

**DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL
MSCP/2016/D8**

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

27 December 2016

Party

Shell Eastern Petroleum (Pte) Ltd

Subject

Failure to comply with the declared quantity rules and submit offer variations to reflect generating capability from December 2015 to September 2016 and non-cooperation during initial stage of investigation

FACTS AND CIRCUMSTANCES

1. Shell Eastern Petroleum (Pte) Ltd (“Shell”) failed to comply with sections 5.2.5B and 5.2.5C of Chapter 6 of the Singapore Electricity Market Rules (“market rules”) in relation to its energy offer quantity in the first price-quantity pair (“declared quantity”) on the following dates: 12 December 2015, 2 February 2016, 24 February 2016, 10 March 2016, 12 March 2016, 25 April 2016, 12 May 2016, 22 June 2016, 29 June 2016, 8 August 2016, 9 August 2016, 29 August 2016, 30 August 2016, 5 September 2016, 7 September 2016, and 27 September 2016.
2. Shell had also breached section 5.1.5 of Chapter 6 of the market rules on 12 December 2015, 22 June 2016 and 27 September 2016, and section 5.1.6 of Chapter 6 of the market rules on 24 February 2016, 10 March 2016, 12 May 2016, 8 August 2016, 9 August 2016, 29 August 2016 and 5 September 2016, in relation to its failure to submit offer variations to reflect the generating capability.
3. During the initial stage of investigation, Shell also breached section 4.6.10 of Chapter 3 of the market rules regarding its failure, without good cause, to provide the information specified by the due date specified.

4. Shell is an embedded generator and the electricity produced by its generating units, SHUL G1 and BKOM G1, is predominantly used for Shell's own consumption. Shell said that the operation of SHUL G1 and BKOM G1 is subject to the steam balance and operational constraints of the refining and petrochemical processes at Pulau Bukom. Accordingly, Shell must maintain a minimum "Must Run" quantity to ensure sufficient steam supply for the reliable operation of the Pulau Bukom site.
5. The reasons for the breaches on the relevant dates as submitted by Shell can be briefly summarised as follow:
 - (a) technical issues experienced by SHUL G1 and BKOM G1 that affected electricity generation; and
 - (b) downstream fluctuations in the process requirement of steam which affected the upstream process of electricity generation.
6. Shell also submitted that it was, on several occasions, focusing on its site production units' recovery and thus did not have enough time to submit offer variations in the system to reflect its revised generating capability.

APPLICABLE MARKET RULES

7. Embedded generators 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:

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

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

$\Sigma m(sa)$ = sum over all MNNs associated with the settlement account that is associated with that EGF group”

8. The relevant market rules relating to the failure to submit offer variations to reflect generating capability are extracted below:

Section 5.1.5 of Chapter 6 provides that

5.1.5 Subject to section 10.4.1, for any dispatch period in the current market outlook horizon, if the quantity currently offered in a valid offer for a registered facility exceeds the relevant quantity that its dispatch coordinator reasonably expects to be available from the registered facility by more than:

5.1.5.1 10 MW; or

5.1.5.2 5 percent of the quantity currently offered,

whichever is greater, then that dispatch coordinator shall immediately submit an offer variation for that registered facility for that dispatch period to the EMC.

Section 5.1.6 of Chapter 6 provides that

5.1.6 Subject to section 10.4.1, for each dispatch period that a registered facility is not synchronised and until the earliest dispatch period in which it would be possible for that registered facility to be synchronised, its dispatch coordinator shall:

5.1.6.1 submit offer variations where there are existing offer variations; or

5.1.6.2 submit revised standing offers where there are no offer variations,

so that all the offered quantities are zero.

9. The relevant market rules relating to Shell’s non-cooperation in the initial stage of investigation, specifically its failure, without good cause, to provide the information specified by the due date specified are as follow:

Section 4.6.10 of Chapter 3 provides that

4.6.10 Records or information sought pursuant to section 4.6.9 and provided to the market surveillance and compliance panel by an officer or representative of the market participant, market support services licensee, the EMC or the PSO or other person as the case may be, shall be assumed to be true, correct and complete to the best of that person’s knowledge, information and belief at the time it is provided. Failure, without good cause, by any market participant, market support services licensee, the EMC or the PSO to provide the information specified by the due date specified shall constitute a breach of the market rules and may be subject to enforcement under the market rules. For the purpose of this section, good cause is to be determined by the market surveillance and compliance panel.

