

WEEKLY MARKET ANALYSIS



AUSTRALIAN ENERGY
REGULATOR

15-21 March 2009

Summary

Average spot prices on the mainland ranged from \$32/MWh in New South Wales and Victoria to \$35/MWh in South Australia. The average spot price in Tasmania was \$38/MWh.

Spot market prices

Figure 1 sets out the volume weighted average prices for 15 to 21 March and the financial year to date across the National Electricity Market. It compares these prices with price outcomes from the previous week and year to date respectively.

Figure 1: Volume weighted average spot price by region (\$/MWh)

	Qld	NSW	VIC	SA	Tas
Average price for 15 March – 21 March	34	32	32	35	38
Financial year to 21 March	38	46	55	81	48
% change from previous week*	46%	38%	27%	24%	5%
% change from previous year to date**	-42%	-1%	5%	-34%	-14%

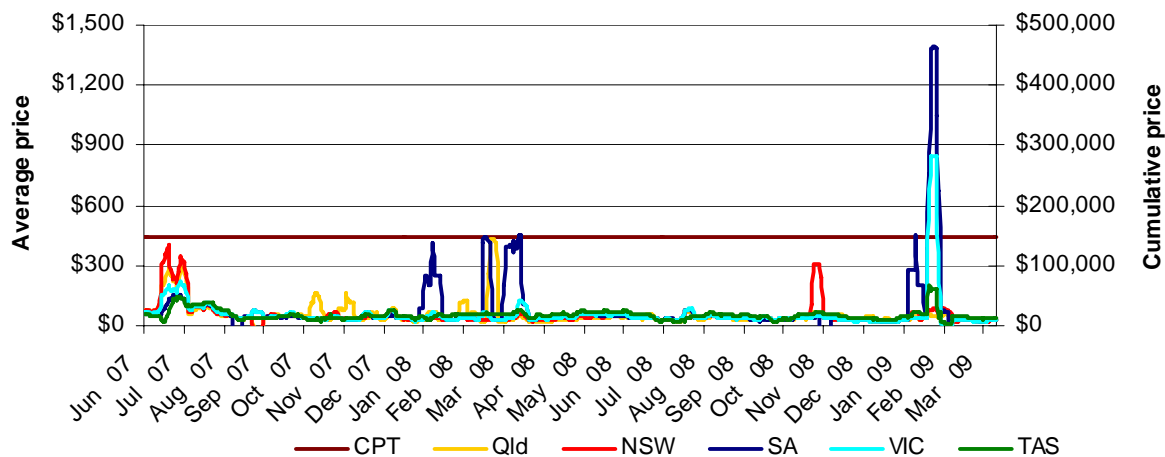
*The percentage change between last week's average spot price and the average price for the previous week.

**The percentage change between the average spot price for the current financial year to date and the average spot price over the similar period for the previous financial year.

The AER provides further information if the spot price exceeds three times the weekly average. Details of these events are attached at Appendix A. Longer term market trends are attached in Appendix B.

Figure 2 shows the seven day rolling cumulative price for each region together with the Cumulative Price Threshold (CPT) (and the equivalent seven day time-weighted average price).

Figure 2: Seven day rolling cumulative price and CPT



Financial markets

Figures 3 to 10 show futures contract¹ prices traded on the Sydney Futures Exchange (SFE) as at close of trade on Monday 23 March. Figure 3 shows the base futures contract prices for the next three financial years, and the three year average. Also shown are percentage changes compared to a week earlier.

Figure 3: Base financial year futures contract prices (\$/MWh)

	QLD		NSW		VIC		SA	
Financial 2009-10	44	1%	47	1%*	49	1%	59	-1%
Financial 2010-11	50	-7%	55	-5%	57	-5%	66	0%
Financial 2011-12	63	0%	64	1%	64	-1%	69	0%
Three year average	52	-2%	55	-1%	57	-2%	65	0%

Source: d-cyphaTrade www.d-cyphatrade.com.au

* there were trades in this product but not in others.

Figure 4 shows the \$300 cap contract price for the first quarter of 2009 and the 2009 calendar year and the percentage change from the previous week.

