

## Media Release

16 October 2021

### **Safeguards in Place for Open Electricity Market Consumers**

The nationwide Open Electricity Market (OEM) was launched in November 2018 to provide consumers with increased choice and flexibility when buying electricity. Since then, about half of household consumers in Singapore have switched to buying electricity from OEM retailers. These consumers can choose from a range of price plans, such as fixed price plans, discount-off-regulated tariff (DOT) plans, or wholesale electricity price plans. The remaining half of household consumers purchase electricity from SP Group at the regulated tariff. Only a small group of consumers purchase electricity directly from the Singapore Wholesale Electricity Market (SWEM).

### **Wholesale Electricity Prices Amidst Global Energy Situation**

2. SWEM prices are determined every half-hour depending on prevailing demand and supply conditions. In the past two weeks, the SWEM has experienced higher price volatility for sustained periods. These can be attributed to several factors. Globally, prices for spot Liquefied Natural Gas have risen significantly. This is driven by increased global demand for natural gas and a drop in natural gas and coal production. Domestically, Singapore has seen higher than usual electricity demand, with a new system peak demand of 7,667MW recorded on 12 October 2021. There is also a curtailment of piped natural gas from West Natuna and low landing pressure of gas supplied from South Sumatra.

### **Impact on OEM Consumers and Electricity Retail Market**

3. Most consumers have been cushioned from the volatility in SWEM prices as they are either on fixed price plans, DOT, or the regulated tariff. OEM consumers may see an increase in electricity prices at the point of contract renewal, which reflects the increased costs of electricity production.

4. However, electricity retailers who have under-hedged their positions may be exposed to the price volatility in the wholesale electricity market. Some may find it challenging to sustain their operations and may choose to exit the market. This is a consequence of their business decisions and can be expected in open and liberalised electricity markets, where participants may enter and exit the market, and market consolidation may occur.

5. Given the exceptional circumstances, the Energy Market Authority (EMA) is working closely with retailers which are facing challenges. For retailers which intend to continue operations, EMA is facilitating their efforts to hedge against future price

volatility. EMA is also open to allowing retailers to suspend their operations by transferring their customers to SP Group while they strengthen their businesses and ease their customers' transition with ex-gratia payments. For retailers that are ceasing retail operations entirely, EMA will ensure a smooth transition for their affected customers.

### **Safeguards for OEM Consumers**

6. Under the Code of Conduct for Retail Electricity Licensees, retailers who wish to exit the retail electricity market are required to first approach other retailers to take on their customers under the same contractual terms and conditions. If the exiting retailer is not able to novate their contracts to another retailer, its customers will be transferred to SP Group. Affected customers will then have the option to accept the transfer, or switch to another retailer of their choice.

7. There will be no disruption to their customers' electricity supply. Retailers will also not be allowed to charge customers an early termination fee. For household consumers, the retailers are required to refund any remaining security deposits after offsetting outstanding charges. See **Annex A** for details.

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## ANNEX A

Under the Code of Conduct for Retail Electricity Licensees, the exiting retailer is required to first approach other retailers to take on its customers under the same contractual terms and conditions.

The customers will be given the option to accept or reject the transfer, or switch to another retailer of their own choice.

If the exiting retailer is unable to novate their contracts to another retailer, its customers will be transferred to SP Group as a last resort. There will be no disruption to their electricity supply.

- a. All business customers with an average monthly consumption of less than 4,000kWh and households will purchase electricity from SP Group at the regulated tariff; and
- b. Business customers with an average monthly consumption of at least 4,000kWh will purchase electricity from the Singapore Wholesale Electricity Market through SP Group at the wholesale electricity price.

After being transferred to SP Group, the consumers continue to have the option to stay with SP Group or buy electricity from another electricity retailer.