

Licence No. EMA/GE/006

Electricity Licence for Generation Licensee

granted under
the Electricity Act (Cap. 89A) to

Keppel Merlimau Cogen Pte Ltd

ELECTRICITY LICENCE FOR GENERATION LICENSEE

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PART I: SCOPE OF THE LICENCE

1. The Energy Market Authority of Singapore (the “Authority”), in exercise of the powers conferred by Section 9 of the Electricity Act (Cap. 89A) (the “Act”), hereby grants to Keppel Merlimau Cogen Pte Ltd (“the Licensee”), a company incorporated in the Republic of Singapore with Registration Number 199506641H, an electricity licence (the “licence”) authorising the Licensee to:
 - (a) generate electricity from the generating units set out in Schedule A to this licence; and
 - (b) trade in any wholesale electricity market operated by the Market Company,subject to the conditions of this licence (the “Conditions”).
2. The Conditions are subject to modification in accordance with their terms or Section 12 of the Act.
3. This licence authorises the Licensee to generate electricity only from those generating units set out in Schedule A to this licence.
4. Subject to paragraph 5 below, this licence shall be for a term of 30 (thirty) years commencing on such date that the Authority may, by notification, appoint.
5. The Authority may at any time during the term of this licence revoke or suspend this licence in accordance with Section 13 of the Act.

16th September 2002

KHOO CHIN HEAN
Chief Executive
Energy Market Authority of Singapore

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PART II: CONDITIONS OF THE LICENCE

Condition 1: Interpretation

1. Unless the context otherwise requires, words and expressions used in this licence shall be construed as if they were in an Act of Parliament and the Interpretation Act (Cap. 1) applied to them and references to an enactment shall include any statutory modification or re-enactment thereof or any legislation substituted therefor after the date when this licence comes into operation. A reference in this licence to a body, whether statutory or not, that ceases to exist or whose functions are transferred to another body includes a reference to the body which replaces it or which substantially succeeds to its functions, powers or duties. A reference in this licence to the word “including” or a grammatical variation thereof means “including but not limited to”.
2. Unless the context otherwise requires or the term is otherwise defined in paragraph 3 of this Condition, all terms defined in the Act shall have the same meaning when used in this licence.
3. In this licence, unless the context otherwise requires:
 - “authorised business” means, in respect of the Licensee, the business of the generation of electricity from the generating units described in Schedule A to this licence and of trading in any wholesale electricity market operated by the Market Company;
 - “director” means any person who is a “director” within the meaning of Section 4(1) of the Companies Act (Cap. 50);
 - “Metering Code” means the code of practice issued by the Authority that describes the minimum standards of performance in accordance with which a metering service provider is required to perform metering services;
 - “power system” means a system comprising (a) the transmission system; and (b) generation facilities and load facilities, as defined in the market rules, connected to the transmission system;
 - “Power System Operator” means the Authority acting in its capacity as the person responsible for ensuring the security of supply of electricity to consumers and arranging for the secure operation of the transmission system in accordance with the market rules and applicable codes of practice as described in Section 3(3)(e) of the Act;
 - “regulatory contract” means an agreement or arrangement which an electricity licensee is required, by condition of licence, to enter into under Section 9(7)(a)(ii) of the Act;

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“related enterprise” in relation to the Licensee or its subsidiary means any company or partnership over which the Licensee or its subsidiary, as the case may be (either directly or through another subsidiary company) is able to exercise control, that is, to direct the decision-making process of the company or partnership, whether through holding issued share capital or voting power of the company or partnership;

“relevant legislation” means the Act and the Energy Market Authority of Singapore Act (Cap. 92B), and includes in each case the regulations made thereunder; and

“Transmission Code” means the code of practice issued by the Authority that describes the minimum standards of performance which a transmission licensee and those electricity licensees subject to such code of practice are required to observe with respect to the provision or use of transmission services.

4. For the purposes of the restriction on the transfer of this licence, the provisions of Section 11 of the Act shall apply and, accordingly:
 - (a) this licence is not transferable without the approval in writing of the Authority; and
 - (b) any purported transfer of this licence shall be void.
5. Any reference in this licence to a numbered paragraph is a reference to the paragraph bearing that number in the condition in which the reference occurs.
6. Where in this licence the Licensee is required to comply with any obligation within a specified time limit, that obligation shall be deemed to continue after that time limit if the Licensee fails to comply with that obligation within that time limit.
7. The provisions of Section 99 of the Act shall apply for the purposes of the service of any document pursuant to this licence.

