

**DETERMINATION OF THE MARKET SURVEILLANCE AND COMPLIANCE PANEL
MSCP/2006/D12**

Market Surveillance and Compliance Panel (“MSCP”)

Mr Joseph Grimberg, Chair
Professor Lim Chin
Mr Lee Keh Sai
Mr TPB Menon
Mr David Wong

Date of Determination

24 August 2006

Party

Energy Market Company Pte Ltd (“EMC”)

Subject

Release of confidential information

Applicable Rule(s) in the Singapore Electricity Market Rules

1. Section 6.4.2 of Chapter 3 provides that:

“Neither a market participant nor a market support services licensee, nor either of the EMC or the PSO shall:

- 6.4.2.1 disclose confidential information to any person except as permitted by the market rules, a market manual or the system operation manual;
- 6.4.2.2 permit access to confidential information by any person not authorized to have such access pursuant to the market rules, a market manual or the system operation manual; or
- 6.4.2.3 use or reproduce confidential information for a purpose other than the purpose for which it was disclosed or another purpose contemplated by the market rules, a market manual or the system operational manual.”

2. Section 1.1.26 of Chapter 8 provides that:

“confidential information means information which is or has been provided pursuant to the market rules, a market manual or the system operation manual which is:

- (a) stated by the market rules, a market manual or the system operation manual to be confidential information;
- (b) otherwise confidential or commercially sensitive; or
- (c) derived from information referred to in (a) or (b),

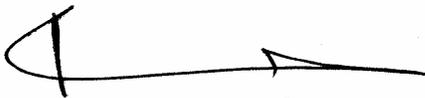
but shall not include information that is required by the market rules, a market manual or the system operation manual to be published by the EMC or the PSO or otherwise made available to all market participants.

3. According to EMC, tax invoices for a market participant (“MP”) for trade date 3 August 2005 was erroneously sent to SP Services on 18 August 2005. SP Services informed EMC of the wrong tax invoices on 24 August 2005. EMC then notified the MP concerned and SP Services of the error and a written explanation of the incident was sent to them on 25 August 2005. SP Services wrote to inform EMC that it agreed not to pursue the issue any further and would treat the case as closed. The MP concerned expressed its hope that there would not be a similar occurrence again.
4. There was no impact on the settlement of NEMS trades for trade date 3 August 2005 (settled on 23 August 2005) caused by this error as all cash transfers were transacted at the correct amount after discovery of the error.
5. According to EMC, at the time of the incident, its process required one of its settlement staff to prepare an email attaching the invoice for an intended party and deposit the email in the designated draft email mailbox for that party. Another settlement staff would check this email for accuracy prior to sending it to the intended party. Hence, the process had a dual control in place to mitigate the risk associated with having a manual process and to ensure that the invoice was sent to the right recipient. However, On 18 August 2005, tax invoices for the particular MP for trade date 3 August 2005 were generated but the settlement officer erroneously attached it to the email intended for SP Services and deposited it into the draft email mailbox for SP Services. The second settlement officer who checked the email failed to spot the wrong attachment and sent the email out to SP Services.
6. In EMC’s report, it stated that “In reality, the information being disclosed had little commercial sensitivity as SP Services being the meter reader is able to ascertain those information in-house. Furthermore, this information on market participant is being published on a weekly basis for circulation to the market.”

In this regard, the MSCP noted that SP Services, being the meter reader, did have details regarding the quantity of market participant trades. However, the weekly market information provided by EMC to the market gave only the market share of each company in percentage terms and did not disclose the dollars and cents of trades for each day by that company.

7. EMC also stated that as remedial action, it had evaluated the incident and reviewed and revised its process by changing the naming convention of the invoice files and email naming display to avoid any confusion.

8. On 15 May 2006, the MSCP issued a letter informing EMC that it considered that EMC had prima facie breached 6.4.2.1 of Chapter 3 of the market rules Singapore Electricity Market Rules (the 'market rules') when EMC sent the trade invoices of the concerned MP of trading date 3 August 2005 inadvertently to SP Services on 18 August 2005. EMC was invited to make written representations.
9. On 18 May 2006, EMC submitted written representations to the MSCP.
10. In its written representations, EMC said that it had established that the incident was caused by human error. According to EMC, its manual verification process of sending out the tax invoices did not identify the mistaken email address due to visual similarities in the naming conventions used to identify the various parties. The information of the MP disclosed to SP Services had little commercial sensitivity. There was no other impact to the NEMS settlement system. Both the MP concerned and SP Services had also indicated that they would not be pursuing this matter any further.
11. EMC also explained that it had since implemented changes to the naming conventions of the various parties to ensure that each EMC staff is able to clearly identify each MP and to avoid confusion in future communications. On 1 April 2006, EMC automated the process of sending out tax invoices, thus further reducing the likelihood of a repeat of this occurrence.
12. In mitigation, EMC said that it trusted that the Panel would take into consideration that this incident was a result of human error and that the breach had no impact on the market. EMC further said that it remained committed to ensuring the reliability and smooth running operation of the NEMS system at all times.
13. On the basis of the facts referred to above, the MSCP determined that EMC had breached section 6.4.2.1 of Chapter 3 of the market rules.
14. However, the breach was self-reported, inadvertent and without significant impact on the wholesale electricity markets. Remedial action had also been taken.
15. Therefore, the MSCP determined that the appropriate action was to issue a letter of non-compliance to the EMC and to direct the EMC to pay costs, fixed at \$1,000.



Joseph Grimberg
Chair
Market Surveillance and Compliance Panel