Figure 4: \$300 cap contract prices (\$/MWh)

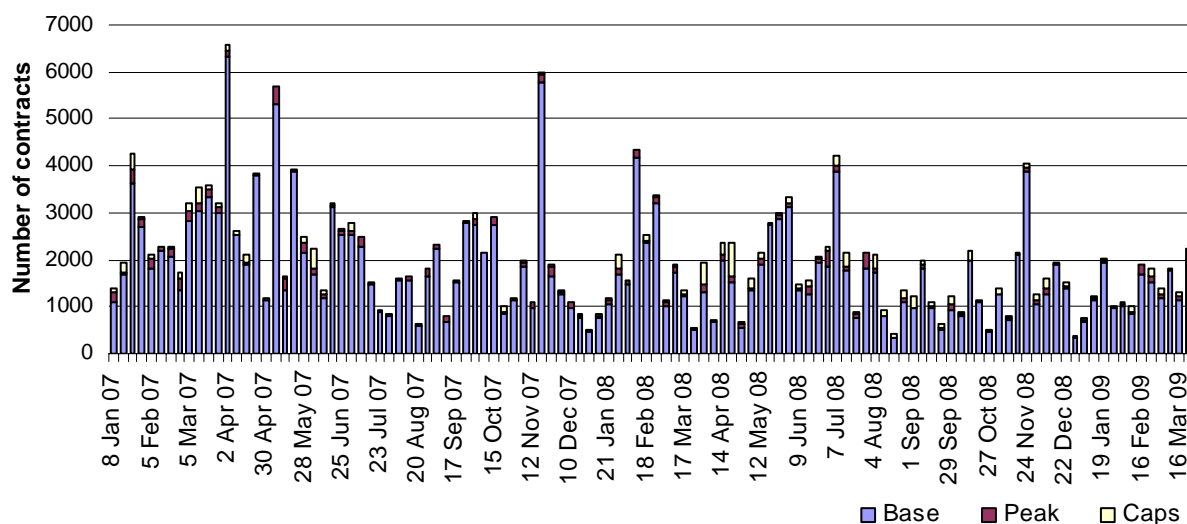
	QLD		NSW		VIC		SA	
Q1 2009 price	6	0%	5	-9%	28	-1%	90	0%
Calendar 2009	6	-1%	6	-2%	10	-1%	27	-1%

Source: d-cyphaTrade www.d-cyphatrade.com.au

Note: there were no trades in these products.

Figure 5 shows the weekly trading volumes for base, peak and cap contracts. The date represents the end of the trading week.

Figure 5: Number of exchange traded contracts per week

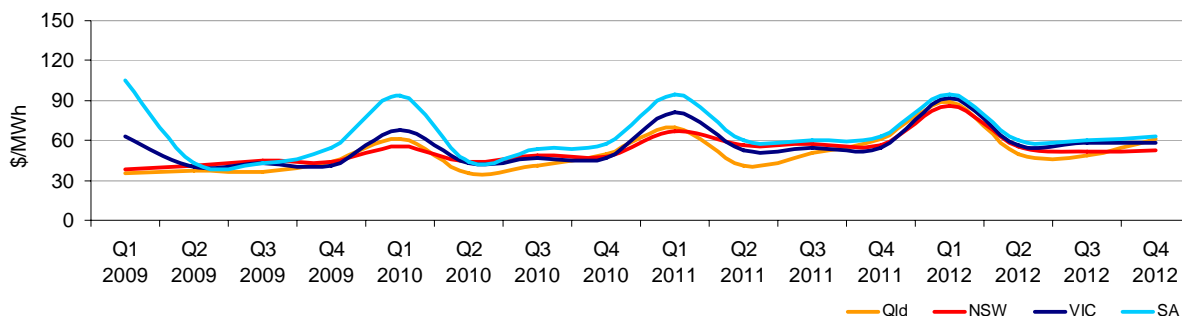


Source: d-cyphaTrade www.d-cyphatrade.com.au

¹ Futures contracts on the SFE are listed by d-cyphaTrade (www.d-cyphatrade.com.au). A futures contract is typically for one MW of electrical energy per hour based on a fixed load profile. A base load profile is defined as the base load period from midnight to midnight Monday to Sunday over the duration of the contract quarter. A peak load profile is defined as the peak-period from 7 am to 10 pm Monday to Friday (excluding Public holidays) over the duration of the contract quarter.

Figure 6 shows the prices for base contracts for each quarter for the next four years.

