

24–30 December 2006

Spot prices for Christmas holiday period averaged between \$14/MWh in Queensland and Victoria and \$28/MWh in South Australia. These prices represent some of the lowest since Easter 2003.

Turnover in the energy market was \$54 million. The total cost of ancillary services for the week was \$146 000, or 0.3 per cent of energy market turnover.

Significant variations between actual prices and those forecast 4 and 12 hours ahead occurred in 65, or a fifth of all trading intervals. Demand forecasts produced 4 and 12 hours ahead varied from actual by more than 5 per cent in a third of all trading intervals across the market.

Energy prices

Figure 1 sets out the national demand and spot prices in each region for each trading interval. Figure 2 compares the volume weighted average price with the averages for the previous week, the same quarter last year and for the previous financial year.

Figure 1: national demand and spot prices

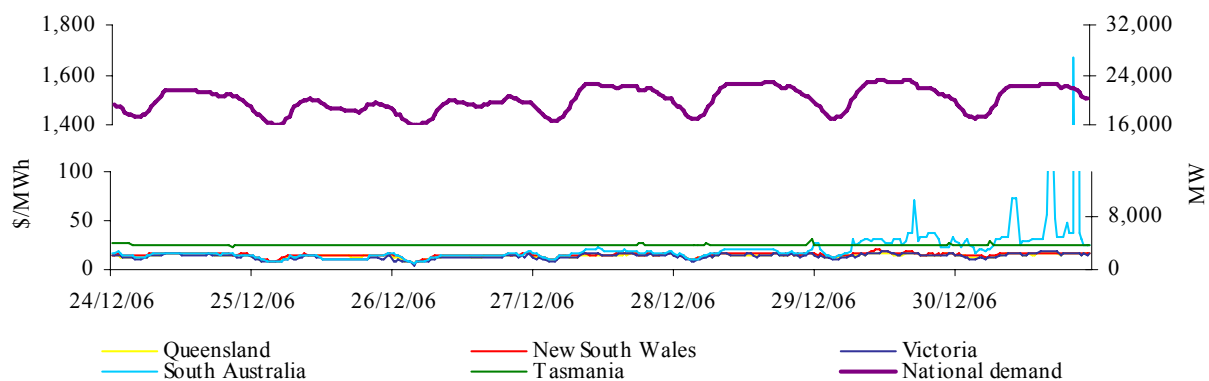


Figure 2: volume weighted average spot price for energy market (\$/MWh)

	QLD	NSW	VIC	SA	TAS
Last week	14	16	14	28	25
Previous week	20	23	26	35	37
Same quarter last year	39	73	32	47	63
Financial year to date	25	33	34	42	40
% change from previous week*	▼28%	▼32%	▼47%	▼21%	▼32%
% change from same quarter last year**	▼63%	▼78%	▼57%	▼41%	▼60%
% change from year to date***	▼20%	▼32%	▲13%	▲7%	▼52%

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

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

***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.

Figures 3 to 7 show the weekly correlation between spot price and demand.

Figure 3: Queensland

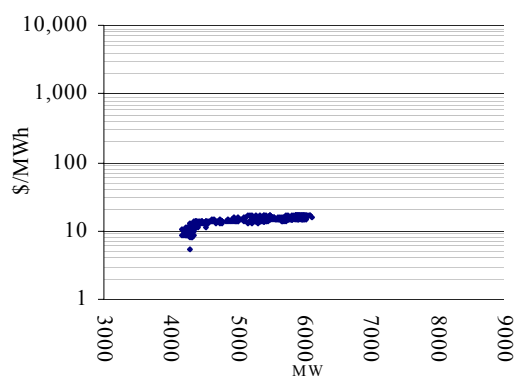


Figure 4: New South Wales

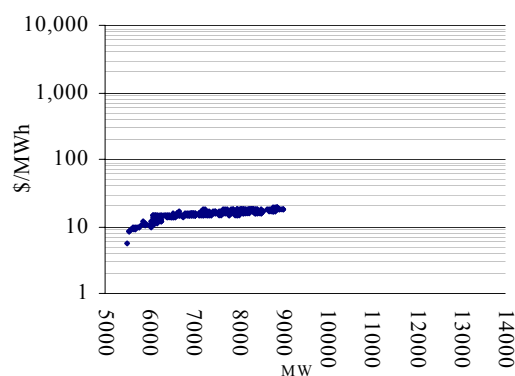


Figure 5: Victoria

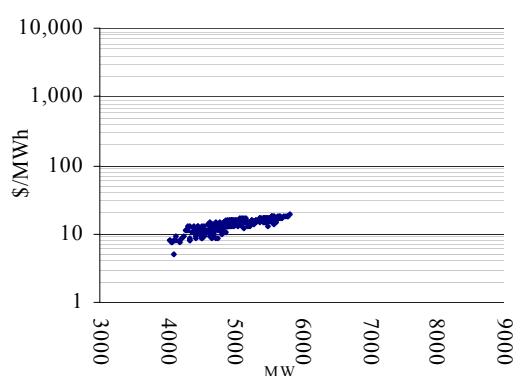


Figure 6: South Australia

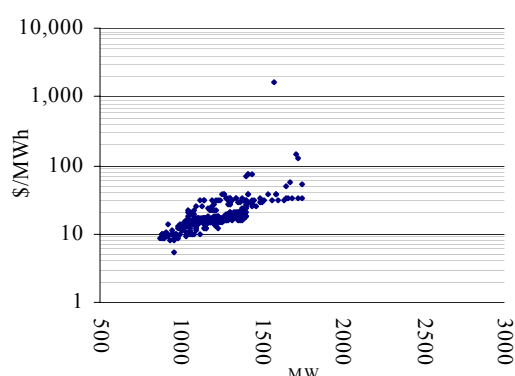
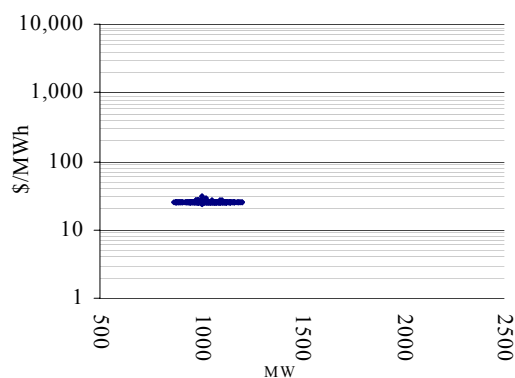


Figure 7: Tasmania



The maximum spot prices for the week ranged from \$17/MWh in Queensland to \$1669/MWh in South Australia when lightning led to a rapid reduction in the transfer capability of the Heywood interconnector. Figure 8 compares the weekly price volatility index with the averages for the previous week and the same quarter last year. Volatility in Tasmania was almost zero, with spot prices ranging between \$24.10/MWh and \$24.20/MWh for three quarters of the time.

