

Date: 30 December 2002

To: All market participants,
the market support services licensee,
Power System Operator, Energy Market Company
Singapore Wholesale Electricity Market

Cc: Energy Market Authority

Subject: Enforcement of the Market Rules Immediately
After Market Commencement

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Introduction

Market participants and service providers have expressed concerns regarding the enforcement of the market rules (including the market manuals and system operation manual) in the period immediately following the commencement of the Singapore wholesale electricity market on 1 January 2003.

As appointees who will be assuming our roles on the Market Surveillance and Compliance Panel (MSCP) upon market start, we would like to inform the market as to how the MSCP proposes to proceed in this regard.

Settling In Period

The MSCP is conscious that its primary role is to ensure that the Singapore wholesale electricity market functions in accordance with the wishes of the parties to the market rules as expressed in those rules.

Given that all parties affected by the market rules will be operating under the new rules for the first time, the MSCP agrees that it is likely that some live operations will be required in order for parties to fully understand their respective obligations under the new rules and to settle into procedures and processes under the new rules. Accordingly in the early stages of the market, education is likely to be as powerful a tool as disciplinary action.

The MSCP recognizes that the exercise of tolerance by the MSCP with regards the imposition of sanctions would encourage greater involvement in the market and better communication with the Market Assessment Unit (MAU) and MSCP in the early days.

Duration

Section 13 of Chapter 1 of the market rules provides a useful guide when considering for how long the MSCP may exercise tolerance in dealing with market rule breaches in the early stages of the market. Section 13 limits the liability of parties to the market rules for claims, for a period of 3 months after market start. It therefore indicates the rule drafters anticipated a need during the first 3 months of the market for a means of limiting claims arising from mistakes. A similar period could be applied in relation to market rule breaches.

Some parties will consider three months to be insufficient to allow them to become consistently compliant. However, a longer or indefinite settling in period risks unnecessarily prolonging the use of inadequate processes, and could undermine the compliance regime.

Enforcement Policy

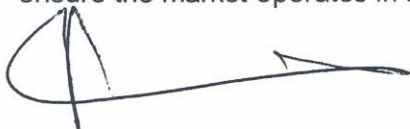
The MSCP has accordingly adopted the policy that it will, when considering a potential rule breach during the 3 months immediately after market start:

- (a) treat each case on its merits;
- (b) factor into its consideration that all parties are going through a learning curve; and
- (c) take whatever action the rules permit if it finds that breaches of the market rules have occurred in circumstances where it does not believe the person has acted reasonably or made a reasonable attempt to comply with the rules.

After the initial 3 months, the MSCP expects that market participants and service providers will carry out their activities precisely in accordance with the market rules. If, for some reason, the requirements of the market rules prove impractical, so that practice diverges from the market rules, the MSCP believes that, as a matter of principle, the market rules may need to be reviewed if necessary to reflect the practice. It will be difficult for the MSCP to supervise compliance with the market rules unless the rules reflect the market's actual operations.

Good Wishes

Finally, the MSCP would like to wish all market participants and service providers well for the times ahead. Please be assured that the MSCP sees itself as part of the operation of the Singapore wholesale electricity market. We will be doing our utmost to ensure the market operates in a fair and orderly manner.



Joseph Grimberg
Chair, Market Surveillance and Compliance Panel
Designate