1.0 Notice of Meeting

The Chairman called the meeting to order at 10.05am. The Notice and Agenda of the meeting were taken as read.

The Chairman took the opportunity to welcome the new members of the Rules Change Panel to the meeting.

2.0 Confirmation of Minutes of the 30th Rules Change Panel Meeting

The Minutes of the 40th Rules Change Panel meeting held on Tuesday, 4 November 2008 were tabled and taken as read.

The Panel asked EMC to delete the final paragraph of Point 12 and include the following:

“Mr. Lee felt that the Task Force’s recommendation was not sufficient. The Panel requested that the Task Force re-convene and revert from a settlement point of view how to address the issue of cross subsidy if non-contestable consumers have to bear the cost of such losses if contestable consumers that tamper their meters are not back-charged”.

Subject to the above amendment 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.


Mr. Philip Tan felt that the market manual could for example provide that MPs need not submit offers when there is a complete system outage. The Panel agreed that this issue should be dealt with as a separate issue.

The Panel was informed that EMC will review this and if necessary include it into the RCP workplan

4.0 Monitoring List

The Panel noted the contents of the paper.

5.0 Summary of Outstanding Rule Changes

The Panel noted the contents of the paper.

6.0 PSO Proposed Expenditure and Fees for the Fiscal year FY09/10 commencing 1 April 2009 (Paper No. EMC/RCP/41/2009/05)

Mr. Yeo Lai Hin informed the Panel that he would abstain from the discussion on the PSO’s Budget.

The Panel invited Ms. Glenda Ong (Director (Admin) – PSOD) to the meeting.

Ms. Ong presented the PSO Proposed Expenditure and Fees for the Fiscal Year FY09/10 commencing 1 April 2009.

The Panel reviewed and noted the PSO’s proposed budget.

The Panel noted that there were significant increases across administrative costs, maintenance costs and depreciation.

Mr. Langdale asked the PSO to show the EMA’s allocated administrative cost versus PSO’s direct cost, with explanation on the basis of allocated costs.

Mr. Philip Tan asked the PSO to include an alternate scenario of PSO fees per MWh of energy traded, based on lower/zero load growth.
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Mr. Chan Hung Kwan also asked the PSO for the assumed headcount for the next financial year as compared to actual head count for 2008 and the basis for manpower costs.

In response to the Panel’s questions, Ms. Ong responded that:

- PSO received overhead allocation of 40% of EMA corporate service cost plus the head count of PSO staff at Ayer Rajah,
- PSO was allocated 40% of the additional expenses incurred for reallocation of EMA HQ office
- Higher IT costs were contributed to by a shift to outsourcing of IT equipment which over time would be balanced by a reduction in depreciation

The RCP concluded that it is unable to make a useful assessment on the PSO’s budget, based on the limited information contained within the paper. To assist the RCP in conducting a more constructive review, the RCP requested the PSO to provide greater transparency by responding to the following clarifications:

- What are the assumptions adopted in PSO’s projected electricity sale of 41,687GWh\(^1\) in 2009? Is this projection, which represents a 5.66% growth over the projected 2008 electricity sale of 39,453GWh, still valid in the current financial climate, with MTI projecting economic growth of -2.0 to 1.0% in 2009? Could PSO include an alternate scenario of PSO fees per MWh of energy traded, based on lower/zero load growth?

- The RCP understands that the sharp increase in maintenance costs stems from PSO leasing its IT hardware rather than purchasing it. The classification of IT expenses as operating leasing costs rather than capital purchase costs should lead to a fall in depreciation charges over time. Does the PSO expect the fall in depreciation charges to match the increased maintenance costs over time, so that they level off?

- What are the assumptions in arriving at the projected Manpower costs for FY2009/2010? (e.g. what is the assumed headcount?) The RCP understands that the PSO is allocated 40% of EMA’s corporate support costs, inclusive of corporate services and relocation costs. What is the basis for this 40% split; is it based on proportional headcount in PSO relative to the whole EMA? In view of EMA’s widening scope of operations, is there merit in reviewing this split? In general, PSO’s budget should provide a breakdown between EMA’s allocated cost versus PSO’s direct cost, with explanation on

\(^1\) In the PSO Budget this was based on EMA’s projections in March 2008. Since the PSO budget was used in Dec 08, updated figures should be available.
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- Could the budget figures be broken down into recurrent costs and one-off costs (e.g. relocation of office premises)?

The Panel also enquired what was the deviation by categories between the revised FY08/09 budget and the original FY08/09 budget (which was presented to the RCP at the 35th RCP meeting on 08 January 2008) and the reasons for the deviation.

The RCP noted

(a) that it had written to the EMA in January 2008, requesting the PSO to separate the costs associated with monitoring and planning the piped natural gas system from other electricity system costs, for the purpose of allocating gas-related costs to the gas market.

