FACTS AND CIRCUMSTANCES

1. On 10 February 2021, the Market Surveillance and Compliance Panel (“MSCP”) received a complaint against MSD International GmbH (“MSD International”) regarding section 7.3.1.1 of Chapter 3 of the Singapore Electricity Market Rules (“Market Rules”).

2. The Market Assessment Unit (“MAU”) informed MSD International on 18 February 2021 that it initiated an investigation on the Market Rules breach allegations.

3. The MSCP subsequently received an update on 12 March 2021 to include section 7.3.3.1 of Chapter 3 of the Market Rules as part of the complaint for the consideration of the alleged rule breach.

4. Under the revenue regulatory regime approved by the Energy Market Authority (“EMA”), EMC and the Power System Operator (“PSO”) are allowed to collect, for the period from 1 April 2018 to 30 June 2023, annual market participant (“MP”) fees of $13,500 payable by each MP to EMC (i.e. $10,000) and the PSO (i.e. $3,500), for each calendar year. The total amount is $14,445, including Goods and Service Tax.

5. On 30 December 2020, EMC issued invoices for the payment of the annual MP fees for the billing period 1 January 2021 to 31 December 2021. The payment due date was 30 days following the date of issuance of the invoice (i.e. 29 January 2021).
6. On 19 January 2021, a reminder email was sent to all MPs to maintain sufficient funds in the designated clearing bank account registered with the National Electricity Market of Singapore ("NEMS"), to facilitate the bank deduction on 29 January 2021.

7. EMC proceeded with the bank deduction from each MP designated NEMS clearing bank account on 29 January 2021, in accordance with the invoice payment date. However, the bank deduction was unsuccessful for MSD International. The unsuccessful bank deduction was considered an event of default in accordance with section 7.3.1.1 of Chapter 3 of the Market Rules, when the MP does not pay money due for payment by the appointed time specified under the Market Rules.

8. Pursuant to section 7.3.3 of Chapter 3 of the Market Rules, EMC issued a default notice to MSD International on 29 January 2021 informing that it was required to remedy the default within one business day from 29 January 2021.

9. MSD International failed to remedy its payment by the stipulated timeline allowed under the Market Rules. However, the payment deduction 1 day after the remedy due date (2 February 2021) was successful.

10. To prevent a similar incident from occurring, MSD International informed that it has since included two new email contacts from the Finance department who will be kept informed and coordinate with the relationship manager from OCBC bank for payment matters relating to the NEMS business.

11. On 29 March 2021, the MSCP wrote to inform MSD International that it considered MSD International to be in prima facie breach of section 7.3.1.1 of Chapter 3 of the Market Rules for the late payment of the annual MP fees. The MSCP invited MSD International to submit written representations by 12 April 2021 before the MSCP makes a determination.

12. On 12 April 2021, MSD International sent an email request to MAU for an extension to the deadline for its submission of the written representations. The MAU agreed for an extension to 16 April 2021.

13. In its written representations, MSD International provided information to the incident of the following:

   a. The annual MP fees is a recurring annual event for which the third-party transaction has been set in place. Past payments had been successful with no actions required to trigger payment for the annual MP fees.

   b. The OCBC account under MSD International was set up for the sole purpose dedicated to the daily NEMS settlement with EMC for its tri-generation facilities.

   c. The unsuccessful bank deduction for the annual MP fees for 29 January 2021 and 1 February 2021, were likely due to insufficient funds in the bank account as the settlement funds received under the daily NEMS settlement had been transferred away prior to the deduction.

   d. This was the first time that MSD International faced an issue with the payment of the annual MP fees. It was not their intent to default in the payment.

   e. They have proposed on the remedial actions to prevent future recurrences.

14. MSD International was of the view that a hearing was not necessary.
APPLICABLE MARKET RULES

15. Section 7.3.1.1 of Chapter 3 provides that

Each of the following is an event of default in relation to a market participant:

the market participant does not pay money due for payment by it under the market rules by the appointed time on the due date;

ENFORCEMENT

16. The MSCP determined based on the facts referred to above that MSD International had breached section 7.3.1.1 of Chapter 3 of the Market Rules due to the late payment of annual MP fees for 2021.

17. The MSCP considered that this is the first time that MSD International is in breach of the Market Rules and that the delay in payment of such fees did not affect the settlement process and did not have a significant impact on the wholesale electricity market.

18. In view of the above, the MSCP hereby issues a letter of non-compliance to MSD International and directs MSD International to pay costs fixed at $2,000. The MSCP also reminds MSD International to practice due diligence to prevent future recurrences.

T P B Menon
Chair, Market Surveillance and Compliance Panel