



Smart Energy, Sustainable Future

LICENCE NO. **EMA/TE/002**

TYPE **TRANSMISSION**

LICENSEE **SP POWERASSETS LIMITED**

NOTIFICATION NO. **14**

1. Pursuant to Condition 2: Authorised Activities of the Electricity Licence (EMA/TE/002) ("**Licence**") granted to SP PowerAssets Limited ("**Licensee**"), the Licensee is hereby notified that the Energy Market Authority of Singapore ("**Authority**") has approved for the Licensee to engage in the following activities as allowed activities under the Licence, subject to the terms and conditions set out in paragraph 2:

- (1) the leasing by the Licensee of only the following parts of its Advanced Metering Infrastructure ("**AMI**") network ("**Subject Assets**"):
 - (i) Access Points and its related network equipment assets ("**AP Network**");
 - (ii) Non-Critical Information Infrastructure Metropolitan Area Network ("**Non-CII MAN**"); and
 - (iii) Associated network to the Non-CII MAN as permitted by the Authority, (collectively referred to as the "**Leasing Business**").

2. The terms and conditions referred to in paragraph 1 are:

Scope

- (1) In this Notification, “**lease**” includes a tenancy and licence granted by the Licensee in respect of any part or all of the Subject Assets to the lessee SPConnect Pte Ltd (the “**Lessee**”) for the sole purpose of allowing SP Services Ltd (“**SPS**”) the use of the Subject Assets for the provision of remote meter reading services for water and electricity meters owned by third parties.
- (2) Except under a lease duly granted by the Licensee in accordance and compliance with this Notification, the Licensee shall not permit any person or entity other than SPS to access or use any part or all of the Subject Assets unless otherwise permitted in writing by the Authority.
- (3) The Licensee shall remain the owner of the Subject Assets. SP PowerGrid Ltd (“**SPPG**”), in its capacity as the transmission agent licensee for the Licensee, is to continue to operate and maintain the Subject Assets. The Licensee shall ensure that the Lessee fulfils the Lessee’s regulatory obligations in relation to the Subject Assets as required by and in accordance with the Facilities-based Operator (“**FBO**”) licence granted by the Infocomm Media Development Authority (“**IMDA**”) for any use of the Subject Assets by SPS.
- (4) The Licensee shall ensure no encumbrance to the Licensee permitting any person or entity to access or use any part or all of the Subject Assets for the purpose of the conduct of the Licensee’s authorised business and any business, undertaking or activity incidental thereto.
- (5) Except as otherwise provided in this Notification, this Notification shall come into effect on the date of this Notification.

Arms’ Length Dealing, Separate Accounting and Other Records

- (6) The Licensee shall:
 - (i) ensure that its conduct of the Leasing Business with the Lessee shall at all times be on an arm’s length basis; and
 - (ii) not show undue preference in favour of, or undue discrimination against the Lessee for or in relation to any grant of lease of the Subject

Asset, any rate or fee charged by the Licensee under the lease, or any term or condition thereof.

- (7) The Licensee shall, in respect of the Leasing Business, comply with paragraphs 1 and 2 of Condition 3 of the Licence, which shall apply *mutatis mutandis* to the Leasing Business as if all references to “authorised business” therein include references to the Leasing Business.
- (8) The Licensee shall ensure that the Leasing Business is ring-fenced from all its other businesses.
- (9) In respect of the Leasing Business for each financial year commencing on the first day of April of a calendar year until the last day of March in the following calendar year (“**Financial Year**”):
 - (i) “**Leasing Revenue**” means the revenue derived from the Subject Assets leased by the Licensee for the Financial Year subject to paragraph 2(14);
 - (ii) “**Commercial Rates**” means the commercial rental rates applicable to the leasing of Subject Assets for the Financial Year, determined in accordance with the methodology (including relevant market benchmarks) reviewed from time to time and approved by the Authority;
 - (iii) “**Consumer Costs**” means the sum of: (a) depreciation cost of the Subject Assets leased by the Licensee for the Financial Year and the associated returns based on the regulated rate of return on the book value of such Subject Assets, determined in accordance with the methodology reviewed from time to time and approved by the Authority; and (b) Operating Costs. For the avoidance of doubt, costs arising from and in relation to upgrading of the Subject Assets for the purposes of and/or due to SPS’ provision of remote meter reading services for water and electricity meters owned by third parties shall not constitute Consumer Costs;
 - (iv) “**Net Income**” means Leasing Revenue less the sum of Consumer Costs and Incremental Operating Costs;
 - (v) “**Incremental Operating Costs**” means the costs and expenses reasonably and prudently incurred by the Licensee for or in relation to the conduct of the Leasing Business for the Financial Year, and the recovery of such costs and expenses from electricity consumers is not catered for under the authorised business of the Licensee; and