Condition 2: Limit on Generation From and Ownership of Generating Units

1. The Licensee shall not generate electricity from any generating unit, other than the generating units set out in Schedule A to this licence, without the prior written approval of the Authority. Upon the approval of the Authority, such generating unit shall be deemed to form part of Schedule A with effect from such date as specified by the Authority in its approval.
2. The Licensee shall not acquire, own, operate or have control over any generating unit, other than the generating units set out in Schedule A to this licence, without the prior written approval of the Authority.

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3. The Licensee shall not retire any of its generating units without the prior written approval of the Authority. Where the Authority approves the retirement of any generating unit, such retired generating unit shall be deemed to be deleted from Schedule A with effect from such date as specified by the Authority in its approval.

Condition 3: Requirement to Commission Generating Units

1. The Licensee shall procure, install and commission its generating units so as to ensure commercial operation of the generating units in accordance with the dates set out in Schedule A.
2. Notwithstanding paragraph 1, the Licensee may apply for the approval of the Authority to revise the commercial operation date of its generating units set out in Schedule A. Upon the written approval of the Authority, the revised commercial operation date of the generating unit shall be deemed to form part of Schedule A with effect from such date as specified by the Authority in its approval.

Condition 4: Composition of the Board of Directors

1. The Licensee shall procure that at all times its directors shall not be employed by nor hold any office or engagement with:
 - (a) any other generation licensee or any person exempted from the obligation to hold an electricity licence to generate electricity;
 - (b) any person authorised by an electricity licence or exempted from the obligation to hold an electricity licence, to engage in an activity referred to in one or more of subsections (b), (e), or (g) of Section 6(1) of the Act; or
 - (c) a gas transporter under the Gas Act (Cap. 116A).
2. The Authority may, on such terms as it may specify in writing and notified to the Licensee, waive or vary any of the requirements of this Condition

Condition 5: Prohibition of Acquisition of Shares

1. The Licensee shall not directly or indirectly through its related enterprises acquire or hold any shares in:

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- (a) any other generation licensee or any person exempted from the obligation to hold an electricity licence to generate electricity;
 - (b) any person authorised by an electricity licence or exempted from the obligation to hold an electricity licence, to engage in an activity referred to in one or more of subsections (b), (e), or (g) of Section 6(1) of the Act; or
 - (c) a gas transporter under the Gas Act (Cap. 116A).
2. The Authority may, on such terms as it may specify in writing and notified to the Licensee, waive or vary any of the requirements of this Condition.

Condition 6: Compliance with Market Rules

1. The Licensee shall at all times comply with the provisions of the market rules applicable to the Licensee.
2. The Licensee shall apply to the Market Company for registration as a market participant and shall apply to the Market Company for the registration of each of the generating units set out in Schedule A. Nothing in this paragraph shall require the Licensee to register with the Market Company any generating unit that is exempted from the obligation to register under the market rules.
3. The Licensee shall notify the Authority:
 - (a) of the filing of the applications referred to in paragraph 2 of this Condition;
 - (b) upon being registered or denied registration as a market participant;
 - (c) upon registration of each of the generating units described in Schedule A or upon having the registration of any of the generating units set out in Schedule A denied;
 - (d) upon having its registration as a market participant suspended or terminated, upon the cancellation or revocation of the registration of the generating units set out in Schedule A under the market rules or upon the filing of an application for the transfer of the registration of any such generating unit under the market rules; and
 - (e) no less than 2 (two) months before any application is filed by the Licensee to withdraw its registration as a market participant.