(b) that EMA’s had replied that it is appropriate to allocate PSO’s gas-related costs to the electricity market, as the PSO monitors the gas system for the sole purpose of ensuring the security of electricity supply.

Nevertheless, the RCP requested that PSO provide the breakdown, for greater transparency?

The RCP requested the PSO to provide the PSO’s inputs to the above queries perhaps in a supplementary paper so that the RCP can provide constructive comments on PSO’s budget by the end of January 2009, as required under the Market Rules.

The RCP also requested that such information be provided in future budget papers tabled at RCP meetings.

EMC advised that it would circulate the submission on the points discussed above to Panel members for confirmation prior to sending to the EMA.

The Panel thanked Ms. Ong for her presentation.

7.0 EMC Proposed Expenditure and Revenue and Schedule of Fees for Fiscal Year 1 April 2009 to 31 March 2010
(Paper No. EMC/RCP/41/2009/06)

Mr. Dave Carlson, Chairman of RCP informed the Panel that he and Mr. Kenneth Lim of EMC would abstain from the discussion on EMC’s Budget and Proposed Fees.

Mr. Yeo Lai Hin also informed the Panel that he would abstain from the discussion on EMC’s Budget and Proposed Fees.
The Panel invited Ms. Coco Choo, Chief Financial Officer and Ms. Joan Koh, Vice President (Finance) of EMC to the meeting.
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The Panel was informed that under the Market Rules and EMC’s Market Licence, EMC is obliged to consult the Rules Change Panel on its Proposed Budget and Fees for the financial year 1 April 2009 to 31 March 2010, prior to submitting to the EMC Board for consideration and subsequently to the EMA for approval.

The Panel was also informed that the information on IT capital expenditure budgeted in FY2009/10 which provides breakdown of the budget for each Capital Expenditure should be kept in strict commercial confidence. This is to avoid vendors for the Capital Expenditure knowing the budget allocated for the project.

The Panel was requested to consider and provide its views on the Budget so that EMC may take these into account in seeking formal approval from EMA.

EMC is also required to publish the proposed Budget and Fees to invite interested parties to make submissions to the RCP on the Budget. The Panel was also informed that EMC had published the Budget and Proposed Fees for FY2009/10 on its website on 17 December 2008 and received no comments.

7.1 Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 08/09 ($28,450,033)</th>
<th>FY 09/10 ($28,641,108)</th>
<th>FY 10/11 ($28,833,466)</th>
<th>FY 11/12 ($29,027,116)</th>
<th>FY 12/13 ($29,222,066)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMC’s Allowed Revenue ($)</td>
<td>28,450,033</td>
<td>28,641,108</td>
<td>28,833,466</td>
<td>29,027,116</td>
<td>29,222,066</td>
</tr>
</tbody>
</table>

EMC’s revenue is set by the EMA in accordance to approved revenue regulatory regime of a 5 year period from FY2008/09 to FY2012/13.

The Panel was also informed that yearly adjustments will be made to EMC’s revenue cap for:

- Exogenous items
- Depreciation
7.2 The table below summarised EMC’s Budget and Proposed Fees for FY2009/10.

<table>
<thead>
<tr>
<th></th>
<th>FY 09/10</th>
<th>FY 08/09</th>
<th>EMA Regulated Sums *</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Reforecast</td>
<td>Budget</td>
</tr>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>NEMS Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admin Fees</td>
<td>28,641</td>
<td>28,450</td>
<td>28,641</td>
</tr>
<tr>
<td>Revenue adjustment/PIMS bonus</td>
<td>393</td>
<td>(93)</td>
<td>440</td>
</tr>
<tr>
<td>Total NEMS Revenue</td>
<td>29,034</td>
<td>28,357</td>
<td>28,890</td>
</tr>
<tr>
<td><strong>NEMS Operating Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manpower</td>
<td>7,950</td>
<td>7,295</td>
<td>7,808</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>17,151</td>
<td>16,757</td>
<td>17,786</td>
</tr>
<tr>
<td>Total NEMS Operating Expenses</td>
<td>25,101</td>
<td>24,052</td>
<td>25,595</td>
</tr>
<tr>
<td>NEMS Operating Profit (before interest and tax)</td>
<td>3,933</td>
<td>4,305</td>
<td>3,295</td>
</tr>
</tbody>
</table>

The Panel was informed that the Key Budget Parameters are:

i. FY 2009/10 is the 2nd year of the 5-year regulatory regime period
ii. Revenues are largely fixed
iii. Expenses contained within EMA regulated amounts
iv. Budgeted expenses supported by specific functions, initiatives and projects
v. Industry consultations used as input to setting company priorities
vi. Over the long term, $/MWh cost of operating the market falls

