



CONSULTATION PAPER

EXEMPTION OF EMBEDDED GENERATING UNITS IN OPERATION PRIOR TO 1 JANUARY 2003 FROM THE LICENSING REQUIREMENT UNDER THE ELECTRICITY ACT

Closing date for submissions of comments and feedback: **11 May 05**

26 APRIL 2005 | ENERGY MARKET AUTHORITY
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The information in this Consultation Paper is not to be treated by any person as any kind of advice. The Energy Market Authority shall not be liable for any damage or loss suffered as a result of the use of or reliance on the information given in this Consultation Paper.

1 Background

1.1 The Energy Market Authority (EMA) had on 1 Jan 03 exempted seven companies from the requirement to hold a Generation Licence under the Electricity Act. The seven companies are:

- (a) Shell Eastern Petroleum (Pte) Ltd;
- (b) Petrochemical Corporation of Singapore (Private) Ltd;
- (c) Singapore Refining Company Private Limited;
- (d) Anhydride Manufacturing Pte Ltd;
- (e) Singapore Syngas Pte Ltd;
- (f) Elba Eastern (Pte) Ltd; and
- (g) ExxonMobil Asia Pacific Pte Ltd.

1.2 The exemption from the licensing requirement was granted on the consideration that these companies:

- (a) had planned their investments in self generation without the intent to participate in the electricity market, before the licensing requirements of the Electricity Act took effect on 1 Jan 03; and
- (b) do not pose any significant risk to system security, as the generation capacity of their units are small.

1.3 As part of the exemption, EMA imposed the following conditions on each of the “exempted” companies:

- (a) the company shall not inject electricity into the transmission system;
- (b) the company shall not register itself as a market participant of the generation licensee class as stipulated in the Market Rules;
- (c) the company shall not increase its generation capacity beyond the capacity as at 1 Jan 03; and
- (d) the company shall comply with any code of practice and direction issued, approved or given by EMA under sections 16 and 17 of the Electricity Act.

2 Application to retain current exemption status if generation capacity is increased

2.1 Some of the exempted companies have requested that they be allowed to install new generating units, which will be licensed under the Electricity Act. The companies also requested that the units currently exempted from licensing continue to be exempted.

3 EMA's assessment

3.1 The exemption given to those generating units was given on consideration of the fact that they were planned and built under a different regulatory regime for the purpose of own use and not to participate in the market. Their combined generation capacity is small and has insignificant impact on system security and competition.

3.2 The companies have now no reason not to have considered the licensing requirements of the Electricity Act in their investment decisions. There is no reason to allow generating units planned after 1 Jan 03, even if for similar purpose, to be given the same exemption.

3.3 There is also no reason not to allow the companies given the exemption to install new generating units, provided these new units fully comply with the licensing requirements of the Electricity Act. For such companies, the exemption given to the existing generating units installed during the previous regulatory regime, can remain since the considerations that led to their being exempted have not changed. The conditions which form part of the exemption will continue to be imposed and will be imposed on the specific units that were planned and built under the previous regulatory regime.

3.4 On the above considerations, EMA intends to accede to the exempted companies' request to be allowed to install new generating units, and to have their generating units in operation before 1 Jan 03 continue to be exempted from licensing. The companies new generating units will be subject to the licensing requirements and to the Market Rules.

3.5 In addition, the exemption status for the companies' generating units in operation prior to 1 Jan 03 will be revoked if:

- (a) they are retired or replaced;
- (b) the generation capacity of the specific units is increased beyond that as at 1 Jan 03; or
- (c) the units participate in the electricity market and injects electricity generated from them into the transmission system.

3.6 EMA also intends, upon request by any of the other exempted companies, to allow the respective company the same arrangement as set out in paragraphs 3.4 and 3.5.

4 Request for comments and feedback

4.1 EMA would like to seek comments and feedback from the industry and members of the public on the proposed arrangement as set out in paragraphs 3.4, 3.5 and 3.6 before it makes a final determination on the companies' request as described in paragraph 2.1.

4.2 All comments and feedback must be submitted in writing and in both hard and soft copies (Microsoft Word format), and reach EMA by 5 pm, 11 May 2005.

4.3 Respondents are required to include their personal/company particulars as well as the correspondence address in their submissions to this Consultation Paper.

4.4 Please send your submission by post/fax to the following address:

*Director (Licensing & Forecasting)
Energy Market Authority
111 Somerset Road, #15-05
Singapore 238164.*

Fax: (65) 6 835 8084

Please also submit your soft copies via email to: wong_mui_quee@ema.gov.sg and soh_sai_bor@ema.gov.sg

4.5 EMA will acknowledge receipt of all submissions electronically. Please contact EMA if you have not received an acknowledgement of your submission within 2 business days.

4.6 Anonymous submission will not be considered.

4.7 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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