



DIPTEROCARP TREES ABSORB THE MOST CO₂

OCBC Arboretum at Singapore Botanic Gardens grows and conserves these endangered trees



#OCBCcares
Tomorrow's ours to save

It's switch and save as SP powers up households with cheaper option

Its wholesale rates are not only the lowest based on prevailing market prices, but also allow consumers to pocket up to some 40% savings

BT EXCLUSIVE

By Anita Gabriel
anitag@sph.com.sg
[@AnitaGabrielBT](https://www.facebook.com/AnitaGabrielBT)

Singapore

SP GROUP's market share may have contracted since Singapore opened the electricity market for 1.4 million households to pick among more than ten retailers but the national utility should not be off the table as a cheap(est) option for the thrifty.

In fact, SP has been powering up some households at wholesale rates that are not only the lowest based on prevailing market prices, but also allow consumers to pocket up to some 40 per cent savings.

This is way more than the 20-30 per cent savings that customers who have switched over to any of the 12 electricity retailers are enjoying.

"Wholesale electricity prices are de-

termined by market forces. 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," SP Services chief executive Chuah Kee Heng told *The Business Times*.

SP's wholesale electricity price (WEP) product is separate from its regulated tariff package – the default option for Singapore households that haven't switched from the incumbent to any of the retailers under the Open Electricity Market (OEM).

This WEP option was made available to households when their respective zones opened up following the soft launch of the OEM in Jurong in April 2018.

"Consumers can choose to remain with SP Group at the regulated tariff, that is set by the EMA, or purchase directly from the wholesale electricity



SP Services chief executive Chuah Kee Heng says consumers can stay with the regulated tariff set by the EMA, or buy directly from the wholesale electricity market via SP.

market via SP at no mark-up, and with no lock-in period," said Mr Chuah.

In a comparison chart provided on SP Utilities' app: based on the national average usage (a four-room HDB flat that consumes 376 kWh, or S\$94.26 a month), households are able to cut their monthly power bills by some 38 per cent with SP's WEP product.

On the other hand, the regulated tariff offered by SP – this rate reflects the costs of building and operating the power plants and maintaining the power grid – has zero savings for consumers and is unsurprisingly the most pricey option.

The next best thing (in terms of pricing) is offered by Union Power's fixed 12-month plan that came in nearly 30 per cent cheaper.

In short, SP's wholesale package compares favourably when stacked up against all OEM retailers including market leaders Keppel Electric,

Geneco and iSwitch, and even the highest rated ones as per EMA's recent survey on customer satisfaction – Ohm Energy, Sunseap Energy and TuasPower.

Mr Chuah declined to provide details on how many households have so far signed up for SP's wholesale package, but BT understands that "a few thousands" have hopped on to this non-standard price plan that (unlike the variety of plans offered by retailers) has no contract expiry date and is not limited to six, 12 or 24 months.

This means consumers are not subject to premature termination charges.

Notwithstanding SP's wholesale option, four out of 10 households have switched over to the retailers, according to a recent update by regulator Energy Market Authority (EMA).

Continued on Page 2

It's switch and save as SP powers up households with cheaper option

Continued from page 1

However it would seem to defy commercial logic for electricity retailers to also offer wholesale rates to end-users, as that would mean forgoing margins.

"The pricing offered by retailers reflect the current market conditions, level of competition and short-term costs of producing electricity. Additionally, retailers can also choose to bundle other products and services for customers (such as grocery vouchers, mobile and broadband plans)," said SP's Mr Chuah, adding that SP is not allowed to offer any incentive under the WEP plan.

As sweet as the numbers seem for SP's wholesale product, there is one big catch – the element of uncertainty given volatile prices as they are determined based on the Uniform Singapore Energy Price (USEP) which varies half-hourly depending on the prevailing demand and supply situation in the wholesale market.

"WEP price plans are not featured prominently as the electricity rate which a consumer pays is uncertain," said an EMA spokesman in response to BT queries.

"It would typically rise with increasing electricity demand and/or outage of generating units. An example of this is in October 2018 when the WEP ranged between 15.98 cents/kWh to 135.66 cents/kWh," said EMA, adding that switching to buy electricity from a retailer under a fixed price or discount off the regulated tariff plan provides more price certainty than buying at the WEP.

The "high level of market risk" involved renders SP's wholesale product "less attractive" for households, said Andrew Koscharsky, iSwitch's chief commercial officer. He deemed the wholesale power market in the city state "highly unpredictable", given the real time oil market risks and electricity supply and demand fundamentals.

"This could result in 'bill shock' due to the unpredictable pricing cal-

culatation. The consumer will never know what rate their electricity will be charged at until after their bill arrives," he pointed out.

"Such an event occurred in New Zealand, where a retailer was offering only wholesale products, rather than a fixed price. A volatile wholesale event occurred and this resulted in thousands of angry customers."

Uncertainty is anathema to Singapore households going by the OEM statistics; six out of 10 have not ditched SP partly due to worries over the financial stability of retailers in general while a majority that have switched have opted for fixed-price plans.

A Sunseap spokesman said: "Currently, Sunseap does not have a wholesale plan as we are focused on our fixed price and discount-off-tariff plans. The fact that four in 10 households have already switched to a new electricity retailer attests to the popularity of the new retail plans."

A spokesman for Keppel Electric said: "Keppel Electric chose not to offer wholesale electricity pricing products as wholesale pricing is subject to half-hourly fluctuations of power prices, which are caused by real time demand and supply in the wholesale market.

"(Our) fixed price plans offer price certainty to customers over their contract duration, while discount-off-tariff plans offer a fixed discount off quarterly published regulated tariffs. We believe that the certainty, which both types of plans offer, would appeal more to most customers."

Under the OEM, consumers are not compelled to switch to a retailer. Yet, it appears that many who have decided to stay with SP for reasons ranging from inertia, a wait-and-see attitude to negligible savings if they were to switch, are unaware of SP's cheaper option.

One customer, who wanted to be known only as Mr Ng, was peeved: "Oh man, I had no idea there was this cheaper alternative. I can't change now as I have signed up for a two-year package."