**Market Fees**

<table>
<thead>
<tr>
<th>Year</th>
<th>NEMS volumes</th>
<th>EMC Admin Fee</th>
<th>Average USEP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GWh</td>
<td>($000s)</td>
<td>Cents/MWh</td>
</tr>
<tr>
<td>2003 (actual)</td>
<td>32,962</td>
<td>25,710</td>
<td>39.0</td>
</tr>
<tr>
<td>2004 (actual)</td>
<td>34,715</td>
<td>28,466</td>
<td>41.0</td>
</tr>
<tr>
<td>2005 (actual)</td>
<td>37,347</td>
<td>27,637</td>
<td>37.0</td>
</tr>
<tr>
<td>2006 (actual)</td>
<td>36,770</td>
<td>27,945</td>
<td>38.0</td>
</tr>
<tr>
<td>2007 (actual)</td>
<td>41,134</td>
<td>27,749</td>
<td>33.7</td>
</tr>
<tr>
<td>2008 (reforecast)</td>
<td>43,332</td>
<td>28,450</td>
<td>32.8</td>
</tr>
<tr>
<td><strong>2009 (budget)</strong></td>
<td><strong>45,807</strong></td>
<td><strong>28,641</strong></td>
<td><strong>31.3</strong></td>
</tr>
<tr>
<td>2010 (projection)</td>
<td>48,389</td>
<td>28,833</td>
<td>29.8</td>
</tr>
<tr>
<td>2011 (projection)</td>
<td>50,898</td>
<td>29,027</td>
<td>28.5</td>
</tr>
<tr>
<td>2012 (projection)</td>
<td>53,527</td>
<td>29,222</td>
<td>27.3</td>
</tr>
<tr>
<td>2013 (projection)</td>
<td>56,281</td>
<td>28,244</td>
<td>25.1</td>
</tr>
</tbody>
</table>
### 7.3 RCP Comments

#### 7.3.1 NEMS Volume

The Panel noted that the forecasted NEMS volume quantities used by EMC, sourced from the Statement of Opportunity published in November 2008 appear too high given the current economic climate (noting the revised MTI projected economic growth of -2.0 to 1.0% for 2009). Also there appear to be an inconsistent basis used by EMC, for actual and forecast GWh volumes (gross vs. net) used by EMC and the figures quoted are not consistent with those shown in the PSO budget.

The Panel asked EMC to check its figures for consistency and show an alternative scenario of what its future MWh projection will be based on a flat demand growth assumption.

EMC

#### 7.3.2 Salaries & Employee Benefit

The Panel noted that there was an increase of 9% in the Salaries & Employee Benefit budget over the current year’s reforecast which appeared high, especially given the current economic climate. EMC was informed that a split between a base and variable salary component may be appropriate.

EMC

#### 7.3.3 Market Fees

In the appended schedule, where fees are apportioned over EMC’s service areas, the Panel noted that the cost for Systems is by far the largest area, making up almost 50% of EMC’s overall fees. EMC is therefore asked to focus on its systems as the area for delivering ongoing savings and efficiencies.

EMC stated that it would circulate the RCP Report on EMC’s Budget and Proposed Fees for FY2009/10 to the Panel for confirmation before issuing to the EMC Board and the EMA.

EMC

The Panel thanked Ms. Choo and Ms. Koh for their attendance.

EMC

#### 8.0 Conflict of Interest Management for the Market Surveillance and Compliance Panel (Paper No. EMC/RCP/41/2009/280)

The Panel was informed that, given the MSCP’s role as an independent body, there are existing market rules governing potential conflict of interest (COI) for MSCP members. However, given the small pool of suitable and interested candidates to the MSCP, there are concerns that the rules could be overly restrictive. This paper analyzes various rule change proposals to balance the theoretical considerations on the independence of the MSCP, with the practical realities of not being overly restrictive.
EMC proposed to relax the market rules by not disqualifying a candidate/member from the MSCP due to conflict arising from his spouse after appointment, or relatives at or after appointment. Notwithstanding, the MSCP member is bound to declare his conflict and if the other MSCP members determine that the conflict is material, then the conflicted MSCP member must abstain from the specific case. In place of the abstained member, the MSCP could choose to appoint a temporary MSCP member for the duration of the case.

Mr. Langdale informed that it is important for the individual concerned to take responsibility of declaring any conflict or possible conflict of interests and to step down from the particular issue. He was also of the view that if a "spouse" is in a situation to cause a conflict of interest, then the individual should not be appointed to the MSCP.

Mr. Lawrence Lee agreed with this.