- (vi) “**Operating Costs**” means the costs and expenses reasonably and prudently incurred by the Licensee for or in relation to the conduct of the Leasing Business for the Financial Year, and the recovery of such costs and expenses from electricity consumers is catered for under the authorised business of the Licensee.
- (10) In respect of each Financial Year, the Licensee shall return to electricity consumers:
- (i) Consumer Costs; and
 - (ii) Fifty per cent (50%) of Net Income.
- (11) The Licensee shall ensure that any financial losses suffered or incurred by the Licensee in respect of the Leasing Business shall be borne solely by the Licensee and shall not be passed to or recovered from electricity retailers or consumers whether directly or indirectly.
- (12) The Licensee shall ensure that all costs, expenses, liabilities, taxes and charges (including any development charge) suffered or incurred by the Licensee in or for the conduct of the Leasing Business shall not be passed to or recovered from electricity retailers or consumers whether directly or indirectly.
- (13) Where any cost, expense, liability, tax or charge (including any development charge or increase in taxation) is suffered or incurred by the Licensee in or for the conduct of the Leasing Business, and one or more other businesses of the Licensee, such cost, expense, liability, tax and charge shall be allocated and apportioned amongst the business(es) referred to in this Notification (as may be applicable) in such proportion(s) as approved by the Authority in writing.
- (14) The Licensee shall conduct regular reviews in accordance with the frequency and timeline approved by the Authority to ensure that the **Leasing Revenue** for each Financial Year complies with the requirement (“**Leasing Revenue Requirement**”) that the Leasing Revenue is: (a) based on the rental rate of every lease of Subject Asset being no less than the higher of Consumer Costs or Commercial Rates; and (b) such that the corresponding Net Income is non-negative. To this end, the Licensee shall ensure that it has secured for itself all the necessary contractual rights as will enable it to obtain all necessary information in relation to all leases for Subject Assets granted by it for the purposes of conducting such reviews and revising the rental rates under its leases as is necessary to comply with the Leasing Revenue Requirement and this Notification.

- (15) The Licensee shall maintain financial accounts and other records (for, *inter alia*, proper accounting and tracking of the Subject Assets leased) with sufficient information and detail as will enable the Authority and independent auditors to monitor compliance by the Licensee with:
- (i) the Leasing Revenue Requirement;
 - (ii) the prohibition against cross-subsidisation in Condition 4 of the Licence; and
 - (iii) this Notification.

Agreement

- (16) Where the Licensee grants any lease of Subject Asset to the Lessee under this Notification, the Licensee shall ensure that there shall be a legally valid, binding and enforceable lease agreement entered into between the Licensee and the Lessee, before the Lessee is permitted to use any part or all of such Subject Asset for the purposes set out in paragraph 2(1). The Licensee shall ensure that the terms and conditions of the lease agreement with the Lessee complies with this Notification.
- (17) The Licensee shall ensure that it:
- (i) has or has secured for itself all necessary contractual rights as will enable it to obtain all necessary information in respect of any leased Subject Asset for the purpose of this Notification;
 - (ii) has expressly reserved the right in the lease agreement for any leased Subject Asset entitling it to terminate the lease if any such information is not provided to it by the Lessee on demand; and
 - (iii) has expressly reserved the right in the lease agreement for any leased Subject Asset entitling it to terminate the lease if there is any compromise in the security, reliability and stability of electricity supply to consumers and the public in Singapore as stated in paragraph 2(26).
- (18) The Licensee shall upon the request of the Authority forthwith provide to the Authority copies of all up to date lease agreements and related documents (including all amendments and revisions made thereto from time to time to date) in respect of all leased Subject Assets.

