

**MINUTES OF THE RULES CHANGE PANEL
136th MEETING
HELD ON MONDAY, 31 JULY 2023 AT 10.00AM
VIA VIDEO-CONFERENCING**

Present: Toh Seong Wah (Chairman)
Henry Gan
Cheong Zhen Siong
Tony Tan
Rachel Su Huifen
Sherman Toh

Dr Toh Mun Heng
Song Jian En
Tan Chian Khong
Fong Yeng Keong
Calvin Quek

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

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

Minutes of 136th RCP Meeting – 31 July 2023

Action

1. Notice of Meeting

The Chairman called the meeting to order at 10.05am. The Notice and Agenda of the meeting were taken as read.

**2. Budget for FY2023/24
(EMC/RCP/136/2023/01)**

The Chairman, Mr Toh Seong Wah and Mr. Henry Gan declared conflict of interests and abstained in the discussion on EMC's budget and will not be taking part directly in the discussion except to answer any related questions.

Ms Anne Goh, Vice President of Finance, presented the Budget for FY2023/24.

2.1. Ms Goh presented the key timeline and the preparation to the finalization of the new revenue regime which took 18 months. Under the regime reset process, EMC will submit our 5-year cost base covering operating and capital expenditures, and allowed returns to the EMA for review. Thereafter, EMA would make a determination which would set the OPEX and CAPEX for the intended period from which EMC's market fees would be derived and charged.

2.2. Chairman added that the last revenue regime had reached the end as of 30 June 2023 and the new financial year commencing from 1 July 2023 marks the start of the 1st year of the new 5 year revenue regime.

2.3. Key Assumptions for the Budget

- NEMS revenue is based on the allowed revenue under the economic regulation framework for 1 July 2023 to 30 June 2028.

The price cap assumptions are as follows :-

| Price Cap (Cents/MWh) | Actual FY2022/23 | Budget FY2023/24 |
|-----------------------|---------------------|---------------------|
| 1 July to 30 June | 35.89 | 37.03 |

- The NEMS fixed fees remains the same as the last regime:
 - Annual market participant fee of \$10,000 per market participant
 - One-off market participant registration fee of \$5,000 per registration
 - RSA hardware token fee (from 6th token onwards per MP) of \$350 per token
- NEMS expenses are supported by specific functions, initiatives, and projects.
- NEMS headcount was based on the approved headcount by EMA.
 - EMA approved 1 additional headcount which was a conversion of an existing contract application security role to a permanent role.
- Overall manpower budget increased by 5% (inclusive of the additional headcount).
- EMA market licence fees increase by 2% year-on-year.
- Depreciation is based on EMC's depreciation policies of 3 to 5 years useful life
- NEMS capital expenditure (CAPEX) is largely based on the projects approved in the regulatory period by EMA and the key focus are:
 - Resiliency and Reliability
 - Extensibility and Flexibility
 - Governance, Compliance and Security
 - Customer Satisfaction

2.4. FY23/34 Budget – NEMS

Ms Goh highlighted that FY23/24 NEMS budget contribution was lower compared to FY22/23 due to :-

- higher manpower and technology expenses, partially offset by higher NEMS revenue in line with the higher price cap

2.5. In response to Mr Soh Yap Choon's comments received in relation to item 3.2.2.6 – IT Service Costs as seen below:

“There's a substantial increase in the IT expenditure with some items almost 100% increase. Can EMC share reasons on the increase and how EMC can better manage it or trends likely to increase in future?”

2.5.1 Ms Anne Goh explained that the increase in IT service costs was due to an increase in IT expenditure to comply with prevailing regulatory directives and code of practices. For instance, the Managed Security Services (MSS) is one of the key drivers for the IT cost increase.

2.5.2 Mr Lau Chee Kiong further explained that the previous MSS contract was awarded in 2018 prior to NEMS being designed as Critical Information Infrastructure (CII) and did not include the CII regulatory requirements. Subsequently, NEMS was being designated as CII in November 2018 after the contract was awarded; substantial regulatory security requirements

such as the CII Code-of-Practice (CCoP) and the SingHealth COI requirements were introduced. In addition, there were Standards of Performance (SoP) requirements set out by the sector lead, consisting of Transmission Code, System Operations Manual and ISO27001 certification requirements. The recent revision of CCoP from version 1.0 to version 2.0 also attributed to the increased costs in the new MSS contract that was awarded in Feb 2023.

