

**DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL  
MSCP/2010/D3**

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**Market Surveillance and Compliance Panel (“MSCP”)**

Mr Thean Lip Ping, Chair  
Professor Lim Chin  
Mr Lee Keh Sai  
Mr TPB Menon  
Mr Philip Chua

**Date of Determination**

9 June 2010

**Party**

Energy Market Company Pte Ltd (“EMC”)

**Subject**

Audit Reports of Settlement Functions were not provided to all market participants, the PSO and the Authority

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**Applicable Rule(s) in the Singapore Electricity Market Rules**

1 Section 5.15.1 of Chapter 7

“The audit of settlement functions referred to in this section 5.15 shall serve to examine and evaluate compliance with the management control objectives and operational effectiveness of settlement processes and procedures.”

2 Section 5.15.6 of Chapter 7

“Each audit report prepared pursuant to this section 5.15 shall be provided to all market participants, the PSO and the Authority, subject to such measures as may be required to be taken to safeguard any confidential information contained in such audit report.”

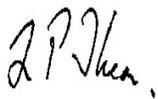
**Facts and Circumstances**

- 3 In connection with its ongoing FY2009/10 audit on settlement functions, EMC discovered that EMC has not provided any audit report on settlement functions to the market participants, the PSO and the Authority since the start of the National Electricity Market of Singapore.

- 4 Annually, an external auditor performs a Statutory Audit, a PIM audit and a settlement functions audit on EMC. EMC said that it provided annually the Statutory Audit report to the Authority and the PIM audit to the Authority and market participants.
- 5 EMC said that the omission of providing the settlement functions audit report as required by section 5.15.6 of Chapter 7 of the market rules was apparently due to its misunderstanding that section 5.15.6 of Chapter 7 of the market rules had been satisfied by EMC's practice of providing annually the EMC's statutory audit report to the Authority and the PIMS audit report to the Authority and the market participants.
- 6 After discovering the non-compliance, EMC immediately liaised with the settlement functions auditor, Messrs. Ernst & Young, for them to collate by mid February 2010 the annual audit reports of the settlement functions from 2003 to 2009. EMC had since provided the collated audit reports to the Authority, the PSO and market participants.
- 7 To prevent a recurrence of the omission, EMC on 26 January 2010 implemented a new procedure with the auditor to ensure the audit report of the settlement functions will be provided annually to the Authority, the PSO and the market participants.
- 8 Moving forward towards EMC's objective of zero tolerance of rule breaches, EMC will commence a project in the 1<sup>st</sup> quarter of FY2010/2011 to update the mapping rules register and verify that the business owners in EMC are complying with their obligations under the market rules and market manuals. This updating and verification exercise will form part of the EMC's Annual Strategic Risk Management Plan and will be conducted annually to prevent any inadvertent on non-compliance with the market rules.

### **Determination**

- 9 On 11 May 2010, the MSCP issued a letter informing EMC that it considered that EMC had prima facie breached section 5.15.6 of Chapter 7 of the Singapore Electricity Market Rules (the "market rules") and invited EMC to make written representations. EMC replied that it did not wish to make written representations.
- 10 The MSCP determined on the basis of the facts referred to above that EMC breached section 5.15.6 of Chapter 7 of the market rules.
- 11 However, the breach was self-reported and had no significant impact on the market.
- 12 Therefore, the MSCP determined that the appropriate enforcement action to be taken is to issue a letter of non-compliance to EMC and directs EMC to pay costs, fixed at \$1,300.



Thean Lip Ping  
Chair, Market Surveillance and Compliance Panel