National Electricity Market of Singapore

DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL
MSCP/2016/D2

Market Surveillance and Compliance Panel ("MSCP")
Mr T P B Menon, Chair
Mr Lee Keh Sai
Mr Philip Chua
Professor Euston Quah
Professor Walter Woon

Date of Determination
26 May 2016

Party
ExxonMobil Asia Pacific Pte Ltd

Subject
Failure to comply with the declared quantity rules from November 2015 to February 2016

FACTS AND CIRCUMSTANCES

1. On 1 February 2016, ExxonMobil Asia Pacific Pte Ltd ("ExxonMobil") submitted a self-report that its energy offer quantity in the first price-quantity pair (referred as "declared quantity") did not comply with the formula set out in section 5.2.5C of Chapter 6 of the Singapore Electricity Market Rules ("Market Rules") on 17 to 24 November 2015, 3 to 13 December 2015, 21 to 24 December 2015, 12 to 18 January 2016 and 24 to 30 January 2016. On 11 March 2016, ExxonMobil added that it was also not in compliance with the Market Rules on 12 and 13 February and 18 to 20 February 2016 (collectively "the relevant dates").

2. ExxonMobil submitted the following reasons for the breaches on the relevant dates, as set out in the self-report:

   (a) units tripping out as a result of reliability issues;

   (b) derate or shutdown of units as a result of production plan/management; and

   (c) shutdown of units as a result of maintenance plans.

3. On 14 March 2016, ExxonMobil submitted a letter to the MSCP in which ExxonMobil informed the MSCP that:

(a) it is implementing a workaround to nominate a lower declared quantity at the first price-quantity pair and additional quantities at the second price-quantity pair. ExxonMobil expects this to be completed by mid-April 2016; and

(b) it will pursue a rule change to preserve the original interest of "Must Run" quantities.

EMBEDDED GENERATORS

4. ExxonMobil is an embedded generator ("EG"). An EG is a generator connected to the power grid that generates electricity primarily for its internal use. A consumer with embedded generation facilities is allowed to connect its load facilities to the power grid for additional and/or backup electricity supply. The consumer can also sell excess generation from these facilities in the wholesale electricity market.

5. ExxonMobil's EGs are co-generators of steam and power. They have operational constraints and are also subject to operating conditions of the ExxonMobil Chemical Plant's steam balance processes. ExxonMobil's EGs are normally expected to run a baseload to maximise steam production to maintain the reliability of the ExxonMobil Chemical Plant. Nominating a "Must Run" quantity (i.e. declared quantity) lower than the minimum level per EG is not feasible as the minimum level is required to maintain reliability of the EG.

APPLICABLE MARKET RULES

6. EGs are regulated by the relevant Market Rules regarding declared quantity, which came into force on 17 November 2015:

5.2.5A "Notwithstanding sections 5.2.4.3 and 5.2.6, for energy offers in respect of a generation registered facility that is an embedded generation facility:

5.2.5A.1 subject to section 5.2.5, the quantity (if any) in the first price-quantity pair of an energy offer (referred to in sections 5.2.5B and 5.2.5C as "declared quantity") shall be the quantity of electricity that the embedded generation facility is intended to generate for the associated load of its EGF group; and

5.2.5A.2 the price in the first price-quantity pair of an energy offer shall be set to equal 95% of CDC, where CDC shall be as specified in section J.2 of Appendix 6J.

5.2.5B **The declared quantity for any dispatch period h shall comply with the formula set out in section 5.2.5C. The EMC shall report any breach of the foregoing requirement to the market surveillance and compliance panel for investigation**. [*Emphasis added*]

5.2.5C The formula referred to in section 5.2.5B above is as follows:

$$\Sigma_{m(sa)}[\tfrac{1}{2}\times(\text{Declared Quantity}_{hm(sa)} + \text{Declared Quantity}_{h\text{-}1m(sa)})]\times \tfrac{1}{2}\text{ hour} - \text{WPQ}_{h(sa)} \leq 5\text{ MWh}$$

where:

h = a settlement interval or the dispatch period corresponding to that settlement interval

h-1	= the dispatch period immediately preceding dispatch period h
WPQ h(sa)	= associated load for that EGF group
Σ m(sa)	= sum over all MNNs associated with the settlement account that is associated with that EGF group”

MEETING WITH THE MSCP

7. ExxonMobil requested for a meeting with the MSCP to explain the breaches on the relevant dates. A meeting was held on 28 March 2016. ExxonMobil’s representatives furnished an explanation for the breaches, which can shortly be summarised as follows:

   (a) they explained that normally, ExxonMobil’s EGs are expected to run at a baseload level to maximise steam production to maintain reliability of the ExxonMobil Chemical Plant. Steam production is the main stay of their operations;

   (b) they had to maintain a minimum “Must Run” quantity per EG to ensure sufficient steam supply for reliable operation of the ExxonMobil Chemical Plant; and

   (c) they explained that they did not appreciate the impact of sections 5.2.5A, 5.2.5B and 5.2.5C of Chapter 6 of the Market Rules when it came into effect on 17 November 2015. It was only much later that they appreciated its impact.

NOTICE OF NON-COMPLIANCE

8. On 7 April 2016, the MSCP gave formal written notice to ExxonMobil to inform them that based on the information that had been provided, it would appear that ExxonMobil had failed to comply with sections 5.2.5B and 5.2.5C of Chapter 6 of the Market Rules on the relevant dates and that it had breached the Market Rules in question and that the MSCP may take one or more enforcement actions against ExxonMobil as set out in section 7.2.8 of Chapter 3 of the Market Rules, including the imposition of a financial penalty and costs arising from the breaches. The MSCP thus invited ExxonMobil to make written representations to the MSCP before it makes its determination including, if thought fit, enforcement action against them. The written representations were to include any mitigating circumstances that ExxonMobil would like the MSCP to consider should the MSCP find that ExxonMobil had breached the Market Rules in question.

9. ExxonMobil responded to the said notice on 21 April 2016. It did not request for a hearing before the MSCP but furnished an update of the corrective action that it had taken since the meeting with the MSCP on 28 March 2016.

DETERMINATION

10. The MSCP had carefully considered the representations made by ExxonMobil both orally and in writing. The MCSP was of the view that ExxonMobil was clearly in breach of sections 5.2.5B and 5.2.5C of Chapter 6 of the Market Rules on the relevant dates. However, in view of the explanations furnished by ExxonMobil (both orally and in writing) and the following mitigating factors namely:

(a) a lower offer declared quantity than its minimum level would result in reduced steam production which may create safety and reliability issues;

(b) the cause of the problem was the nature of the ExxonMobil Chemical Plant's operations, fluctuating production levels and the inability to lower the declared quantity for reliability and safety reasons;

(c) ExxonMobil has implemented a workaround on 5 April 2016; and

(d) there was no adverse impact on the market and system security,

and taking into consideration all the other relevant circumstances, the MSCP decided not to impose any financial penalty on ExxonMobil in this case.

11. The MSCP hereby issues a letter of non-compliance to ExxonMobil and directs ExxonMobil to pay costs, fixed at $7,600.

12. The MSCP would also like to state that it takes a very serious view of any behaviour that undermines the effective functioning of the National Electricity Market of Singapore and it is no excuse for any market participant, including EGs, not to observe the Market Rules, whether existing or newly introduced. The suggestion by ExxonMobil that it will be seeking a rule change of the Market Rules in the future does not in any way exculpate it from observing and complying with the Market Rules as they exist at present.

T P B Menon
Chair, Market Surveillance and Compliance Panel