

Electricity Report

19 – 25 April 2015

Introduction

The AER is required to publish the reasons for significant variations between forecast and actual price and is responsible for monitoring activity and behaviour in the National Electricity Market. The Electricity Report forms an important part of this work. The report contains information on significant price variations, movements in the contract market, together with analysis of spot market outcomes and rebidding behaviour. By monitoring activity in these markets, the AER is able to keep up to date with market conditions and identify compliance issues.

Spot market prices

Figure 1 shows the spot prices that occurred in each region during the week 19 to 25 April 2015. There was 1 occasion where the spot price in Queensland was below -$100/MWh.

Figure 1: Spot price by region ($/MWh)

Figure 1 shows the spot prices for this week in each region. The markers indicate the daily maximum and minimum spot prices in each region.    


Figure 2 shows the volume weighted average (VWA) prices for the current week (with prices shown in Table 1) and the preceding 12 weeks, as well as the VWA price over the previous 3 financial years.

Figure 2: Volume weighted average spot price by region ($/MWh)

Figure 2 shows the volume weighted average (VWA) prices for this week (with prices shown in Table 1) and the preceding 12 weeks, as well as the VWA price over the previous 3 financial years.    



Table 1: Volume weighted average spot prices by region ($/MWh)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Region | Qld | NSW | Vic | SA | Tas |
| Current week | 30 | 34 | 32 | 36 | 41 |
| 13-14 financial YTD | 62 | 54 | 55 | 71 | 43 |
| 14-15 financial YTD | 68 | 36 | 31 | 40 | 39 |

Longer-term statistics tracking average spot market prices are available on the [AER website](http://www.aer.gov.au/australian-energy-industry/performance-of-the-energy-sector).

Spot market price forecast 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 the Australian Energy Market Operator (AEMO) and the actual spot price and, if there is a variation, state why the AER considers the significant price variation occurred. It is not unusual for there to be significant variations as demand forecasts vary and participants react to changing market conditions. A key focus is whether the actual price differs significantly from the forecast price either four or 12 hours ahead. These timeframes have been chosen as indicative of the time frames within which different technology types may be able to commit (intermediate plant within four hours and slow start plant within 12 hours).

There were 42 trading intervals throughout the week where actual prices varied significantly from forecasts. This compares to the weekly average in 2014 of 71 counts and the average in 2013 of 97. Reasons for the variations for this week are summarised in Table 2. Based on AER analysis, the table summarises (as a percentage) the number of times when the actual price differs significantly from the forecast price four or 12 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 four and 12 hour ahead forecasts differ significantly from the actual price will be counted as two variations.

Table 2: Reasons for variations between forecast and actual prices

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Availability | Demand | Network | Combination |
| % of total above forecast | 1 | 51 | 0 | 0 |
| % of total below forecast | 45 | 2 | 0 | 0 |

Note: Due to rounding, the total may not be 100 per cent.

Generation and bidding patterns

The AER reviews generator bidding as part of its market monitoring to better understand the drivers behind price variations. Figure 3 to Figure 7 show, the total generation dispatched and the amounts of capacity offered within certain price bands for each 30 minute trading interval in each region.

Figure 3: Queensland generation and bidding patterns

"Figure 3 shows the total generation dispatched and the amounts of capacity bid in within certain price bands for each 30 minute trading interval in Queensland this week.
Should you require a description of the data for the week under review, please email us at AERInquiry@aer.gov.au."   


Figure 4: New South Wales generation and bidding patterns

"Figure 4 shows the total generation dispatched and the amounts of capacity bid in within certain price bands for each 30 minute trading interval in New South Wales this week.
Should you require a description of the data for the week under review, please email us at AERInquiry@aer.gov.au."   



Figure 5: Victoria generation and bidding patterns

"Figure 5 shows the total generation dispatched and the amounts of capacity bid in within certain price bands for each 30 minute trading interval in Victoria this week.
Should you require a description of the data for the week under review, please email us at AERInquiry@aer.gov.au."   


Figure 6: South Australia generation and bidding patterns

"Figure 6 shows the total generation dispatched and the amounts of capacity bid in within certain price bands for each 30 minute trading interval in South Australia this week.
Should you require a description of the data for the week under review, please email us at AERInquiry@aer.gov.au."   


Figure 7: Tasmania generation and bidding patterns



The red ellipses in Figure 7 highlight where Hydro Tasmania had no capacity priced between $50/MWh and $5000/MWh. This was set up a day ahead but it had no significant influence on spot prices.

Frequency control ancillary services markets

Frequency control ancillary services (FCAS) are required to maintain the frequency of the power system within the frequency operating standards. Raise and lower regulation services are used to address small fluctuations in frequency, while raise and lower contingency services are used to address larger frequency deviations. There are six contingency services:

* fast services, which arrest a frequency deviation within the first 6 seconds of a contingent event (raise and lower 6 second)
* slow services, which stabilise frequency deviations within 60 seconds of the event (raise and lower 60 second)
* delayed services, which return the frequency to the normal operating band within 5 minutes (raise and lower 5 minute) at which time the five minute dispatch process will take effect.

