MINUTES OF THE RULES CHANGE PANEL
8th PANEL MEETING
HELD ON TUESDAY, 07 OCTOBER 2003 AT 10.10AM
AT ENERGY MARKET CO. PTE LTD
9 RAFFLES PLACE #22-01
REPUBLIC PLAZA, SINGAPORE 048619

Present: Allan Dawson (Chairman) Eu Pui Sun
Kok Shook Kwong Tan Boon Leng
Robin Langdale Daniel Cheng
T P Manohar

Absent with Ben Lau Francis J. Gomez
Apologies: Yip Pak Ling Lee Sin Chong
In Attendance: Paul Poh, EMC Dr. Chiao Yen-Shong, EMC
Poa Tiong Siaw, EMC Shashank Swan, EMC
Teo Wee Guan, EMC

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 Appointment of T P Manohar

The Chairman welcomed Mr T P Manohar, representing the market support services licensee class, to the Rules Change Panel.

Mr. Manohar replaces Mr. Seow Kang Seng who has resigned from the Panel.

2.0 Confirmation of Minutes of the 7th Rules Change Panel Meeting

The Minutes of the 6th Rules Change Panel Meeting held on Wednesday, 5th September 2003 was tabled and having been previously circulated was taken as read.

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

3.0 Matters Arising from the 7th Rules Change Panel Meeting

Item 3.0 Summary of Rules Modification Submissions

Mr. Paul Poh advised the Panel that there are 74 rules change submissions, including those carried forward prior to market start. 13 submissions were rejected or withdrawn.

EMC is pleased to advise that the EMA has so far approved 35 of the 40 rules change submissions that have been supported and adopted by the RCP and EMC Board. 21 rules change proposals are pending consideration.
8th Rules Change Panel Meeting

Item 10.0 Rule Change Prioritisation Exercise
(Paper No. EMC/RCP/07/2003/01)

The Panel was informed that EMC’s Market Administration Team had consulted five market participants on EMC’s proposed work plan and is still in the consulting stage with the other market participants.

EMC will provide the Panel with an update on the Rule Change Prioritisation Exercise by the next Panel meeting.

4.0 Paper No.: EMC/RCP/08/2003/76 – Publishing Outage Reports submitted to MSCP

EMC presented a rules modification proposal submitted by NRG for the PSO to publish the outage reports (Chapter 5, Section 7.1.3) that are submitted to the MSCP.

According to the market rules, only market participants are notified through the market advisory notices of major equipment outages and information on forced outages is not made available to non-market participants.

EMC consulted the PSO and some gencos and they felt that some information contained in the report is confidential, especially the reasons for recalled/forced outages. According to returns from a survey, it appeared that the release of such a report would have no financial, commercial or legal impact. It was also felt that issues relating to security should be assessed by the PSO.

The Panel was concerned about the content, relevance and security level of information being disclosed. The Panel was informed that PowerGrid’s major concern is national security implications of revealing the identity of outage equipment (with inherent locational information) to the public. It has already been an existing practice that PowerGrid and retailers are prepared to provide the information to their affected customers upon request.

It was also brought up that the information contained in the current report may not be sufficiently useful to a non-market participant attempting to relate price spikes in the market to outage incidents. For instance, the report only showed the start-time of outages with no indication of its duration. Hence, it would be difficult for the user to make a complete assessment of outage situations.

The Panel requested EMC to delve further into the rule change proposal by looking into how providing the outage report would impact the efficiency and pricing of the market. EMC was also requested to look into how the information can be provided without breaching national security and the costs that has to be justified.

The Panel also requested EMC to look at how other markets deal with this type of disclosure.

The Chairman requested EMC to produce a policy document that describe the principles and guidelines that EMC uses in treating information including its disclosure to the public.
5.0 Paper No.: EMC/RCP/08/2003/77 – Publishing standing probability of failure

EMC presented a rule modification proposal submitted by NRG that calls for EMC to publish the standing probability of failure (SPF) associated with each generation registered facility (GRF) (Chapter 7, Appendix 7A Section A.7.2). An SPF is used by the wholesale settlement system to determine the Reserve Responsibility Share of each GRF that is not designated as a Secondary Contingency Unit. Essentially, the higher the value of the SPF, the higher RRS will be computed for the GRF, resulting in higher reserve cost being allocated to it for settlement.

