

**DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL
MSCP/2003/D11**

Market Surveillance and Compliance Panel (“MSCP”)

Mr Joseph Grimberg, Chair
Professor Lim Chin
Mr Lee Keh Sai

Date of Determination

4 October 2003

Party

SembCorp Cogen Pte Ltd

Subject

Non-compliance with dispatch instructions

Facts and Circumstances

1. On 5 September 2003 the Market Surveillance & Compliance Panel (“the MSCP”) notified SembCorp Cogen Pte Ltd (“SembCorp Cogen”) that the MSCP was prima facie of the view that SembCorp Cogen had breached section 9.6.1 of Chapter 5 of the Singapore Electricity Market Market Rules (“the market rules”). That section is in the following terms:-

“9.6.1 Each dispatch coordinator shall ensure that each of its registered facilities complies with the dispatch instructions issued in respect of such registered facility, except as may otherwise be permitted under these market rules.”

2. The MSCP concluded that SembCorp Cogen was in apparent breach of section 9.6.1 of the market rule in question because, according to the real-time dispatch schedule for dispatch period 6 on 17 March 2003, AGCSKCG: SAKRA SKRA G1 (“SKRA G1”), a generation registered facility belonging to SembCorp Cogen was not scheduled to dispatch energy. However, SKRA G1 had apparently dispatched energy in that period and its output recorded by the PSO at the end of that period was 239 MW. The non-compliance with dispatch instructions seemed to have taken place notwithstanding requests by the PSO’s Station Control Manager for SKRA G1 to comply with dispatch instructions.

3. SembCorp Cogen was told of the possible consequences of a breach, and was advised that, if the breach was established, the MSCP was entitled to take one or more enforcement actions against SembCorp Cogen, whose attention was drawn to section 7.2.8 of Chapter 3 of the market rules, and particularly to sections 7.2.8.5 and 7.2.8.6, which entitled the MSCP to direct SembCorp Cogen to pay a financial penalty and costs.
4. SembCorp Cogen was invited to make written representations to the MSCP before the MSCP made its final determination as to whether there had, in fact, been a breach and, if so, the enforcement action which was to be taken. SembCorp Cogen was also told that it had the right to request a hearing before the MSCP.
5. SembCorp Cogen submitted written representations, the relevant parts of which are in these terms:-

“As you may well appreciate, the New Electricity Market commenced on 1 Jan 2003 and, as a consequence of the more dynamic nature of the market, SembCogen had to increase significantly the number of Traders who make the offers into the Market Clearing Engine in order to ensure that there is a Trader present in the plant 24 hours a day to keep abreast of developments in the market.

As explained in our previous submissions on the above issue to the Market Assessment Unit, the Trader on duty at the time of the event was a new Trader. As a consequence of his unfamiliarity with the bidding software (PowerBid), there was a genuine human error made by the Trader in offering his Energy volumes as Reserve. As a consequence of this, the Market Clearing Engine cleared SembCogen to dispatch 0 MW for period 6 on the 17th of March 2003.

As you may be aware, SembCogen is a co-generation facility, supplying electricity to the Singapore Electricity Market and steam to customers on Jurong Island. At the time of the occurrence of the event, SembCogen was supplying some 200 Tons per hour of Steam to the Jurong Island Steam Network. Shutting down the plant at this level of production would have resulted in a shutdown to the majority of the Petrochemical Industries on Jurong Island, resulting in process interruptions throughout Jurong Island and further shutdowns to the affected parties for a further one to two days.

As such, upon receiving a communication from the Power System Operator (PSO), the Shift Engineer and Trader on duty immediately took the decision that to maintain Steam Reliability on Jurong Island, the plant could not be shut down without prior notice to the operator's of the Steam Network. This was communicated to the PSO and the Trader on duty took further steps; by breaching the gate closure for subsequent periods; to ensure that the plant was dispatched at the correct dispatch levels.