The Electricity Rules stipulate that generators pay for raise contingency services and customers pay for lower contingency services. Regulation services are paid for on a “causer pays” basis determined every four weeks by AEMO.

The total cost of FCAS on the mainland for the week was $461 000 or less than 1 per cent of energy turnover on the mainland.

The total cost of FCAS in Tasmania for the week was $102 000 or around 1.3 per cent of energy turnover in Tasmania.

Figure 8: Daily frequency control ancillary service cost

"Figure 8 shows the daily breakdown of cost for each FCAS for the NEM, as well as the average cost since the beginning of the previous financial year.
Should you require a description of the data for the week under review, please email us at  AERInquiry@aer.gov.au."


Figure 8 shows the daily breakdown of cost for each FCAS for the NEM, as well as the average cost since the beginning of the previous financial year.

Detailed market analysis of significant price events

We provide more detailed analysis of events where the spot price was greater than three times the weekly average price in a region and above $250/MWh or was below ‑$100/MWh.

There was one occasion where the spot price in Queensland was less than -$100/MWh

Queensland – Tuesday 21 April

Table 3: Price, Demand and Availability

| Time | Price ($/MWh) | | | Demand (MW) | | | Availability (MW) | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Actual | 4 hr forecast | 12 hr forecast | Actual | 4 hr forecast | 12 hr forecast | Actual | 4 hr forecast | 12 hr forecast |
| **2 pm** | -148.42 | 21.90 | 22.90 | 5867 | 6148 | 6182 | 9660 | 9625 | 9320 |

Conditions at the time saw demand 281 MW less than that forecast four hours ahead while available capacity was close to that forecast four hours ahead.

A planned outage on the Armidale-Dumaresq 8C 330 kV transmission line was limiting flows on QNI towards New South Wales to around 280 MW, as forecast.

At 1.28 pm, effective from 1.35 pm, CS Energy rebid 160 MW of capacity at Wivenhoe from the price cap to the price floor. The reason given was “1325P testing-revise test schedule-SL”. There was also a demand decrease of 99 MW at 1.35 pm. The reduced demand, combined with CS Energy’s rebid resulted in excess generation in Queensland which could not be exported and the dispatch price fell to the price floor.

The dispatch price rose to $21.90/MWh at 1.40 pm (and remained there for the rest of the trading interval) following an increase in demand of 102 MW and participants rebidding into higher prices.

## Financial markets

Figure 9 shows for all mainland regions the prices for base contracts (and total traded quantities for the week) for each quarter for the next four financial years.

Figure 9: Quarterly base future prices Q2 2015 – Q1 2019

Figure 9 shows for all mainland regions the prices for base contracts (and total traded quantities for the week) for each quarter for the next four financial years.Source: [ASXEnergy.com.au](https://asxenergy.com.au/)

Figure 10 shows how the price for each regional Quarter 1 2016 base contract has changed over the last 10 weeks (as well as the total number of trades each week). The closing quarter 1 2014 and quarter 1 2015 prices are also shown. The AER notes that data for South Australia is less reliable due to very low numbers of trades.

Figure 10: Price of Q1 2016 base contracts over the past 10 weeks (and the past 2 years)

Figure 10 shows how the price for each regional Quarter 1 2015 base contract has changed over the last 10 weeks (as well as the total number of trades each week). The closing quarter 1 2013 and quarter 1 2014 prices are also shown. The AER notes that data for South Australia is less reliable due to very low numbers of trades.

Note: Base contract prices are shown for each of the current week and the previous 9 weeks, with average prices shown for yearly periods 1 and 2 years prior to the current year.

Source: [ASXEnergy.com.au](https://asxenergy.com.au/)

Prices of other financial products (including longer-term price trends) are available in the [Performance of the Energy Sector](http://www.aer.gov.au/australian-energy-industry/performance-of-the-energy-sector) section of our website.

Figure 11: Price of Q1 2016 cap contracts over the past 10 weeks (and the past 2 years) shows how the price for each regional Quarter 1 2016 cap contract has changed over the last 10 weeks (as well as the total number of trades each week). The closing quarter 1 2014 and quarter 1 2015 prices are also shown.

Figure 11: Price of Q1 2016 cap contracts over the past 10 weeks (and the past 2 years)

Figure 11 shows how the price for each regional Quarter 1 2015 cap contract has changed over the last 10 weeks (as well as the total number of trades each week). The closing quarter 1 2014 and quarter 1 2015 prices are also shown.

Source: [ASXEnergy.com.au](https://asxenergy.com.au/)

Australian Energy Regulator

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