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Global power cost surge wrecks electricity market

SINGAPORE: The global energy crunch which has sent natural gas prices to record highs and caused power shortages in many parts of the world is now spilling over to the island state of Singapore which is dependent on gas for power generation.

Three energy providers in Singapore are exiting the market, and according to company sources at least two others have stopped accepting new clients amid rocketing wholesale energy prices that retailers are unable to pass on to customers. Singapore's energy regulator Energy Market Authority (EMA) said on Saturday it was working closely with retailers facing challenges from volatile electricity prices – which rose to record high levels this month – and said there will be no disruption to their customers' electricity supply.

Singapore is one of few countries in Asia with a fully liberalised electricity retail market.

Power generation firms in Singapore sell electricity in the Singapore Wholesale Electricity Market (SWEM) every half hour, with the price determined by supply and demand at that time. Electricity retailers buy electricity in bulk from the wholesale market and compete to sell electricity to consumers.

For the past two weeks, wholesale prices have experienced higher price volatility, due to a rise in global liquefied natural gas (LNG) prices, higher than usual electricity demand in Singapore and lower piped natural gas supplies from Indonesia, EMA has said.

That has placed retailers which do not have their own power generation assets and have locked in contracts with customers at fixed prices, under tremendous strain, though such retailers without generation assets make up



All-time high: Artificial tree-like structures at Singapore's Gardens By the Bay. Electricity prices in the country have risen to record high levels this month. — Reuters

less than 5% in the retail space.

"That meant that their cost of procuring electricity from the market was in the thousand dollar range, while the retail contracts with customers are in the S\$170 (RM525) to S\$200 (RM618) range, they were in the red for every unit of electricity sold," said Joo Yeow Lee, associate director of power and renewables at IHS Markit.

"An estimate of the magnitude of losses over the past two weeks is in the low to mid double digit million dollar range."

Of the total 22 licensed electricity retailers in Singapore, 12 provide power to residential consumers and the rest to only businesses, according to the EMA website.

Singapore's long-term contracts for piped gas

and LNG imports are linked to fuel oil and crude oil prices, which while at multi-year highs have not risen as much as spot LNG prices.

Even so, the steady climb in fuel prices over the past year is feeding through to all businesses and consumers in Singapore.

High wholesale futures market prices means that those retailers who have not already hedged their electricity needs now cannot do so without "committing to an (expected) future pathway where there may be no viable business opportunities," said David Broadstock, senior research fellow and lead energy economist at the Energy Studies Institute, National University of Singapore. — Reuters