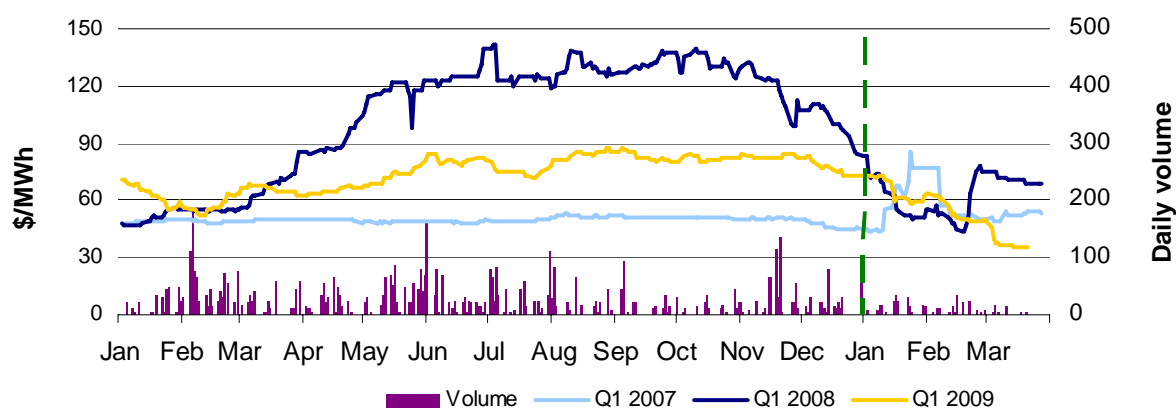
Figure 6: Quarterly base future prices 2009 - 2012



Source: d-cyphaTrade www.d-cyphatrade.com.au

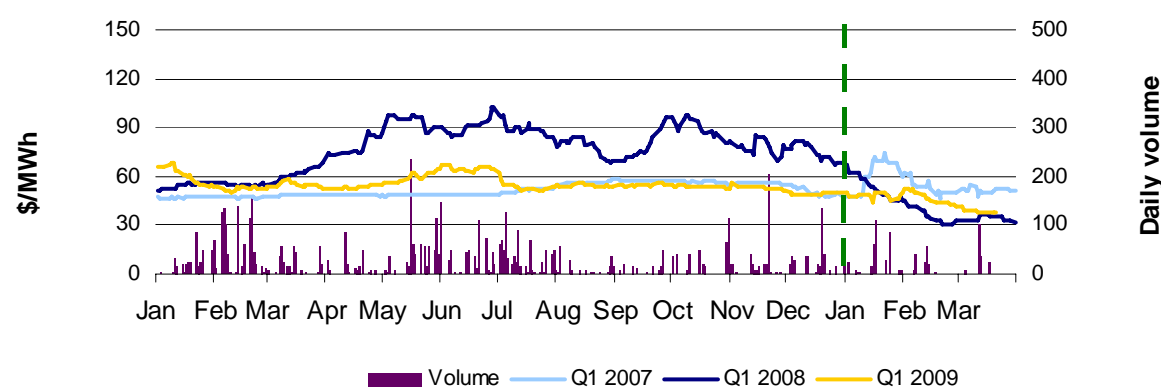
Figures 7-10 compare for each region the closing daily base contract prices for the first quarter of 2007, 2008 and 2009. Also shown is the daily volume of Q1 2009 base contracts traded. The vertical dashed line signifies the start of the Q1 period.

Figure 7: Queensland Q1 2007, 2008 and 2009



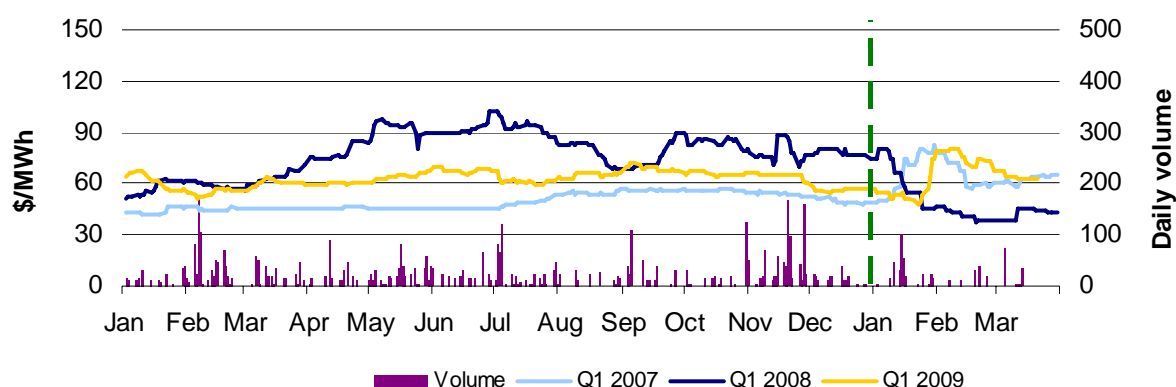
Source: d-cyphaTrade www.d-cyphatrade.com.au

