

## Notice of Market Rules Modification

**Paper No.:** EMC/RCP/35/2007/271  
**Rule reference:** Market Operations Market Manual, Chapter 7, Section 7.1  
**Proposer:** Market Operations, EMC  
**Date received by EMC:** 14 September 2007  
**Category allocated:** 3  
**Status:** Approved By EMA  
**Effective Date:** 1 April 2008

### Summary of proposed rule modification:

The proposed modification to Market Manual (settlement) is to allow EMC to perform self-billing, which would make the invoicing process between EMC and Market Participants more efficient.

**Date considered by Rules Change Panel:** 8 January 2008  
**Date considered by EMC Board:** 31 January 2008  
**Date considered by Energy Market Authority:** 26 February 2008

### Proposed rule modification:

See attached paper.

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

PAPER NO. : **EMC/BD/01/2008/08(b)**

RCP PAPER NO. : **EMC/RCP/35/2007/271**

SUBJECT : **MODIFICATION TO MARKET MANUAL FOR EMC TO PERFORM SELF-BILLING**

FOR : **DECISION**

PREPARED BY : **WANG JING  
ANALYST**

REVIEWED BY : **PAUL POH LEE KONG  
SVP, MARKET ADMINISTRATION**

DATE OF MEETING : **31 JANUARY 2007**

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### **Executive Summary**

EMC intends to implement self-billing for goods and services traded or settled in the Singapore Wholesale Electricity Market (SWEM). As all settlement information in the SWEM is determined or centralized at the EMC, it is more convenient for the EMC to issue tax invoice on behalf of market participants who are supplying goods or services to the SWEM. This will simplify the invoicing process.

The proposed modification to Market Operations Market Manual (Settlement) would ensure that the EMC meets the conditions required by IRAS for self-billing.

The RCP unanimously recommends that the EMC Board adopt this proposal.

## 1 Introduction

This paper analyses EMC’s proposal to modify the Market Operations Market Manual (Settlement) to allow EMC to perform self-billing for goods and services traded or settled in the Singapore Wholesale Electricity Market (SWEM).

## 2 Background

The EMC is the market operator of the SWEM. It provides a platform for market participants (MP) to trade energy and energy related ancillary services in the SWEM. It generates dispatch schedules and determines prices for registered generating facilities and loads. It also performs the settlement and billing function for market participants (and service providers) in the market.

Figure 1 illustrates how energy is traded and settled through the EMC. Energy generated by generation companies (gencos) is “sold” to retailers through the EMC. Payment is collected from retailers and paid to gencos by the EMC. In a way, the EMC’s function is that of a middleman, in which it buys energy from gencos and sells it to retailers/MSSL<sup>1</sup>, at prices and quantities<sup>2</sup> determined by the EMC according to the methodology stipulated in the Market Rules.

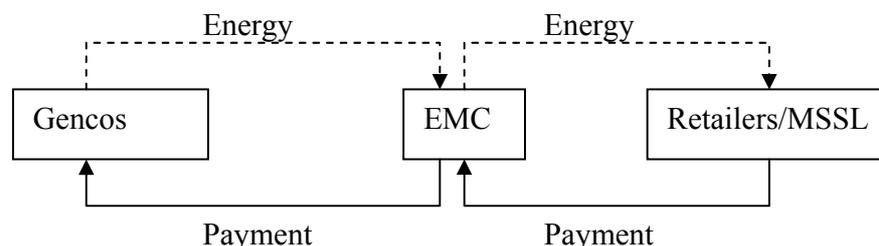


Figure 1 Exchange of goods and services

Under the Singapore tax regime, a Goods and Services Tax (GST) is charged to a customer on goods and services provided by a GST-registered supplier. If the customer is also GST-registered, the supplier should issue the customer tax invoices for the goods and services supplied. Illustrated in Figure 1 above, the EMC buys energy from gencos and sells it to retailers/MSSL. Hence, the EMC should issue tax invoices to retailers/MSSL while the gencos should issue tax invoices to the EMC for the energy traded. A similar arrangement also applies to settlement of ancillary service products and other services in the market, such as reserve and regulation etc.