Figure 8: volatility index during peak periods

	QLD	NSW	VIC	SA	TAS
Last week	0.18	0.16	0.37	0.97	0.002
Previous week	0.60	0.67	1.03	1.36	0.86
Same quarter last year	1.12	1.03	0.83	0.76	0.61

The definition of the price volatility index is available on the AER website.
<http://www.aer.gov.au/content/index.phtml/tag/MarketSnapshotLongTermAnalysis>

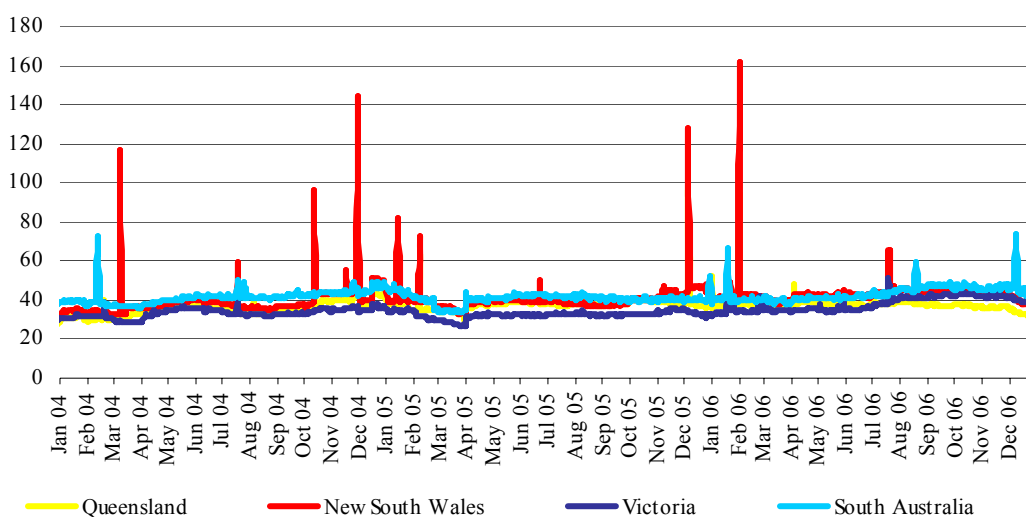
Figure 9 sets out the d-cyphaTrade wholesale electricity price index (WEPI)* for each region throughout the week excluding Tasmania. Figure 10 sets out the WEPI since 1 January 2004.

Figure 9: d-cyphaTrade WEPI for the week

	Monday	Tuesday	Wednesday	Thursday	Friday
Queensland	N/A	N/A	31.56	32.16	31.99
New South Wales	N/A	N/A	36.93	37.94	38.01
Victoria	N/A	N/A	36.87	37.77	37.88
South Australia	N/A	N/A	42.62	42.96	42.87

* The definition of the wholesale electricity price index is available on the d-cyphaTrade website
http://www.d-cyphatrade.com.au/products/wholesale_electricity_price_i
 The WEPI applies for working days only.

Figure 10: d-cyphaTrade WEPI



Reserve

There were no low reserves forecast.

Figures 11 to 15: spot price, net import and limit at time of weekly maximum demand

Figure 11: Queensland

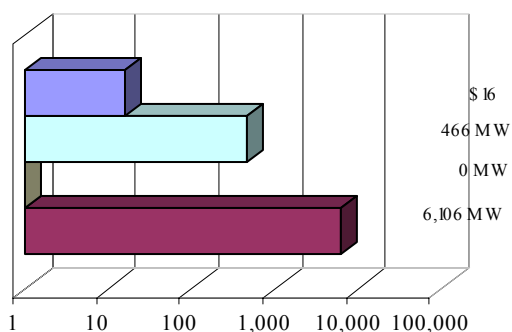


Figure 12: New South Wales

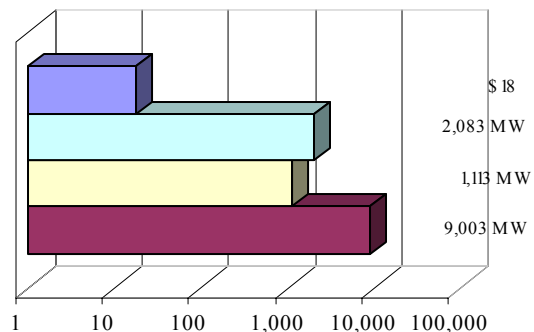


Figure 13: Victoria

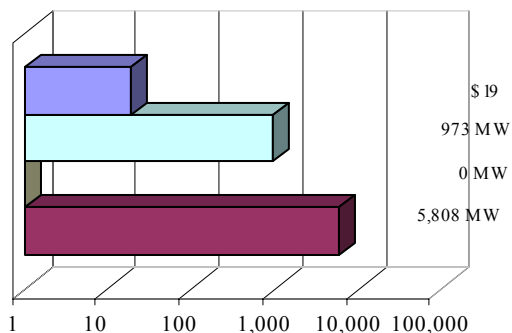


Figure 14: South Australia

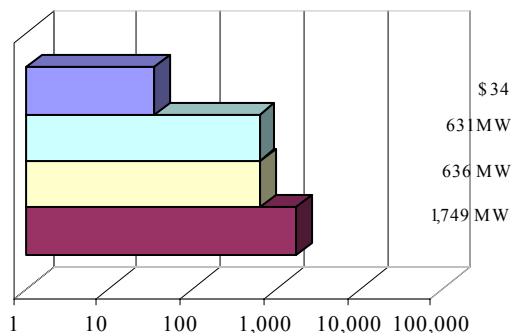
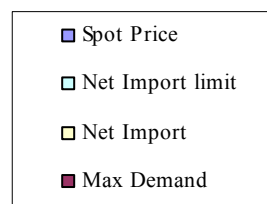
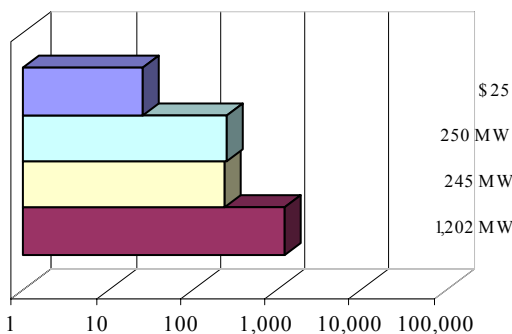


Figure 15: Tasmania



Price variations

There were 65 trading intervals where actual prices significantly varied from forecasts made 4 and 12 hours ahead of dispatch. Figures 16 to 20 show the difference in actual and forecast price versus the difference in actual and forecast demand. The figures highlight the relationship between price variation and demand forecast error. The information is presented in terms of the percentage difference from actual. Price differences beyond 100 per cent have been capped.

