



*Smart Energy, Sustainable Future*

**VARIABLE HEDGE PROPORTION FOR CONTESTABLE CONSUMERS  
UNDER THE VESTING CONTRACT REGIME**

***INFORMATION PAPER***

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## INFORMATION PAPER

**Note: This Information Paper supersedes the earlier version published on 28 Feb 22.**

### BACKGROUND

1 Since 1 Jan 04, EMA implemented the Vesting Contracts to mitigate the exercise of market power by the generation companies (“**gencos**”) by committing gencos to sell a specified amount of electricity (viz. the Vesting Contract Level (“**VCL**”)) at a specified price (viz. the Vesting Contract Price). Since Jan 17, EMA has gradually phased out the VCL, with only the liquefied natural gas (“**LNG**”) Vesting Quantities (“**LVQ**”) to remain until the expiry of LNG Vesting on 30 Jun 23. The LVQ is intended to hedge the non-contestable consumer (“**NCC**”) load before distributing the remainder to the contestable consumer (“**CC**”) load.

2 The global energy crunch, coupled with disruptions to domestic piped natural gas supplies, have led to significant Uniform Singapore Energy Price (“**USEP**”) volatility in the Singapore Wholesale Electricity Market (“**SWEM**”). This has led to an increase in the NCC load following the transfer of small consumers to the Regulated Tariff (“**RT**”) offered by SP Services Ltd (“**SPS**”) when their Independent Retailers (“**IRs**”) exited as well as those on SPS’s Wholesale Electricity Price (“**WEP**”) plan voluntarily switching to RT to reduce their exposure to USEP volatility.

### ADMINISTRATIVE ADJUSTMENT TO VHP

3 Under the existing Procedures for Calculating the Components of the Vesting Contracts (“**Vesting Procedures**”), the percentage of CC load covered by vesting contracts, i.e., the Variable Hedge Proportion (“**VHP**”) is determined ex ante for each hedge quarter ‘Q’ based on the forecasted total load and the historical percentage contribution of CC and NCC load to the total load using the most recent data available which is for Quarter ‘Q-2’.

4 In view of NCC increasing and furthermore at a pace that is highly uncertain, it is quite impossible to accurately project VHP while ensuring the intended purpose of maintaining the LVQ which is to fully hedge NCC load. EMA will therefore administratively set the VHP to zero with effect on and from 1 Apr 2022.

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