

## Notice of Market Rules Modification

**Paper No.:** EMC/RCP/126/2021/372  
**Rule Reference:** Chap 7 Sec 4.2.2 & 4.2.3  
**Proposer:** EMC, Market Admin  
**Date Received by EMC:** 29 September 2021  
**Category Allocated:** 4  
**Status:** Approved by EMA  
**Effective Date:** 04 March 2022

Currently, the Market Rules are not clear on what the mode of payment is for the fees to recover the EMC's and PSO's administrative costs, particularly regarding a market participant's Annual MP Fees and Annual PSO Fees. Clarifying that EMC-initiated electronic funds transfer (EFT) as the primary payment method for such fees, while allowing for flexibility, would be beneficial for all parties.

The proposed rule modifications to give effect to the intent of this proposal, subject to the Rule Change Panel's (RCP) approval, can be found in Annex 1.

The RCP discussed these proposals at its 126<sup>th</sup> meeting and the panel unanimously supported the proposed recommendation to clarify that EMC-initiated EFT would be the primary payment method for the Annual Fees, while allowing for flexibility where the EMC deems it appropriate.

**Date considered by Rules Change Panel:** 10 November 2021

**Date considered by EMC Board:** 19 January 2022

**Date considered by Energy Market Authority:** 03 March 2022

**Proposed rule modification:**

See attached paper.

**Reasons for rejection/referral back to Rules Change Panel (if applicable):**

PAPER NO : **EMC/BD/01/2022/05b**

RCP PAPER NO. : **EMC/RCP/126/2021/372**

SUBJECT : **MODE OF PAYMENT FOR ANNUAL MARKET PARTICIPANT  
AND ANNUAL PSO FEES**

FOR : **DECISION**

PREPARED BY : **VINCENT WISE  
ECONOMIST**

REVIEWED BY : **POA TIONG SIAW  
SVP, MARKET ADMINISTRATION**

DATE OF MEETING : **10 NOVEMBER 2021**

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### **Executive Summary**

Currently, the Market Rules are not clear on what the mode of payment is for the fees to recover the EMC's and PSO's administrative costs, particularly regarding a market participant's Annual MP Fees and Annual PSO Fees. Clarifying that EMC-initiated electronic funds transfer (EFT) as the primary payment method for such fees, while allowing for flexibility, would be beneficial for all parties.

The proposed rule modifications to give effect to the intent of this proposal, subject to the Rule Change Panel's (RCP) approval, can be found in Annex 1.

The RCP discussed these proposals at its 126<sup>th</sup> meeting and the panel **unanimously supported** the proposed recommendation to clarify that EMC-initiated EFT would be the primary payment method for the Annual Fees, while allowing for flexibility where the EMC deems it appropriate.

## 1. Introduction

This paper reviews provisions in the current market rules for collection of fees from applicable Market Participants (MPs), Market Support Services Licensee (MSSL), and other persons to recover the administrative costs of the Energy Market Company (EMC) and the Power System Operator (PSO).

## 2. Background

The EMC and the PSO incur administrative costs. To recover these costs, fees are imposed on applicable MPs, MSSL, and other persons. In addition to collecting fees to recover the EMC's costs, the EMC also collects, on behalf of the PSO, fees to recover the PSO's costs. The manner and the times the above-mentioned fees are collected will be as the EMC determines appropriate, unless the Energy Market Authority (EMA) issues specific directions on the collection of these fees<sup>1</sup>.

Currently, both the fees used to recover the EMC's and the PSO's costs contain a variable and fixed component. The variable component<sup>2</sup> is included in the daily invoice issued to each MP for energy settlement and is collected daily by the EMC via EMC-initiated electronic funds transfer (EFT). The fixed component comprises fees to recover the EMC's costs ("Annual MP Fee") and fees to recover the PSO's costs ("Annual PSO Fee"). Both the Annual MP and Annual PSO Fees are charged once per calendar year. Collection of both Annual Fees is done separately from the daily energy settlement process.

## 3. Analysis and Proposal

### 3.1 *Issues with Current Arrangements and Proposed Solution*

As stated above, Section 4.2 of Chapter 7 of the Market Rules states that the method through which the EMC's and PSO's costs are recovered through the imposition of fees is as the EMC determines appropriate. The concern is a lack of clarity caused by the lack of any reference to one or more specific payment methods. This concern is fortunately minimal for the variable component of these fees. The variable component is in the same invoice issued for daily energy settlement, where it is clear the settlement mode is EMC-initiated EFT. However, this is not the case for the fixed component of these fees, which are collected separately.

Non-clarity of payment method can hinder operations. An incident report filed in 2018 regarding late payments of Annual Fees by multiple MPs in 2018 noted that the "uncertainty as to the manner of payment" was one cause of the late payments. This clarification would help standardise MPs' and other persons' payment of fees to recover the EMC's and PSO's costs, as EMC-initiated EFT is already used for the variable component of these fees. Moreover, EMC-initiated EFT is an automated process, as opposed to other manual payment methods that commonly impose greater administrative burden and hence incur a higher risk of late payments and rule breaches. It would be in the interest of all parties if the payment of both the Annual EMC and PSO Fees is carried out via EMC-initiated EFT.

