# **Australian Energy Regulator logoElectricity Report**

**15 – 21 January 2017**

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 15 – 21 January 2017.

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



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)



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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Region | Qld | NSW | Vic | SA | Tas |
| Current week | 144 | 90 | 77 | 104 | 90 |
| 15-16 financial YTD | 45 | 47 | 44 | 64 | 62 |
| 16-17 financial YTD | 82 | 64 | 46 | 105 | 51 |

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

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 290 trading intervals throughout the week where actual prices varied significantly from forecasts. This compares to the weekly average in 2016 of 273 counts and the average in 2015 of 133. 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 | 3 | 42 | 0 | 1 |
| % of total below forecast | 36 | 15 | 0 | 2 |

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 4: New South Wales generation and bidding patterns



Figure 5: Victoria generation and bidding patterns



Figure 6: South Australia generation and bidding patterns



Figure 7: Tasmania generation and bidding patterns



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 $900 000 or less than one per cent of energy turnover on the mainland.

The total cost of FCAS in Tasmania for the week was $425 000 or around 3 per cent of energy turnover in Tasmania.

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.

Figure 8: Daily frequency control ancillary service cost



Detailed market analysis of significant price events

## Queensland

There were seven occasions where the spot price in Queensland was greater than three times the Queensland weekly average price of $144/MWh and above $250/MWh.

### Sunday, 15 January

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 |
| 12.30 pm | 2609.08 | 103.05 | 1405.69 | 7419 | 7317 | 7330 | 10 693 | 10 822 | 10 945 |

Conditions at the time saw demand around 100 MW above that forecast four hours ahead and available capacity around 130 MW lower than that forecast four hours ahead.

At 12.03 pm, Millmerran energy Trader rebid 100 MW of capacity at Millmerran from the price floor to the price cap. The reason given was “A Qld rrp P5 run 11:45 di 12:30 value 1406 vs P5 run 11:40 di sl”. With capacity priced between $100/MWh and $13 800/MWh ramp rate limited or needing more than five minutes to start, the dispatch price increased from $294/MWh at 12.05 pm to $1406/MWh at 12.10 pm. At 12.15 pm there was a 50 MW increase in demand and an 18 MW rebid of capacity from low to high prices which saw the price increase to $13 800/MWh. Prices fell to around $50/MWh for the rest of the trading interval following reductions in demand and rebidding by participants from high to low prices.

### Wednesday, 18 January

Table 4: 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 |
| 4.30 pm | 479.19 | 142.31 | 168.98 | 9314 | 9026 | 9010 | 11 012 | 11 112 | 11 169 |
| 5 pm | 2404.56 | 2150.30 | 160.06 | 9332 | 9134 | 9087 | 11 086 | 11 120 | 11 102 |

Conditions at the time saw demand up to 288 MW higher than forecast four hours ahead and reaching a new record of 9357 MW at 7 pm. Available capacity was slightly lower than forecast.

Over two rebids from 4.02 pm AGL withdrew 76 MW of capacity at Yabulu, all of which was priced below $90/MWh due to an issue returning to service.

At 4.11 pm, effective from 4.20 pm, CS Energy rebid 60 MW of capacity at Callide B from $17/MWh to the price cap. The reason given was “1611A dispatch price lower than 5min forecast-sl”. These rebids coupled with the higher than forecast demand saw the dispatch price increase from $156/MWh at 4.15 pm to $2150/MWh at 4.20 pm.

At 4.17 pm AGL rebid back the 76 MW of capacity at Yabulu to under $90/MWh and the dispatch price fell to $89/MWh.

The spot price for 5 pm was slightly higher than forecast due to higher than forecast demand.

### Friday, 20 January

Table 5: 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 |
| 11 am | 437.73 | 156.03 | 310.03 | 7997 | 8199 | 8265 | 10 849 | 10 873 | 10 933 |
| 2 pm | 447.30 | 60.94 | 156.03 | 8475 | 8127 | 8839 | 10 776 | 11 122 | 11 160 |
| 3 pm | 2382.27 | 85.99 | 13 800.00 | 8810 | 8318 | 9042 | 10 921 | 11 050 | 11 034 |
| 5 pm | 2457.65 | 98.93 | 14 000.00 | 9170 | 8897 | 9471 | 10 858 | 11 001 | 11 040 |

Conditions at the time saw demand higher than forecast except for the 11 am trading interval. Available capacity was close to forecast except for the 2 pm trading interval which was around 350 MW lower than forecast.

Throughout the majority of the day there was little capacity priced between $300/MWh and $2000/MWh and that capacity was ramp rate limited, needed more than five minutes to start or trapped or stranded in FCAS. This meant that small changes in demand or rebidding could lead to large changes in price.

There were four dispatch price spikes, two at $2150/MWh at 10.45 am and 1.35 pm and two at $13 800/MWh at 3 pm and 4.55 pm. All these prices coincided with a sharp five minute increase in demand (up to 286 MW). The 3 pm and 5 pm prices saw Queensland participants rebid capacity from low to high prices, shown in the tables below. The price spikes were preceded by a large decrease in demand (up to 571 MW), most likely a demand side response and prices fell.

