

Wholesale electricity price a cheaper option?

Consumers can find savings, but it depends on usage and market conditions, say experts

Sue-Ann Tan

Consumers looking for more bang for their buck have been exploring different retailers of electricity in the Open Electricity Market, but they can also consider buying electricity directly from the wholesale market through energy utilities provider SP Group.

It may be cheaper for consumers, but it comes with higher risks due to fluctuations in price.

The Business Times reported yesterday that wholesale rates can allow consumers to pocket up to some 40 per cent savings.

An SP spokesman said: "Wholesale electricity prices are determined by market forces and while they are currently the lowest price out there, they tend to fluctuate due to demand and supply of real-time electricity consumption across Singapore."

The wholesale electricity price is an alternative to the typical regulated tariff used by Singapore house-

holds which have not switched from SP to another retailer under the Open Electricity Market.

The roll-out of the Open Electricity Market started with a soft launch to households and businesses in Jurong in April last year and ended in May, with around 1.6 million customers connected.

Residential customers had the option of the wholesale price when their respective zones, starting with Jurong in April last year, opened up.

Since 2001 when the market was liberalised progressively, commercial and industrial customers with higher consumption already had a

choice of buying electricity at a tariffed rate or at the wholesale price from SP, or at the retail price.

Wholesale electricity prices are determined by the Uniform Singapore Energy Price, which varies half-hourly according to supply and demand in the market.

An Energy Market Authority spokesman said wholesale price plans are not featured prominently "as the electricity rate which a consumer pays is uncertain".

The rate would typically rise with higher demand and when there is an outage of generating units, the spokesman said, citing how the price ranged between 15.98 cents per kWh and 135.66 cents per kWh in October last year.

Experts said consumers can find savings through the wholesale price option, but it all depends on their usage and on market conditions.

Singapore University of Social Sciences Associate Professor of Economics Walter Theseira said: "It is a competitive market, but prices can change suddenly when demand surges or when input costs go up.

"So although the wholesale price

is much lower on average than the regulated tariff, your own pattern of consumption will determine whether your final bill is that much lower."

He added that the higher average price of electricity bought from the retailer rather than the wholesale market includes a payment to the retailer for mitigating the risk of price fluctuations. "For many consumers, the certainty of a fixed price is more important than the possibility of saving some money."

Customers who happen to be consuming electricity at the same time as a spike in the wholesale price also might not save much or may even pay more than the regulated tariff.

Associate Professor Lawrence Loh of the National University of Singapore Business School said whether consumers choose the wholesale option depends on their risk appetite. "The half-hourly fluctuations are too complex and cumbersome for many consumers to follow. It is simply too difficult to predict and plan," he added.

suetan@sph.com.sg