Figure 16: Queensland

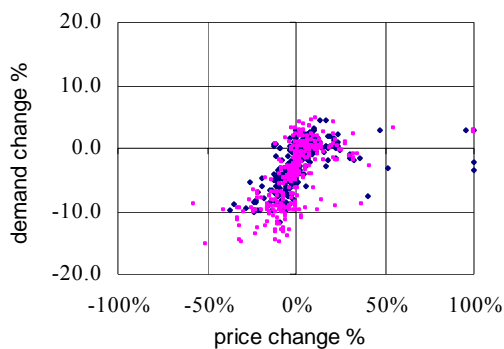


Figure 17: New South Wales

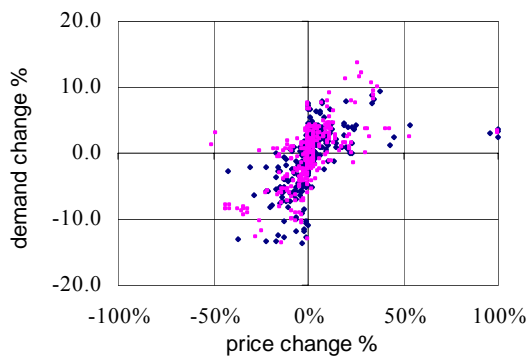


Figure 18: Victoria

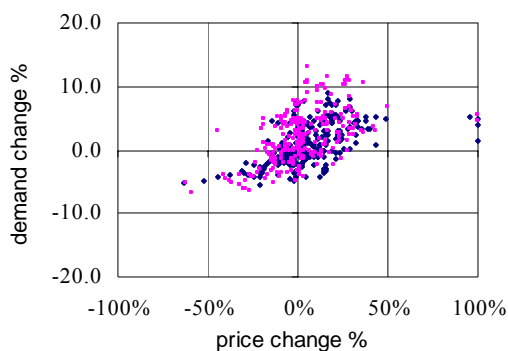


Figure 19: South Australia

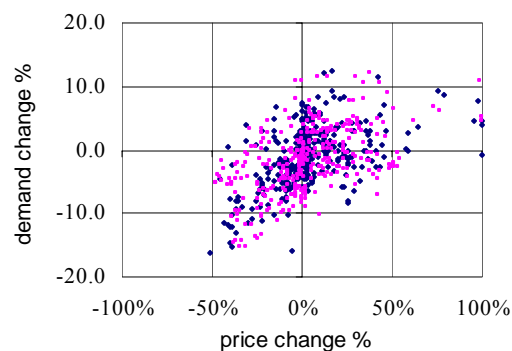


Figure 20: Tasmania

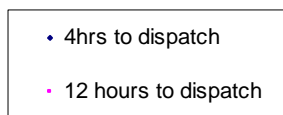
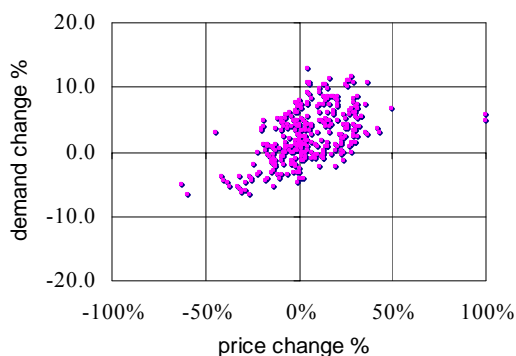
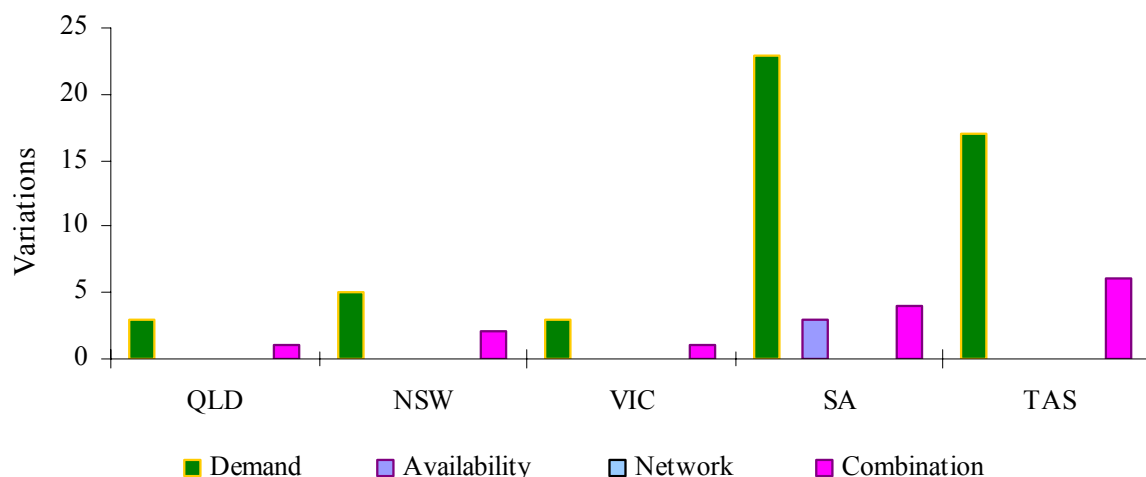


Figure 21 summarises the number and most probable reason for variations between forecast and actual prices.