- 2.5.3 Mr Lau added that competitive procurement was carried out for this new MSS contract. Out of the 4 vendors bided for the contract, the costs range from \$9.3 million to \$10 million.
- 2.5.4 Mr Tan Chian Khong asked if the IT costs are EMC costs allocation to RCP or RCP's own IT costs. Ms Goh responded that the IT costs are costs relating to operating the NEMS system. Chairman clarified that these IT costs are required for the operations of the NEMS system and it is not referring to the RCP projects' costs.
- 2.6. Mr Song Jian En sought clarification on the designation of CII in November 2018 as mentioned by Mr Lau earlier, he asked if there is any change in requirement that resulted the increase in IT costs from last financial year to this financial year. Mr Song referred to the increase in costs for NEMS network and Managed Security Services Subscription and asked what caused the increase in more than 50% for these items.
- 2.6.1 Ms Goh responded that further to Mr Lau's explanation earlier that the MSS cost for the last financial year FY22/23 was based on an old 5-year contract. The new MSS contract was awarded in Feb 2023 based on a competitive RFP for the expanded scope in CCoP 2.0 and SoP compliance requirements which accounted for the doubling in costs. Chairman clarified that the previous MSS contract was awarded before EMC was designated as CII, however with the increased security requirements, the previous vendor did not revise the contract costs and had absorbed it.
- 2.6.2 Ms Goh added to the clarification to Mr Song's query relating to the increase in network and server maintenance costs is also due to the conversion of the licences to a subscription model.
- 2.7. Mr Fong queried if the figures reflected in the budget for FY23/24 was for the 5-year contract. Ms Goh responded that the figures reflected are only for this financial year and the MSS contributed \$1 million increase in overall IT cost. The annual cost is about \$2 million which was double the annual cost of the old contract.
- 2.7.1 Mr Fong asked if the cost increase is due to an expansion of security scope. Mr Lau and Ms Goh confirmed that the understanding is correct. Mr. Fong remarked that the sharp increase in IT security costs is a concern.
- 2.8. Mr Song Jian En highlighted on the manpower attrition rate is noticeably high in FY21/22 (19%) and FY22/23 (11% to date). The proposed increased in manpower budget is 5.4% which is close to the current inflation rate. Mr Song asked if EMC deems that this is sufficient to retain talent as the industry in general, is currently facing issues in staff retention.

- 2.8.1 Chairman responded that talent retention is always a key concern as there has been a loss of talent over the last 2 years, however EMA took a more prudent approach to EMC's manpower cost increase. Therefore, EMC needs to be work within the constraints of the new regime that was approved by the EMA.
- 2.8.2 Mr Song suggested for EMC's consideration to benchmark the remuneration with technology companies as 30% of EMC's manpower consists of Information Technology and Security, and competition is not just within the energy industry but also with technology companies. Chairman thanked Mr Song for his comment and responded that it will be taken into consideration.
- 2.9. Ms Goh proceeded to present the FY22/23 and FY23/24 Capital Expenditure and informed the Panel of the following:
- As required under the Market Rules Chapter 2, Section 10.1.3 and 10.1.4, RCP shall
 - provide its view on EMC's Budget for FY2023/24;
 - consider any written submissions from interested persons on EMC's Budget;
 - prepare a report indicating the Panel's views on the Budget and a summary of material submissions filed by interested persons to the EMC Board; and
 - authorize EMC to publish the RCP report and submit it to the EMA.
- 2.10. Mr Tan Chian Khong noted that NEMS being designated as Critical Information Infrastructure (CII) has increased the IT costs significantly. Chairman mentioned that the need for NEMS to be appointed as a CII was discussed extensively with EMA prior to the appointment. The EMA holds the view that the market system plays a critical role in maintaining the security of Singapore's power supply. Chairman added that RCP's feedback would be conveyed to the EMA. He informed the panel that the increase in costs is unavoidable in order to comply with CCoP 2.0. EMC will source the products and services through competitive, price tensioning process so as to obtain the best value and fit-for-purpose services for the market.
- 2.11. Mr Fong Yeng Keong added that a risk management approach should be taken into consideration, assessing reliability and security requirements relative to the increase in compliance costs. Chairman responded that the MSS RFP was designed to meet the mandatory CCoP, Systems Operation Manual and Transmission Code requirements. As these requirements are regulatory compliance in nature, it leaves no room to scale back on the requirement.
- (Mr Calvin Quek joined the meeting and Chairman welcomed Mr Quek to the meeting.)
- 2.12. Dr Toh Mun Heng asked if the risks are covered under any insurance in case of resilience purposes and failure. Ms Goh responded that the cybersecurity insurance as set out in the budget paper will cover cyber incidents. Dr Toh thanked Ms Goh for her clarification.
- 2.13. Ms Goh informed the Panel that the RCP Report on EMC's budget for FY2023/24 will be circulated to the Panel for confirmation before issuing the same to the EMC Board and EMA.

There being no other matters, the meeting ended at 10.37am.

Toh Seong Wah
Chairman

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