



INFORMATION PAPER

POLICY ON SELF-SUPPLY OF ELECTRICITY

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Background

1. The current policy on self-supply of electricity (put in place since Apr 02) allows a company to *embed generation* i.e. install generating units for its own use *provided*:
 - (a) the generating units are located on land that is contiguous with the company's load facilities; and
 - (b) the generating units, load facilities and land are majority (i.e. at least 50%) owned by the company.
2. EMA has revised the rules under the current policy after conducting a public consultation. This Information Paper sets out the revised rules.

Considerations

3. The original set of rules under the current policy requires a company's embedded generating units to be located on land that is contiguous with its load facilities, and the embedded generating units, load facilities and land to be majority owned by the company. The company is not allowed to export electricity into the power grid and is given net treatment for non-reserve market charges. If the company chooses to export electricity into the power grid, it will be treated as a *commercial* generation company ("genco") and will not be given net treatment for non-reserve market charges.
4. In land-scarce Singapore, it is not always possible or practical for a company to find a contiguous piece of land to accommodate both its generating units and load facilities. There would be instances where the generating units and load facilities have to be separated by roads, drains, canals or other encumbrances.
5. The company may also find it commercially optimal to outsource its embedded generating units by engaging third parties to develop, own and operate the embedded generating units for the company's own use. This would distort market competition *unless* EMA re-calibrates the rules under the current policy.

Revised Rules Under the Policy on Self-Supply of Electricity

6. On the above considerations, EMA has revised the rules under the current policy on self-supply of electricity as follows:
 - (a) A company is allowed to embed generation, i.e. install generating units to generate and supply electricity directly to its load facilities provided:

- (1) the embedded generating units are located on land which is contiguous to the load facilities; and
- (2) the embedded generating units, load facilities and land are majority (i.e. at least 50%) owned by the same company.

The company is not allowed to export electricity into the power grid. If the company chooses to export power into the power grid, it will be treated as a *commercial genco* and will not be given net treatment for non-reserve market charges.¹

- (b) Subject to the following conditions, the company may install the embedded generating units on land that is *non-contiguous* with its load facilities and/or *outsource* the embedded generating units by engaging third parties to develop, own and operate the embedded generating units:

- (1) Provided there is no or insufficient contiguous land available for the company to accommodate the embedded generating units and load facilities, the company may locate the embedded generating units on land that is non-contiguous with the load facilities;
- (2) The load facilities and the land on which the load facilities and embedded generating units are located (i.e. including the non-contiguous land if applicable) must be majority owned by the same company;
- (3) There is a point-to-point (i.e. dedicated) electrical connection between the embedded generating units and load facilities; and
- (4) There is no export of electricity generated from the embedded generating units into the power grid.

7. However, EMA will not allow outsourcing of embedded generating units to a company if this creates market power or adds to existing market power of the company.
8. The current electricity licensing regime, Market Rules and relevant codes of practices will continue to apply to embedded generating units that are outsourced and/or located on non-contiguous land to ensure level playing field and safeguard system security and reliability.

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¹ Introduced in Aug 06, the net treatment of embedded generators for non-reserve market charges is set out in the Information Paper entitled "Net Treatment of Embedded Generators" which is available at EMA's website: www.ema.gov.sg