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cc: (bcc: Jeannie LEE/MTI/SINGOV)
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Singapore Government

MEDIA RELEASE

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SPEECH BY SENIOR PARLIAMENTARY SECRETARY FOR TRADE AND INDUSTRY, MR TANG GUAN SENG, AT THE 4TH APEC ENERGY MINISTERS' MEETING, MINISTERS AND INDUSTRY PANEL ON THE FUTURE OF ELECTRICITY IN THE APEC REGION, 3.00PM, 11 MAY 2000, SAN DIEGO, USA

Your Excellencies
Distinguished Guests
Ladies and Gentlemen

ELECTRICITY INDUSTRY REFORM

1 As we contemplate the future of electricity in the APEC region, we cannot ignore the global trend towards reform and liberalisation of electricity industries. Many economies have chosen to transform their monopolistic market structures into competitive energy markets, and this promises higher energy efficiency through better investment decisions and better management of energy infrastructure. Ultimately, consumers are the ones who will benefit. They will enjoy more competitive prices, more innovative services and the free choice of a supplier and service package that best suit their needs.

THE SINGAPORE EXPERIENCE

2 In Singapore, we have also kept pace with the global development in the electricity industry. Let me share with you our past experiences and future plans. Like in many economies, Singapore's electricity industry had traditionally been vertically-integrated and Government-owned. In 1995, the Singapore Government decided that the electricity industry should be restructured from a state monopoly into a competitive market. The question was the scope and the pace of deregulation. We were then among the pioneers in the world in electricity deregulation and decided to take a cautious evolutionary approach. That year, we put in place the basics for a deregulated market. We corporatised the electricity and piped gas activities of the Public Utilities Board. We formed Singapore Power under the state holding company, Temasek Holdings, as a vertically-integrated group of companies with wholly-owned subsidiaries in power generation, power distribution and power retail. A separate wholly-owned subsidiary of Temasek Holdings was formed to own and operate our new Tuas Power Station which then competed against the generation companies of Singapore Power. The Public Utilities Board took on a new role as the industry regulator and a spot electricity market was set up.

FURTHER LIBERALISATION OF ELECTRICITY AND GAS INDUSTRIES

3 The experience in the last 5 years has given us confidence to press on with further deregulation. In Mar this year, the Singapore Government announced its decision to further liberalise the electricity and gas industries and to see through its completion within 15 months, i.e. by Jun 2001. We have designed a market structure and regulatory framework that will support a competitive energy market while ensuring that security and reliability of supply are maintained. We want to ensure that Singapore enjoys the most competitive electricity rates in the world.

4 Under our deregulation plan, we will completely separate the contestable and non-contestable parts of the electricity market. Temasek Holdings will divest all three generation companies. There will be no foreign ownership limit. We have decided to lift the restriction on foreign ownership to increase competition and raise our standards to international levels. PowerGrid, the transmission and distribution company, will remain as a natural monopoly. It will be tightly regulated using performance standards to incentivise improvements in efficiency. An Independent System Operator will also be set up to take over the system and market operations. It will be responsible for

maintaining real time system security. This will offer greater transparency to consumers and investors. On the retail end, we can look forward to full competition for large industrial and commercial consumers from April next year. Retail competition for smaller customers will be introduced after 2002. By empowering consumers with freedom of choice, it helps to discipline market players and develop competition in electricity generation.

5 As a primary fuel source for the power plants, the structure of the gas market has a significant impact on the electricity sector. Hence, Singapore's gas industry will also be restructured along similar lines, with the ownership of the gas transport business separated from contestable activities such as gas import, trading and retailing. These reforms will keep our energy sector competitive for the benefit of our consumers.

REGIONAL CO-OPERATION AND INTEGRATION

6 While economies may embrace deregulation with different scope and at different speeds, there is significant convergence in the approaches used. These approaches are centred on one principle : to further liberalise the electricity industry and obtain the full benefits of competition.

7 This trend is of great advantage to us all. When regional economies adopt market models that are compatible with one another, it opens up the opportunity for cross-border or trans-national business in the trading and transport of energy. The Scandinavian countries and Europe are well-advanced in this area, and they have already established respective common power grids that enable consumers in one country to freely buy power from power companies located in other parts of the region. In ASEAN, we keenly look forward to the development of two private sector-led regional energy infrastructure projects -- the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline. Their formation will provide greater energy stability for the ASEAN member economies involved.

8 The Asian economies are now recovering from the economic crisis, and we expect to see dramatic growth in the energy market. A regional power grid and gas pipeline would enable economies to harness currently under-utilised energy sources of hydropower and natural gas. A more integrated energy network allows for greater system stability and also offers capital savings by reducing the reserve capacity required. In fact, Singapore has been buying from Malaysia, natural gas for power generation since 1992. We also expect to pipe natural gas from West Natuna, Indonesia, soon.

9 Projects such as the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline are examples that regional forums like the APEC Energy Ministers' Meeting can actively push for the benefit of member economies. At the same time, economies must also create a conducive business environment to attract foreign investments. Through market liberalisation, they can open up their domestic energy markets to foreign players. The prospect for cross-fertilisation of best practices in power generation, transmission and supply should be fully exploited.

OPPORTUNITIES AHEAD

10 There are many challenges ahead of us. There are also tremendous investment opportunities underlying such energy reforms. In Singapore, we eagerly await our new energy structure to be put in place next year. It is certainly an exciting time for us as well as for the global business community. Through investment and participation from our foreign counterparts, we aim to increase our competitiveness and raise Singapore's energy standards to an international level.

11 The international and regional electricity and gas industries look set for further growth in the years to come. With its infrastructure and supporting systems in place, Singapore will be pleased to co-operate actively with our APEC partners to help develop and participate in these energy markets. Finally, I urge the public and private sectors to work closely together for the benefit of our consumers by giving them even more competitive energy prices and services.

12 Thank you.