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<sup>1</sup> Source: Section 4.2 of Chapter 7 of the Singapore Electricity Market Rules

<sup>2</sup> The variable component of these fees varies with each megawatt-hour (MWh) of energy withdrawn or injected into the grid by each MP.

### 3.2 Exceptions

While making clear of a primary method used to pay the Annual Fees, it would be prudent to provide for valid exceptions as the EMC determines appropriate.

One such exception would be MPs intending to register solely Non-exporting Intermittent Generating Facilities (NEIGFs). Such MPs (“Pure NEIGFs”) are spared from having to create a bank account for auto-debiting by the EMC<sup>3</sup>. The EMC currently only collects Annual PSO Fees from Pure NEIGFs.

As Pure NEIGFs lack the facilities to perform EFT transactions, an exception should be extended to such MPs for the payment of their Annual PSO Fees. Having Pure NEIGFs open a bank account to enable EMC-initiated EFT transactions would run contrary to the intent of the NEIGF scheme, which is to simplify participation for Pure NEIGFs.

Currently, there are no active Pure NEIGFs where such an exception is necessary. However, it would be prudent for the rules to allow the use of alternative payment methods where the EMC determines it to be appropriate.

## 4. Proposed Modifications to the Market Rules

To enact the changes as expressed in Section 3 of this paper, the EMC has drafted rule modifications as summarised in Table 1. Refer to Annex 1 for the full text.

**Table 1: Summary of Rule Changes**

Chapter/Section of Market Rules	Proposed Changes	Reasons for Change
Chapter 7, Sections 4.2.2 and 4.2.3	Added that the primary method of payment shall be EMC-initiated EFT, or by any other means as the EMC deems necessary.	To clarify in the rules that EMC-initiated EFT is to be the primary method of payment for the fees to recover the EMC’s and the PSO’s administrative costs, unless otherwise determined by the EMC.

## 5. Legal Sign Off

The text of the proposed modifications to the Market Rules set out in Annex 1 has been vetted by EMC’s internal legal counsel, whose opinion is that the proposed modifications reflect the intent of the modification proposals as expressed in Section 3 of this paper.

<sup>3</sup> The referred Final Determination Paper from EMA on this can be found here: <https://www.ema.gov.sg/cmsmedia/Consultations/Electricity/Determination%20paper%202017%20-%20Enhancements%20to%20the%20regulatory%20framework%20vf.pdf>

## 6. Consultation

The proposed modifications were published for consultation on 30 September 2021 and no comments were received.

## 7. Decision at the 126<sup>th</sup> RCP Meeting

The RCP discussed these proposals at its 126<sup>th</sup> meeting held on 10 November 2021. The panel unanimously supported the proposed recommendation to clarify that EMC-initiated EFT would be the primary payment method for the Annual Fees, while allowing for flexibility where the EMC deems it appropriate.

## 8. Recommendations

The RCP unanimously recommends that the EMC Board:

- a) **adopts** the proposed rule modifications as set out in **Annex 1**;
- b) **seeks the EMA's approval** of the proposed rule modifications as set out in **Annex 1**; and
- c) **recommends** that the proposed rule modifications as set out in **Annex 1** come into force **1 calendar day** after the date on which the approval of the Authority is published by the EMC.

## ANNEX 1: Proposed Changes to the Market Rules

Existing Market Rules (1 Jan 2021)		Proposed Rules Changes (Deletions represented by strikethrough text and additions represented by double underlined text)		Reasons for Rule Changes
<b>Chapter 7</b>		<b>Chapter 7</b>		
<b>4</b>	<b>RECOVERY OF NON-SETTLEMENT-INTERVAL COSTS</b>	<b>4</b>	<b>RECOVERY OF NON-SETTLEMENT-INTERVAL COSTS</b>	
<b>4.2</b>	<b><u>EMC AND PSO ADMINISTRATIVE COSTS AND ASSOCIATED FEES</u></b>	<b>4.2</b>	<b><u>EMC AND PSO ADMINISTRATIVE COSTS AND ASSOCIATED FEES</u></b>	
4.2.1	The <i>EMC</i> shall recover its administrative costs in any given <i>EMC</i> fiscal year by means of the imposition of fees on each applicable <i>market participant</i> , <i>market support services licensee</i> and other person. Subject to sections 4.2.2, such fees shall be levied in such manner, at such times, in such amounts and on such <i>market participants</i> , <i>market support services licensees</i> and other persons as may be specified in:	4.2.1	The <i>EMC</i> shall recover its administrative costs in any given <i>EMC</i> fiscal year by means of the imposition of fees on each applicable <i>market participant</i> , <i>market support services licensee</i> and other person. Subject to sections 4.2.2, such fees shall be levied in such manner, at such times, in such amounts and on such <i>market participants</i> , <i>market support services licensees</i> and other persons as may be specified in:	To clarify in the rules that EMC-initiated EFT is to be the primary method of payment for the fees to recover the EMC and PSO’s administrative costs, among other methods as may be determined appropriate by the EMC.
4.2.1.1	the schedule of fees approved by the <i>Authority</i> for that <i>EMC</i> fiscal year and referred to in section 11.1.5 or 11.1.6 of Chapter 2, as the case may be; or	4.2.1.1	the schedule of fees approved by the <i>Authority</i> for that <i>EMC</i> fiscal year and referred to in section 11.1.5 or 11.1.6 of Chapter 2, as the case may be; or	
4.2.1.2	the schedule of fees referred to in section 11.1.5.2(a) of Chapter 2 prepared by the <i>EMC</i> for that <i>EMC</i> fiscal year on the basis of the methodology approved by the <i>Authority</i> pursuant to section 11.1.5 of Chapter 2 for that <i>EMC</i> fiscal year.	4.2.1.2	the schedule of fees referred to in section 11.1.5.2(a) of Chapter 2 prepared by the <i>EMC</i> for that <i>EMC</i> fiscal year on the basis of the methodology approved by the <i>Authority</i> pursuant to section 11.1.5 of Chapter 2 for that <i>EMC</i> fiscal year.	

