MINUTES OF THE RULES CHANGE PANEL
128th MEETING
HELD ON THURSDAY, 4 APRIL 2022 AT 10.00AM
VIA VIDEO-CONFERENCING

Present: Toh Seong Wah (Chairman)  Henry Gan
Teo Chin Hau  Tony Tan
Calvin Quek  Song Jian En
Cheong Zhen Sion  Dr Toh Mun Heng
Fong Yeng Keong  Tan Chian Khong

Absent with: Soh Yap Choon  Carol Tan
Apologies: Sean Chan  Ho Yin Shan

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

(EMC)

1. Notice of Meeting

The Chairman called the meeting to order at 10.10am. The Notice and Agenda of the meeting were taken as read.

2. EMC’s Budget for FY2022/23

(Paper No. EMC/RCP/128/2022/01)

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 FY2022/23.

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.
- The price cap and volume assumptions are as follows:

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<th>Price Cap (Cents/MWh)</th>
<th>Forecast FY2021/22</th>
<th>Budget FY2022/23</th>
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<td>1 July to 30 June</td>
<td>34.91</td>
<td>35.89</td>
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**Minutes of 128th RCP Meeting – 4 April 2022**

- NEMS expenses are supported by specific functions, initiatives and projects.
- The manpower cost was budgeted based on EMA approved headcount.
- EMA market licence fees increase by 2% year-on-year.
  - After the budget was published, EMA advised that the licence fees for April 2022 to March 2023 will increase by 15%, resulting in an increase in cost of $116K in FY21/22 and $347K in FY22/23. The increase in cost will be claimed exogenously from the market.
  - EMA also indicated that structural increase in fees for FY2023 will be waived.
- 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 Reliability
  - Extensibility and Flexibility
  - Governance, Compliance and Security
  - Customer Satisfaction

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<td>2.2.1 Mr Tan Chian Khong asked if the manpower cost capitalised / charged out was due to deferment of manpower cost to projects or due to services rendered elsewhere or secondment of staff. Ms Anne Goh explained that manpower cost is capitalised for NEMS resources involved in CAPEX projects. When NEMS resources are used to support New Business, which is not part of the regulated business, EMC is required to charge out the cost to the New Business.</td>
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<td>2.2.2 Mr Y K Fong noted that EMC had implemented a voluntary wage freeze for all staff in FY2020/21 and asked if the salary base was calculated based on the last drawn or restored salary. EMC replied that the salary cost was calculated based on last drawn salary which is lower due to the wage freeze in FY2020/21. Mr Fong suggested for EMC to consider restoring some of the salary increment.</td>
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<td>2.2.3 Mr Tony Tan asked if EMC has engaged any HR consultant to conduct salary benchmarking exercise to justify for the increase in manpower cost. Chairman replied that EMC has engaged Mercer to benchmark its salary against the market and according to the report from Mercer, EMC’s salary is below the market. This is the reason why EMC has proposed a 5% increment to manpower budget this year but the eventual increment is subject to EMC Board’s decision. EMC will also share the report from Mercer with EMA as part of the discussion for the next 5 years revenue regime.</td>
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Approved at the 129th RCP meeting held on 12 May 2022
Mr Tan Chian Khong asked if EMC carries out security and internal audits on the IT systems. Ms Anne Goh replied that EMC does engage external parties to conduct annual cybersecurity risk assessment and cybersecurity audit is carried out once every 2 years.

Mr Tan Chian Khong noted that there is a change in audit scope that lead to a decrease in the audit fees for FY2021/22. He asked if the work was pushed back due to the pandemic and to be carried out in FY2022/23. Ms Anne Goh replied that the audit process remained the same where the auditors will understand processes from EMC and request to sight supporting documents except that the process was carried out virtually. She went on to explained that the change in audit fees in FY2021/22 Forecast was due to synergies for Legal and Compliance audit carried out together with SGX Group.

Mr YK Fong asked if EMC engages external auditors to carry out the internal audits. Ms Anne Goh replied that the audits are carried out by internal staff of the SGX Internal Audit team.

Mr Tan Chian Khong asked if the right-to-use asset is small is because of the small office floor plan. Ms Anne Goh explained that its right-to-use is small because it only covers the two data centres and does not cover the office premises. EMC has a service contract with its parent company and does not sign a contract directly with the landlord.

Mr Y K Fong noted that savings will be returned to the market and asked how it is being returned. Ms Anne Goh replied that the savings will be returned as exogenous items to the market participants through the EMC fees adjustment.

Mr Tan Chian Khong asked if EMC has a special IT project committee that oversees the evaluation and selection of vendors. Chairman replied that EMC does have a committee that governs the entire process for selection and competitive procurement. With regard to the nature of the project, it is governed by a process where EMC will refresh the system at the end of the depreciation to keep the system up to date and supported by the product principals. This process is agreed with EMA in a 5-year tranche and worked into the CAPEX requirement for the 5-year revenue regime. EMA plays a part in scrutinising the capital projects that EMC undertakes for each 5-year tranche.

Mr Tan Chian Khong commented that the FY2022/23 budget was very clear and well presented and commended the team for putting up a very easy to read and understand budget.
2.9 The Chairman informed that the RCP Report on EMC’s budget for FY2022/23 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 10.45am.

Toh Seong Wah
Chairman

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