DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL
MSCP/2020/D1

Market Surveillance and Compliance Panel
Mr. T P B Menon, Chair
Er. Lee Keh Sai
Mr. Philip Chua
Professor Euston Quah
Professor Walter Woon

Date of Determination
6 April 2020

Party
Energy Market Company Pte Ltd

Subject
Incorrect final settlement documents for 24 and 25 October 2019

FACTS AND CIRCUMSTANCES


2. On 1 November 2019, EMC implemented a routine update to the settlement system calendar to include the non-business days for 2020.

3. On 11 November 2019, SP Services Limited (“SP Services”) informed EMC that the market participant payment date and the EMC payment date were indicated incorrectly in the final settlement documents published on the same day. The final settlement documents were for trading date 25 October 2019.

4. EMC then noticed a typographical error in its update to the settlement system calendar, as Deepavali 2020 (public holiday) was wrongly recorded as 14 November 2019 (business day), instead of 14 November 2020 (non-business day one year later), incorrectly moving the payment dates one additional business day forward in the final settlement documents for the trading dates 24 and 25 October 2019.

5. EMC rectified the final settlement documents with the correct payment dates immediately on 11 November 2019. The final settlement documents were then revised and reissued as follows:
<table>
<thead>
<tr>
<th>Trading Date</th>
<th>Version</th>
<th>Market Participant Payment Date</th>
<th>EMC Payment Date</th>
<th>Issue Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 October 2019</td>
<td>Original</td>
<td>13 November 2019</td>
<td>15 November 2019</td>
<td>8 November 2019</td>
</tr>
<tr>
<td></td>
<td>Revised</td>
<td>13 November 2019</td>
<td>14 November 2019</td>
<td>11 November 2019 17:30 hrs (late)</td>
</tr>
<tr>
<td></td>
<td>Revised</td>
<td>14 November 2019</td>
<td>15 November 2019</td>
<td>11 November 2019 17:00 hrs (on time)</td>
</tr>
</tbody>
</table>

6. EMC did not detect any anomaly initially as 14 November 2020, being a Saturday, was already correctly indicated as a non-business day in the settlement system.

7. Upon discovering the error, EMC rolled out data patches immediately to reflect 14 November 2019 as a business day, correct erroneous dates in the settlement system and update bank reconciliation statements.

8. At 17:45 hrs on 11 November 2019, after the data patches were rolled out and the final settlement documents were corrected, EMC informed all market participants via e-mail to download their respective final settlement documents for trading dates 24 and 25 October 2019.

9. Following the discovery of the error, EMC voided the electronic funds transfer (“EFT”) instruction files which had been uploaded into the settlement bank’s system and replaced the files with new EFT files to ensure timely settlement payments to the market.

10. EMC would also take the following remedial actions:

a. all structured query language scripts prepared by a database administrator shall be reviewed by another database administrator before execution; and

b. the verification output for all future updates of public holidays in the settlement system shall include dates from the day of script execution, instead of dates from the following calendar year only.

11. On 10 February 2020, the Market Surveillance and Compliance Panel (“MSCP”) wrote to inform EMC that it considered EMC to be in prima facie breach of sections 5.2.3, 5.2.5, 5.2.6, 5.2.8, 5.8.2.2 and 5.8.2.3 of Chapter 7 of the Market Rules for trading dates 24 and 25 October 2019. The MSCP invited EMC to submit written representations by 24 February 2020 before the MSCP makes a determination.

12. On 24 February 2020, EMC submitted its written representations to the MSCP, indicating its current procedure related to the annual calendar update, acknowledging the error and highlighting steps to adequately cover all possible gaps in relation to the annual calendar update to reduce the likelihood of reoccurrence.

13. EMC was of the view that a hearing was not necessary unless the MSCP required any further clarification.
APPLICABLE MARKET RULES

14. **Section 5.2.3 of Chapter 7 provides that**

The final settlement statement for each trading day in the real-time markets shall be issued ten business days after each trading day and shall reflect the outcome of the validation procedure undertaken in accordance with section 5.5.

15. **Section 5.2.5 of Chapter 7 provides that**

At the same time as the EMC issues to a market participant one or more final settlement statements referred to in section 5.2.3, the EMC shall issue a single invoice to that market participant for the trading days to which the final settlement statements relate.

16. **Section 5.2.6 of Chapter 7 provides that**

The market participant payment date for each invoice shall be the twentieth day after the trading day subject to business day convention.

17. **Section 5.2.8 of Chapter 7 provides that**

The EMC payment date for each invoice shall be one day after the market participant payment date, subject to business day convention, for that invoice.

Section 5.8.2 of Chapter 7 provides that

Each invoice issued by the EMC to a market participant shall show:

5.8.2.1 the dollar amounts which are to be paid by or to the market participant, according to the settlement statements as specified in section 5.8.1;

5.8.2.2 the market participant payment date by which such dollar amounts, if any, are to be paid by the market participant no later than the close of banking business;

5.8.2.3 the EMC payment date by which the EMC is to make payments, if any, to the market participant no later than the close of banking business.

ENFORCEMENT

18. The MSCP determined based on the facts referred to above that EMC had breached sections 5.2.3, 5.2.5, 5.2.6, 5.2.8, 5.8.2.2 and 5.8.2.3 of Chapter 7 of the Market Rules for trading dates 24 and 25 October 2019.

19. Although the incident did not have an actual impact on the NEMS, the incident could have led to an event of default in the market. In addition, the incident was due to EMC’s carelessness and could have been avoided if EMC had exercised due diligence.

20. Nevertheless, the MSCP notes that the incident was self-reported and EMC had taken immediate remedial actions following the incident.

21. The MSCP hereby imposes a financial penalty of $10,000 on EMC and directs EMC to pay costs fixed at $1,500.
22. The MSCP takes a serious view on any behaviour which could undermine the efficiency of the NEMS. The MSCP reminds EMC of its critical role as a market operator and its responsibilities in safeguarding the financial security of the NEMS.

T P B Menon
Chair, Market Surveillance and Compliance Panel