Table 6: Significant rebids for 3 pm

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Submittedtime | Timeeffective | Participant | Station | Capacity rebid(MW) | Price from($/MWh) | Price to($/MWh) | Rebid reason |
| 2.26 pm | 2.35 pm | Millmerran Energy Trader | Millmerran | 20 | 10 | 14 000 | 14:25 F portfolio readjustment due to unit 1 issues sl |
| 2.37 pm | 2.45 pm | Alinta Energy | Braemar A | 6 | 97 | 14 000 | 1436~P~revise unit output based on ambient conditions~ |
| 2.39 pm | 2.50 pm | CS Energy | Gladstone | -10 | 99 | N/A | 1439P technical issues-id fan-sl |
| 2.47 pm | 2.55 pm | Callide Power Trading | Callide C | 86 | -1000 | 14 000 | 1445A A Qld dem ds di 14:45 VS pd run 14:30 ti 15:00 sl |
| 2.47 pm | 2.55 pm | Millmerran Energy Trader | Millmerran | 30 | -1000 | 14 000 | 14:47 A Qld dem ds di 14:45 vs pd run 14:30 ti 15:00 sl |
| 2.49 pm | 3.00 pm | CS Energy | Gladstone | -20 | <295 | N/A | 1449P technical issues-id fan-sl |

Table 7: Significant rebids for 5 pm

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Submittedtime | Timeeffective | Participant | Station | Capacity rebid(MW) | Price from($/MWh) | Price to($/MWh) | Rebid reason |
| 4.38 pm | 4.45 pm | Millmerran Energy Trader | Millmerran | 30 | -1000 | 14 000 | A Qld +200 sens pd run 16:30 ti 17:00 value 13641 vs pd run sl |
| 4.39 pm | 4.50 pm | Callide Power Trading | Callide C | 40 | -1000 | 14 000 | 1638A Qld +200 sens pd run 16:30 ti 17:00 value 13641 vs pd run |
| 4.41 pm | 4.50 pm | CS Energy | Gladstone | 100 | >13 800 | <99 | 1638P fuel management-sl |
| 4.41 pm | 4.50 pm | CS Energy | Wivenhoe | 160 | 0 | 14 000 | 1638P fuel management-sl |
| 4.52 pm | 5.00 pm | Callide Power Trading | Callide C | 126 | 14 000 | -1000 | 1651A price above pd - sl |

## New South Wales

There were thirteen occasions where the spot price in New South Wales was greater than three times the New South Wales weekly average price of $90/MWh and above $250/MWh.

### Monday, 16 January

Table 8: 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 |
| 4 pm | 270.88 | 139.40 | 251.14 | 11 128 | 10 656 | 10 791 | 13 384 | 13 901 | 14 228 |
| 4.30 pm | 291.58 | 148.07 | 253.56 | 11 194 | 10 809 | 10 823 | 13 357 | 13 705 | 14 213 |
| 5 pm | 275.81 | 258.99 | 261.46 | 11 197 | 10 874 | 10 827 | 13 337 | 13 634 | 14 192 |

Conditions at the time saw demand up to 472 MW higher than forecast four hours ahead. Available capacity was up to 517 MW lower than forecast four hours ahead, with most of the capacity removed priced below $300/MWh. The reasons for the reduction in capacity given by New South Wales participants related to unexpected plant issues or ambient temperatures.

As a result of the higher than forecast demand and reduced low priced capacity the dispatch prices increased to around $300/MWh at 3.40 pm and stayed there until 5.05 pm.

### Tuesday, 17 January

Table 9: 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 |
| 3 pm | 294.35 | 299.60 | 277.97 | 13 204 | 12 599 | 12 325 | 13 804 | 14 261 | 14 417 |
| 3.30 pm | 348.22 | 299.60 | 299.80 | 13 442 | 12 792 | 12 413 | 13 693 | 14 471 | 14 682 |
| 4 pm | 394.76 | 299.80 | 299.80 | 13 526 | 13 031 | 12 525 | 13 817 | 14 412 | 14 658 |
| 4.30 pm | 299.33 | 299.80 | 299.80 | 13 605 | 13 126 | 12 478 | 13 666 | 14 402 | 14 630 |
| 5 pm | 302.03 | 299.60 | 299.60 | 13 677 | 13 081 | 12 430 | 13 646 | 14 298 | 14 588 |
| 5.30 pm | 410.39 | 125.56 | 299.60 | 13 505 | 12 766 | 12 171 | 13 621 | 14 236 | 14 527 |
| 6 pm | 289.38 | 96.99 | 290.83 | 13 483 | 12 536 | 12 018 | 13 716 | 14 163 | 14 480 |
| 6.30 pm | 279.06 | 97.41 | 116.55 | 13 261 | 12 223 | 11 658 | 13 868 | 14 009 | 14 441 |
| 8 pm | 269.77 | 93.52 | 87.69 | 12 757 | 11 456 | 11 264 | 13 889 | 13 297 | 13 597 |

Conditions at the time saw prices close to forecast for the 3 pm to 5 pm trading intervals even though demand was up to 650 MW higher and available capacity was up to 778 MW lower than forecast four hours ahead, the majority of which was low priced. There was around 500 MW of capacity rebid by New South Wales participants from high to low prices.

