

**REPORT OF
THE RULES CHANGE PANEL (RCP)**

ON

EMC's

**PROPOSED EXPENDITURE AND REVENUE
&
SCHEDULE OF FEES**

FOR

**THE FISCAL YEAR
1 JULY 2023 TO 30 JUNE 2024
(FY2023/2024)**

Dated 8 August 2023

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14 August 2023

The EMC Board of Directors
4 Shenton Way
#03-01 SGX Centre 2
Singapore 068807

Dear Directors of the EMC Board,

RULES CHANGE PANEL'S REPORT ON EMC'S BUDGET AND FEES FOR FY2023/24

The Rules Change Panel (RCP) met on 31 July 2023 to review and comment on EMC's Budget and Fees for FY2023/24 covering a 12-month period from 1 July 2023 to 30 June 2024 and to consider submissions by interested persons on the above, if any.

The review of the Budget and Fees was performed in accordance with the requirements of Chapter 2, Section 10.1.3 of the NEMS Market Rules.

The RCP also considered comments from PSO received prior to the RCP meeting on 31 July 2023.

In accordance with the requirements of Chapter 2, Sections 10.1.4 and 10.1.5 of the NEMS Market Rules, the RCP now submits its report for the EMC Board to consider in finalizing EMC's Budget and Fees for FY2023/24 before submitting the same to the EMA for approval.

We also approve the submission of this report to the EMA and the publication of the report on the EMC public website.

Yours sincerely,



Toh Seong Wah
Chair
Rules Change Panel

Introduction

On 20 July 2023, EMC published the Budget and Fees for FY2023/24 on the EMC public website inviting interested persons to make submissions to the RCP.

On 20 July 2023, EMC submitted its Budget and Fees for FY2023/24 to the Rules Change Panel (RCP) for its review; and

Comments received from PSO were presented to the RCP on 31 July 2023 relating to the increase in IT service costs.

In its meeting on 31 July 2023, the RCP considered EMC's submission of its Budget and Fees for FY2023/24.

EMC's Obligations

Chapter 2 Section 10.1.1 of the Market Rules requires that EMC shall, within 100 days prior to the beginning of each fiscal year (22 March 2023 in this case):

- submit to the RCP for review its proposed expenditure and revenue requirements for, and a schedule of fees that it proposed to charge ("Budget and Fees") during, the fiscal year (covering the period from 1 July 2023 to 30 June 2024 ("FY2023/24") in this case.

Chapter 2, section 10.1.1.1

- publish notice of its Budget and Fees for FY2023/24, inviting interested persons to make submissions on these to the RCP.

Chapter 2, section 10.1.1.2

RCP's Obligations

Under Chapter 2 Section 10.1.3 of the Market Rules,
"The RCP shall review the EMC's Budget and Fees:

- 10.1.3.1 using such procedures;
- 10.1.3.1.1 in consultation with such persons; and
- 10.1.3.2 by means of such meeting

as it considers appropriate."

Following the conclusion of the review mentioned above, the RCP is required under Chapter 2 Section 10.1.4 to submit a written report to the EMC Board and, as prescribed by Chapter 2 Section 10.1.5, within 75 days before the beginning of the EMC new fiscal year (14 April 2023 in this case), indicating:

- the views of the RCP with respect to the Budget and Fees;
- a summary of any material submissions filed by interested persons pursuant to section 10.1.1.2 of Chapter 2.

Waiver Of Obligations

As the final determination on the new revenue regulatory regime was released on 30 June 2023 and we have only been able to finalise the budget thereafter, the prescribed timeline mentioned above cannot be met for this financial year. EMC submitted a self report to the

Market Surveillance and Compliance panel (MSCP) on the non-compliance with the budget publication and submission timeline. No further action was taken by MSCP in view that there was no impact to the market and the market participants.

Attendees at the 136th Meeting of the Rules Change Panel

The Rules Change Panel met to discuss the EMC Budget and Fees on Monday, 31 July 2023 at 10 am via video-conferencing.

Present: Toh Seong Wah (Chairman)*
Henry Gan*
Tony Tan
Rachel Su Huifen
Sherman Toh
Calvin Quek
Song Jian En
Cheong Zhen Siong
Dr Toh Mun Heng
Fong Yeng Keong
Tan Chian Khong

Absent with apologies: Soh Yap Choon Matthijs Jan Guichelaar
Teo Chin Hau

In Attendance: Lau Chee Kiong EMC, SVP (Technology)
Anne Goh EMC, VP (Finance)

*Note: Messrs. Toh Seong Wah and Henry Gan declared a conflict of interest in the discussion on EMC's Budget and Fees and did not take part directly in the discussion except to answer any questions directed at them.

BUDGET AND FEES FOR FY2023/2024

Submissions by interested parties

EMC published its Budget and Fees on the EMC public website on 20 July 2023 to invite interested persons to make submissions.

The prescribed period set out in the notice for making submissions was 20 July 2023 to 31 July 2023.

We received queries from PSO on 31 July 2023 relating to the increase in IT service costs. No other submission has been received. The reply to PSO's queries was presented to the RCP members on 31 July 2023.

RCP's comments

The RCP made the following comments:

1. The RCP notes a significant staff attrition rate within EMC, which stood at 19% during FY21/22 and 11% in FY22/23. The sustained and elevated turnover rate raises legitimate concerns, as it has the potential to lead to a depletion of institutional knowledge and, consequently, negatively affect NEMS operations. While recognizing that EMC operates under the manpower budget approved by the EMA, it might be beneficial to incorporate market compensation benchmarks when formulating staff remuneration strategies. This approach could enhance the retention of invaluable personnel and contribute to the overall stability of EMC's workforce.
2. The RCP has taken note of and expressed its concern regarding the significant rise in IT Service Costs for the fiscal year FY2023/2024. This increase has been attributed to a heightened investment in IT expenditures, primarily aimed at aligning with current regulatory directives and codes of practice. Notably, the designation of the National Enterprise Management System (NEMS) as Critical Information Infrastructure (CII) in November 2018 has prompted the need for these expenditures to ensure compliance and robustness.
3. While the RCP comprehends the rationale behind designating NEMS as a Critical Information Infrastructure (CII), with its pivotal role in safeguarding Singapore's power supply, RCP requests that the Energy Market Authority (EMA) will undertake periodic assessments of the necessity to uphold this designation. This proactive review process would ensure that the CII status remains appropriate and aligned with the evolving circumstantial requirements.

Conclusion

The Rules Change Panel supports EMC's Budget and Fees for FY2023/24 and presents its views to the EMC Board for consideration in finalizing the Budget and Fees.