Confidential Information

- (19) The Licensee shall take reasonable measures to ensure that all information that the Licensee generates, owns, develops or acquires in the course of or in relation to its authorised business (including but not limited to information relating to the electricity and/or gas transmission system, all electrical installations, substations, plants, systems, apparatus, cables, equipment and things used for the transmission of electricity, and all gas installations, pipelines, stations, plants, systems, apparatus, equipment and things used for the transportation of gas):
- (i) shall not be disclosed or otherwise made available to any person or used by the Licensee except in the following circumstances:
 - (a) where such disclosure or use is permitted or required by the Authority, this licence, any applicable code of practice, or the market rules, any applicable law, regulations, directives or requests of any government, statutory or regulatory body or any court or tribunal of competent jurisdiction;
 - (b) where the disclosure of such information is to the Licensee's directors, officers or employees and is necessary for the due performance of their lawful duties and functions, or is disclosed to an agent, service provider or partner of the Licensee who has agreed in writing to ensure the confidentiality of such information.
 - (ii) is not used by the Licensee for any purpose other than that for which it was provided or for a purpose other than as permitted by this licence (including the purposes set out in (a) above), any applicable code of practice, the market rules, any applicable law, regulations, directives or requests of any government, statutory or regulatory body or any court or tribunal of competent jurisdiction; and
 - (iii) is not used by the Licensee for any commercial advantage in the provision of any service other than a service comprised in the authorised business.

Information Access for the Authority

- (20) Without prejudice to the generality of Condition 29 of the Licence, and notwithstanding Condition 3 of the Licence, the Licensee shall provide:
- (i) accounting statements in respect of the Leasing Business annually after the end of each Financial Year together with a report by

independent auditors stating whether in their opinion those statements provide a true and fair view of the financial affairs of the Leasing Business and have been properly prepared in accordance with this Notification; and

- (ii) information in relation to all or any part of the Subject Assets or the Leasing Business (including information on leasing revenue derived) as the Authority may from time to time require for the purpose of ensuring the Licensee's compliance with this Notification.

Reversion of Subject Assets for Authorised Business

- (21) The Licensee shall ensure that vis-à-vis the Leasing Business, the Licensee's authorised business and the requirements (including contingency needs) of its authorised business shall be paramount. The Licensee shall at any time recover the Subject Assets or any part thereof (that it has leased out) if the same is required for its authorised business or to meet its operational requirements (including contingency needs). The Licensee shall not pass to or recover from electricity retailers or consumers any costs or expenses of reverting, reinstating or recovering (including repairing) any Subject Asset whether directly or indirectly.
- (22) Notwithstanding paragraph 2(20), where the Authority reasonably determines that any Subject Asset is required for the Licensee's authorised business, the Licensee shall, upon the Authority giving the Licensee such prior written notice as the Authority considers reasonable, revert, reinstate or recover such Subject Assets for use as part of its authorised business in such manner as may be required by the Authority, and shall not pass to or recover from electricity retailers or consumers any costs or expenses (including repair costs) in respect thereof whether directly or indirectly.

Protection of Assets

- (23) The Licensee shall take all necessary reasonable steps to protect the Subject Assets that it has leased out from damage and shall at its own cost ensure that all necessary precautions are taken to protect the same from damage.

