



# **REVIEW OF POLICY ON GENERATION WITH LESS THAN 1MW IN INSTALLED CAPACITY**

## ***EMA'S ASSESSMENT AND DECISION***

28 FEB 2011

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## 1 Background

- 1.1 Presently, a company that generates electricity by means of a generating unit which has a name-plate rating of less than 1MW is exempted from holding an electricity licence to generate electricity, as it does not pose any technical or commercial threat on the system if it fails to operate. However, should the company wish to be paid for the electricity it exports into the grid, it is required to register with the Energy Market Company (EMC) as a market participant so that it can be paid based on the market clearing price in the electricity pool.
- 1.2 Since 2007, EMA has allowed a simplified “credit treatment” for **residential** consumers only. Under this simplified arrangement, residential consumers can get paid for solar PV power exported to the grid *without* having to register with the EMC and participate in the electricity market. These residential consumers are paid at the rate of the “regulated tariff less grid charges” as a proxy to the market clearing price for the amount of electricity exported. In addition, given the small number of such residential consumers, SP Services (SPS) would be able to manually compute the credits for the electricity exports<sup>1</sup>.

## 2 Review of Policy

- 2.1 There is a growing demand by non-residential consumers to install solar PV systems and request for the simplified “credit treatment” to get paid for solar PV power exported to the grid without having to register with the electricity market. EMA has therefore reviewed the existing policy and intend to further extend the simplified “credit treatment” to non-residential consumers as long as the capacity of their power plant, including solar PV systems, is less than 1 MW.
- 2.2 Generators of less than 1 MW capacity (whether in a residential or non-residential setting) do not pose any technical or commercial threat on the system if they fail to operate. Any distortion to the market is also negligible. With this revised approach, there would be more flexibility for generators with

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<sup>1</sup> SP Services’ billing system for non-contestable consumers then was not able to recognise the “export” of electricity from the non-contestable consumers.

capacity less than 1 MW as they would be able to export electricity to the grid without having to register and participate in the market

### **3 Public Consultation**

- 3.1 EMA initiated a public consultation on 13 Jul 2010 to seek feedback on the above proposals. The consultation closed on 16 Aug 2010 and five companies responded to our consultation, namely SP PowerGrid, SPS, PowerSeraya, Phoenix Solar and Cygnuspower. The respondents' feedback and EMA's responses to the feedback are given in the document titled "EMA Response to Feedback from Industry Participants on Consultation Paper 'Review of Policy on Generation with less than 1MW in Installed Capacity'". EMA thanks all the respondents for their feedback

### **4 EMA's Assessment and Decision**

- 4.1 EMA has carefully considered all feedback received. EMA notes that SPS' IT system for non-contestable consumers billing has been modified recently and can support the extension of the simplified "credit treatment" to all non-contestable consumers (i.e. both residential and non-residential consumers). As such, for non-contestable consumers with generation capacity of less than 1MW, the simplified credit treatment will be extended to them and they will be paid by SP Services at the rate of "regulated tariff less grid charges" for the amount of electricity exported to the grid.
- 4.2 However, for contestable consumers, significant modifications would have to be made to the market rules as well as EMC's and SPS' IT systems thereby incurring substantial costs in order to enable retailers and SPS to pay their contestable consumers who export electricity to the grid. In light of the constraints around the settlement of payments to contestable consumers and the substantial costs involved, the extension of the simplified "credit treatment" to contestable consumers will be deferred while EMA continues exploring the options and the cost involved to resolve these settlement issues.

## **5 Implementation Timeline**

- 5.1 For non-contestable consumers with generation capacity of less than 1MW, the simplified credit treatment will be extended to them immediately. Such consumers will have to apply to SPS for the simplified credit treatment and their meters would have to be changed to register the amount of electricity exported into the grid. SPS would make arrangements for the compensation by way of a credit adjustment in the consumers' monthly electricity bill based on the prevailing low tension electricity tariff rate less the grid charge for electricity they export to the grid.
- 5.2 For contestable consumers with generation capacity of less than 1MW, the extension of the simplified "credit treatment" to them will be deferred while EMA continues exploring the options and cost involved to resolve the settlement issues. In the interim, contestable consumers with generation capacity of less than 1MW would still be required to register with the EMC as a market participant in order to get paid for their electricity exported to the grid. Retailers can help contestable consumers in registering their generating units with the market for the settlement of electricity exports.