Figure 21: reasons for variations between forecast and actual prices



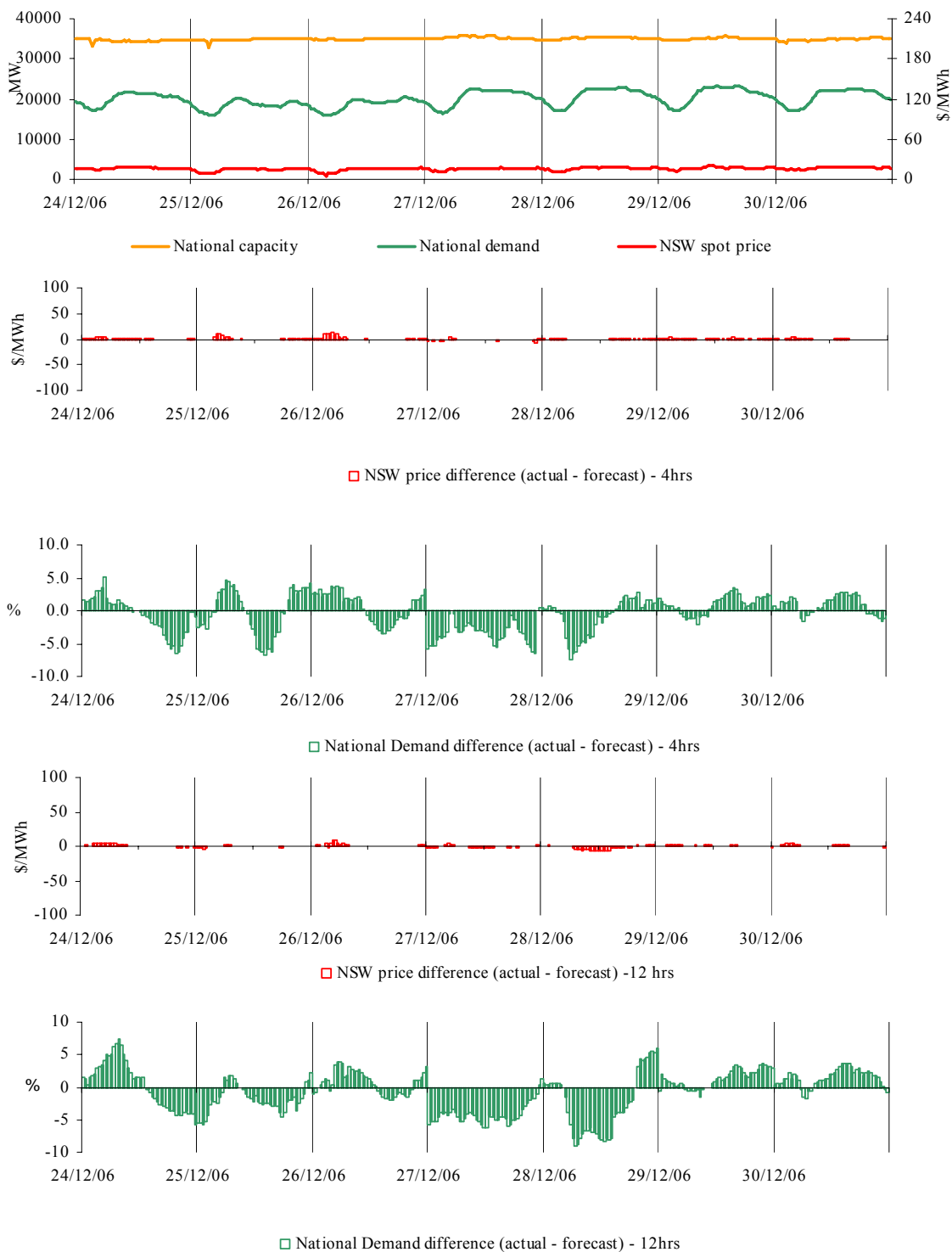
Price and demand

Figures 22 – 56 set out details of spot prices and demand on a national and regional basis. They include the actual spot price, actual demand and variation from forecasts made 4 and 12 hours ahead of dispatch.

Spot prices within the national market are regularly aligned, with conditions in one region reflected across all others. The national market outcomes section highlights pricing events that occurred when spot prices were generally aligned across all regions of the national electricity market – the New South Wales spot price has been used to represent a pseudo national price under these conditions.

On a regional basis the differences between the maximum temperature and the temperature forecast at around 6.00 pm the day before are also included. In each section, the occurrences of all prices for the week greater than three times the average have been presented. The price forecast is compared to the demand and availability forecasts made 4 and 12 hours ahead, with significant changes to these forecasts explained.

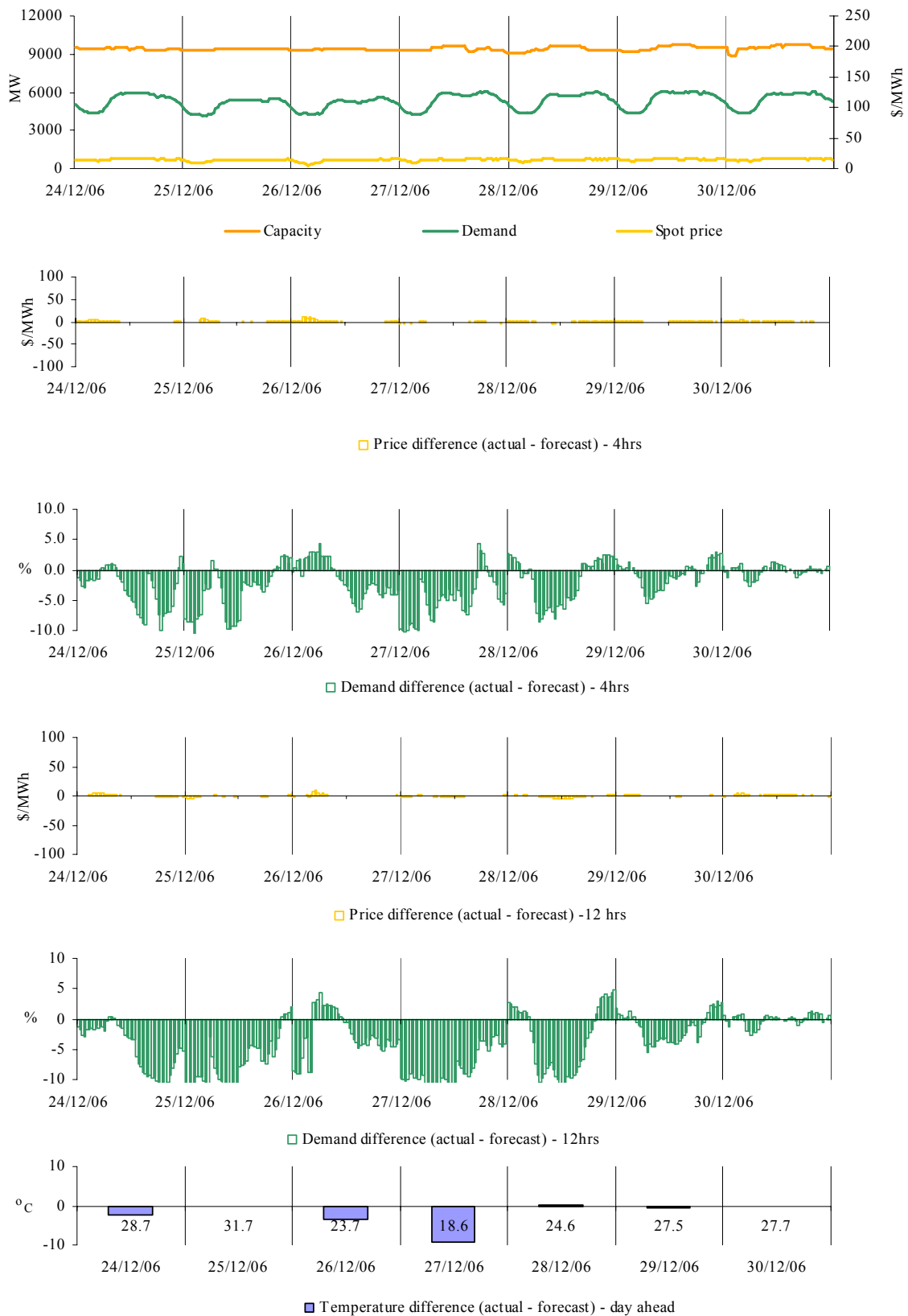
Figures 22-26: National market outcomes



There was no occasion where spot prices were nationally aligned and the New South Wales price¹ was greater than three times the New South Wales weekly average price of \$16/MWh.

