

**DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL  
MSCP/2008/D2**

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

Professor Lim Chin  
Mr Lee Keh Sai  
Mr TPB Menon

**Date of Determination**

16 June 2008

**Parties**

Keppel Electric Pte Ltd  
SembCorp Power Pte Ltd  
Senoko Energy Supply Pte Ltd  
Seraya Energy Pte Ltd  
SP Services Ltd  
Tuas Power Supply Pte Ltd

**Subject**

Replacement credit support not provided within the deadline stipulated in the market rules

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

1. Section 7.6.6 of Chapter 2

“If credit support previously held by the EMC in respect of a market participant pursuant to this section 7 (the existing support) is due to expire or terminate and, upon expiry or termination of the existing support the total credit support held by EMC in respect of that market participant will be less than the market participant’s credit support value then, at least ten business days prior to the time at which the existing support is due to expire or terminate, the market participant must provide to the EMC a replacement credit support as defined in accordance with section 7.6.2, which will become effective no later than the expiry or termination of the existing support, such that the total credit support provided is equal to the market participant’s credit support value.”

2. Section 7.1.8 of Chapter 3

“Where the EMC believes or becomes aware that a market participant or the EMC or PSO has breached, is breaching or may be breaching the market rules or a market manual, or where the group of persons referred to in section 4.6.2 believes or become aware that the EMC has breached, is breaching or may be breaching the market rules or a market manual, the EMC or the said group, as the case may be, shall:

- 7.1.8.1 so notify the market surveillance and compliance panel in writing, which notice shall set forth details of such belief or the alleged past, present or potential breach, including evidence in respect thereof; and
- 7.1.8.2 provide to the market surveillance and compliance panel all information in their respective ownership, possession or control relating to such belief or alleged past, present or potential breach.

### Facts and Circumstances

3. Energy Market Company Pte Ltd (“EMC”) and each of 6 market participants: Keppel Electric Pte Ltd, SembCorp Power Pte Ltd, Senoko Energy Supply Pte Ltd, Seraya Energy Pte Ltd, SP Services Ltd and Tuas Power Supply Pte Ltd jointly submitted reports on 24 July 2007 for potential breaches of section 7.6.6 of Chapter 2 and section 7.1.8 of Chapter 3 of the Singapore Electricity Market Rules (“the market rules”).
4. According to the market rules, market participants must provide to EMC replacement credit support at least 10 business days prior to the expiry of the existing credit support. Market participants provide credit support in the form of banker’s guarantees.
5. In the years 2003 to 2006, when EMC issued requests to the market participants to renew their credit support, EMC due to its oversight did not adhere to the timeline set out in section 7.6.6 of Chapter 2. EMC set for market participants deadlines for submission of renewed banker’s guarantees which were less than 10 business days prior to the expiry of the existing banker’s guarantees. On these occasions, the market participants submitted renewed banker’s guarantees less than 10 business days prior to the expiry of the existing banker’s guarantees. There was therefore non-compliance with section 7.6.6 of Chapter 2 of the market rules by the market participants.
6. A summary of the incidents and the market participants concerned is as follows:

Market Participants	Expiry Date of Existing Banker’s Guarantee	Deadline set by EMC	Receipt Date of Replacement Banker’s Guarantee
Keppel Electric	31 Dec 2005	27 Dec 2005	22 Dec 2005
SembCorp Power	31 Dec 2003	26 Dec 2003	24 Dec 2003
SembCorp Power	31 Dec 2004	20 Dec 2004	29 Dec 2004
SembCorp Power	31 Dec 2005	27 Dec 2005	30 Dec 2005
Senoko Supply Energy	30 Jun 2003	30 Jun 2003	23 Jun 2003
Senoko Supply Energy	31 Mar 2004	30 Mar 2004	23 Mar 2004
Seraya Energy	31 Dec 2005	27 Dec 2005	23 Dec 2005
SP Services	31 Dec 2003	26 Dec 2003	19 Dec 2003
SP Services	31 Dec 2004	20 Dec 2004	31 Dec 2004
SP Services	31 Dec 2005	27 Dec 2005	23 Dec 2005
Tuas Power Supply	30 Jun 2004	25 Jun 2004	30 Jun 2004
Tuas Power Supply	30 Sep 2004	27 Sep 2004	28 Sep 2004
Tuas Power Supply	31 Dec 2004	20 Dec 2004	28 Dec 2004
Tuas Power Supply	31 Mar 2005	30 Mar 2005	29 Mar 2005
Tuas Power Supply	31 Mar 2005	30 Mar 2005	30 Mar 2005