The Panel proposed an alternative arrangement to EMC’s proposal as follows:
1. The MSCP candidate is disqualified from appointment if self/spouse is conflicted.
2. The appointment of the MSCP member ceases if self/spouse is conflicted.
3. If a MSCP member is conflicted on a matter due to his relative (i.e. parent, sibling or child) or other sources, he should declare his conflict; if he volunteers to abstain from the case, or if the other MSCP members determine that the conflict is material, then he should excuse himself from participating in any discussion, voting on, or further involvement in the matter.

The Panel asked EMC to draft the rules changes corresponding to the above proposal.

9.0 Report of the Task Force on Meter Tampering Settlement Adjustment
(Paper No. EMC/RCP/41/2008/08)

The Panel was informed that in the Rule Change Work Plan 2008 – 2010, EMC was tasked to provide a proposal to institute a one-time wholesale market settlement adjustment for metering data corrections due to meter tampering.

EMC formed a Task Force comprising one representative from each retail market participant and a representative each from SP Services (the MSSL Licensee) and EMC settlement team, to study the proposal and explore other potential solutions.
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The Task Force role was to discuss settlement adjustment issues arising from meter tampering; and to identify and agree on an approach to solve these settlement issues. The report by the Task Force was first presented at the 40th RCP meeting.

At the 40th RCP Meeting, the Panel requested the Task Force to suggest the manner in which the underpayments would be recovered and return these payments to the parties that had overpaid.

The Task Force met again on the 5th Dec 2008 and revised its recommendations as follows:

1. Modify the MSS Code such that the Meter Data Manager (MDM) does not apply estimation or submit corrected meter data (to the EMC for settlement purposes) that are due to meter tampering

2. EMA to create a mechanism to impose punitive fines on the offender and recover any underpaid amount from the offender,

3. EMA to create an avenue to return all recovered underpayments to consumers through the MSSL (e.g. via the Tariff)

Mr. Lawrence Lee highlighted that the above Point 1 should only be implemented if Point 3 is implemented otherwise there is no avenue to reimburse customers who had overpaid.

On the Task Force’s recommendation to create an avenue to reimburse the recovered amount to consumers under MSSL accounts (e.g. via the tariff), Mr. Chan Hung Kwan proposed that the EMA should also consider if other affected parties should be reimbursed for under-recovered charges/fees on customers due to lower metered quantities arising from meter tampering. Other members added that this should be after taking into consideration over-recovered charges/fees from corresponding customers who have overpaid due to higher metered quantities.

The Task Force also made the following suggestions to the EMA:

1. There should be public education on potential meter tampering offences resulting from installation of “energy saving devices” on meter installations by vendors

2. Licensed Electrical Worker (LEW) who install energy saving devices should be accountable for the irregularities caused by the devices (such as meter tampering) or created during the installation of such devices

3. The frequencies for inspection and testing of all installed meters (Low Tension & High Tension), as well as reviews of meters alarm logs should be reviewed

4. The Meter Data Manager’s (MDM) process on detection of meter reading anomalies should be reviewed and tightened

Action
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The Panel agreed to recommend to EMA that it implement the Taskforce recommendations together with Mr. Lee’s and Mr Chan’s proposals.

EMC advised that it would circulate the draft of a covering letter to EMA highlighting the Task Force’s recommendations and the RCP’s additional proposals to Panel members for confirmation prior to writing to the EMA.

10 Appointment of Technical Working Group 2009-2011
(Paper No. EMC/RCP/41/2009/09)

The TWG consists of seven members from the following:

1. 4 experts based on nominations from market participants
2. 1 person nominated by the PSO
3. 1 person nominated by the Transmission Licensee
4. 1 MCE expert nominated by EMC
5. Chairperson nominated by EMC

EMC had called for nominations from market participants and the PSO to form the next TWG.

EMC recommended the Panel appoint the following to the Technical Working Group:

1. Mr Loh Chin Seng, Sembcorp Cogen Pte Ltd
2. Mr James Ooi, Seraya Energy Pte Ltd
3. Mr Tan Cheng Teck, Senoko Power Ltd
4. Mr Tony Tan Kia Shuan, Tuas Power Ltd
5. Mr Kwok Foo Seng, Power System Operation
6. Mr Chan Hung Kwan, SP PowerGrid
7. Mr Chen Jianhong, EMC
8. Mr Paul Poh (as Chairperson)

The Panel appointed the following to the TWG, for the period 21 January 2009 to 20 January 2011:

1. Mr Loh Chin Seng, Sembcorp Cogen Pte Ltd
2. Mr James Ooi, Seraya Energy Pte Ltd
3. Mr Tan Cheng Teck, Senoko Power Ltd
4. Mr Tony Tan Kia Shuan, Tuas Power Ltd
5. Mr Kwok Foo Seng, Power System Operation
6. Mr Chan Hung Kwan, SP PowerGrid
7. Mr Chen Jianhong, EMC
8. Mr Paul Poh (as Chairperson)
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