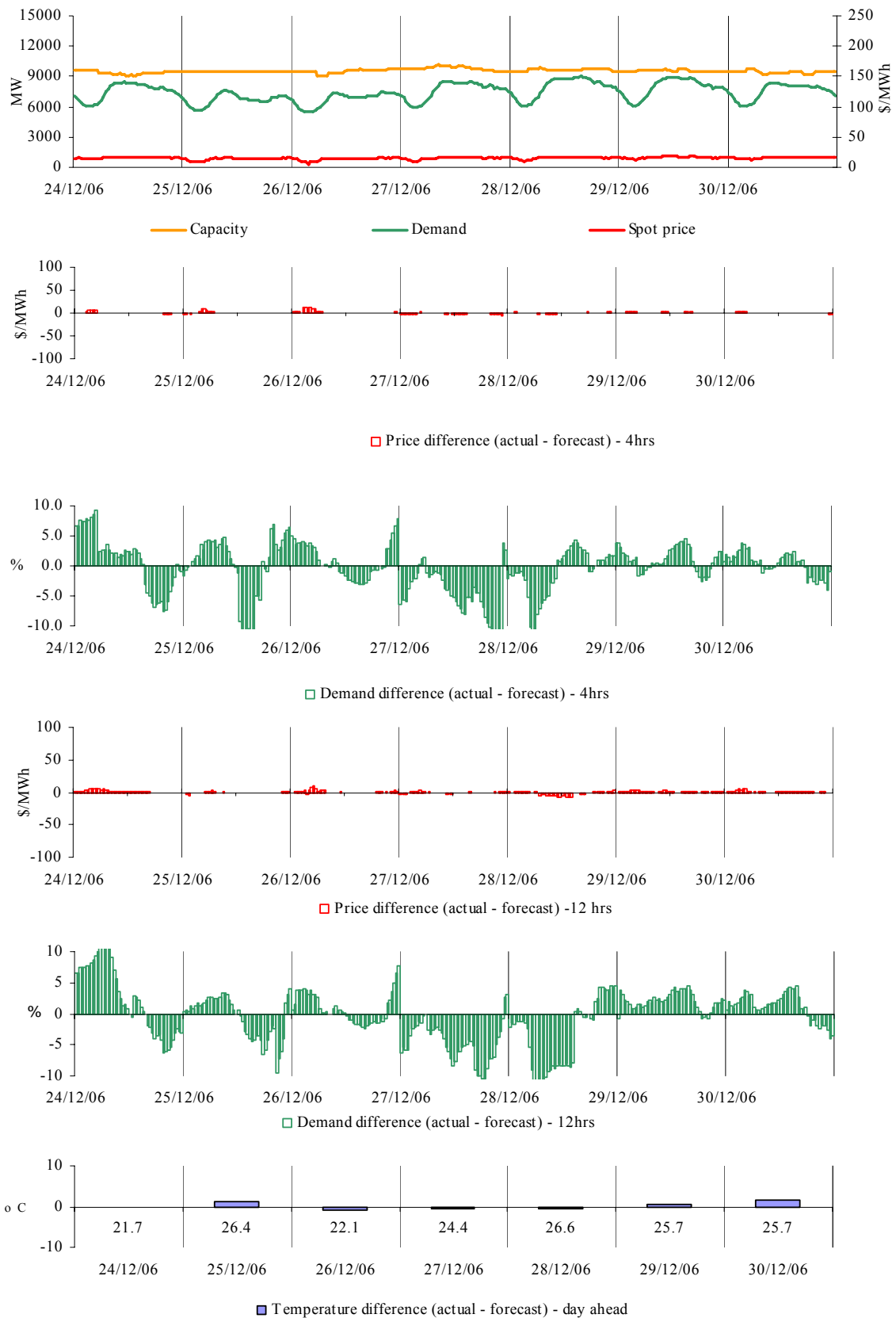
¹ The New South Wales spot price has been used to represent a pseudo national price under these conditions.

Figures 27-32: Queensland actual spot price, demand and forecast differences



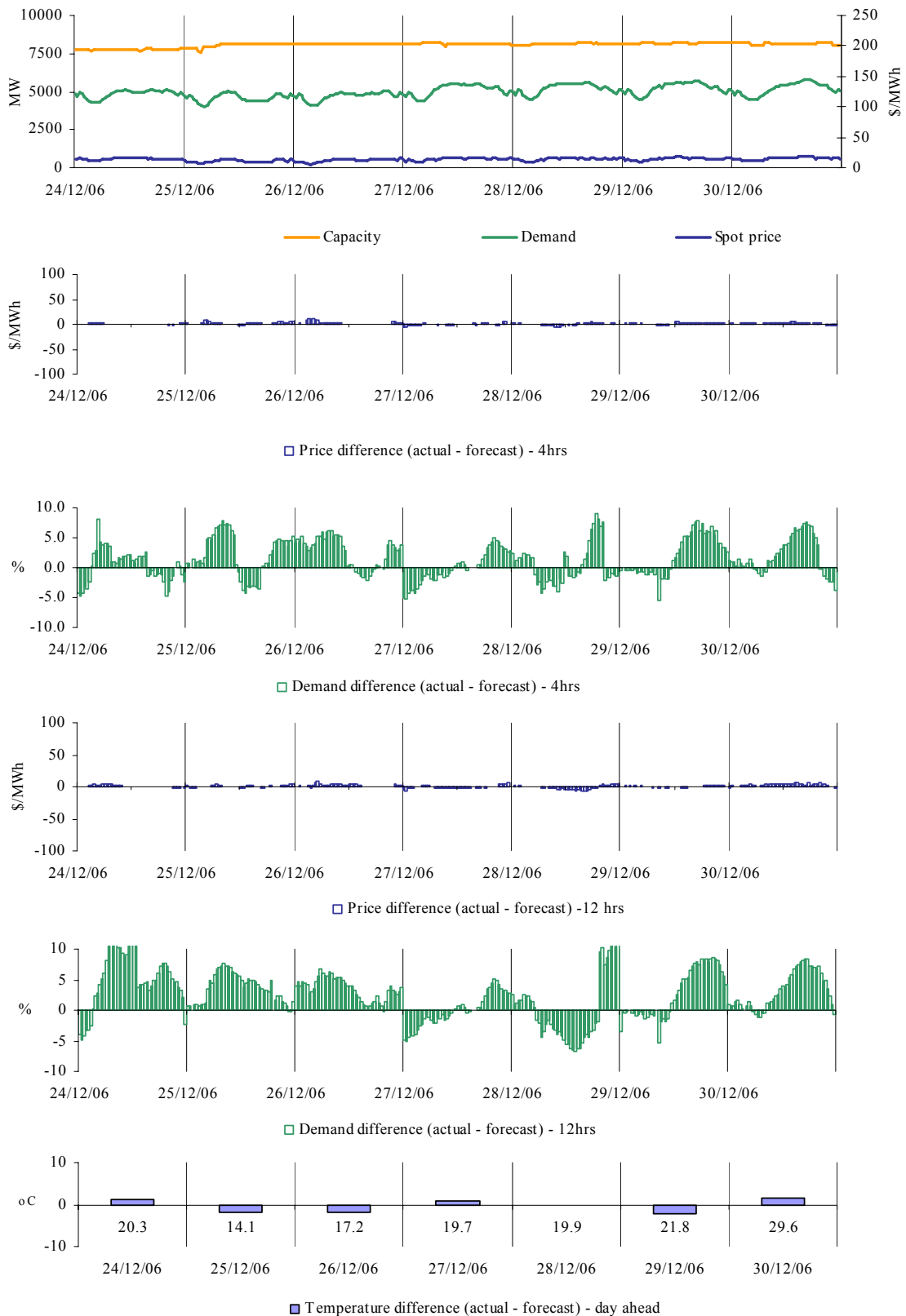
There was no occasion where the spot price in Queensland was greater than three times the weekly average price of \$14/MWh.