NOTICE OF NON-COMPLIANCE

10. On 1 August 2016, the Market Surveillance and Compliance Panel (“MSCP”) wrote to inform Shell that it was prima facie of the view that Shell breached sections 5.1.5, 5.1.6, 5.2.5B and 5.2.5C of Chapter 6 of the market rules and invited Shell to make written representations. The MSCP also highlighted to Shell that pursuant to section 4.6.10 of Chapter 3 of the market rules, failure, without good cause, by any market participant to provide the information specified by the due date specified shall constitute a breach of the market rules and may be subject to enforcement action under the market rules. Where the market participant fails to respond to a request for records or information, the MSCP has the powers to undertake actions as contained in section 4.6.11 of Chapter 3 of the market rules.
11. Shell replied on 19 August 2016 with its written representations. As part of its written representations, Shell also submitted reports of its further breaches with the relevant market rules.
12. The MSCP considered the information submitted in the further reports by Shell and wrote on 2 November 2016 to inform Shell that it is prima facie of the view that Shell breached section 4.6.10 of Chapter 3 of the market rules and sections 5.1.5, 5.1.6, 5.2.5B and 5.2.5C of Chapter 6 of the market rules on the dates and periods in **Table 1** below.
13. Shell responded to the said notice on 16 November 2016 with its written representations.
14. The relevant parts of Shell's explanations and points presented in its written representations submitted on 19 August 2016 and 16 November 2016 may be summarised in these terms:
 - (a) In relation to section 5.2.5B and 5.2.5C of Chapter 6 of the market rules:

Shell had declared a quantity that would generate sufficient steam for its processes. It was not feasible to declare a lower quantity as this might affect steam generation that supports the processes at the Pulau Bukom complex. A steam shortage, if not addressed, could lead to process upsets, and safety, reliability or environmental incidents.

As a workaround, Shell would change the way it currently offers in the system and this has been implemented on 14 November 2016.
 - (b) In relation to section 5.1.5 and 5.1.6 of Chapter 6 of the market rules:

The breach was due to a misinterpretation regarding the provision to submit offer variations during gate closure.

When the facilities experienced technical issues, there was insufficient time for Shell to submit revised offers as it was focusing on recovery to get its complex processes up and running again in a safe manner to ensure the safety and integrity of the assets and personnel on site.
 - (c) In relation to section 4.6.10 of Chapter 3 of the market rules:

The urgency to restart Shell's generating units and plant complex processes safely and in an efficient manner had caused delay in completing and submitting the self-reports for the incidents between 12 December 2015 and 12 May 2016.

Following the incidents, Shell has revised its internal procedure regarding the completion and submission of self-reports to the MSCP and witnessed a quicker turnaround for the incidents that occurred between 22 June 2016 and 27 September 2016.

- (d) Shell indicated that it did not wish to appear before the MSCP.

DETERMINATION

15. The MSCP considered the representations made by Shell in writing. The MSCP is of the view that Shell was in breach of:
- a. sections 5.2.5B and 5.2.5C of Chapter 6 of the market rules in relation to the non-compliance of the declared quantity on the dates and periods in **Table 1**;
 - b. sections 5.1.5 and 5.1.6 of Chapter 6 of the market rules in relation to the failure to submit offer variations to reflect the generating capability on the dates and periods in **Table 1**; and
 - c. section 4.6.10 of Chapter 3 of the market rules in relation to its non-cooperation in the initial stage of investigation regarding its failure, without good cause, to provide the information specified by the due date specified.

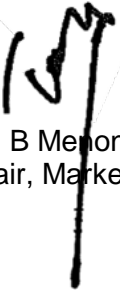
Table 1: Relevant sections of the market rules in breach by Shell

Date	Period	Relevant sections of the market rules in breach	
		Non-compliance of declared quantity	Failure to submit offer variations to reflect generating capability
12 December 2015	21	5.2.5B and 5.2.5C of Chapter 6	
	22	5.2.5B and 5.2.5C of Chapter 6	5.1.5 of Chapter 6
	23	5.2.5B and 5.2.5C of Chapter 6	5.1.5 of Chapter 6
	24	5.2.5B and 5.2.5C of Chapter 6	
	25	5.2.5B and 5.2.5C of Chapter 6	
2 February 2016	7	5.2.5B and 5.2.5C of Chapter 6	
	8	5.2.5B and 5.2.5C of Chapter 6	

