MINUTES OF THE RULES CHANGE PANEL
4th PANEL MEETING
HELD ON TUESDAY, 6 MAY 2003 AT 10.15AM
AT ENERGY MARKET CO. PTE LTD
9 RAFFLES PLACE #22-01
REPUBLIC PLAZA, SINGAPORE 048619

Present: Allan Dawson (Chairman)  Lee Sin Chong
Yip Pak Ling  Kok Shook Kwong
Tan Boon Leng  Robin Langdale
Francis J. Gomez  Daniel Cheng
Ben Lau  Seow Kang Seng

Absent with Eu Pui Sun
Apologies: Eunice Koh (Panel Coordinator)

In Attendance: Chiao Yen Shong, EMC  Poa Tiong Siaw, EMC
Paul Poh, EMC  Shashank Swan, EMC
Teo Wee Guan, EMC

Action

1.0 Notice of Meeting

The Chairman called the meeting to order at 10.15am. The Notice and Agenda of the meeting were taken as read.

2.0 Confirmation of Minutes of the 3rd Rules Change Panel Meeting

The Minutes of the 3rd Rules Change Panel Meeting held on Tuesday, 11 March 2003, which had been earlier circulated via e-mail, was approved.

3.0 Matters Arising from 3rd Rules Change Panel Meeting

Item 3.0: To appoint an additional member to the Rules Change Panel from potential market participants.

Mr Paul Poh informed the meeting that a paper on the abovementioned had been tabled for the Panel’s consideration (refer to Paper No. EMC/RCP/04/2003/06).

Item 5.0: Clarifying Preliminary Settlement Statement

EMC held a briefing on XXXXX to provide the retailers with details on the determination of the half-hourly MEUC, which included the over-recovery and under-recovery of the MEUC.

Item 11.0: Panel’s request for EMC to provide data for the first three-months’ market performance and expenditure

EMC would be providing the Panel with its audit report once it has been completed.
EMC presented a paper on rule change request by MSSL to bar EMC from imposing more than two default levies. However, there was no provision in the Market Rules that empowered EMC to do so. EMC has recommended that the Panel not support it.

EMC proposed that it be allowed to impose multiple default levies. Currently, costs and expenses incurred in recovering default amounts were included in EMC’s administrative costs because there was no provision for more than two levies. Since such costs and expenses were highly uncertain, EMC would have a strong incentive to include substantial provisions in its budget. The proposed change would ensure fair and efficient outcomes in that (a) it would ensure a fair cost-benefit match since the relevant non-defaulting Market Participants (MPs) would bear the costs of recovering default payments from defaulting MPS, which would then be returned back to them, and (b) it would remove the incentive for EMC to over budget its administrative costs, thereby improving budgeting efficiency. Also, to address MSSL's concern over the balance of cost and benefit of pursuing default amounts, EMC would require the RCP’s approval on the amount of multiple default levy to be imposed, and EMC would seek fresh approval from the RCP should additional costs be incurred outside the approved amount. On these grounds, EMC recommended that the Panel support the proposed change of allowing EMC to impose multiple levies.

4.1 RCP’s disapproval of multiple default levy amount
Mr Seow Kang Seng asked what happened should the RCP disapprove the multiple default levy amount. In such event, Mr Paul Poh replied that it was proposed that EMC be discharged of its obligations to recover from the defaulting MPs under Section 9.8.1. However, the Panel agreed that the rule change should make provisions to allow a single or a group of non-defaulting MPs to pursue recovery through EMC in the event that RCP disapproved the multiple default levy amount.

4.2 Allocation of Default Levy
Mr Tan Boon Leng raised his concern that since both Gencos and the retailers bore the cost of levy and if such amount was huge, it could possibly make those retailers who could not absorb the high cost (especially the smaller retailers) to default, thereby triggering a chain of default. It was asked if Gencos should bear most, if not all, of the levy amount since they would benefit most from high prices, and most often, default was due to high energy prices. The Chairman commented that the argument on the allocation of default levy between Gencos and retailers could be controversial one, and asked EMC to review and study it as a separate issue.

4.3 Proposed rule under Section 9.8.4
Mr Seow Kang Seng questioned the rationale for the deletion of ‘reasonably’ in the proposed rule, Section 9.8.4 and suggested that ‘reasonably’ should be reinstated for prudence. The Panel agreed with the suggestion.

