

MEDIA STATEMENT

22 June 2023

Introduction of the Temporary Price Cap

As part of a suite of initiatives to strengthen Singapore's energy market, the Energy Market Authority (EMA) is introducing the Temporary Price Cap (TPC) mechanism from 1 July 2023. The TPC aims to mitigate extreme price volatility in the Singapore Wholesale Electricity Market (SWEM).

2. The TPC will act as a "circuit breaker" that is activated only during periods of high and sustained volatility in the SWEM. Once volatility returns to normal levels, the TPC will be deactivated. It is only expected to be applied for short durations when triggered. If the TPC had been in place between January 2021 and September 2022 during the energy crisis, it would have been activated for less than 5% of the energy trading periods. The TPC will not affect the fundamentals of the SWEM or the operations of the generation companies (gencos).

3. EMA conducted extensive public consultations on the TPC and received no objections to the objective and benefits of the TPC, including from all six gencos. Taking industry feedback into account, EMA has set the TPC level at up to three times the prevailing long-run marginal cost of electricity production. This strikes a balance between cost recovery for the gencos over the long term and ensuring that the SWEM continues to send clear price signals to market participants.

4. While the TPC will help mitigate high and sustained volatility in the SWEM, EMA encourages consumers to buy electricity either through long-term contracts from electricity retailers such as Tuas Power, Senoko Energy and Sembcorp Power, or from SP Services at the regulated tariff if applicable, for greater price stability and certainty. The global energy markets remain highly volatile, and this may have an impact on the SWEM. In addition, SWEM prices are expected to remain elevated due to factors such as higher electricity demand in Singapore.

5. The gencos have been offering new electricity contracts. In the past three months, more than 3,000 retail contracts have been signed monthly by business

consumers. Over 280 business consumers have also successfully switched from wholesale electricity price plans to retail contracts between February and April 2023.

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About the Energy Market Authority

The Energy Market Authority (EMA) is a statutory board under the Singapore Ministry of Trade and Industry. Through our work, we seek to forge a progressive energy landscape for sustained growth. We aim to ensure a reliable and secure energy supply, promote effective competition in the energy market and develop a dynamic energy sector in Singapore. Visit www.ema.gov.sg for more information.