

**MINUTES OF THE RULES CHANGE PANEL
140th MEETING
HELD ON THURSDAY, 4 APRIL 2024 AT 10.00AM
VIA VIDEO-CONFERENCING**

Present: Toh Seong Wah (Chairman) Henry Gan
 Soh Yap Choon Koay Yi Jing
 Andrew Tan Fong Yeng Keong
 Sherman Toh Wong Yew Chung
 Cheong Zhen Siong Kevin Fong Chee Wai
 Matthijs Jan Guichelaar Calvin Quek
 Teo Chin Hau Dr Toh Mun Heng

Absent with Dallon Kay
Apologies:

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

	Minutes of 140th RCP Meeting – 4 April 2024	Action						
1.	Notice of Meeting The Chairman called the meeting to order at 10.04am. The Notice and Agenda of the meeting were taken as read.							
2.	Budget for FY2024/25							
2.1	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 FY2024/25.							
2.2	Ms Goh presented the key timeline, budget assumptions, details on FY24/25 Budget and FY24/25 Capital Expenditure.							
2.3	Key Assumptions for the Budget <ul style="list-style-type: none"> The NEMS revenue is based on the allowed revenue under the economic regulation framework for 1 July 2023 to 30 June 2028 with price cap assumptions as follows :- <table border="1" data-bbox="430 1832 1021 1944"> <thead> <tr> <th>Price Cap (Cents/MWh)</th><th>Forecast FY2023/24</th><th>Budget FY2024/25</th></tr> </thead> <tbody> <tr> <td>1 July to 30 June</td><td>37.03</td><td>36.86</td></tr> </tbody> </table> EMC is allowed to charge the following categories of fixed fees: <ul style="list-style-type: none"> a) Annual market participant fee of \$10,000 per market participant 	Price Cap (Cents/MWh)	Forecast FY2023/24	Budget FY2024/25	1 July to 30 June	37.03	36.86	
Price Cap (Cents/MWh)	Forecast FY2023/24	Budget FY2024/25						
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	<p>b) One-off market participant registration fee of \$5,900 per registration</p> <p>c) RSA hardware token fee (from 6th token onwards per MP) of \$350 per token</p> <ul style="list-style-type: none"> NEMS expenses are supported by specific functions, initiatives and projects approved in the current regime NEMS headcount remain at 74 per approved headcount by EMA and payroll budget includes overall 4% payroll increase Depreciation is based on EMC's depreciation policies of 3 – 5 years useful life NEMS capital expenditure (CAPEX) is largely based on projects approved in the regulatory period by EMA with key focus on resiliency and reliability, extensibility and flexibility, governance, compliance and security and customer satisfaction. 	
2.4	<p>Mr Goh highlighted that EMA had advised that the licence fees for April 2024 to March 2025 will increase by 9.5% resulting in an increase in cost of \$15K in FY23/24 and \$79K in FY24/25 after the budget was published. Thus, EMC will be seeking EMA's approval to claim the incremental cost from the market.</p>	
2.5	<p>FY25 Budget – NEMS</p> <p>Ms Goh informed that the FY25 NEMS operating profit is higher than FY24 forecast by \$0.8M due to higher forecast volume instead of higher price cap as indicated in para 3.2.2.1.</p> <p>The para should read as and the changes will be circulated with the Report thereafter.</p> <p>3.2.2.1 Revenue</p> <p><i>NEMS revenue increased by \$1,263K mainly due to the higher variable fees in line with the higher forecast volume, partially offset by lower data subscription revenue.</i></p>	
2.6	<p>Ms Goh proceeded with the FY25 – NEMS Expenses highlighting that the higher expenses are mainly due to high manpower costs, higher EMA licence fees, higher IT Opex due to temporary licences (required for parallel runs and testing purposes) for existing system during implementation of NEMS secured portal revamp and database hardware refresh project, higher premises costs catered for refresh of office premises and partially offset by lower depreciation and comms exp.</p>	
2.6.1	<p>Mr Wong Yew Chung asked if the forecast refers to actual incurred plus the expected expenditure that would be incurred till 30 June 2024 and the budget would be what is planned for next year. Ms Goh responded that the understanding is correct.</p>	
2.6.2	<p>Mr Cheong Zhen Siong queried if the higher office maintenance, rental & utilities in the budget year is due to the renewal of tenancy agreement for the office premises. Ms Goh responded that it is related to the renovation of office premises which is handled by the parent company</p>	