In this paper, MPs who provide energy, ancillary services products or other services in the SWEM are referred to as MP-suppliers. MP-suppliers have to issue tax invoices to the EMC for the goods and services they provide to the market for proper tax reporting.

<sup>1</sup> Market Support Services Licencee - currently SP Services Pte Ltd

<sup>2</sup> Except for IEQs and WEQs which are determined by SP Services Pte Ltd, other quantities are determined by the EMC.

### 3 Analysis

#### 3.1 Why Self-Billing

In the SWEM, the EMC determines the settlement amount for each MP. Before a MP-supplier can issue a tax invoice to the EMC, the EMC has to notify them of the amount to be invoiced. The procedure below describes the current invoicing process between the EMC and MP-suppliers:

- a. The EMC issues MP-suppliers payment vouchers containing trade details and the amount to be invoiced by the MP;
- b. A MP-supplier in turn issues the EMC a tax invoice containing the same details and amount as the payment voucher.

This process can be illustrated by Figure 2 below.

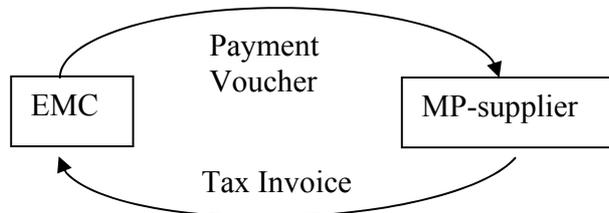


Figure 2 Current Invoicing Process

To make the invoicing process more efficient, the EMC intends to implement self-billing for goods and services traded or settled in SWEM.

Self-billing is an arrangement between a GST-registered supplier (i.e. MP-supplier) and a GST-registered customer (i.e. EMC) in which the customer prepares the supplier's tax invoice and forwards a copy to the supplier. This is more convenient for the EMC and MP – Suppliers as the EMC has all the information required to determine the value of the goods and services provided by all MP-suppliers.

With self-billing, the EMC can issue itself buyer-created tax invoices on a MP-supplier's behalf while providing a copy each to the MP-supplier. The MP-supplier does not need to issue anything. The invoicing process will then be much simplified, as shown in Figure 3.

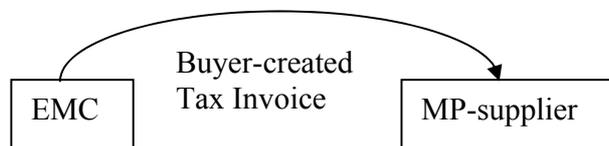


Figure 3 Invoicing Process with Self-Billing

### **3.2 Rule changes required**

To be eligible to perform self-billing, the EMC must fulfill conditions set out by the Inland Revenue Authority of Singapore (IRAS) (please refer to Annex1), among which the following two conditions<sup>3</sup> require agreement from MPs:

- The supplier will not issue tax invoices for goods and services purchased by the customer;
- Each supplier agrees in writing that it will notify the customer immediately if its GST registration is cancelled or it is issued a new GST registration number.

Therefore, the EMC has proposed to modify the Market Operations Market Manual (settlement) as set out in Annex 2 to reflect these two conditions required by IRAS. When this modification takes effect, all MPs shall be bound to comply with these two conditions. This would save the administrative work of EMC obtaining a written agreement with each MP.

When the proposed changes to the Market Operations Market Manual (settlement) are in effect, self billing can be implemented.

## **4 Conclusion**

The proposed modification would allow the EMC to perform self-billing for the goods and services traded or settled in SWEM and thus make the invoicing process more efficient.

## **5. Impact on market systems**

Some changes to EMC's settlement system are required.

## **6. Implementation process**

EMC estimates that the implementation process would require approximately 1.5 months at an estimated cost of S\$6,000.