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Condition 7: Codes of Practice

1. The Licensee shall be subject to and shall comply with:
 - (a) the Transmission Code;
 - (b) the Metering Code; and
 - (c) any other relevant codes of practice and standards of performance issued or approved under Section 16 of the Act.
2. The Licensee shall be requested to participate in the development of any code of practice and standard of performance to be issued by the Authority if such code of practice or standard of performance will directly or indirectly affect the authorised business of the Licensee.
3. The Licensee may propose modifications to a code of practice or standard of performance that is in force at the relevant time by notifying the Authority in writing of the proposed modification. The Authority may:
 - (a) review the proposed modification to a code of practice and determine whether the proposed modification should be made, in accordance with the code modification process set out in the relevant code; and
 - (b) review the proposed modification to a standard of performance to determine whether the proposed modification should be made.
4. The Authority may by written notification, exempt the Licensee from compliance with any code of practice, in whole or in part, and subject to such terms and conditions as the Authority may determine.

Condition 8: Regulatory Contracts

1. The Licensee shall enter or shall have entered into the following regulatory contracts:
 - (a) a connection agreement with the transmission licensee for connection of its generating station to the transmission system;
 - (b) if so requested by the Market Company, a contract referred to in Condition 9;
 - (c) an agreement with the Power System Operator for the purposes of creating a contractual relationship between the Power System Operator and the Licensee as a market participant; and

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- (d) an agreement with a market support services licensee for the provision of metering services.
- 2. The Licensee shall be requested to participate in the development of any regulatory contract to which the Licensee will be a party.
- 3. If after a period which appears to the Authority to be reasonable, or such period agreed to between the parties and approved by the Authority, or such other period as stipulated by the Authority from time to time, the Licensee has failed to enter into a regulatory contract referred to in paragraph 1 of this Condition, the Authority may, at the request of the Licensee or the party aggrieved by such failure, determine any terms of the regulatory contract in such manner as appears to the Authority to be reasonable. The Licensee shall thereafter enter into the regulatory contract on the terms determined by the Authority.
- 4. Paragraph 3 of this Condition shall not apply to any regulatory contract under which the Authority or an entity that is operated by or to which the Authority has a shareholding is a party, in which case an independent third party shall be appointed to negotiate any terms that remain unresolved as between the Authority or the aforesaid entity, as the case may be, and the Licensee.
- 5. Any dispute arising under a regulatory contract to which the Licensee is a party shall, subject to paragraph 3 of Condition 9, be resolved in accordance with the dispute resolution provisions of the regulatory contract.

Condition 9: System Security and Reliability

- 1. The Licensee shall, if so requested by the Market Company acting on behalf of the Power System Operator, negotiate and enter into regulatory contracts designed to support the reliable operation of the power system. These regulatory contracts, if applicable, may include an ancillary service contract regarding the provision of ancillary services as defined in the market rules.
- 2. A regulatory contract referred to in paragraph 1 of this Condition shall comply with all applicable provisions of the market rules and shall, when so required by the Authority in accordance with the market rules, be on such terms and conditions as may be approved by the Authority.
- 3. Any dispute arising under a regulatory contract referred to in paragraph 1 of this Condition shall be resolved in accordance with the dispute resolution provisions of the market rules.

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Condition 10: Preparation for Emergencies and Security Arrangements

1. The Licensee shall take such action as the Authority may reasonably require, taking into consideration the provisions of the market rules related to emergency preparedness and restoration of the power system, to plan and prepare for emergencies, including taking part in tests and exercises.
2. The Licensee shall develop and implement such arrangements as are prudent to ensure the safety of its operations and, where reasonably practicable, the continuity of supply from its generating units in the event of an emergency taking into consideration the provisions of the market rules relating to emergency preparedness and restoration of the power system. In particular, the Licensee:
 - (a) must have, in total, enough fuel reserves to last at least 90 days for operation of the Licensee's authorised business or such amounts of fuel reserves as the Authority may specify from time to time;
 - (b) subject to paragraph 2(a) above, must have the exclusive right of use of fuel reserves on site to last at least 45 days for operation of the Licensee's authorised business or such amounts of fuel reserves as the Authority may specify from time to time;
 - (c) subject to paragraphs 2(a) and 2(b) above, may have arrangements to have its other fuel reserves located at the premises of its fuel supplier/vendor and must secure from the said fuel supplier/vendor the right of use upon demand over the said fuel reserves; and
 - (d) must have the exclusive right of use of storage tank capacity on site to last at least 60 days for operation of the Licensee's authorised business or such storage tank capacity as the Authority may specify from time to time.

For the purposes of this Condition:

"on site" means at the Licensee's generating station premises or such other premises which are connected to the Licensee's generating station premises by dedicated pipeline.