The 5.30 pm to 8 pm spot prices were higher than forecast but still around the $300/MWh driven by higher than forecast demand. Demand was up to 1301 MW higher than forecast four hours ahead and, with the exception of 8 pm, available capacity was up to 615 MW lower than forecast four hours ahead, the majority of which was low priced.

The dispatch price remained around $300/MWh for a majority of the time between 3 pm and 8 pm.

### Wednesday, 18 January

Table 10: 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 |
| 3 pm | 299.60 | 299.80 | 113.59 | 12 579 | 13 748 | 12 717 | 14 434 | 14 468 | 14 342 |

The spot price was close to that forecast four hours ahead.

## Victoria

There were four occasions where the spot price in Victoria was greater than three times the Victoria weekly average price of $77/MWh and above $250/MWh.

### Monday, 16 January

Table 11: 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 |
| 4 pm | 261.34 | 133.04 | 262.95 | 6302 | 6008 | 6012 | 8218 | 8421 | 8339 |
| 4.30 pm | 274.52 | 138.00 | 262.95 | 6489 | 6072 | 6091 | 8173 | 8585 | 8337 |

Conditions at the time saw demand up to 417 MW higher than forecast four hours ahead. Available capacity up to 412 MW lower than forecast four hours ahead with most of the capacity removed priced below $110/MWh. The reasons given related to ambient temperature and unexpected plant limitations, the temperature in the Melbourne, Victoria was around 33 degrees.

The combination of higher than forecast demand and reduced low priced capacity saw dispatch prices remain at around $280/MWh for a majority of the time between 3.40 pm and 4.25 pm.

### Tuesday, 17 January

Table 12: 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 |
| 4 pm | 302.01 | 290.00 | 279.77 | 8084 | 7824 | 7285 | 8925 | 9135 | 9294 |
| 5 pm | 267.57 | 268.73 | 262.95 | 7996 | 7531 | 7192 | 8877 | 9465 | 9555 |

Spot prices were close to those forecast.

## South Australia

There were four occasions where the spot price in South Australia was greater than three times the South Australia weekly average price of $104/MWh and above $250/MWh.

### Monday, 16 January

Table 13: 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 |
| 4 pm | 316.64 | 193.87 | 350.69 | 2011 | 1784 | 1923 | 2260 | 2308 | 2312 |
| 4.30 pm | 323.86 | 299.99 | 351.48 | 2083 | 1861 | 2002 | 2276 | 2309 | 2311 |

Conditions at the time saw demand up to 227 MW higher than forecast four hours ahead. Prices were aligned with those in Victoria.

### Tuesday, 17 January

Table 14: 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 |
| 4 pm | 344.37 | 350.01 | 358.28 | 2509 | 2421 | 2386 | 2664 | 2652 | 2667 |

The spot price was close to that forecast.

### Thursday, 19 January

Table 15: 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 |
| 5 pm | 2399.21 | 126.29 | 124.99 | 2421 | 2151 | 2137 | 2336 | 2357 | 2429 |

Conditions at the time saw demand 270 MW higher than forecast four hours ahead while available capacity was close to forecast.

There was little capacity priced between $127/MWh and $13 000/MWh and the capacity that was needed required more than five minutes to start. This meant that small changes in demand, rebidding or interconnector flows could have a significant effect on price.

At 4.35 pm local generation increase by 32 MW due to a reduction in imports and a small increase in demand. Low priced capacity was unable to start in five minutes so high priced capacity was dispatch which saw the price increase from $579/MWh at 4.30 pm to $13 999/MWh at 4.35 pm. The price then decreased to less than $110/MWh for the remainder of the trading interval due to rebidding by participants of capacity from high to low 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 Q1 2017 – Q4 2020 

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

Figure 10 shows how the price for each regional quarter 1 2017 base contract has changed over the last 10 weeks (as well as the total number of trades each week). The closing quarter 1 2015 and quarter 1 2016 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 2017 base contracts over the past 10 weeks (and the past 2 years)



Note. Base contract prices are shown for each of the current week and the previous 9 weeks, with average prices shown for 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 [Industry Statistics](http://www.aer.gov.au/industry-information/industry-statistics) section of our website.

Figure 11 shows how the price for each regional Quarter 1 2017 cap contract has changed over the last 10 weeks (as well as the total number of trades each week). The closing quarter 1 2015 and quarter 1 2016 prices are also shown.

Figure 11: Price of Q1 2017 cap contracts over the past 10 weeks (and the past 2 years)



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

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