The methodology for calculating the SPF for each GRF is determined jointly by PSO and EMC.

For the release of such information that can be directly connected to a party, EMC consulted market participants and the PSO on the various possible impact of making the information public. The PSO advised that the SPFs are confidential statistics owned by the respective GRFs and it does not see any benefit publishing the statistics. One generator licensee also responded that the release of information on SPFs does not belong in the public domain.

EMC concluded that releasing SPFs to the public does not generate additional benefits. The methodology for calculating SPF’s is already published, providing ample transparency.

The Panel supported EMC’s recommendation not to support the proposed rule change and to make the necessary recommendation to the EMC Board for endorsement.

6.0 Paper No.: EMC/RCP/08/2003/201 – To provide the monthly intertie report to market participants.

EMC presented a rule modification proposal to provide the monthly intertie report to market participants.

The Panel concluded that the resources and costs required to fully assessing the legal/confidentiality implications of disclosing this information to market participants far outweighs the benefit of the information to market participants.

The Panel supported EMC’s recommendation not to support the proposed rule change, not to publish the RCP report to the Board on the website and to make the necessary recommendation to the EMC Board for endorsement.
7.0 Paper No. EMC/RCP/07/2003/209 – Margin Call excluding an outlier in the computation of Estimated Net Exposure

EMC had previously presented a rule modification proposal submitted by the MSSL to exclude an outlier (Section 2.2 of the Market Operations Market Manual [Prudential Requirement]) completely from the estimated net exposure (ENE), determined in accordance with the market manual, when wholesale energy price increases dramatically in a single day due to a one-off event.

The Panel had earlier expressed its reservations about the use of “sole and absolute discretion” by the EMC in determining the ENE, the following phrase “or such other procedure as the EMC may determine in its sole and absolute discretion” as stated in EMC’s proposed modifications.

EMC took note of the Panel’s reservation and revised the proposed modification to the rule to be read as “The EMC may revise a market participant’s estimated net exposure if the EMC considers that such amount does not reflect underlying market conditions and the EMC shall notify such market participant about such revision and the basis for such revision”.

The Panel noted the amendment of EMC’s revised proposed modification.

The Panel was also informed that EMC will inform affected market participants when EMC makes a revision to that market participant’s ENE and the basis for such revision. In such instance, EMC will act in a fair and reasonable manner. However, if the affected market participant disagrees with EMC, the party can still refer the matter to the dispute resolution counsellor. Notwithstanding this, that market participant will still need to meet his/her obligations when it is being issued a margin call regarding any dispute in the formulation within two working days and that EMC would act reasonably in such issues.

EMC was requested to study if it is feasible for EMC to determine the ENE by using the average 12-day quantity used in the current exposure and applying prices for 20 days, taking into consideration the complexities with bilaterals and vesting contracts. EMC will revert to the Panel.

8.0 Paper No.: EMC/RCP/08/2003/213 - Composition of the Rules Change Panel

EMC presented a rule modification proposal submitted by EMC to amend Chapter 3, Section 2.3.3. Existing rules prohibit affiliated parties from being in the rule change panel concurrently to avoid conflict of interest and to ensure fair representation; however, the rules also provide for a 1-year exemption period. Since many power companies are still owned by Temasek Holdings and the sale of Senoko Power, Power Seraya and Tuas Power has yet been made, there is a need to extend the exemption period from 1 to 2 year starting from market commencement date.

The Panel supported EMC’s recommendations to the proposed rules change and to make the necessary recommendation to the EMC Board for endorsement.
9.0 **Date of Next Panel Meeting**

The next Panel meeting is scheduled to be held on 29th October 2003 at 10.00am at the EMC Board Room.

There being no other matters, the meeting ended at 12.45pm with a vote of thanks to the Chair.

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**ALLAN DAWSON**  
Chairman