4.4 Details on Recovery Measures under Section 9.9.1
The Panel also agreed with Mr Seow Kang Seng’s suggestion that EMC should include details of the default recovery measures under the proposed rule, Section 9.9.1, for clarity.
### 4th Rules Change Panel Meeting

#### Action

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<th>4.5 Prohibition of EMC to Impose Multiple Default Levy on Non-Defaulting MPs Under Certain Circumstances</th>
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<td>Mr Seow Kang Seng highlighted that under the proposed rule, Section 9.9.1, EMC reserved the right to effect any default recovery measures even without the RCP’s approval. He felt that under such circumstances, the proposed rule change should also clearly state that EMC shall not be allowed to recover the costs and expenses it incurred in effecting default recovery measures from the non-defaulting MPs. The Panel supported Mr. Seow’s suggestion.</td>
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<th>4.6 Clarification on proposed rule section 9.9.5</th>
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<td>Mr Seow Kang Seng also mentioned that the proposed rule, Section 9.9.5, should state clearly that EMC could only recover costs and expenses from the non-defaulting MPs to the extent that these were included in the estimated amount which had been earlier approved by the RCP. EMC would need to seek RCP’s approval again if it wanted to recover any additional costs and expenses for the approved categories and that for new categories or initiatives which were not stated in the earlier approved estimates by RCP.</td>
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In conclusion, the Panel supported EMC’s recommendation, subject to the Panel’s approval of the suggested modifications stated in Paragraphs 4.1, 4.3, 4.4, 4.5 and 4.6 by circulating the revised draft rules.

#### 5.0 Paper No.: EMC/RCP/2003/70 – Clarifications of Definitions in MCE Formulation

EMC presented a paper on the proposed rule change submitted by PA Consulting to clarify certain definitions (Chapter 6, Appendix 6D, Section D.2, Section D.3, and Section D.4) in the MCE formulation. EMC informed the Panel that the TWG had earlier met to assess those changes.

The TWG recommended support for those changes proposed by PA Consulting on grounds of clarity and non-ambiguity, except for proposed changes on ‘NetBenefit’ and ‘LineFlowConstk,j’. TWG further recommended changes to PA’s proposed change in ‘LineFlowConstk,j’ and an inclusion of an explanatory note for ‘NetBenefit’ in Chapter 6, Appendix D.14.1.1.

The Panel supported TWG’s recommendations to support EMC’s proposal.

#### 6.0 Paper No.: EMC/RCP/04/2003/75 – Publishing Audit Reports on Settlement Processes

EMC presented a paper on the proposed rule change (under Chapter 7 Section 5.4.2) by NRG to publish audit reports on settlement processes. The current rule only made the report available to a market participant upon request. In EMC’s view, making the reports readily available to market participants would increase the transparency of EMC’s operations and was relatively costless. However, it recommended that the audit reports be made available only to market participants, and not to the public since they were unlikely to get considerable value out from those reports.
Mr Kok Shook Kwong suggested that such audits reports be made available to PSO, EMA and MSSL. Mr Paul Poh pointed out that MSSL was entitled to such reports under Chapter 7, Section 5.17. The Panel agreed with Mr Kok’s suggestion and noted Mr Poh’s comment.

The Panel supported the EMC recommendation subject to incorporating Mr Kok’s suggestion.

7.0 Paper No.: EMC/RCP/04/2003/87, 98, 99, 101 – Clarifying PSO’s Role Concerning Outages and Registration

EMC presented a paper on the proposed rules change by NRG to add the words ‘reasonable’ and ‘material’ to Chapter 2, section 5.4.3.2 and Chapter 5, section 7.4.3, 7.3.2.2 and 7.2.16. In its analysis, EMC pointed out that the inclusion of these words would be redundant, since section 3(4)(b) of the Electricity Act already put the general obligation on the PSO to act ‘reasonably’ and this included ‘material’ matters in exercising its powers in all circumstances. On this ground, EMC recommended a rejection of the rule change proposal. In addition, EMC further recommended that the Panel support amending RC 88, 92 and 97, which had earlier been approved in the 5th PTRCP meeting, in order to maintain consistency in the rules.

The Panel supported EMC’s recommendations to reject the rule change proposal by NRG and to amending RC 88, 92 and 97 for rules consistency.