## **7. Consultation**

We have published the rule modification proposal on the EMC website for comments. No comments have been received for consideration.

## **8. Legal sign off**

Text of the rule modification has been vetted by EMC's legal counsel whose opinion is that the modification reflects the intent of the rule modification proposal as expressed in the analysis section of this paper.

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<sup>3</sup> Please refer to point (b) and (c) in section 2 of Annex1

**9. Recommendations**

The RCP unanimously recommends that the EMC Board

- a. **adopt** the rule modification proposal to amend Market Manual as set out in Annex 2;
- b. **seek** the Authority's approval for the rule modification proposal; and
- b. **recommend** that the rule modification proposal come into force **six weeks** after the date on which the approval of the Authority is published by the EMC.

Annex 1 Checklist for Self-Review of Eligibility and Declaration on Use of Self-Billing

**Goods and Services Tax – Self-Billing**  
**Checklist for Self-Review of Eligibility and Declaration on Use of Self-Billing**



INLAND REVENUE  
 AUTHORITY  
 OF SINGAPORE  
  
 55 Newton Rd  
 Revenue House  
 Singapore 307987  
 Tel: 1800 358 8833

**Important Notes:**

(1) This checklist may take 10 minutes to complete.

(2) Before you start on this checklist, please ensure that you have:

- Read the explanatory notes attached to this checklist;
- Examined whether self-billing is useful to your business circumstances; and
- Read the conditions listed under Section 2.

(3) Complete and sign on the checklist when you have satisfied all the stipulated conditions. Thereafter, **submit the original checklist to IRAS immediately** and keep a copy as part of your internal records.

(4) You can adopt self-billing based on your declaration that all conditions in this checklist have been satisfied and the original checklist has been submitted to IRAS. You are not required to seek further approval from IRAS. You can begin to self-bill from the date of declaration.

SECTION 1: DECLARANT'S PARTICULARS	
Name	GST Registration Number

SECTION 2: CONDITIONS TO BE MET (ALL conditions must be satisfied before proceeding to self-bill)		Yes
(a)	It is more convenient for you (the customer) to self-bill because you will determine and verify the final value of goods and services purchased from the suppliers; <u>OR</u>  Self-billing facilitates your internal controls and accounting system given that your suppliers will be working with uniform purchase documentation.	<input type="checkbox"/>
(b)	You have a written agreement with each supplier that the supplier will not issue tax invoices for goods and services purchased by you. Instead, the supplier will authorise you to issue the tax invoices on his behalf.	<input type="checkbox"/>
(c)	Each supplier agrees in writing that he will notify you immediately if: <ul style="list-style-type: none"> <li>(i) his GST registration is cancelled; or</li> <li>(ii) he is issued with a new GST registration number.</li> </ul>	<input type="checkbox"/>
(d)	You will provide the suppliers with the tax invoices issued under self-billing and you will retain a copy of it. You will keep the tax invoices issued under self-billing for a period of not less than 7 years.	<input type="checkbox"/>
(e)	You must keep and maintain an up-to-date list showing the names, addresses and registration numbers of all the suppliers covered by the self-billing arrangement. The list should at least be updated annually.	<input type="checkbox"/>
(f)	Each tax invoice that is issued under self-billing must contain: <ul style="list-style-type: none"> <li>(i) all details that are required on a normal tax invoice;</li> <li>(ii) a serially printed number;</li> <li>(iii) the words "Buyer Created Tax Invoice – Approved by The Comptroller of GST" shown in a prominent place; and</li> <li>(iv) the statement "The tax shown is your output tax due to the Comptroller of GST" shown in a prominent place.</li> </ul>	<input type="checkbox"/>

SECTION 3: DECLARATION	
I, _____ NRIC/Passport/FIN number _____	declare that all
(FULL NAME OF SIGNATORY IN BLOCK LETTERS)	
conditions stated in this form have been satisfied.	
Signature _____	Designation _____ Date _____