Figure 8: New South Wales Q1 2007, 2008 and 2009



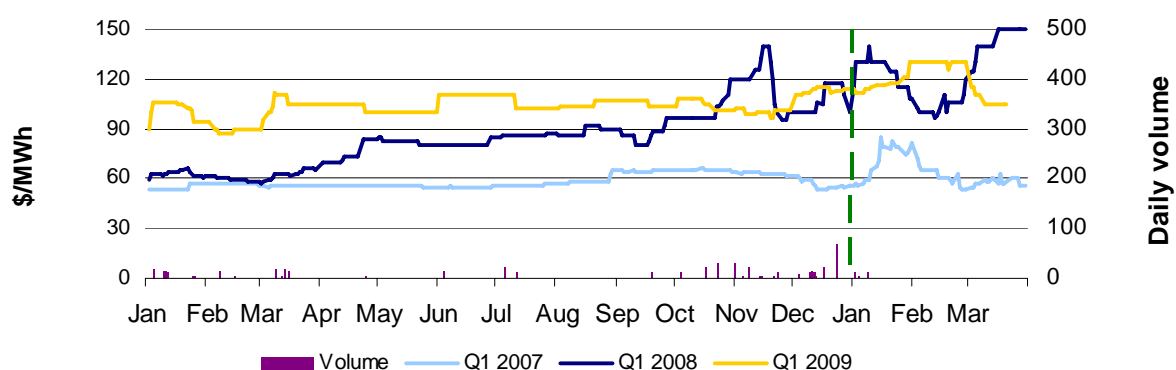
Source: d-cyphaTrade www.d-cyphatrade.com.au

Figure 9: Victoria Q1 2007, 2008 and 2009



Source: d-cyphaTrade www.d-cyphatrade.com.au

Figure 10: South Australia Q1 2007, 2008 and 2009



Source: d-cyphaTrade www.d-cyphatrade.com.au

Spot market forecasting variations

The AER is required under the National Electricity Rules to determine whether there is a significant variation between the forecast spot price published by NEMMCO and the actual spot price and, if there is a variation, state why the AER considers that the significant price variation occurred. It is not unusual for there to be significant variations as demand forecasts vary and as participants react to changing market conditions. There were 111 trading intervals where actual prices significantly varied from forecasts² throughout the week. This compares to the weekly average in 2008 of 130 counts. Reasons for these variances are summarised in Figure 11³.

² A trading interval is counted as having a variation if the actual price differs significantly from the forecast price either four or twelve hours ahead.

³ The table summarises (as a percentage) the number of times when the actual price differs significantly from the forecast price four or twelve hours ahead and the major reason for that variation. The reasons are classified as availability (which means that there is a change in the total quantity or price offered for generation), demand forecast inaccuracy, changes to network capability or as a combination of factors (when there is not one dominant reason). An instance where both twelve and four hour ahead forecasts differ significantly from the actual price will be counted as two variations.

Figure 11: Reasons for variations between forecast and actual prices

	Availability	Demand	Network	Combination
% of total above forecast	17%	53%	0%	1%
% of total below forecast	20%	9%	0%	0%

Demand and bidding patterns

The AER reviews demand, network limitations and generator bidding as part of its market monitoring to better understand the drivers behind price variations. Figure 12 shows the change in total available capacity in each region from the previous week and at the price levels shown, for the peak periods only⁴. For example, in Queensland 305 MW less capacity was offered at prices under \$20/MWh this week compared to the previous week. Also included is the change in average demand during peak periods, for comparison.

