



Cap on SMP in Emergencies

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On 24 May 2022, the Ministry of Trade, Industry, and Energy (“**MOTIE**”) announced an amendment to the Notice on Capping Electricity Exchange Price that puts certain caps on the system marginal price (the “**SMP**”) payable to Korean power generation companies. The amendment will be finalised subject to the amendment being reviewed by the Regulatory Reform Committee after 13 June 2022.

Key Takeaways

The amendment introduces a pricing system that caps the SMP payable to power generation companies in the event of emergencies (e.g., spikes in fuel prices).

The SMP caps aim to limit disproportionate profits of power generation companies and protect electricity consumers from soaring fuel prices. MOTIE has noted that separate arrangements will be made with power generation companies to ensure they will be separately compensated for actual fuel prices paid by them.

Key Details of the Amendment

Article	Category	Description
Article 4(2)	Implementation Conditions	The cap applies when the electricity price soars which will be the case if the weighted average SMP in the immediately preceding three months is equal to or more than the top 10% of the monthly weighted average SMPs in the last ten years.
Article 4(3)	Cap Level	The cap is set at 125% of the monthly weighted average price of SMPs over the last ten years.
Article 4(4)	Implementation Method	1. MOTIE notifies the Korea Power Exchange (“ KPX ”) of the effective date and cap price.

		2. KPX notifies its members and applies the cap price, starting on the effective date.
Article 4(5)	Subject Entities	The amendment applies to all power generation companies that are paid SMPs (i.e., a total of 4,821 companies, including six power generation subsidiaries of Korea Electric Power Corporation, ten regional electricity businesses, 27 integrated energy businesses, 24 personal electricity equipment installers, other 56 private companies, and 4,698 renewable energy generation businesses).

If you have any questions or require any assistance regarding the above, please feel free to contact us via the following key contacts and we will provide a more comprehensive consultation. Shin & Kim Ltd.'s Project-Energy Group offers in-depth advice regarding new and renewable energy laws and systems, mergers and acquisitions of energy companies, construction of power plants, and complete project development. We are recognised by many legal surveys including Chambers as a Band 1 firm in Projects & Energy sector.

[\[Korean version\]](#) 긴급정산상한가격제(SMP 상한제) 도입

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