Market Participants	Expiry Date of Existing Banker's Guarantee	Deadline set by EMC	Receipt Date of Replacement Banker's Guarantee
Tuas Power Supply	30 Jun 2005	27 Jun 2005	27 Jun 2005
Tuas Power Supply	30 Jun 2005	27 Jun 2005	28 Jun 2005
Tuas Power Supply	30 Sep 2005	30 Sep 2005	27 Sep 2005
Tuas Power Supply	30 Sep 2005	30 Sep 2005	22 Sep 2005
Tuas Power Supply	31 Dec 2005	31 Dec 2005	28 Dec 05
Tuas Power Supply	9 Nov 2005	9 Nov 2005	8 Nov 2005
Tuas Power Supply	9 Jan 2006	9 Jan 2006	3 Jan 2006

7. EMC acknowledged that there had been a technical breach of the market rules by each of the market participants owing to its oversight. EMC also said that when it became aware of the breach in November 2006, it had initiated discussions with the market participants and coordinated for each market participant and EMC to jointly submit a self-report to the MSCP in July 2007.
8. In relation to the remedial actions they had taken, EMC and each of the market participants commented as follows:

EMC

“EMC has reviewed its processes and will ensure that all requests for credit support indicates a date at least 10 business days prior to the expiry of credit support in compliance with the market rules. The new procedures were implemented on the 2006 credit support renewal exercise.”

Keppel Electric

“Keppel Electric will ensure that all credit support in future shall be renewed at least 10 business days prior to the expiry of the existing credit support provided.”

SembCorp Power

“SembCorp Power will author a new procedure requesting support staff from the Finance department to track the expiry date of any BG issued to EMC. In the same procedure, staff assigned to the task will process the necessary paperwork independently. Reminders issued by EMC will act as additional help should the procedure fail. With this in place, BG submission delay should no longer be a problem.”

Senoko Energy Supply

“Senoko Energy Supply has complied with the requisite 14 day period since discovery of the infringement.”

Seraya Energy

“Seraya Energy has briefed the relevant personnel in-charge of the preparation of the credit support to ensure that the market rule is adhered to.”

### SP Services

“SP Services will ensure that their credit support is submitted within the timeframe indicated by EMC.”

### Tuas Power Supply

“Tuas Power Supply has also reviewed its process. TPS will ensure that the renewal of banker guarantees will be given to EMC in accordance to the market rules.”

## **Determination**

9. Based on the facts of the incident, the MSCP considered that Keppel Electric Pte Ltd, SembCorp Power Pte Ltd, Senoko Energy Supply Pte Ltd, Seraya Energy Pte Ltd, SP Services Ltd and Tuas Power Supply Pte Ltd had prima facie breached section 7.6.6 of Chapter 2 of the market rules when each of these market participants had not provided their replacement credit support to EMC at least 10 business days before the expiry of the existing credit support.
10. The MSCP had on 20 September 2007 sent letters to the six market participants informing them that it was of the view they were prima facie in breach of the market rules for not providing replacement banker's guarantees within the deadline required under the market rules and inviting them to make written representations. Four market participants: Senoko Energy Supply, Seraya Energy, SP Services and Tuas Power Supply submitted their written representations accordingly. Keppel Electric and SembCorp Power did not submit any written representations.
11. After taking into consideration the written representations submitted, the MSCP determined that the 6 market participants breached section 7.6.6 of Chapter 2 of the market rules.
12. However, the incidents were self-reported and some of the parties concerned indicated that they had taken steps to prevent future recurrence. The incidents did not have any actual financial impact as all replacement credit support was provided by the market participants prior to the expiry of the existing credit support.
13. Therefore, the MSCP determined that the appropriate action to be taken was to issue a letter of non-compliance to the six market participants and impose costs, fixed at \$1,000 against each market participant.
14. The MSCP also determined that EMC was not in breach of section 7.6.6 of Chapter 2 of the market rules as the obligation in that provision is imposed on market participants. However, it appeared that EMC's oversight in conveying to market participants a later time limit for provision of replacement credit support than that under the market rules had contributed to the market participant breaches. The MSCP therefore, urges EMC, as market operator, to exercise greater caution in future so as to encourage compliance with the market rules.

15. In relation to the rule breach reporting, a few months had elapsed from the time that EMC had become aware of the breaches to the time that EMC and the market participants had submitted reports to the MSCP. Nonetheless, based on the circumstances of the case and the actions taken by the parties to discuss and jointly report the breaches, the MSCP finds that that there was no breach of section 7.1.8 of Chapter 3.

A handwritten signature in black ink, appearing to read 'Lim Chin', with a horizontal line extending to the right from the end of the signature.

Lim Chin  
for Chair, Market Surveillance and Compliance Panel