



## CONSULTATION PAPER

# REVIEW OF THE WEIGHTED AVERAGE COST OF CAPITAL (WACC) PARAMETERS FOR SETTING VESTING PRICE FOR THE PERIOD 1 JANUARY 2007 TO 31 DECEMBER 2008

Closing date for submissions of comments and feedback:  
30 June 2006

**Note: There will be no extension of deadline beyond 30 Jun 2006, 5 pm**

22 MAY 2006

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## **1 Introduction**

- 1.1 Vesting contracts were implemented on 1 January 2004. The vesting contracts commit the generation companies to sell a specified amount of electricity at a specified price and thereby prevent gencos from exercising their market power to drive up prices. The specified price under the vesting contract i.e. vesting price is set at the long run marginal cost (LRMC) of the most efficient technology that accounts for at least 25% of our system demand. At this time the most efficient generation technology is the combined cycle gas turbine (CCGT).
- 1.2 At the last review in 2004, EMA had determined the LRMC parameters<sup>1</sup> for setting the vesting price to be applied from 1 January 2005 to 31 December 2006. Under the established procedures for setting the vesting price, EMA is required to review the LRMC parameters for setting the vesting price to be applied from 1 January 2007 to 31 December 2008.

## **2 Request for comments and feedback**

- 2.1 EMA invites comments and feedback on its draft report for the review of the Weighted Average Cost Of Capital (WACC) Parameters (i.e. excluding the Technical Parameters) for setting the vesting price for the period 1 January 2007 to 31 December 2008 as set out in the Appendix.
- 2.2 Please send your submission by e-mail to:  
**wong\_mui\_quee@ema.gov.sg,**  
**teo\_nan\_shing@ema.gov.sg,**  
**ong\_teck\_thiam@ema.gov.sg and**  
**tan\_kheng\_whee@ema.gov.sg**

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<sup>1</sup> The LRMC parameters comprise broadly 2 groups of parameters viz., the Technical parameters and the WACC (weighted average cost of capital) parameters.

Alternatively, you may send your submission by post/fax to the following address:

*Director (Market)*  
*Regulation Division*  
*Energy Market Authority*  
*111 Somerset Road, #15-05*  
*Singapore 238164.*  
*Fax: (65) 6 835 8084*

- 2.3 Anonymous submission will not be considered.
- 2.4 All comments and feedback must reach EMA by 5 pm on 30 June 2006.
- 2.5 EMA will acknowledge receipt of all submissions electronically. Please contact Ms Tan Kheng Whee or Mr Gary Ong Teck Thiam if you have not received an acknowledgement of your submission within two business days.
- 2.6 EMA reserves the right to make public all or parts of any written submissions made in response to this Consultation Paper and to disclose the identity of the source. Any part of the submission, which is considered by respondents to be confidential, should be clearly marked and placed as an annex. EMA will take this into account regarding disclosure of the information submitted.

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