

**MINUTES OF THE RULES CHANGE PANEL
132nd MEETING
HELD ON THURSDAY, 19 JANUARY 2023 AT 10.00AM
AT ENERGY MARKET CO. PTE LTD
4 SHENTON WAY #03-01
SGX CENTRE 2, SINGAPORE 068807**

Present:	Toh Seong Wah (Chairman) Henry Gan Teo Chin Hau Calvin Quek Matthijs Jan Guichelaar Fong Yeng Keong Song Jian En	Soh Yap Choon Cheong Zhen Siong Tony Tan Dr Toh Mun Heng Tan Chian Khong
Absent with Apologies:	Rachel Su Huifen Sean Chan	Sherman Toh
In Attendance: (EMC)	Poa Tiong Siaw Li Zhenhui Vincent Wise	Wang Jing Lim Chern Yuen

	Minutes of 132nd RCP Meeting – 19 January 2023	Action
1.	<p>Notice of Meeting</p> <p>The Chairman called the meeting to order at 10.05am. The Notice and Agenda of the meeting were taken as read.</p>	
2.	<p>Confirmation of Minutes of the 131st Rules Change Panel Meeting</p> <p>The Minutes of the 131st Rules Change Panel (“RCP”) meeting, held on 8 September 2022, were approved by the RCP.</p>	
3.	<p>Update of Monitoring List, Rule Change Submission, and RCP Workplan</p>	
3.1.	<p>The RCP noted the updates from EMC.</p>	
4.	<p>Matters Arising from 131st RCP Meeting</p> <ul style="list-style-type: none"> - Price Revision When Unanticipated Load Shedding Occurs and When PSO Issues Overriding Instruction (Paper No. EMC/RCP/130/2022/CP89) 	
4.1.	<p>Mr Lim Chern Yuen recapped the conceptual proposal addressing three separate, but related suggestions for price revision raised by MPs:</p> <p>Issue 1: Price revision for periods with unanticipated load shedding</p> <ul style="list-style-type: none"> • EMC recommended to conduct price revision for such cases 	

Issue 2: Price revision for periods that the PSO overrides the MCE dispatch schedule in real-time

- EMC did not recommend to conduct price revision for such cases

Issue 3: Price revision for periods that the PSO instructs GRFs to modify offers pre-emptively

- EMC did not recommend to conduct price revision for such cases

- 4.2. At the 131st RCP Meeting held on 8 September 2022, RCP tasked EMC to study the practices as a further follow-up to study the practices of other jurisdictions on price revision following unanticipated load shedding events and compensation as a result of system operator's overriding dispatch instructions.
- 4.3. Mr Lim presented EMC's findings based on the respective jurisdiction scans, ultimately recommending to resolve the issues of price revision and compensation together, due to the complex and interlinked nature of both issues.
- 4.4. Mr Tan Chian Kong asked if the Philippines is a good jurisdiction to benchmark against. Mr Lim responded that there is in practice, a lack of electricity markets globally with sufficient documentation for reference, while also being reasonably similar to Singapore.
- 4.5. Dr Toh Mun Heng asked if New Zealand should be included in the jurisdiction scans as well. Mr Lim explained that insufficient documentation of price revision provisions could be found for New Zealand's electricity market. Furthermore, the jurisdiction scan attempted to cover a broad geography across different continents – Australia was used instead of New Zealand.
- 4.6. Mr Cheong Zhen Siong added that there are relatively low secondary price caps in Australia and Philippines – there is a limit to how much generators can recover from energy prices because of these caps, which should also be taken into consideration.
- 4.7. Mr Fong Yeng Keong observed that in other jurisdictions, it seems like following system operator interventions, cost-based compensation is commonly provided, rather than the market operator conducting price revisions.
- 4.8. Mr Poa Tiong Siaw added that jurisdictions elsewhere do not typically conduct price revisions, which is consistent with the approach for the NEMS. EMC is recommending to maximally observe the ex-ante pricing principle, avoiding frequent price revisions.
- 4.9. Mr Poa also shared that EMC will be working with the industry on a review of the compensation regime – covering both the scope and methodology of calculating compensation.