Figures 33-38 New South Wales actual spot price, demand and forecast differences



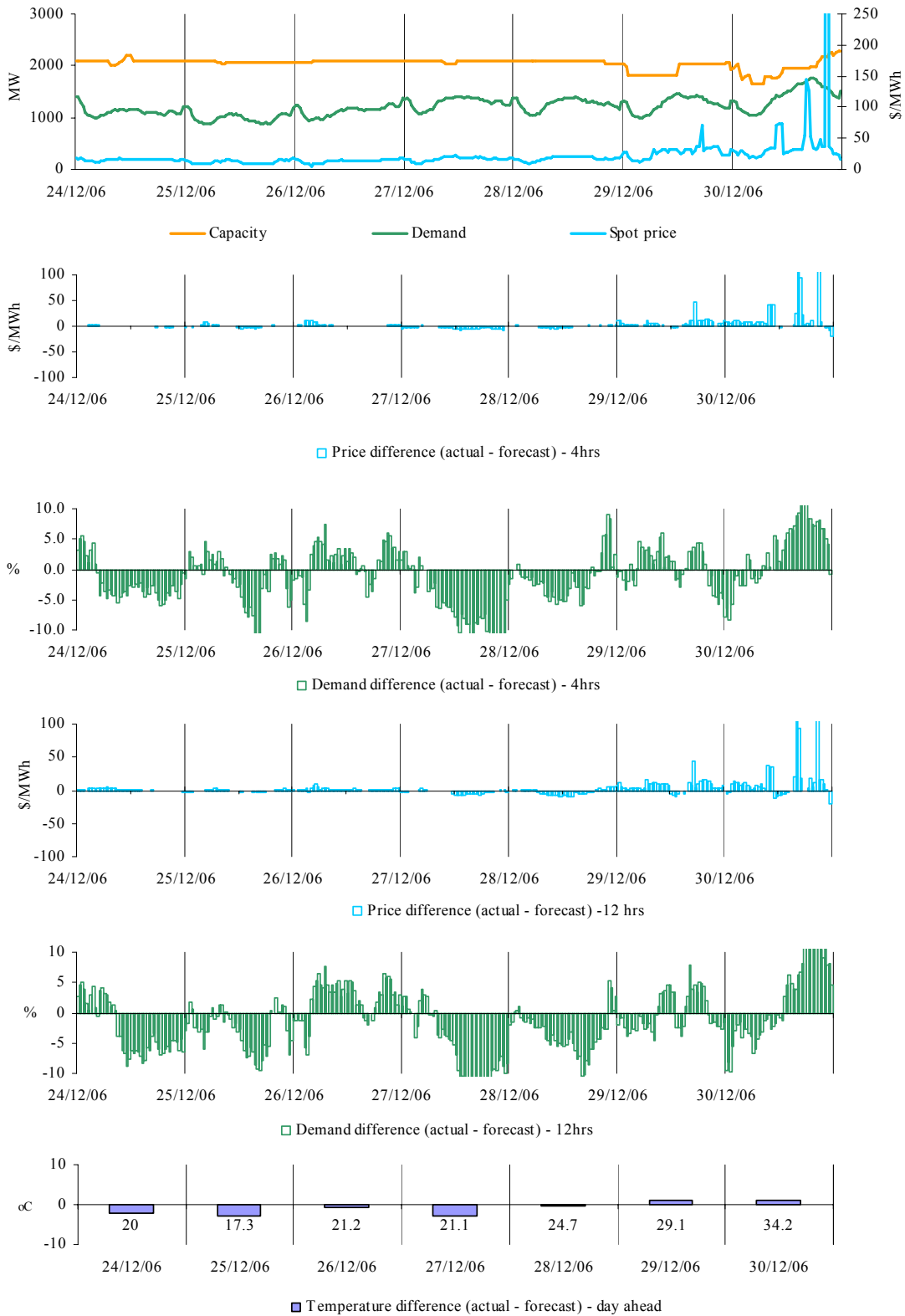
There was no occasion where the spot price in New South Wales was greater than three times the weekly average price of \$16/MWh.

Figures 39-44: Victoria actual spot price, demand and forecast differences



There was no occasion where the spot price in Victoria was greater than three times the weekly average price of \$14/MWh.

Figures 45-50: South Australia actual spot price, demand and forecast differences



There were three occasions where the spot price in South Australia was greater than three times the weekly average price of \$28/MWh.

Saturday, 30 December

4:30 pm	Actual	4 hr forecast	12 hr forecast
Price (\$/MWh)	145.00	30.25	34.00
Demand (MW)	1710	1561	1605
Available capacity (MW)	1944	1953	1787
5:00 pm	Actual	4 hr forecast	12 hr forecast
Price (\$/MWh)	126.50	30.74	34.00
Demand (MW)	1722	1562	1606
Available capacity (MW)	1954	1953	1787

Conditions at the time saw demand up to 160 MW higher than forecast four hours ahead. Both interconnectors into South Australia were at their limits during the afternoon with around 35 MW of capacity priced between \$35/MWh and \$145/MWh.

There was no significant rebidding.

Saturday, 30 December

9:00 pm	Actual	4 hr forecast	12 hr forecast
Price (\$/MWh)	1669.44	37.00	24.90
Demand (MW)	1572	1449	1401
Available capacity (MW)	2188	1987	2053

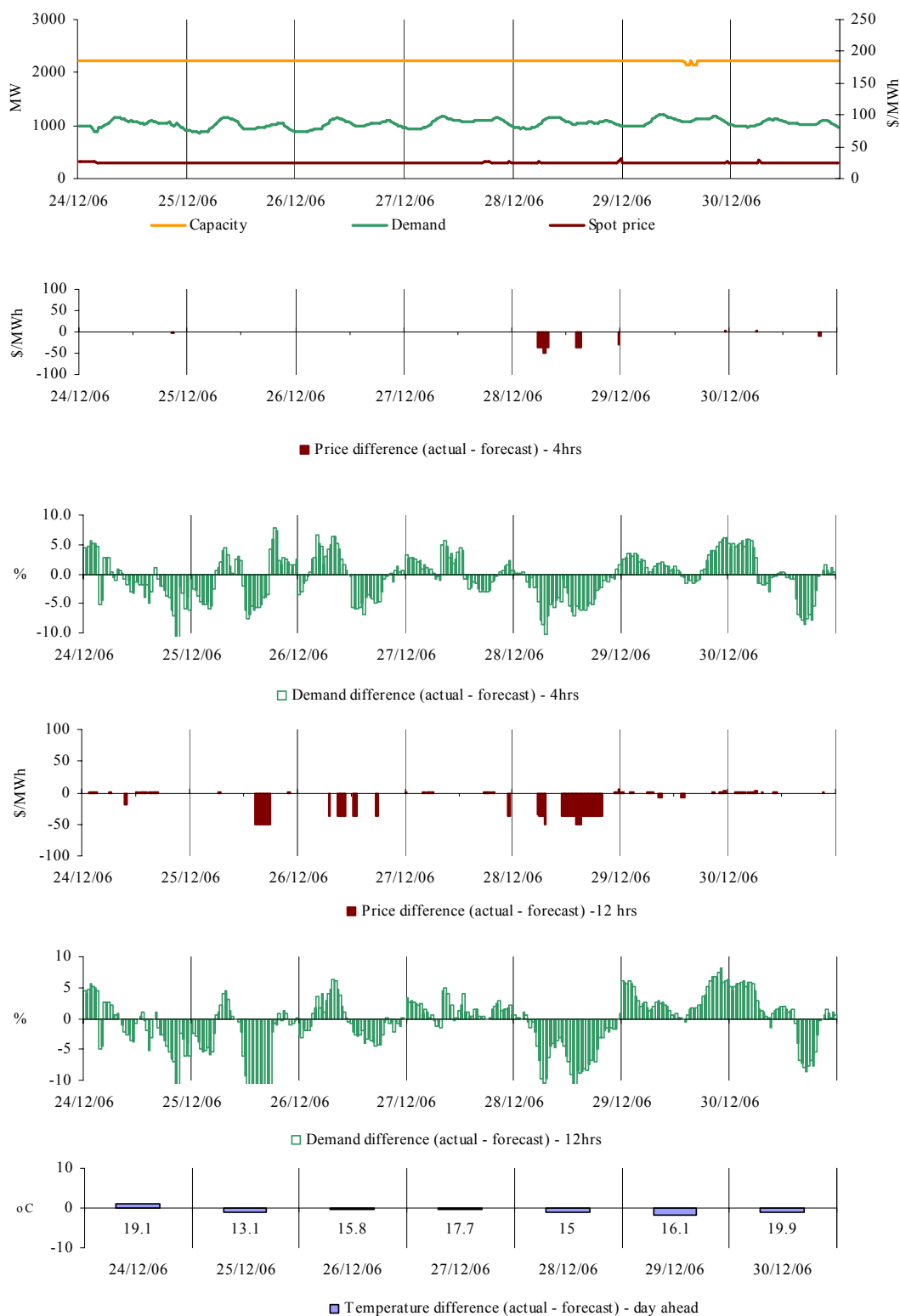
Conditions at the time saw demand 125 MW higher than forecast four hours ahead.