### **EXPLANATORY NOTES ON SELF-BILLING**

Under the GST legislation, a GST-registered supplier is required to charge GST on his taxable supplies of goods and services. If he is making a supply to a GST-registered business, he is required to provide the customer with a tax invoice. The tax invoice should contain all details required under regulation 11 of the GST (General) Regulations. Further information on tax invoices can be found in our e-tax guide "GST General Guide for Traders" at [www.iras.gov.sg](http://www.iras.gov.sg)

If he is making a supply to a non-GST registered person e.g. a consumer, he is not required to issue a tax invoice but at least a receipt to the customer. Similarly, the receipt should contain certain details. See e-tax guide "GST General Guide for Traders" for more information.

#### **1. What is self-billing?**

Self-billing is an arrangement between a GST-registered supplier and a GST-registered customer in which the customer prepares the supplier's tax invoice and forwards a copy to the supplier.

#### **2. Reasons for self-billing**

In some industries e.g. publication industry, the business arrangement with customers is that the customers will determine and verify the final value of the goods delivered or the services rendered to them. Hence, it is more convenient for the customer, rather than the supplier, to issue the tax invoice.

Some customers may also prefer self-billing as it facilitates their internal controls and accounting system given that their suppliers will be working with uniform purchase documentation.

#### **3. Points to consider**

Before you apply for self-billing, you should consider the following points:

- You will have added responsibilities to ensure that the conditions of self-billings are satisfied.
- You will have to ensure that the correct GST amount is charged for the goods and services supplied to you.
- You will have to ensure that any errors made on buyer-created tax invoices are corrected and the supplier is duly informed.

## Annex 2 Proposed Modification to Market Manual

Current Market Manual	Proposed Modification to Market Manual (Deletion represented by strikethrough text and addition underlined.)	Remarks/comments
<b>Market Operations Market Manual (Chapter 7 Settlement)</b>	<b>Market Operations Market Manual (Chapter 7 Settlement)</b>	
<p><b>7 Invoices</b></p> <p><b>7.1 Deadline for issuing invoices</b>  <i>EMC</i>-Settlement personnel shall issue an <i>invoice</i> to a <i>market participant</i> on the tenth <i>business day</i> after the <i>trading day</i> in accordance with section 5.2.6, Chapter 7 of the <i>market rules</i>.</p>	<p><b>7 Invoices</b></p> <p><b>7.1 <del>Deadline for issuing invoices</del> Issuance of invoices</b>  <del><i>EMC</i>-Settlement personnel shall issue an <i>invoice</i> to a <i>market participant</i> on the tenth <i>business day</i> after the <i>trading day</i> in accordance with section 5.2.6, Chapter 7 of the <i>market rules</i>.</del>  <u>7.1.1 The <i>EMC</i> has undertaken to perform self-billing for goods and services tax for goods and services traded or settled in the <i>wholesale electricity market</i>. The provision in this section is to comply with the requirement of the Inland Revenue Authority of Singapore.</u></p> <p><u>7.1.2 The <i>EMC</i> shall issue <i>invoices</i> to <i>market participants</i> on the tenth <i>business day</i> after the trading day. Where applicable, <i>invoices</i> include tax invoices and buyer-created tax invoices issued on <i>market participants</i>' behalf.</u></p> <p><u>7.1.3 <i>Market participants</i> shall:</u></p> <ul style="list-style-type: none"> <li>a) <u>not issue tax invoices to the <i>EMC</i> if a buyer-created tax invoice has been issued by the <i>EMC</i> on their behalf; and</u></li> <li>b) <u>notify the <i>EMC</i> immediately, if their GST registration is cancelled or if they are issued with a new GST registration number.</u></li> </ul>	<p>To reflect the original intent of section 7.1. it is further clarified that buyer-created invoices are issued together with other normal tax invoices.</p> <p>Section 7.1.3 is added to reflect the conditions set out by IRAS.</p>