

**DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL
MSCP/2011/D1**

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
8 February 2011

Party
Energy Market Company Pte Ltd (“EMC”)

Subject
Failure to provide assessment of the impact of the schedule of fees EMC proposed to charge on the market participants when it sought approval from the Authority for its proposed expenditure and revenue yearly

Applicable Rule(s) in the Singapore Electricity Market Rules

1 Section 11.1.1 of Chapter 2

“Subject to sections 10.1.2 and 10.1.8, the EMC shall, no less than sixty days prior to the beginning of each EMC fiscal year that commences after the market commencement date, submit, in accordance with the requirements of this section 11:

11.1.1 its proposed expenditure and revenue requirements for; and

11.1.1.2 either:

a. a schedule of the fees that it proposes to charge during; or

b. a statement of the methodology that it proposed to use to determine the fees that it proposes to charge during,

the following EMC fiscal year to the Authority for approval.”

2 Section 11.1.2 of Chapter 2

"Subject to the provisions of the EMC's electricity licence and to any direction issued to the EMC by the Authority, the EMC's proposed expenditure and revenue requirements referred to in section 11.1.1(a) shall include the following:

11.1.2.1 a statement of the revenues anticipated to be earned by the EMC in the applicable EMC fiscal year;

11.1.2.2 a statement of the costs anticipated to be incurred by the EMC in the applicable EMC fiscal year, in the aggregate;

11.1.2.3 a statement of the costs anticipated to be incurred by the EMC in the applicable EMC fiscal year for each of the EMC's activities or services, classified into such categories as may be required or permitted by the Authority; and

11.1.2.4 an identification of the sources that are driving each of the costs referred to in section 11.1.2.3t 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."

3 Section 11.1.3 of Chapter 2

"The proposed schedule of fees or statement of methodology referred to in section 11.1.1.2 shall be accompanied by the EMC's assessment of the impact of the schedule of fees or methodology on:

11.1.3.1 each class of market participant;

11.1.3.2 market support services licensees as a class; and

11.1.3.3 any other classes of persons on whom the EMC proposes to levy fees".

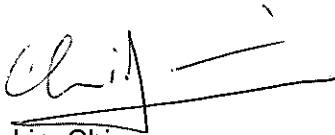
Facts and Circumstances

4. According to EMC, from the start of National Electricity Market of Singapore ("NEMS") in 2003, it has submitted annually to the Authority for approval its proposed expenditure and revenues requirements together with the schedules of fees it proposed to charge all classes of market participants for the following fiscal year.
5. EMC found out recently that it inadvertently did not include the assessment of the impact of the schedule of fees it proposed to charge on the market participants as required under section 11.1.3 of Chapter 2 of the Singapore Electricity Market Rules (the "market rules") when submitting to the Authority for approval of its proposed expenditure and revenues requirements since the commencement of NEMS in 2003.
6. EMC said that the omission was apparently due to the misunderstanding that it was sufficient to satisfy the rule by furnishing the schedule of fees including the past historical fees (actual) and future projected fees as EMC's fees apply equally to all market participants. EMC said that such impact assessment did not appear to be relevant or defined in the market rules. Moreover, upon receipt of EMC's proposed expenditure and revenue requirements and schedule of fees, the Authority had historically not requested for such assessment.

7. EMC said that after the discovery, it enquired with the Authority with regard to the assessment report. The Authority suggested that EMC states in EMC's annual submission to the Authority the impact assessment on all classes of market participants by way of expressing EMC's Budgeted Fees as a percentage of the prior year's actual USEP.
8. Following the discovery of the omission, EMC has amended its process to provide with effect from EMC's Budget of FY2011/2012, the impact assessment of the EMC fee.

Determination

9. On 8 December 2010, the MSCP issued a letter informing EMC that it considered that EMC had prima facie breached section 11.1.3 of Chapter 2 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 11.1.3 of Chapter 2 of the market rules.
11. However, this incident was self-reported and it was not possible to assess its impact on the wholesale electricity markets.
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.



Lim Chin
for Chair, Market Surveillance and Compliance Panel