- 4.10. Mr Li Zhenhui further shared that EMC is currently working with EMA on reviewing compensation related to the Directed Supply Scheme (DSS) and Temporary Price Cap (TPC).
- 4.11. Seeing as there were no other views or comments, Chairman concluded that EMC would defer the resolution of these issues related to price revision, pending review of the compensation framework. EMC
5. **Update on RCP Workplan Status – Reserve Provision by Non-Spinning Generation Facilities**
- 5.1. Ms Wang Jing recapped that the RCP at its 124th meeting held on 14 July 2021 tasked EMC to prepare rule modifications to model the reserve envelope to enable BESS participation, primarily through allowing the flexibility to set LowLoad levels below the typical MSL down to 0MW (inclusive).
- 5.2. Ms Wang added that EMC has been working with PSO to develop a comprehensive model to correctly reflect BESS’s physical characteristics, including: EMC
- Allowing BESS to bid in negative quantity to indicate its willingness to charge, and requiring BESS to follow MCE schedules for both charging and discharging
 - Allowing BESS to provide reserve when energy schedule is zero or negative
 - Allowing BESS to provide regulation when energy schedule is zero or negative
- EMC will keep the RCP updated on progress.
- 5.3. Mr Calvin Quek asked whether MCE will reflect BESS state-of-charge, particularly after prolonged discharge to reserve activation. Ms Wang responded that while BESS has limited energy storage, the market participant is expected to adhere to the self-commitment principle. This includes accurate offers even after BESS is activated for reserve.
- 5.4. Ms Wang added that EMC is consulting with EMA and market participants on whether offer variations within gate closure may be allowed, taking into consideration the physical characteristics of BESS.
- 5.5. Mr Tony Tan added that there should be penalties for BESS that are unable to comply with scheduled quantities if activated – e.g., PSO imposing a requirement for particular BESS to be fully charged by 7am.
- 5.6. Ms Wang clarified that all BESS should be treated equally within the Market Rules, in terms of MCE modelling and compliance requirements.
- 5.7. Mr Matthijs Jan Guichelaar asked if the modelling features covered distributed energy resources (DERs) with lower charging capacity (e.g., electric vehicles). Ms Wang responded that the proposed model could potentially apply to DERs.

- 5.8. Mr Song Jian En asked if there are monitoring mechanisms that should be in place to ensure that BESS do not offer into reserve or regulation markets in subsequent periods if they have already been discharged to a significant extent. Ms Wang noted the comments and will seek comments on potential solutions at a later stage.
- 5.9. Mr Soh Yap Choon asked whether BESS modelling will incorporate recent learnings on BESS operations. Ms Wang responded that the first version of upcoming BESS modelling changes is mainly to capture BESS's performance during charging. It may not be perfect and subsequent refinements will likely be made.
- 5.10. Mr Tony Tan asked whether there is an interim solution to increase the demand forecast when the BESS is charging. Mr Soh responded that this is done via manual coordination between PSO and Sembcorp. The rate of charging is also capped to mitigate demand fluctuations.
- 5.11. Mr Calvin Quek sought clarification on how PSO determines when to charge, such that there is minimal system disturbance. Mr Soh clarified that if the BESS operator requests to charge, PSO will coordinate with them to minimise system disturbance.
- 6. **Update on RCP Workplan Status – Holistic Review of the Market Rules Related to Cessation of Business, Liquidation and Insolvency**
- 6.1. Mr Vincent Wise recapped that in September 2021, the RCP supported a rule change proposal RC367, which reviewed the allowable remedies for the various events of default and EMC's process in response to each type of default. This workstream is a continuation from RC367, looking more specifically at defaults involving MPs undergoing insolvency, restructuring and dissolution.
- 6.2. Mr Wise explained the overall objective of this proposal is to find a legally workable solution to prevent accumulation of financial risks to the market by an insolvent MP, while still allowing MPs an opportunity to show cause (to avoid suspension) as much as possible. He updated that EMC is currently engaging external legal counsel to verify the legality of potential solutions. The RCP will be kept informed once there are further updates.
- 6.3. Mr Tan Chian Kong observed that if the company is insolvent and a judicial manager is appointed, it is assumed that it could be viable. In the event that it is not viable, the judicial manager must resign and appoint a liquidator (i.e., the judicial manager is supposed to preserve the business).
- 6.4. Mr Poa reiterated the importance of an accurate interpretation of prevailing laws and ensuring the consistency of the handling of default cases to these laws. This is however not straightforward given, firstly, the lack of definitive court judgements to use as precedents, and secondly, that the courts need a live case to make a declaratory judgement. Hence, one approach being explored is