Figure 12: Changes in available generation and average demand compared to the previous week during peak times

MW	<\$20/MWh	Between \$20 and \$50/MWh	Total availability	Change in average demand
Queensland	-305	-48	-428	198
New South Wales	-575	168	-994	-20
Victoria	-254	74	-194	13
South Australia	-44	-38	-44	-53
Tasmania	206	-51	-53	-49
Total	-972	105	-1713	89

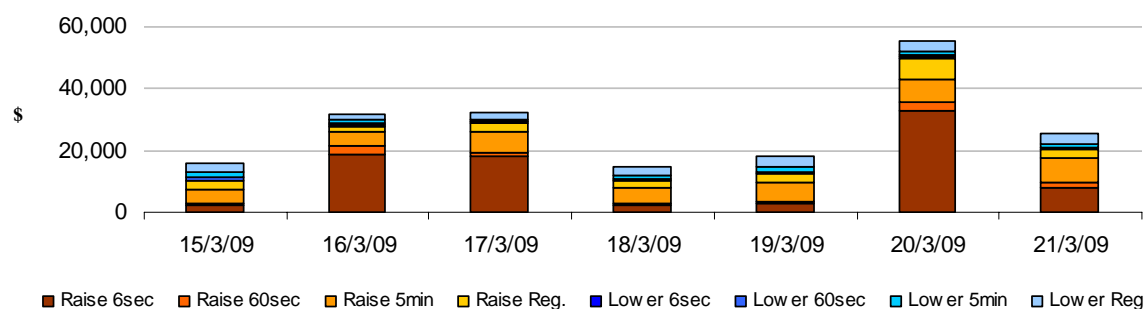
Ancillary services market

The total cost of frequency control ancillary services on the mainland for the week was \$116 000 or less than one per cent of turnover in the energy market.

The total cost of ancillary services in Tasmania for the week was \$77 000 or around one per cent of turnover in the energy market in Tasmania.

Figure 13 shows the daily breakdown of cost for each frequency control ancillary service for the NEM.

Figure 13: Daily frequency control ancillary service cost



Australian Energy Regulator

March 2009

4 Peak period is defined as between 7 am and 10 pm on weekdays, which aligns with the SFE contract definition.

Detailed Market Analysis

AUSTRALIAN ENERGY
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Queensland: There were two occasions where the spot price in Queensland was greater than three times the Queensland weekly average price of \$34/MWh.

Monday, 16 March

1.30 pm	Actual	4 hr forecast	12 hr forecast
Price (\$/MWh)	113.18	39.99	66.00
Demand (MW)	7644	7579	7626
Available capacity (MW)	9195	9262	9272

Conditions at the time saw demand 65 MW higher than that forecast four hours ahead and available capacity around 70 MW lower than that forecast four hours ahead.

Over three rebids at from 9.26 am, effective for the 1.30 pm trading interval, Stanwell Corporation rebid around 80 MW of available capacity across its portfolio from prices below \$55/MWh to prices above \$124/MWh. The reasons given were “Mill limitations::change availability”, “manage transmission constraint::change MW distrib” and “rearrange/rebalance portfolio::change avail/MW distrib”.

There was no other significant rebidding.

Tuesday, 17 March

11.30 am	Actual	4 hr forecast	12 hr forecast
Price (\$/MWh)	110.34	250.78	34.50
Demand (MW)	7137	7329	7341
Available capacity (MW)	8329	8363	9168

Conditions at the time saw demand around 190 MW lower than that forecast four hours ahead and available capacity close to forecast four hours ahead, but around 840 MW lower than that forecast 12 hours ahead. The price forecast four hours ahead was significantly greater than that forecast 12 hours ahead due to a significant reduction in available capacity in that period, with forecast demand remaining relatively unchanged. The actual price was lower than that forecast four hours ahead due to reduced demand and higher than forecast net imports.

At 5.51 am, the return of Callide Power Trading’s Callide C units three and four were delayed, reducing available capacity by a total of 810 MW (all of this capacity was priced below \$30/MWh). The reason given was “unit trip::resynch delayed”. This capacity was unavailable for the remainder of the day.

At 10.54 am, effective for the 11.30 am trading interval, Stanwell Corporation rebid 210 MW of available capacity across its Gladstone units from prices below \$75/MWh to prices above \$8000/MWh. The reason given was “manage transmission constraint::change MW distrib”.

There was no other significant rebidding.