Lightning in the vicinity of the Victoria to South Australia Heywood interconnector resulted in NEMMCO reclassifying the loss of both the South East to Tailem Bend circuits as a single credible contingency from 8.35 pm. This reclassification resulted in a reduction in flow into South Australia by around 220 MW in a single five-minute dispatch interval.

Murraylink was operating at its nominal limit and was unable to increase to cover the reduction on the Heywood interconnector. There were six generators online at the time in South Australia with a combined ramping capability for the dispatch interval of 140 MW. A further five fast start gas turbines were given start instructions, with three of those units able to contribute a total of 55 MW within the dispatch interval. This left a shortfall of around 25 MW which resulted in the violation of the reduced interconnector transfer limit and the 5-minute price increasing to \$9600/MWh.

There was no significant rebidding.

Figures 51-56: Tasmania actual spot price, demand and forecast differences



There was no occasion where the spot price in Tasmania was greater than three times the weekly average price of \$25/MWh.

Figures 57 – 61 set out for each region the extent of capacity offered into the market within a series of price thresholds. Actual price and generation dispatched in a region are overlaid.

Figure 57: Queensland closing bid prices, dispatched generation and spot price

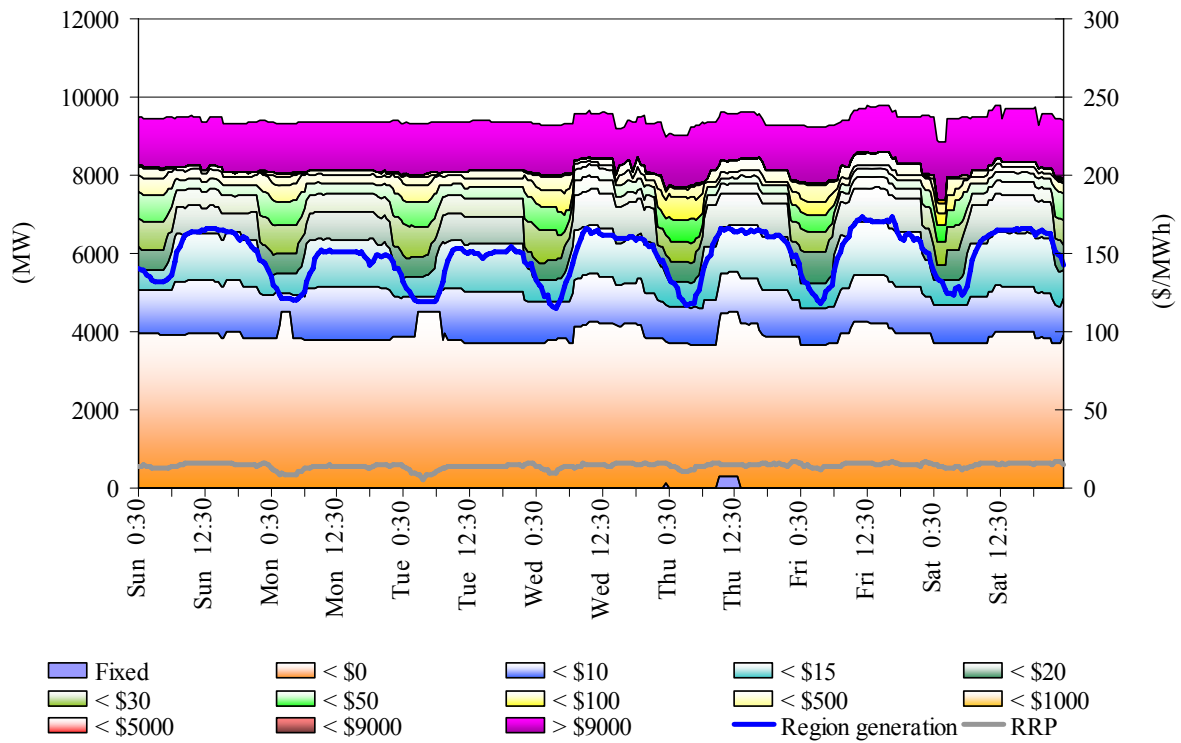


Figure 58: New South Wales closing bid prices, dispatched generation and spot price

