

**DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL
MSCP/2018/D1**

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

6 March 2018

Party

Shell Eastern Petroleum (Pte) Ltd

Subject

Failure to comply with gate closure rules from August to November 2017

FACTS AND CIRCUMSTANCES

1. Shell Eastern Petroleum (Pte) Ltd (“Shell”) submitted self-reports on 3 October 2017, 23 October 2017 and 27 November 2017, regarding its offer variations after gate closure for its generation registered facility (“GRF”) BKOM G1 on 13 August 2017, periods 9 to 11, 16 September 2017, periods 32 to 35 and 13 November 2017, periods 44 to 45, respectively. Shell also submitted self-reports on 23 October 2017 and 23 November 2017, regarding its offer variations after gate closure for its GRF SHUL G1 on 25 September 2017, periods 23 to 39 and 7 October 2017, periods 21 to 33.
2. There were a total of ten instances of offer variations after gate closure involving changes in offer price and/or quantity. These straddled nine periods between August and November 2017. Two of these nine periods of offer variations involved facility SHUL G1 and seven involved facility BKOM G1.
3. Shell is an embedded generator and electricity generation is not Shell’s main business. According to Shell, its commercial priority is ensuring normal and safe operation of its process units which are mainly steam driven.
4. The reasons for the breaches on the relevant dates as submitted by Shell can be briefly summarised as follow:
 - a. technical issues experienced by BKOM G1 and SHUL G1 that affected electricity and steam generation; and

- b. mistakes of staff who submitted the offer variations for the affected periods.
5. On 30 January 2018, the MSCP wrote to inform Shell that it considers Shell to be in prima facie breach of section 10.4.1 of Chapter 6 of the Market Rules for its GRF BKOM G1 on 13 August 2017, periods 9 to 11, 16 September 2017, periods 32 to 35, 13 November 2017, periods 44 to 45 and SHUL G1 on 25 September 2017, periods 23 to 39 and 7 October 2017, periods 21 to 33, and invited Shell to make written representations, before the MSCP makes a determination.
6. Shell submitted written representations to the MSCP on 12 February 2018.
7. In the written representations, Shell provided a background on the operation of SHUL G1 and BKOM G1, a summary of causes of the incidents on 13 August 2017, 16 September 2017, 25 September 2017, 7 October 2017 and 13 November 2017 and the following new explanation as well as some updated mitigating factors.
 - a. The breach of section 10.4.1 of Chapter 6 of the Market Rules was due to a misinterpretation of the provision in that offer variation after gate closure permitted for forced outage as being applicable to all abnormal situations.
8. Shell said that the breaches of the Market Rules were unintentional. Shell takes compliance with the Market Rules very seriously.
9. Shell indicated that it did not wish to appear before the MSCP.
10. Of the ten instances of offer variations after gate closure under investigation, one (period 38 on 25 September 2017) was due to Shell trying to synchronise to the grid following maintenance. It is hence not a breach of the gate closure rule. Four cases (two instances of period 33, one instance each of periods 34 and 35 on 16 September 2017) involved an increase in offer quantity after a temporary de-rating, which are not acceptable under the Market Rules. The remaining five cases were due to carelessness and could have been avoided if due diligence had been exercised, which are not acceptable under the Market Rules.
11. All incidents did not significantly impact the market.
12. Shell has taken remedial actions by coaching its staff to be familiar with the relevant Market Rules and the offer submission process.

APPLICABLE MARKET RULES

13. Section 10.4.1 of Chapter 6 provides that
 - 10.4.1 Notwithstanding sections 5.1.5, 5.1.6 and 5.1.7, no *offer variation* or revised *standing offer* shall be submitted by or for a *market participant* within 65 minutes immediately prior to the *dispatch period* to which the *offer variation* or revised *standing offer* applies, except:

10.4.1.1 where it is intended:

- a. for a *generation registered facility*, to reflect its expected ramp-up and ramp-down profiles during periods following *synchronisation* or preceding *desynchronisation*; or
- b. for a *generation registered facility*, to reflect its revised capability during a *forced outage*; or
- c. to contribute positively to the resolution of an *energy* surplus situation pertaining to which the *EMC* has issued an *advisory notice* under section 9.3.1, by allowing for decreased supply of *energy*; or
- d. to contribute positively to the resolution of *energy*, *reserve* or *regulation* shortfall situations pertaining to which the *EMC* has issued *advisory notices* under section 9.3.1, by allowing for increased supply of *energy*, *reserve* or *regulation*; or
- e. to contribute positively to the resolution of *energy*, *reserve* or *regulation* shortfall situations in that *dispatch period*, where:
 - (i) the shortfall situations were indicated in a system status *advisory notice* issued by the *EMC* in respect of an *emergency operating state* declared by the *PSO*; and
 - (ii) at the time of submission of such *offer variation* or revised *standing offer*, the *EMC* has not yet withdrawn, in respect of that *dispatch period*, such system status *advisory notice*,

by allowing for increased supply of *energy*, *reserve* or *regulation*;
and

10.4.1.2 where the price so *offered*, other than for additional quantities of *energy*, *reserve* or *regulation*, is the same as that previously *offered* for that *dispatch period*.

DETERMINATION

14. The MSCP determined on the basis of the facts referred to above that Shell breached section 10.4.1 of Chapter 6 of the Market Rules for offer variations made after gate closure for BKOM G1 for periods 10 to 11 on 13 August 2017, periods 33 to 35 on 16 September 2017, periods 44 to 45 on 13 November 2017 and for SHUL G1 for period 30 on 7 October 2017.
15. The incidents were self-reported and did not have significant impact on the wholesale electricity market. Shell has also taken remedial actions to prevent the incident from recurring. However, the incidents were mostly due to carelessness and could have been avoided if Shell had exercised due diligence.

16. In view of the repeated nature of rule breaches committed, the MSCP hereby imposes a financial penalty of \$7,500 on Shell and directs Shell to pay costs, fixed at \$1,500. The total sum of \$9,000 is to be paid forthwith.



T P B Mendon
Chair, Market Surveillance and Compliance Panel