

Sustainability

Proposed Enhancements to Regulatory Regime for Electricity Retailers

On 1 February 2023, the Energy Market Authority ("**EMA**") issued a public consultation ("**Consultation**") seeking feedback on proposed enhancements to the regulatory regime for electricity retailers. The consultation exercise ended on 3 March 2023.

The proposed changes are aimed at making electricity retailers more resilient to market volatility and improving the stability of the retail market. In particular, the proposed changes seek to address two main gaps. First, the fact that electricity retailers may have large unhedged positions and are not adequately prepared for market volatilities. Second, the insufficient protection of consumers when electricity retailers exit the market, or if electricity retailers prematurely terminate contracts.

To address these gaps and strengthen the regulatory regime for electricity retailers, EMA is proposing four main measures:

- (a) **Requiring all electricity retailers to have a paid-up capital (PUC) or Tangible Net Worth (TNW) of at least S\$1 million.** The intent is to ensure that electricity retailers have sufficient financial standing and are credible. The requirement to have a minimum paid-up capital is also imposed on licensees in other key sectors in Singapore, such as banking, insurance, and telecommunications.
- (b) **Requiring electricity retailers to obtain EMA's approval to appoint Key Appointment Holders ("KAHs").** This requirement seeks to ensure that competent and honest individuals lead electricity retailers. KAHs include: (i) the company's Accounting and Corporate Regulatory Authority (ACRA)-Registered Director(s), Chief Executive Officer ("**CEO**")/Managing Director ("**MD**"), and personnel who directly report to the CEO/MD; and (ii) any person who has substantial direct or indirect influence over the key decisions of the company. All licence applicants will be required to comply with this requirement. Existing licensees will be required to comply with this requirement for any change in KAH when the requirement comes into effect. Employing KAHs without obtaining EMA's approval will be a breach of licence conditions.
- (c) **Increasing the hedging requirements for all electricity retailers** (i.e. both Open Electricity Market and non-Open Electricity Market retailers) to:
 - On a rolling 24-month forward basis, hedge at least 80% of their retail contract quantity. Acceptable hedging contracts include contract-for-differences with any supplier with physical generation assets (e.g. gencos, waste-to-energy, solar, etc.) or those traded in the Electricity Futures Market; and

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- Provide a Performance Bond to cover their projected residual unhedged quantities (which should not be more than 20% of total retail contract quantity).

This proposed measure aims to strengthen the resiliency of electricity retailers. Further details of this enhanced hedging requirement is set out in the Consultation and an illustration of how it will operate is provided at [Annex B](#) of the Consultation.

(d) **Strengthening consumer protection against premature termination of contracts** by electricity retailers through:

- Amending the Code of Conduct for Retail Electricity Licensees to clarify that the electricity retailer is not permitted to unilaterally terminate the contract as long as there is no payment or contractual default even if the consumer is insolvent, bankrupt, or deceased; and
- Requiring electricity retailers that impose early termination charges on consumers to compensate consumers in the event of early termination. The compensation provided for early termination must be at least as much as the penalties levied on consumers for early termination.

In the event the electricity retailer exits the market, EMA is also considering whether electricity retailers should be required to compensate consumers for the positive difference between the consumers' existing contract and applicable default supply arrangement for the remaining tenure.

Click on the following links for more information:

- [Consultation document titled "Enhancements to Regulatory Regime for Electricity Retailers" and relevant Annexes](#) (available on the REACH website at www.reach.gov.sg)
- [EMA Media Release titled "Proposed Changes to Strengthen Protection for Electricity Consumers"](#) (available on the EMA website at www.ema.gov.sg)

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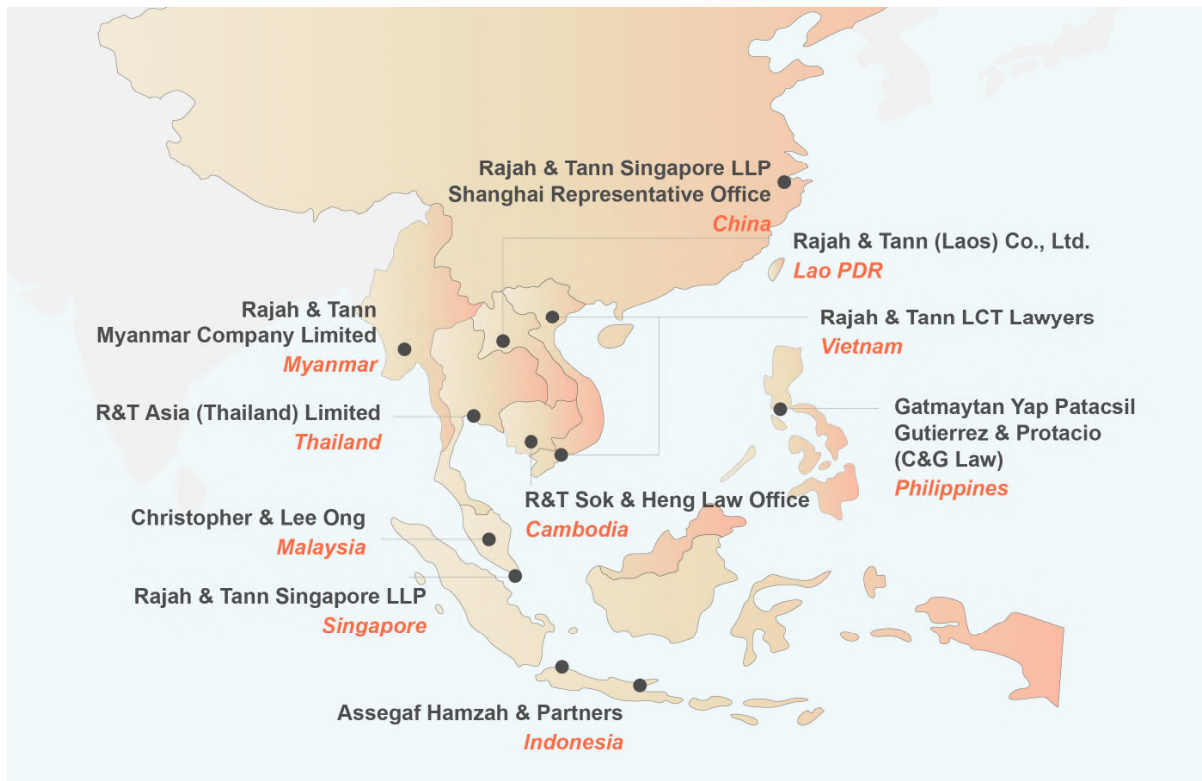
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