8.0 Paper No.: EMC/RCP/04/2003/111 – To Publish In Advance The Methodology To Determine Prices When Markets Are In Suspension

EMC presented a paper on the rule change proposal by NRG to publish in advance the methodology used to determine prices when markets were in suspension. EMC recommended that the Panel support the proposal on the following grounds: (1) it would enhance market transparency, (2) it would reduce uncertainty and allow market participants to ensure that their commercial contractual obligations take into account of the methodology, and (3) it would give EMA more time for amendments should EMA later discover that the methodology would result in substantial adverse impact.

Mr Seow Kang Seng pointed out that proposed rule change on Chapter 6, Section 1.2.5 (in Appendix 1, pg. 4 of the paper) was too verbose and it was unclear as to what should be published in advance. He suggested that proposed rule change be re-worded for clarity, in that it should clearly state that the methodology used to determine prices during market suspension be published in advance.

Mr Kok also asked if the phrase “published the methodology on its website” (pg. 3, Para 6 of the paper) meant publishing it on the public or private website. To that, the Chairman clarified that the methodology would form an extension of the existing market rules which the public already had access to.

The Panel supported EMC’s recommendation, subject to EMC re-wording the proposed rule change for clarity as suggested by Mr Seow Kang Seng.
9.0 Paper No. EMC/RCP/04/194 – To Modify The Calculation of USEP

EMC presented EMC’s rule change proposal to modify the formula for calculating USEP (Appendix 6D, Section 24.6) so as to correct a current anomaly which could arise in some rare circumstances when violation prices associated with deficit generation influence USEP. The TWG had met earlier to consider the change proposal. Through its deliberation, TWG was satisfied that the proposal would address the anomaly and improve the robustness of USEP calculation. Hence, TWG recommended that the Panel support the rule change proposal.

The Panel supported TWG’s recommendation to support EMC’s proposal to amend the calculation of USEP.

10.0 Paper No. EMC/RCP/03/2003/102 – Publishing Methodology of Determining Load Participation Load

EMC presented and recommended a proposed rule change to incorporate the publishing of the methodology for determining the load participation factor into Appendix 6B.3.1.

The Panel noted that the methodology was already published by EMC on its private website and that the proposed change merely spelt this out explicitly under the rules.

The Panel supported the rule change proposal.

11.0 Paper No. EMC/RCP/03/2003/06 – Expanding the Membership of the RCP

EMC presented a paper on the abovementioned for the Panel’s consideration. The paper explored an array of issues including expanding RCP membership to ensure comprehensive representation, whether additional members should have voting rights and the size of the panel. The paper recommended that large consumers and potential market participants be included if the representation of RCP was to be made more comprehensive. In addition, additional members appointed to the Panel should have voting rights as the existing members. The paper also reviewed the size of RCP in relation to the equivalents in other countries, and concluded that the current size of RCP was large, both in absolute terms and relative to other markets. In view of the current big size of RCP and that RCP was able to discharge its duties effectively and effectively hitherto, the paper recommended that it would not be appropriate to make changes to RCP so soon.

The Panel agreed with the points put forth in the paper and supported EMC’s recommendations.
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12.0 Any Other Matters

12.1 Withdrawal of Rule Change Paper: EMC/RCP/02/2003/160 – Compliance with Settlement System

EMC notified the Panel that the rule change paper EMC/RCP/02/2003/160, supported at the 3rd RCP meeting had been withdrawn. This was because the current rules which the rule change paper sought to modify, though counter-intuitive depending on how one viewed them, were actually correct and also consistent with the other sections of the settlement rules.

The Panel noted the withdrawal of the rule change paper.

12.2 Update on Use of Constraint Violation Penalties (CVP) in Settlement

EMC briefed the Panel on the background of the issue. EMC also highlighted the scenarios where CVPs was invoked in Singapore and looked into the practice in other jurisdictions. The preliminary recommendations of EMC suggested that the use of CVPs (VoLL pricing) be retained when load was shed and that the use of CVPs be removed when load was not shed.

The Panel noted the preliminary recommendations and thanked EMC for the update.

13.0 Date of Next Panel Meeting

The next Panel meeting is scheduled to be held on 6 Jun 2003 at 10.00 am at the EMC Board Room.

There being no other matters, the meeting adjourned at 12.25pm.

ALLAN DAWSON
Chairman

TEO WEE GUAN
Minutes Recorder