Existing Market Rules (1 Jan 2021)	Proposed Rules Changes (Deletions represented by strikethrough text and additions represented by double underlined text)	Reasons for Rule Changes
<p>4.2.2 Where, in respect of any given <i>EMC</i> fiscal year, the <i>Authority</i> has approved a methodology rather than a schedule of fees pursuant to section 11.1.5 of Chapter 2 and the <i>EMC</i> has not prepared the corresponding schedule of fees referred to in section 4.2.1.2, the <i>EMC</i> shall levy the fees referred to in section 4.2.1 in such manner, at such times, in such amounts and on such <i>market participants, market support services licensees</i> and other persons as may be directed by the <i>Authority</i> or, in the absence of such direction, as the <i>EMC</i> determines appropriate on the basis and consistent with the methodology approved by the <i>Authority</i> for that <i>EMC</i> fiscal year.</p> <p>4.2.3 The <i>EMC</i> shall recover, on behalf of the <i>PSO</i>, the <i>PSO's</i> administrative costs (referred to in section 12.1.1.1 of Chapter 2) in any <i>Authority</i> fiscal year by means of the imposition of fees on each applicable <i>market participant, market support services licensee</i> and other person. Such fees shall be levied in such manner, at such times, in such amounts and on such <i>market participants, market support services licensees</i> and other persons as may be specified in the then prevailing <i>PSO's</i> schedule of fees provided by the <i>PSO</i> to the <i>EMC</i> under section 12.1 of Chapter 2 as may be applicable to that <i>Authority</i> fiscal year. Where and to the extent the manner, time or amount of any such fees or the persons on which such fees are to be levied is not specified in such <i>PSO's</i> schedule of fees, the <i>EMC</i> shall recover such fees in such manner, at such times,</p>	<p>4.2.2 Where, in respect of any given <i>EMC</i> fiscal year, the <i>Authority</i> has approved a methodology rather than a schedule of fees pursuant to section 11.1.5 of Chapter 2 and the <i>EMC</i> has not prepared the corresponding schedule of fees referred to in section 4.2.1.2, the <i>EMC</i> shall levy the fees referred to in section 4.2.1 in such manner, at such times, in such amounts and on such <i>market participants, market support services licensees</i> and other persons as may be directed by the <i>Authority</i> or, in the absence of such direction, <u>via electronic funds transfer as initiated by the <i>EMC</i> or by such other means</u> as the <i>EMC</i> determines appropriate, on the basis and consistent with the methodology approved by the <i>Authority</i> for that <i>EMC</i> fiscal year.</p> <p>4.2.3 The <i>EMC</i> shall recover, on behalf of the <i>PSO</i>, the <i>PSO's</i> administrative costs (referred to in section 12.1.1.1 of Chapter 2) in any <i>Authority</i> fiscal year by means of the imposition of fees on each applicable <i>market participant, market support services licensee</i> and other person. Such fees shall be levied in such manner, at such times, in such amounts and on such <i>market participants, market support services licensees</i> and other persons as may be specified in the then prevailing <i>PSO's</i> schedule of fees provided by the <i>PSO</i> to the <i>EMC</i> under section 12.1 of Chapter 2 as may be applicable to that <i>Authority</i> fiscal year. Where and to the extent the manner, time or amount of any such fees or the persons on which such fees are to be levied is not specified in such <i>PSO's</i> schedule of fees, the <i>EMC</i></p>	

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<p>in such amounts or on such persons as may be directed by the <i>Authority</i> or, in the absence of such direction, as the <i>EMC</i> determines appropriate on the basis of and consistent with such <i>PSO</i>'s schedule of fees.</p>	<p>shall recover such fees in such manner, at such times, in such amounts or on such persons as may be directed by the <i>Authority</i> or, in the absence of such direction, <u>via <i>electronic funds transfer</i> as initiated by the <i>EMC</i> or by such other means</u> as the <i>EMC</i> determines appropriate on the basis of and consistent with such <i>PSO</i>'s schedule of fees.</p>	