

Electricity imports for Singapore?

By **Sandra Seah**



Singapore's demand for natural gas, which currently fuels 80 percent of its electricity needs, is expected to soon exceed supply. To further diversify Singapore's energy mix, the Energy Market Authority (EMA) is considering importing electricity from Singapore's neighbouring countries. A public consultation on the regulatory framework for electricity imports has been launched to solicit views on electricity imports.

Electricity imports will enable Singapore to tap into new energy options that may be unavailable or economically infeasible, and reduce the demand for land to build power plants. Imports can also potentially spur greater competition in the electricity retail market if overseas power producers (which have access to lower-cost fuels labour and land) can offer electricity at cost-competitive prices even after factoring in the cost of transmission to Singapore. The additional supply of cost-competitive electricity will exert downward pressure on electricity prices in Singapore.

In addition, the new electrical interconnections between the neighbouring countries will be a step towards achieving the long term vision of an ASEAN Power Grid to enhance regional energy connectivity, trade and cooperation. Such interconnection will create a larger regional market for electricity trading and promote investments.

To accommodate electricity imports, it is anticipated that EMA will need to put in place a regulatory framework which will:

- govern the orderly entry of electricity imports into

Singapore's electricity market in a way that translates to cost savings for all electricity consumers;

- license and regulate the electricity importer and mandate compliance with Singapore generation codes and performance standards; and
- ensure that the security and reliability of Singapore's transmission and distribution system are not compromised.

Presumably any discrepancies in grid modernisation and asset maintenance of the importing/exporting countries will also need to be equalised.

EMA is also considering imposing a requirement on each importer to offer a contract-for-differences (CfD). A possible

design under consideration is a one-way CfD whereby the importer pays the difference between the pool price and strike price whenever the half-hourly pool price is above the strike price. If the pool price is below the strike price, there would be no payment to or by the importer for the difference. The one-way CfD may be used to offset the cost of electricity to non-contestable consumers. This can be done by using the savings under the one-way CfD to provide targeted help to needy households and/or to blend with vesting contracts to lower regulated tariffs for non-contestable consumers.

The public consultation on the framework for electricity imports will close on 30 March 2012.

**Electricity imports
will enable
Singapore to tap
into new energy
options that may
be unavailable
or economically
infeasible**

ATMD Bird & Bird LLP

2 Shenton Way
#18-01 SGX Centre I,
Singapore 068804

Tel: (65) 6534 5266 (GEN)
(65) 6428 9429 (DID)

Email: sandra.seah@twobirds.com

www.twobirds.com