



**DECISION PAPER**

**MODIFICATION TO THE PSO BUDGET AND FEES REVIEW**

29 May 2020 ENERGY MARKET AUTHORITY  
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## **1 Introduction**

- 1.1 Under the Market Rules Chapter 2 Section 12.1.1, the Power System Operator (PSO) is required to publish its proposed expenditure and revenue requirements, and a schedule of the fees that the PSO proposes to charge for the recovery of the PSO's administrative costs, at the beginning of each consecutive period of 5 consecutive fiscal years. Such period is referred to as "5-fiscal year period".
- 1.2 To ensure long-term financial sustainability, reducing fee rate fluctuations and managing the impact of increase, it is prudent to review fees and charges regularly at a shorter frequency.

## **2 Proposed modification**

- 2.1 EMA proposed to review the PSO budget and fees at a frequency of at least once every three years, instead of the current five years. The words, "5-fiscal year period" is to be changed to "3-fiscal year period".
- 2.2 The proposed modification is to reduce the uncertainty faced by Market Participants over fee rate changes and allow them to plan ahead better.

## **3 Public Consultation**

- 3.1 As required under the Market Rules Chapter 2 Section 12.1.1, EMA sought written representations on the proposed modification. Feedback was received from 2 respondents when the consultation paper closed on 17 Feb 2020.
- 3.2 Appendices 1 and 2 set out the modification and EMA's response to the written representations respectively.

## **4 EMA's Decision**

- 3.1 EMA has carefully considered the written representations from the respondents and has decided to modify the review the PSO budget and fees at a frequency of at least once every three years.

**Proposed Modification to the PSO Budget and Fees Review**  
**Modification Ref No: 2020/1**

Clause in Market Rules	Original Text	Modified Text	Reason
Chapter2, Section 12.1.1	The <i>PSO</i> shall, no less than 60 days before the beginning of each consecutive period of 5 consecutive fiscal years of the <i>Authority</i> (each such period referred to as “5-fiscal year period” and each fiscal year of the <i>Authority</i> referred to as “ <i>Authority</i> fiscal year” respectively, in this section 12 and in section 4.2.3 of Chapter 7), publish on the <i>Authority’s</i> web site:	<u>The PSO should review their fees and charges regularly, at a frequency of at least once every three years.</u> The <i>PSO</i> shall, no less than 60 days before the beginning of each consecutive period of up to <u>3 consecutive fiscal years</u> of the <i>Authority</i> (each such period referred to as “ <u>3-fiscal year period</u> ” and each fiscal year of the <i>Authority</i> referred to as “ <i>Authority</i> fiscal year” respectively, in this section 12 and in section 4.2.3 of Chapter 7), publish on the <i>Authority’s</i> web site:	To change 5 consecutive fiscal years to up to 3 consecutive years.
Chapter2, Section 12.1.1.1	the <i>PSO’s</i> proposed expenditure and revenue requirements, and a schedule of the fees that the <i>PSO</i> proposes to charge for the recovery of the <i>PSO’s</i> administrative costs, in respect of that 5-fiscal year period, and	the <i>PSO’s</i> proposed expenditure and revenue requirements, and a schedule of the fees that the <i>PSO</i> proposes to charge for the recovery of the <i>PSO’s</i> administrative costs, in respect of that <u>3-fiscal year period</u> , and	To change 5 consecutive fiscal years to up to 3 consecutive years.
Chapter2, Section 12.1.2	The <i>PSO</i> and the <i>Authority</i> shall consider, but shall not be bound by, the written submissions made pursuant to in section 12.1.1 in finalising the <i>PSO’s</i> expenditure and revenue requirements and schedule of	The <i>PSO</i> and the <i>Authority</i> shall consider, but shall not be bound by, the written submissions made pursuant to in section 12.1.1 in finalising the <i>PSO’s</i> expenditure and revenue requirements and schedule of fees for any <u>3-</u>	To change 5 consecutive fiscal years to up to 3 consecutive years.