Date	Period	Relevant sections of the market rules in breach	
		Non-compliance of declared quantity	Failure to submit offer variations to reflect generating capability
24 February 2016	19	5.2.5B and 5.2.5C of Chapter 6	
	20	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	21	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	22	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	23	5.2.5B and 5.2.5C of Chapter 6	
	24	5.2.5B and 5.2.5C of Chapter 6	
10 March 2016	29	5.2.5B and 5.2.5C of Chapter 6	
	30	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	31	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	32	5.2.5B and 5.2.5C of Chapter 6	
	33	5.2.5B and 5.2.5C of Chapter 6	
12 March 2016	22	5.2.5B and 5.2.5C of Chapter 6	
	23	5.2.5B and 5.2.5C of Chapter 6	
25 April 2016	39	5.2.5B and 5.2.5C of Chapter 6	
12 May 2016	29	5.2.5B and 5.2.5C of Chapter 6	
	30	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	31	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	32	5.2.5B and 5.2.5C of Chapter 6	
	33	5.2.5B and 5.2.5C of Chapter 6	
	34	5.2.5B and 5.2.5C of Chapter 6	
	35	5.2.5B and 5.2.5C of Chapter 6	
	36	5.2.5B and 5.2.5C of Chapter 6	
22 June 2016	38	5.2.5B and 5.2.5C of Chapter 6	
	39	5.2.5B and 5.2.5C of Chapter 6	5.1.5 of Chapter 6
	40	5.2.5B and 5.2.5C of Chapter 6	
29 June 2016	31	5.2.5B and 5.2.5C of Chapter 6	
	32	5.2.5B and 5.2.5C of Chapter 6	
8 August 2016	40	5.2.5B and 5.2.5C of Chapter 6	
	41	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	42	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	43	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	44	5.2.5B and 5.2.5C of Chapter 6	
	45	5.2.5B and 5.2.5C of Chapter 6	
9 August 2016	25	5.2.5B and 5.2.5C of Chapter 6	
	26	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	27	5.2.5B and 5.2.5C of Chapter 6	
29 August 2016	19	5.2.5B and 5.2.5C of Chapter 6	
	20	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	21	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6

Date	Period	Relevant sections of the market rules in breach	
		Non-compliance of declared quantity	Failure to submit offer variations to reflect generating capability
	22	5.2.5B and 5.2.5C of Chapter 6	
	23	5.2.5B and 5.2.5C of Chapter 6	
	27	5.2.5B and 5.2.5C of Chapter 6	
	28	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	29	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	30	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	31	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	32	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	33	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
	34	5.2.5B and 5.2.5C of Chapter 6	
	35	5.2.5B and 5.2.5C of Chapter 6	
	40	5.2.5B and 5.2.5C of Chapter 6	
30 August 2016	28	5.2.5B and 5.2.5C of Chapter 6	
	29	5.2.5B and 5.2.5C of Chapter 6	
5 September 2016	33	5.2.5B and 5.2.5C of Chapter 6	
	34	5.2.5B and 5.2.5C of Chapter 6	
	35	5.2.5B and 5.2.5C of Chapter 6	
	36	5.2.5B and 5.2.5C of Chapter 6	
	37	5.2.5B and 5.2.5C of Chapter 6	
	44	5.2.5B and 5.2.5C of Chapter 6	
	45	5.2.5B and 5.2.5C of Chapter 6	5.1.6 of Chapter 6
7 September 2016	21	5.2.5B and 5.2.5C of Chapter 6	
	22	5.2.5B and 5.2.5C of Chapter 6	
27 September 2016	28	5.2.5B and 5.2.5C of Chapter 6	
	29	5.2.5B and 5.2.5C of Chapter 6	5.1.5 of Chapter 6
	30	5.2.5B and 5.2.5C of Chapter 6	5.1.5 of Chapter 6
	31	5.2.5B and 5.2.5C of Chapter 6	

16. In view of the explanations furnished by Shell and other relevant circumstances, including that there was no significant impact on the wholesale electricity market and that Shell has since rectified the issue of non-cooperation following the MSCP's warning, the MSCP hereby issues a letter of non-compliance to Shell for failing to comply with sections 5.1.5, 5.1.6, 5.2.5B and 5.2.5C of Chapter 6 and section 4.6.10 of Chapter 3 of the market rules.
17. The MSCP directs Shell to pay costs, fixed at \$7,000.



T P B Menon
Chair, Market Surveillance and Compliance Panel