Security and Permitted Use of Subject Assets

- (24) The Licensee shall take all necessary reasonable steps to ensure that the lease and use of the Subject Assets as allowed under this Notification does

not pose any security risk to SPPA's electricity transmission and distribution facilities (including but not limited to the prevention of, trespass of or unauthorised access to these facilities). The Licensee shall ensure that any person or party (other than its or SPPG's authorised staff or employees) that it allows to access such facilities in relation to or in connection with or for the purpose of the lease and use of the Subject Assets must be escorted by SPPG's authorised staff or employees at all times. The Licensee shall ensure the security of the Subject Assets and that access and control of all data relating to or residing within the Subject Assets is restricted only to SPS and that no party or person other than the Licensee and SPPG shall have physical access to the Subject Assets. The Licensee shall ensure the security of the Subject Assets and that access and control of all data relating to or residing within the Subject Assets is restricted only to SPS and that no party or person other than the Licensee and SPPG shall have physical access to the Subject Assets.

- (25) The Licensee shall ensure that the Subject Assets are used only for purposes approved/permitted by the relevant authorities, and in this connection, the Licensee shall ensure that all the necessary approvals, permits and clearances from the relevant authorities have been obtained.

Consumer Rights

- (26) The Licensee shall ensure that consumer rights are not prejudiced by its conduct of the Leasing Business, or by the access or use of any Subject Asset or the lease of any Subject Asset.

Security of Electricity Supply and Adverse Impact on Subject Assets

- (27) The Licensee shall ensure that its conduct of the Leasing Business shall not in any way:
- (i) Endanger, compromise or adversely affect the security, reliability and stability of electricity supply to consumers and the public in Singapore;
 - (ii) be contrary or detrimental to public interest;
 - (iii) result in any constraint in the bandwidth of the Subject Assets; or
 - (iv) adversely impact the Subject Assets or the operation of the Subject Assets arising from connection of third-party meters to the Subject Assets;

- (28) The Authority reserves the right to veto the connection of any third-party meter to the Subject Assets if the Authority is satisfied that any of the above conditions in paragraph 2(26) are not met.
- (29) For the avoidance of doubt, any adverse or detrimental impact on the performance, reliability and operation of the Subject Assets due to or arising from the Leasing Business will be deemed to be an incident that endangers, compromises and adversely affects the security, reliability and stability of electricity supply to consumers and the public in Singapore for the purpose of paragraph 2(26) above, and may result in enforcement action being taken against SPPA under Section 14 of the Electricity Act.

Termination of Notification

- (30) The Authority may, if the Licensee contravenes any term or condition of this Notification or any written law or any regulatory requirement of any authority related to the Leasing Business which results in embarrassment to the Authority, or if the Authority is not reasonably satisfied that the Licensee has complied fully with the terms and conditions of this Notification or any written law, or any regulatory requirement of any authority related to the Leasing Business which results in embarrassment to the Authority, terminate this Notification by giving the Licensee six (6) months' prior written notice.

Extent of Relief

- (31) Subject to the extent the Licensee is allowed to engage in the Leasing Business as an allowed activity pursuant to Condition 2 of the Licence and subject to the terms and conditions of this Notification, the Licensee shall continue to comply with all terms and conditions of the Licence.

Remedial Steps

- (32) Where there has been a contravention of any term or condition of this Notification, the Licensee shall without any delay take all actions necessary to remedy such contravention to the reasonable satisfaction of the Authority at the Authority's instructions and at the Licensee's own cost and expense, and the Licensee shall not pass to or recover any such costs and expenses directly or indirectly from electricity retailers or consumers.

General

(33) For the avoidance of doubt, the terms and conditions of this Notification shall form an integral part of the Licence and any contravention of the terms and conditions of this Notification shall constitute a contravention of the terms and conditions of the Licence. Any word or expression used in this Notification shall, unless the contrary intention appears, have the same meaning as that used in the Licence.

(34) This Notification shall come into effect on the date set out below.

30 Jul 2021

NGIAM SHIH CHUN
Chief Executive
Energy Market Authority of Singapore