Clause in Market Rules	Original Text	Modified Text	Reason
	fees for any 5-fiscal year period to which the written submissions relates.	<u>fiscal year period</u> to which the written submissions relates.	
Chapter2, Section 12.1.3	Once the Authority has finalised the PSO's expenditure and revenue requirements and schedule of fees for a given 5-fiscal year period, the PSO shall, prior to the start of that 5-fiscal year period, publish on the Authority's web site such finalised expenditure and revenue requirements and schedule of fees and provide a copy of such published schedule of fees to the EMC.	Once the Authority has finalised the PSO's expenditure and revenue requirements and schedule of fees for a given <u>3-fiscal year period</u> , the PSO shall, prior to the start of that <u>3-fiscal year period</u> , publish on the Authority's web site such finalised expenditure and revenue requirements and schedule of fees and provide a copy of such published schedule of fees to the EMC.	To change 5 consecutive fiscal years to up to 3 consecutive years.
Chapter2, Section 12.1.5	If there is any under-recovery or over-recovery as described in section 12.1.4, the PSO shall seek recovery of the under-recovery through increased PSO's fees, or seek to apply the over-recovery towards reduction of PSO's fees, over the remainder of the current 5-fiscal year period, or such longer period of time as the Authority may approve. If the prevailing schedule of fees for the remainder of the current 5-fiscal year period is required to be revised for this purpose, the PSO shall, as soon as reasonably practicable, with the Authority's approval, revise and publish on the Authority's web site, the PSO's revised expenditure and revenue requirements and schedule of fees. The PSO shall provide a	If there is any under-recovery or over-recovery as described in section 12.1.4, the PSO shall seek recovery of the under-recovery through increased PSO's fees, or seek to apply the over-recovery towards reduction of PSO's fees, over the remainder of the current <u>3-fiscal year period</u> , or such <u>shorter</u> period of time as the Authority may approve. If the prevailing schedule of fees for the remainder of the current <u>3-fiscal year period</u> is required to be revised for this purpose, the PSO shall, as soon as reasonably practicable, with the Authority's approval, revise and publish on the Authority's web site, the PSO's revised expenditure and revenue requirements and schedule of fees. The PSO shall provide a	To change 5 consecutive fiscal years to up to 3 consecutive years.

Clause in Market Rules	Original Text	Modified Text	Reason
	<p>copy of such published revised schedule of fees to the EMC. Each such revised schedule of fees shall, when published by the PSO, take effect with respect to the remainder of the relevant 5-fiscal year period and shall, for the remainder of the relevant 5-fiscal year period, supersede any prior schedule of fees published by the PSO in respect of the remainder of the relevant 5-fiscal year period.</p>	<p>copy of such published revised schedule of fees to the EMC. Each such revised schedule of fees shall, when published by the PSO, take effect with respect to the <u>remainder</u> of the relevant <u>3-fiscal year period</u> and shall, for the remainder of the relevant <u>3-fiscal year period</u>, supersede any prior schedule of fees published by the PSO in respect of the remainder of the relevant <u>3-fiscal year period</u>.</p>	

**Appendix 2 EMA's Response to Written Representations  
Modification Ref No: 2020/1**

Clause in Market Rules*	Public / Industry	Comments	EMA's response
General	Tuas Power Generation Pte Ltd	<p>We do not object to revising the frequency of budget and fees review from 5 years to no more than 3 years. However, we would like to suggest that there is an alignment of the review term for the other regulated market charges, such as the generation/ retailer license fees and EMC fees, with this revision and for each fee revision to take into account the current market conditions, such as market supply and demand and the general economic outlook in Singapore.</p> <p>It has been reported in The Straits Times on 2 February 2020 that the Singapore Tourism Board will waive license fees for hotels, travel agents and tourist guides, as well as defraying the cleaning and disinfection costs of hotels that had</p>	<p>EMA noted the support of the change in the review the PSO budget and fees from 5 years to no more than 3 years.</p> <p>The intent of this paper is not to review the fee or charges. Nonetheless, when there is over-recovery of fees, PSO would refund the audited adjustments to the Market Participants.</p> <p>On the alignment of fees, the next PSO budget and fees review is in FY2020. EMA will take note of the comments for the next review.</p>

