible.

Mr. Lawrence Lee informed that the MSSL’s cost of funding to shorten the settlement cycle will be higher as the MSSL purchases electricity on behalf of both contestable and non-contestable consumers. The shortening of the settlement cycle will increase the MSSL’s costs, which will then be passed on to consumers.

Mr. Tan Liang Ching informed that in a competitive market, any reduction in operating costs for the wholesale market will be eventually be passed on to consumers. Mr. Langdale asked what is the net saving/cost arising from the need to make earlier payments and reduce security for retailers/MSSL. Mr. Tan noted that based on the average data provided cost will increase by 0.94% of average trade value. He said that retailers/MSSL indicated only a reduction in the issuing cost of banker’s guarantees but not any decrease in funding cost arising from providing less bankers’ guarantees.
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On the proposal for the MSSL to send preliminary meter data at T+3 BD to gencos for checking before the proposed Final settlement statement at T+6BD, Mr. Lawrence Lee indicated that the main issues are the need to make system changes and the associated cost involved.

Mr. Lee also noted that the concept paper did not include other costs that will be incurred by MSSL’s contestable customers. Currently, MSSL also serves contestable consumers whose meter readings need only be read weekly instead of daily (these are contestable consumers who are currently not with any Retailers). With the proposed shortening of the settlement cycle, MSSL would need to increase the frequency of meter readings from weekly to daily and the time period to validate these meter readings would also be shortened. This would lead to an increase in operating and administrative costs which will consequently be passed on to consumers.

Mr. Langdale requested for the MSSL to present the MSSL’s current relevant processes, the one-time costs and recurring operating / administrative costs associated with implementing the shortening of the settlement cycle and providing gencos with preliminary meter data at T+3 BD. This will allow the Panel to better understand and assess the associated costs arising from the MSSL and also the potential impact to consumers. MSSL will present this at the next panel meeting.

Dr. Goh was concerned with the potential high system and operating costs to be incurred by the MSSL, as these costs will be passed on to the consumers as had been stated by the MSSL.

She explained that the sharing of benefits derived from a more efficient system should also mean a sharing of costs to develop that system by all MPs.

The Chairman commented that meter reading costs are borne by the market which reimburses MSSL for those costs.

Regarding the data responses that various MPs had earlier provided EMC for the study, the Chairman requested Panel members to persuade their respective companies to provide more detailed responses. EMC will follow-up with the market participants who did not provide detailed responses in their feedback, so that the RCP can decide based on a more complete picture.

EMC will present the cost and saving at the next RCP meeting if new information is received from the various MPs.
10.0 **Any Other Business – Conflict of Interest Management of MSCP**  
(Paper No. EMC/RCP/41/2009/280)

Mr. Tan Liang Ching informed that the rule change proposal on the Conflict of Interest Management of MSCP was presented to the EMC Board on 26 March 2009. The EMC Board made comments to provide an alternative approach to the rule change proposal.

The key points raised by the EMC Board are:

- To specify that definition of relatives include “step and adopted children” and “step-parents or step-siblings”;
- To remove provision for appointment of temporary MSCP member as it is difficult to find suitable candidates;
- For conflict arising from self/spouse, the EMC Board will disqualify a potential MSCP candidate only if commercial affiliation is *substantial and meaningful*, which could impose pressure on the member to deviate from being fair and independent;
- For the EMC Board to consider conflicts arising from relatives and other sources at the time of appointment;
- For conflict arising from relatives or other sources to include guidelines under which the EMC Board can appoint such a conflicted MSCP candidate and guidelines for non-conflicted members of the MSCP to vote when a conflicted member can stay on for the case or not. The proposed guidelines are:
  1. The Board/non-conflicted MSCP members are “satisfied that the conflicted party’s independent judgment and ability to carry out duty as a MSCP member will not be impeded”
  2. The conflicted member has no substantial and meaningful commercial affiliation

The Chairman informed that the EMC Board felt that it should not have unfettered discretionary powers over MSCP appointments, since EMC itself could be subject to MSCP’s determination. The EMC Board members wondered if the original proposal on disqualifying based on any commercial affiliation was too strict and sought the RCP’s views on this.

The Chairman asked if the Panel is comfortable with the EMC Board’s proposals on setting guidelines on the qualifications of a candidate to serve on the MSCP panel and managing the degree of commercial affiliation the spouse or relative may have so as not to impede their independence whilst serving on the MSCP panel.

Dr. Goh felt that there was no harm in expanding the COI framework but the consequence would be more verification work.

Mr. Langdale commented that the more detailed the verification required, the more cumbersome the process could become. He felt that given the high calibre of MSCP members, they would not jeopardise their reputation by staying on the panel or case if they do become conflicted.
The Panel noted the EMC Board's comments.

EMC will resubmit the rule change proposal to the Panel.

There being no other matters, the meeting ended at 1.10pm with a vote of thanks to the Chair.

Dave E Carlson
Chairman

Minutes taken by:
Eunice Koh
Senior Executive - Corporate Secretariat