MINUTES OF THE RULES CHANGE PANEL
122nd MEETING
HELD ON THURSDAY, 1 APRIL 2021 AT 10.00AM
VIA VIDEO-CONFERENCING

Present: Toh Seong Wah (Chairman)  Henry Gan
          Soh Yap Choon               Teo Chin Hau
          Calvin Quek                Carol Tan
          Sean Chan                 Terence Ang
          Song Jian En              Cheong Zhen Siong
          Ho Yin Shan               Dr Toh Mun Heng
          Fong Yeng Keong           Tan Chian Khong

Absent with Tony Tan
Apologies:

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

1. Notice of Meeting

The Chairman called the meeting to order at 10.00am. The Notice and
Agenda of the meeting were taken as read.

2. EMC’s Budget for FY2021/22
   (Paper No. EMC/RCP/122/2021/01)

   Mr. Toh Seong Wah, Chairman of the RCP, and Mr. Henry Gan declared
   conflict of interests in the discussion on EMC’s Budget and thus would not
   take part directly in the discussion except to answer any questions directed
to them.

   The Panel was informed that under the Market Rules and EMC’s Market
   Licence, EMC is obliged to consult the Panel on its Budget prior to
   submitting the same to the EMC Board and EMA for approval.

   Ms Anne Goh, EMC’s Vice President of Finance, presented the Budget for
   FY2021/22.

2.1 Key Assumption for the Budget
   • NEMS revenue is based on the allowed revenue under the economic
     regulation framework for 1 April 2018 to 30 June 2023.
   • EMC is allowed to charge the following categories of fixed fees:
     a) Annual market participant fee of $10,000 per market participant
     b) One-off market participant registration fee of $5,000 per registration
     c) RSA hardware token fee (from 6th token onwards per MP) of $350
        per token
   • The fixed fees were introduced on 1 July 2018 to ensure a more
     equitable cost allocation among participants in the NEMS and does not
     increase EMC’s overall revenue.
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- The price cap and volume assumptions are as follows:

<table>
<thead>
<tr>
<th>Price Cap (Cents/MWh)</th>
<th>Forecast FY2020/21</th>
<th>Budget FY2021/22</th>
</tr>
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<tbody>
<tr>
<td>1 July to 30 June</td>
<td>33.57</td>
<td>34.91</td>
</tr>
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- NEMS expenses are supported by specific functions, initiatives and projects.
- The manpower cost was budgeted based on 73 permanent headcount. An additional 9 headcount for Forward Capacity Market ("FCM") was factored from January 2022 onwards for budget planning purposes.
- EMA market licence fees increase by 8\% year-on-year.
- Depreciation is based on EMC's depreciation policies of 3 – 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 redundancy
  - Reliability and supportability
  - Governance and compliance
  - Security
  - Capacity management

2.2 The RCP asked if the proposal for electricity import trial has an impact on volume forecast and cost and also on EMC's budget for FY2021/22. Chairman explained that the EMC fee is based on forecasted demand. While there is an increase on the supply side, the demand in Singapore is forecasted to remain the same. Hence, there is no impact to the forecasted traded volume in EMC's budget for FY2021/22.

2.3 Mr Cheong Zheng Siong noted that all fixed assets are depreciated over 3 to 5 years and asked if there are any assets that EMC can continue to use after the depreciation period. Mr Lau Chee Kiong replied that as EMC has an obligation to meet the performance standards imposed by EMA, the market systems are kept to a depreciation period of 3 to 5 years to ensure the systems are supported and reliable. Chairman added that it is generally difficult to find replacements parts as the product manufacturer may no longer support the hardware beyond 5 years. In that case, the operating cost to maintain the hardware will be a lot higher than a new set of hardware. It was noted that EMC will maintain a balance between the service reliability and cost to the market.

2.4 The RCP requested for more information on the 9 additional headcounts to support the development of the Forward Capacity Market ("FCM"). Ms Anne Goh shared that the estimated cost of $787,000 for the 9 additional headcounts is subjected to EMA's review and approval and has been factored into EMC's budget for FY2021/22 from January 2022 onwards. She said that the 9 additional headcount is a preliminary number for planning purposes and may be adjusted when EMC has more clarity and understanding on its obligations for FCM. The additional headcounts from Market Operations, IT, Market Administration and Market Assessment Unit will be involved in the
implementation and operation of the FCM. Mr Lim Chew added that EMC will only hire the resources when required as per the hiring plan.

2.5 Ms Carol Tan queried if the contract staff budgeted in FY2021/22 are meant to cover permanent headcount. Ms Anne Goh explained that as there are several concurrent projects running, the contract staff are hired to backfill the permanent staff to carry out the operational work while the permanent staff can focus on the projects.

2.6 Mr Tan Chian Khong asked if the costs for business continuity and cybersecurity have been included in the budget. Chairman replied that it has been included in the budget.

2.7 Mr Soh Yap Choon asked if the EMA project pending approval budgeted in FY2021/22 is for FCM Phase 1 enhancements. Mr Henry Gan replied that the amount is for enhancements to the FCM auction system. As the requirements for FCM Phase 1 were still evolving during the preparation of the Budget, it had not been included in the Budget for FY2021/22. It was noted that EMC is waiting for the consultation paper for FCM Phase 1 before it can estimate the cost.

2.8 Mr Cheong Zhen Siong asked if the budget has accounted for the wage support provided by the government last year. Ms Anne Goh replied that EMC did not benefit from the Job Support Scheme (“JSS”) as EMC is a regulated entity. Therefore, it has returned the JSS through IRAS. Ms Carol Tan added that SP Group has returned the JSS as well as it is also a regulated entity. Mr Lim Chew highlighted that there was a voluntary wage freeze in FY2020/21 and savings will be returned to the market.

2.9 In response to Ms Carol Tan’s query about the grant income of S$2,000, Ms Anne Goh replied that the grant refers to a rebate that EMC received for the rental of the data centres.

2.10 The Chairman informed that the RCP Report on EMC’s budget for FY2021/22 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 10.30am.

Toh Seong Wah
Chairman

Minutes taken by:
Angeline Tan
Executive, Legal and Corporate Secretariat