Condition 11: International Obligations

1. The Licensee shall exercise its rights and powers and perform its duties and obligations under this licence in a manner which is consistent with the Government's obligations:

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- (a) by virtue of the Government being a member of an international organisation or a party to an international agreement; or
- (b) to attain or facilitate the attainment of that which is requisite and expedient in view of the Government being a member of such an organisation or a party to such an agreement,

to the extent that the Licensee has notice of such membership or agreement pursuant to paragraph 2 of this Condition.

2. The Authority shall notify the Licensee from time to time of any membership or agreement to which paragraph 1 of this Condition applies.
3. The Licensee may apply to the Government for compensation or grant to offset any loss or damage sustained as a result of complying with paragraph 1 of this Condition based on an audited claim submitted by the Licensee for such loss or damage.

Condition 12: Investigation of Offences

1. The Licensee shall monitor its activities with respect to compliance with this licence and shall report any suspected non-compliance to the Authority.
2. Where it comes to the attention of the Licensee that another electricity licensee has breached its electricity licence or relevant legislation, the Licensee shall report such suspected non-compliance to the Authority.
3. Where the Licensee reports suspected non-compliance by itself or another electricity licensee, or requests the Authority to institute a prosecution against any person for contravening a provision of relevant legislation in relation to the authorised business, the Licensee shall furnish to the Authority as soon as reasonably practicable:
 - (a) a written report on the suspected non-compliance or contravention; and
 - (b) any relevant information and evidence in the possession or control of the Licensee and requested by the Authority.
4. Where the Authority receives any information from any person other than the Licensee indicating that an offence under relevant legislation may have been committed in respect of activities or property belonging to or managed by the Licensee, the Authority may, subject to Section 5 of the Act, inform the Licensee of such information and the Licensee shall furnish to the Authority as soon as reasonably practicable:
 - (a) a written report on the suspected offence; and

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- (b) any relevant information and evidence in the possession or control of the Licensee and requested by the Authority.
- 5. The Licensee and its directors and officers shall give full assistance and cooperation to the Authority and its prosecuting officer or counsel in connection with any prosecution proceedings arising from paragraphs 1 through 4 of this Condition.

Condition 13: Information, Access and Audit Rights of the Authority

- 1. The Licensee shall promptly inform the Authority of any circumstances which result, or are likely to result, in a change in the information provided to the Authority and shall provide updated information to the Authority in a timely manner.
- 2. Without prejudice to the powers of the Authority to call for information under or pursuant to any other conditions in this licence or relevant legislation, the Licensee shall, at its own cost, furnish to the Authority such information as the Authority requires pursuant to Section 4 of the Act and in such form as the Authority requires.

Condition 14: Special Administration Order

- 1. In accordance with any special administration order made by the Minister under Section 29 of the Act, the Authority may directly or indirectly manage the affairs, business and property of the Licensee in accordance with Section 28 of the Act. In such an event, the Licensee shall allow the Authority such access to or control of its property as required to permit the Authority to meet its obligations under the special administration order during the period for which the order is in force.

Condition 15: Payment of Fees

- 1. The Licensee shall, at the times stated hereunder, pay to the Authority fees of the amount specified in, or determined under, paragraphs 2 to 4 of this Condition.
- 2. The Authority shall notify the Licensee on or before the 1st of April of each subsequent year in which this licence is in effect of the fee to be paid and the Licensee shall pay such fee to the Authority on or before 30th April of each such subsequent year.

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3. Without prejudice to any other powers of the Authority under this licence or the Act, if the Licensee shall fail to pay in full any fee due pursuant to this Condition on or before the due date for payment thereof the Licensee shall pay to the Authority interest at the Prescribed Rate described in paragraph 4 below, which interest shall accrue daily on the amount unpaid on and from such due date to the date of actual payment and shall be compounded monthly at the end of each calendar month.
4. The Prescribed Rate shall be the rate which is four percentage points (4%) above the arithmetic average of the rates quoted in Singapore by The Development Bank of Singapore Limited, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited (or such other banks as the Authority may specify in writing from time to time) as being the respective prime lending rates of such banks for each day of the period for which interest accrues, and in respect of any day during such period which is not a day for which such a rate is quoted the last preceding rate quoted shall apply.