Clause in Market Rules*	Public / Industry	Comments	EMA's response
		<p>confirmed and suspected cases of the novel coronavirus.</p> <p>The fees were waived in anticipation of the potential impact/ losses in the hospitality and tourism industry. The power generation industry, on the other hand, has incurred actual losses for several years. In this aspect, we would appreciate EMA to consider a review of the various regulated charges, such as license fees, PSO and EMC fees etc., and to waive or reduce them in the upcoming year for 2020 to reflect the current market outlook.</p>	
General	PacificLight Power Pte Ltd / PacificLight Energy Pte Ltd	<p>We are supportive of the EMA's proposal to shorten the review period for PSO's budget from 5 to 3 years with the objective of reducing fee rate fluctuations and managing the impact of budget increases on Market Participants.</p> <p>In order to achieve its stated objective, we would propose that annual increases</p>	<p>EMA noted the support of the change in review the PSO budget and fees at a frequency of at least once every three years and the proposal of an equitable way of managing cost increases in the PSO budget and fees for both the PSO and Market Participants.</p> <p>PSO is required to publish its budget under the market rules. Where there is under/over recovery at the end of each fiscal year, PSO will also need to publish the revised expenditure and revenue. In addition, PSO budget is approved by the Authority and there are audits in place to ensure our budgets are transparent, prudent and reasonable.</p>

Clause in Market Rules*	Public / Industry	Comments	EMA's response																							
		<p>in the PSO budget and fees be capped to a certain percentage increase, such as CPI less productivity gain [CPI-productivity gain]. We believe that this approach is an equitable way of managing cost increases for both the PSO and Market Participants.</p>	<p>With regards on the annual increase in PSO fees, the PSO fee had been fairly constant with a marginal increase of 0.22%(average) over the 5-years.</p> <table border="1" data-bbox="1070 456 2024 683"> <thead> <tr> <th data-bbox="1070 456 1263 539"></th> <th data-bbox="1263 456 1415 539">FY 2016/17</th> <th data-bbox="1415 456 1585 539">FY 2017/18</th> <th data-bbox="1585 456 1738 539">FY 2018/19</th> <th data-bbox="1738 456 1890 539">FY 2019/20</th> <th data-bbox="1890 456 2024 539">FY 2020/21</th> </tr> </thead> <tbody> <tr> <td data-bbox="1070 539 1263 641">Estimated PSO Fees (\$/MWh)**</td> <td data-bbox="1263 539 1415 641">\$0.2500 (actual)</td> <td data-bbox="1415 539 1585 641">\$0.2504 (actual)</td> <td data-bbox="1585 539 1738 641">\$0.2358 (actual)</td> <td data-bbox="1738 539 1890 641">\$0.2569</td> <td data-bbox="1890 539 2024 641">\$0.2507</td> </tr> <tr> <td data-bbox="1070 641 1263 683">% change</td> <td data-bbox="1263 641 1415 683">-</td> <td data-bbox="1415 641 1585 683">0.16%</td> <td data-bbox="1585 641 1738 683">-5.83%</td> <td data-bbox="1738 641 1890 683">8.95%^</td> <td data-bbox="1890 641 2024 683">-2.41%</td> </tr> </tbody> </table> <p data-bbox="1070 683 2024 708">^Increase due to completion of a new backup EMS system in 2019.</p>							FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Estimated PSO Fees (\$/MWh)**	\$0.2500 (actual)	\$0.2504 (actual)	\$0.2358 (actual)	\$0.2569	\$0.2507	% change	-	0.16%	-5.83%	8.95%^	-2.41%
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