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an automatic suspension process which is not stayed by prevailing insolvency laws.

6.5. Mr Soh queried whether such automatic suspension will apply to gencos, which may result in adverse consequences to the NEMS due to a sudden withdrawal of generation capacity. Mr Wise replied that the impacts to the system will be a major consideration in designing the eventual proposal. To that end, EMC expects to preserve current rules requiring EMA's approval for suspension of generation, transmission and MSS licensees.

6.6. Dr Toh reiterated that while the study intends to safeguard the market, there is also a need to ensure that consumers are protected during such suspensions. Mr Poa agreed with Dr Toh and pointed out that one of the aims is to prevent a defaulting retailer from continuing to sign up customers, putting consumers at risk.

7. **Update on RCP Workplan Status – Holistic Review of Prudential Requirements; Imposition of Minimum Net Tangible Asset**

7.1. Mr Li Zhenhui presented the EMA's initiatives on enhancing regulatory requirements on electricity retailers, in response to the global energy crunch and extraordinary spikes in spot electricity prices last year, noting that EMA's proposals may overlap with existing proposals under the current RCP workplan:

- Holistic review of the current prudential requirement obligations, and its enforcement process under the Market Rules
- Imposition of Minimum Net Tangible Asset as a condition of participation for retailers

7.2. Mr Li explained that things to expect include stricter qualifying criteria such as capital requirements, changes to hedging requirements, and enhancing consumer protections. He added that more information will be shared after EMA releases their consultation paper.

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7.3. Mr Guichelaar asked if these changes would affect both new retail licenses and retail license renewals. Mr Li responded that these changes may affect both.

7.4. Mr Guichelaar also queried on when the consultation paper will be released. Mr Li responded that this is expected to occur in February.

7.5. Mr Tan Chian Kong asked if retailers should provide solvency statements. Mr Poa replied that currently, retailers are only required to provide financial statements for the past 3 years, but noted that there is merit to require provision of solvency statements it should be considered.

7.6. Mr Guichelaar commented that these changes might serve as barriers to entry for newer, smaller market participants, potentially impeding competition. Chairman responded that there is a fine

balance to be struck, between promoting retail competition while ensuring that retailers are credible market participants.

- 7.7. Mr Guichelaar commented that given the infrequent nature and limited scope of damage caused by last year's events, consumers on balance may not have been very negatively affected overall. In fact, there is potential for these stricter regulatory requirements to eventually be of greater disadvantage to consumers, as compliance costs will ultimately be passed onto consumers.
- 7.8. Mr Poa added that in order to soften the impact on existing retailers, EMC is also exploring avenues to reduce the settlement cycle (and hence, credit support requirements). This may go some way towards assuaging Mr Guichelaar's concerns.

There being no other matters, the meeting ended at 11.24am.

Toh Seong Wah
Chairman

Minutes taken by:
Ivy Leong
Legal, Compliance & Corporate Secretarial Executive