In appreciation of the gravity of the situation, the Trader on duty has since been reprimanded for the mistake and has since left the Company. Further, SembCogen has put in place systems and procedures to ensure that similar occurrences do not occur. We would be pleased to share these procedures with the Panel should we be required to, to further ensure the Panel that the occurrence will not occur again.

While appreciating the gravity of the situation and the actions taken by SembCogen to avert any future similar situations, we trust that the Panel will also take into consideration the fact that all new markets do go through teething problems where people participating in the markets make mistakes.”

6. No hearing was requested.

Findings

7. In view of SembCorp Cogen's admission, and the MSCP's own conclusions arrived at on the evidence available to it as referred to above, the MSCP finds and determines that SembCorp Cogen was in breach of section 9.6.1 of Chapter 5 of the market rules in dispatch period 6 on 17 March 2003.

Enforcement Action

8. In light of its findings referred to above, the MSCP wrote to SembCorp Cogen on 25 September 2003 requesting the provision by SembCorp Cogen of :-

- (i) details of the systems and procedures it claims to have put in place to ensure that a similar breach does not take place in future;
- (ii) any benefit, whether financial or otherwise, which it may have derived (with supporting evidence) as a result of its admitted breach; and.
- (iii) any mitigating factors other than those that had already been mentioned in its written explanation dated 22 September 2003. SembCorp Cogen was requested to ensure that its response was received by the MSCP not later than 2 October 2003.

9. SembCorp Cogen responded to the MSCP by letter dated 2 October 2003. The letter supplied information concerning the systems and procedures which SembCorp Cogen states that it has put in place in order to ensure that a similar breach does not occur in the future. SembCorp Cogen also admitted that it derived revenue of \$12,359.96 as a consequence of the breach, for the supply of electricity.

10. The MSCP has carefully considered, and has taken into account the factors raised by SembCorp Cogen in mitigation of its breach. It concludes that while there was a genuine error in the making of the offer by SembCorp Cogen, the subsequent non-compliance with dispatch instructions was, as SembCorp Cogen had admitted, the result of deliberate decisions. This is borne out of the PSO's record of the sequence of events that took place during the period in question.

11. The MSCP considered SembCorp Cogen's references to its obligations to supply steam to customers on Jurong Island. The MSCP understands SembCorp Cogen's anxiety to fulfil these obligations, but other contractual commitments must not be allowed to override a generator's obligation to comply with the market rules, in this instance the requirement to comply with dispatch instructions.

12. SembCorp Cogen's breach put system security at risk. A disregard of dispatch instructions by any generation licensee in respect of any of its facilities affects the ability of the PSO to manage the power system in a safe and secure manner. The admitted non-compliance with dispatch instructions in this case could have led to system instability, especially as it occurred during a light load period. As other generation registered facilities had to reduce their energy output to accommodate the unscheduled output by SKRA G1, these facilities could have been forced to operate below their minimum stable load, become unstable and trip.

13. Furthermore, SembCorp Cogen's actions resulted in outcomes which were unfair to other generation licensees. The energy quantities dispatched by the facilities of other generation licensees as metered were lower than the energy quantities they were scheduled to dispatch. This resulted in the settlement amounts received in respect of such facilities being lower than they would otherwise have been according to the dispatch schedule. The differences in energy quantities and settlement amounts ranged from 5% to 52%.
14. The MSCP is cognisant of the fact that the breach occurred during the first three months following market commencement and accepts that the initial incorrect offer was the result of human error. To that extent, the inexperience of the trader was of some significance. However, as has been pointed out, SembCorp Cogen's subsequent conduct was deliberate and in knowing breach of the market rules requiring compliance with dispatch instructions.
15. In all the circumstances the MSCP, which takes a serious view of SembCorp Cogen's breach, imposes a financial penalty of \$50,000 on SembCorp Cogen pursuant to section 7.2.8.5 of the market rules, and directs SembCorp Cogen to pay costs, fixed at \$14,000. The total sum of \$64,000 is to be paid forthwith.



Joseph Grimberg
Chair, Market Surveillance and Compliance Panel