

8 April 2004

Dear Sir/Madam,

**VESTING CONTRACT DEBIT FOR SENOKO'S CUSTOMERS**

It has come to our attention that in a letter dated 9 February 2004 to its customers, Senoko Energy Supply made various statements, including stating its belief that the vesting model was "flawed and inequitable".

2 The Energy Market Authority has examined and investigated the contents of Senoko Energy Supply's letter. Certain claims made in Senoko Energy Supply's letter are wrong. EMA is concerned these may mislead consumers. This letter is to correct these wrong claims.

3 Senoko Energy Supply wrote that vesting results "in unnecessary exposure and additional payment to customers".

4 The feature of pass-through of vesting debits and credits in retail contracts is not mandated or caused by the vesting regime. It is a separate commercial term negotiated on a willing buyer-willing seller basis between contestable customers like yourselves and electricity retailers. There are different options available for contestable consumers in the types of contracts that they may enter into with their electricity retailers. Some have entered into fixed price contracts that are independent of pool price fluctuations. Others have chosen to buy directly from the pool at wholesale prices.

5 We wish to point out that the implementation of the vesting regime has resulted in a more competitive wholesale price for electricity retailers, and consumers buying wholesale. The wholesale price has dropped by about 10% from \$93/MWh in 2003 to about \$81/MWh in Jan/Feb 2004.

6 Vesting is intended to control market power and protect consumers by ensuring that the settlement price at the pool is a competitive one. Electricity retailers who buy from the wholesale market pay vesting debits but benefit from a pool price that had in Jan and Feb 2004 fallen significantly. The introduction of vesting therefore does not mandate "additional payment" for Senoko Energy Supply's customers.

7 In short, the pass-through of the vesting debits to contestable customers like yourselves rests entirely on your contractual arrangement with the retailer.

8 We have taken up the matter with Senoko Energy Supply to ensure that all matters are clarified.

9 The Energy Market Authority takes a serious view of all statements by electricity licensees which has the effect of creating uncertainty and doubt in the integrity of our electricity market. If you need any further information, please do not hesitate to contact us. More information on how the vesting regime operates is also available on our web site ([www.ema.gov.sg](http://www.ema.gov.sg)).

Yours faithfully



WONG MUI QUEE (MISS)  
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