	and the depreciation of assets will be recovered from EMC as part of the premises costs over the useful life of the assets.	
2.7	Mr Kevin Fong queried if the exogenous cost recovery for the increase in EMA licence fees that EMC will be seeking approval from EMA will have an impact on the FY24/25 budget or the following FY. Ms Goh informed that the cost will be recognised in FY24/25, however the cost recovery from the market will be in FY25/26.	
2.8	<p>FY23/24 and FY24/25 NEMS Capital Expenditure</p> <p>Relating to the NEMS Software & Applications System item, Mr Kevin Fong asked if these are planned refresh or EMA projects. Ms Goh responded that it is related to the NEMS system and referred to para 4.2.2 of the budget paper which set out the details of the CAPEX to be incurred. Ms Goh highlighted that approximately \$2.5 million will be incurred for the NEMS Secure Portal Revamp, besides the NEMS Enhancement.</p>	
2.8.1	Mr Fong clarified if it is the understanding that there is no cost budgeted for Rule Change Panel Projects for FY24/25 Budget. Ms Goh responded that there is no confirmed RCP project when the budget was being prepared, hence there is no CAPEX budgeted for it. Chairman added that it does not mean that CAPEX related RCP project will not be able to be implemented, and it will be treated separately from the budget as and when the Panel identifies project that requires CAPEX. Mr Fong thanked Chairman for his clarification.	
6.4	Mr Wong Yew Chung clarified if the budget which RCP needs to approve include the revenue that EMC is allowed to charge or only the expenditures. Chairman clarified that the role of RCP is to review and provide the panel's views on EMC budget to EMC Board for consideration. The budget will also be submitted to EMA for approval, together with the RCP report.	
6.4.1	Ms Goh explained that the NEMS costs were budgeted for the next 5 years and submitted to EMA for review prior to the commencement of the 5-year regulatory revenue regime. Ms Goh added that the revenue was derived based on a cost plus model where a certain margin is allowed to be recovered. Once the allowed revenue is determined, the unit price which is the price cap will be worked out based on the forecast volume.	
6.4.2	Further to Ms Goh's explanation, Chairman added that the current FY ending 30 June 2024 will be 1 st of the 5-year and the 5-year cost base had been provided to EMA plus the allowed returns to form the revenue set for the next 5 years. Chairman explained that there could be changes to the allowed revenue citing the example of changes in government regulation that impacted the cost base, and in turn the revenue. Conversely, if there is savings incurred due to change in government regulation, the savings would be returned to the market.	
6.4.3	Mr Wong asked if it is the purview of the RCP to review the allowed revenue or the budget of the year. Chairman responded that the allowed revenue was determined when EMC submitted the budget at the start of the regime, and it is a comprehensive framework that was intensively	

	reviewed and scrubbed by EMA. Chairman explained that the RCP role is to look at the expenditures, such as key areas that EMC should be investing and spending its efforts, and if not reflected in the budget, then RCP could provide its comments.	
6.5	<p>FY 25 Budget – NEMS</p> <p>Dr Toh Mun Heng clarified on what the exogenous items amounting to \$3.5 million. Ms Goh responded that the exogenous items for FY23/24 Forecast is mainly from the lower NEMS variable fees collected as compared to the allowed revenue as the actual volume traded was lower than forecasted in the regime. Dr Toh thanked Ms Goh for her clarification.</p>	
6.6	<p>Ms Goh proceeded to inform the Panel of the following: As required under the Market Rules Chapter 2, Section 10.1.3 and 10.1.4, RCP shall</p> <ul style="list-style-type: none"> - provide its view on EMC's Budget for FY2024/25; - 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 no later than 16 April 2024; and - authorise EMC to publish the Report and submit the Report to the EMA. 	
6.7	Mr Wong Yew Chung commented that there is a rounding error in Appendix 2 – EMC's cost forecast broken down by service if it is made public and Ms Goh noted the comment.	
6.8	Mr Cheong Zhen Siong raised the query on the 12% attrition rate which is higher than the 11% from the previous year which is of concern. Mr Cheong asked if the manpower budget will be able to arrest the attrition rate. In response to Mr Cheong's query, Mr Paul Barker mentioned that several staff had left due to personal reasons and is not job related reasons. Mr Barker added that the company will continue to monitor, provide engagement and training for individuals.	
6.9	Mr Wong Yew Chung asked if the company has performed any benchmarking in recent years especially for senior management. Mr Barker responded that professional external company was engaged. Chairman added that the latest review was performed prior to the submission of the cost base to EMA for the revenue regime and EMC intend to do benchmarking every 2 years to keep the data dated.	
6.10	Referring to para 4.2.2, Mr Soh Yap Choon commented that NEMS Application Systems has increased significantly from \$1.8 million to approximately \$6 million in FY24/25 and enquired if the NEMS Secure Portal Revamp refers to SEW. Mr Lau Chee Kiong responded that it is referring to SEW, the secure trading portal that all market participants would need to login to use it and not the public website. Mr Lau clarified that the project is also to refresh the system to ensure product and maintenance support, as middleware is already obsolete and due for product version upgrade.	

6.10.1	Mr Soh further enquired what is the difference between para 4.2.2.2 - NEMS Application Refresh and para 4.2.2.5 - NEMS Enhancement. Mr Lau responded that para 4.2.2.2 refers to the back end infrastructure hosting the entire stack of the NEMS system (one of which is settlement system) and the project involves upgrading the middleware software of the backend infrastructure. 4.2.2.5 refers to the settlement system revamp whereby the application code will be changed and enhanced.	
6.10.2	Further to Mr Lau's clarification, Mr Henry Gan added that 4.2.2.5 is more related to business users' application where business processes will be more streamlined using system to pull data and use certain threshold parameters and comparisons compared to how it is currently done manually which is more prone to human errors.	
6.10.3	Mr Soh clarified if "NEMS Secure Portal Revamp" that is mentioned in para 4.2.2 and 4.2.3 are referring to the same project. Ms Goh responded that they are referring to the same project, but shown separately for infrastructure and applications related costs. Mr Soh further clarified that there is no overlapping, but it is just representation of hardware and software expenditure. Mr Lau and Ms Goh responded that the understanding is correct.	

There being no other matters, the meeting ended at 10.44am.

Toh Seong Wah
Chairman

Minutes taken by:
Ivy Leong