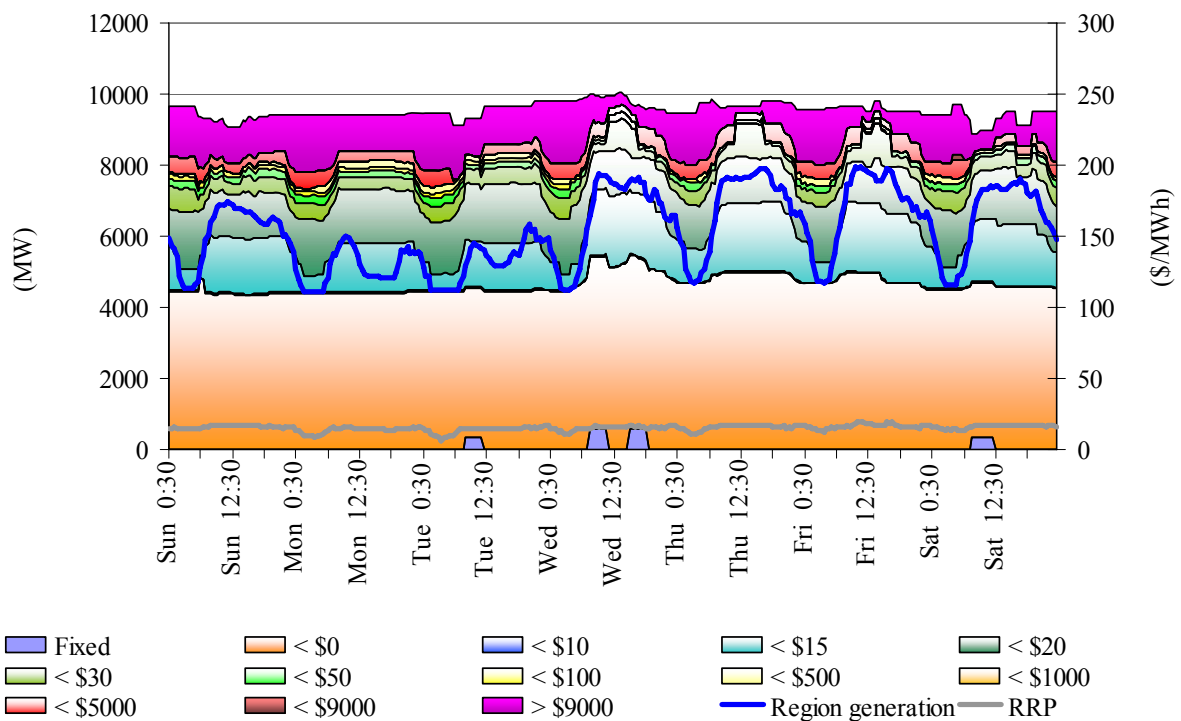


Figure 59: Victoria closing bid prices, dispatched generation and spot price

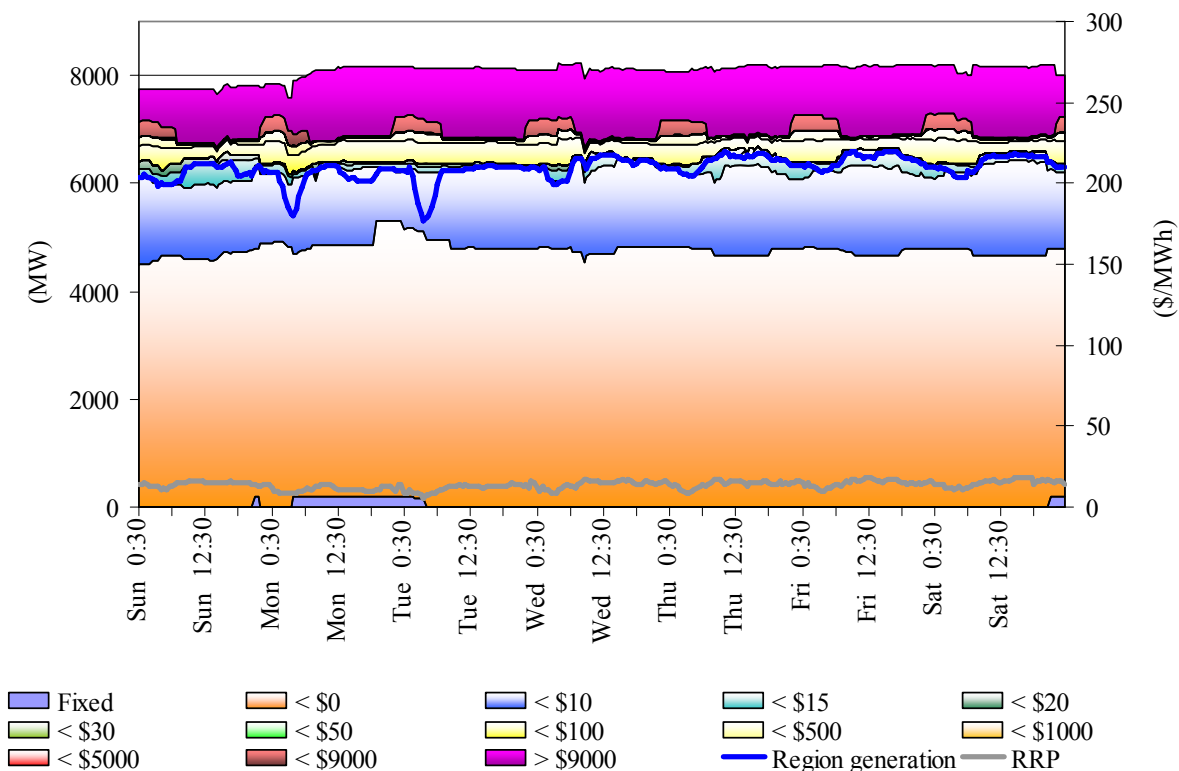


Figure 60: South Australia closing bid prices, dispatched generation and spot price

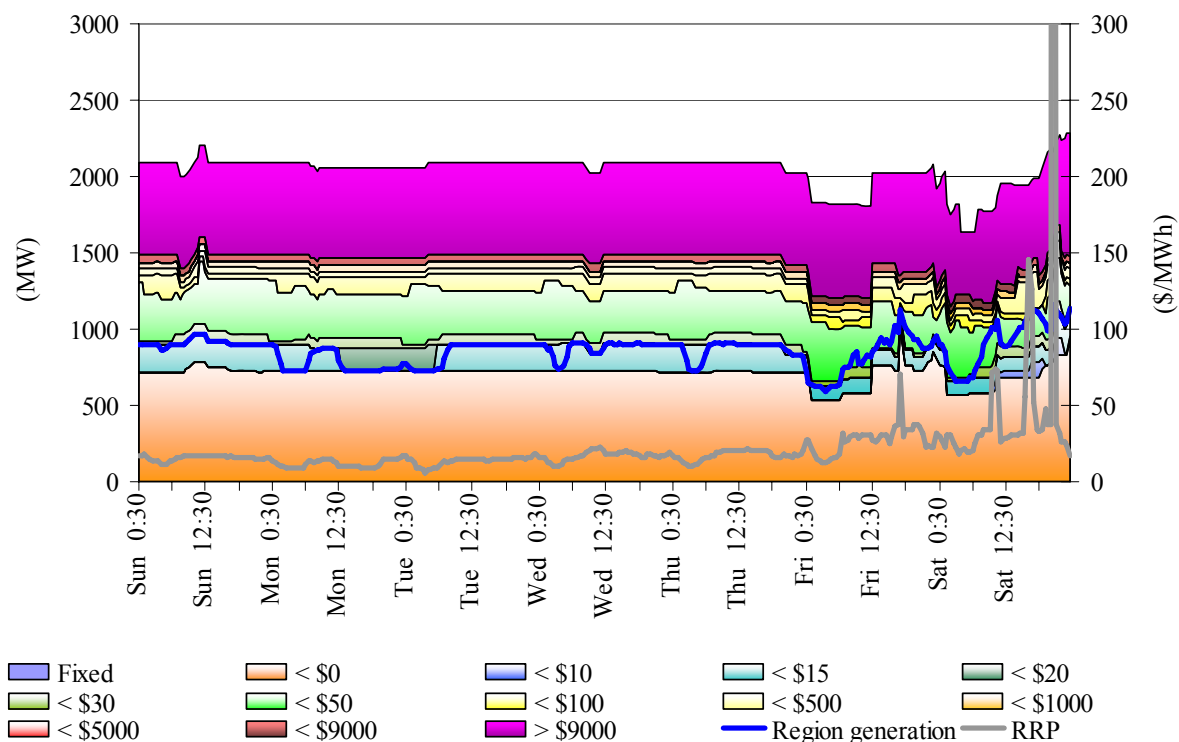
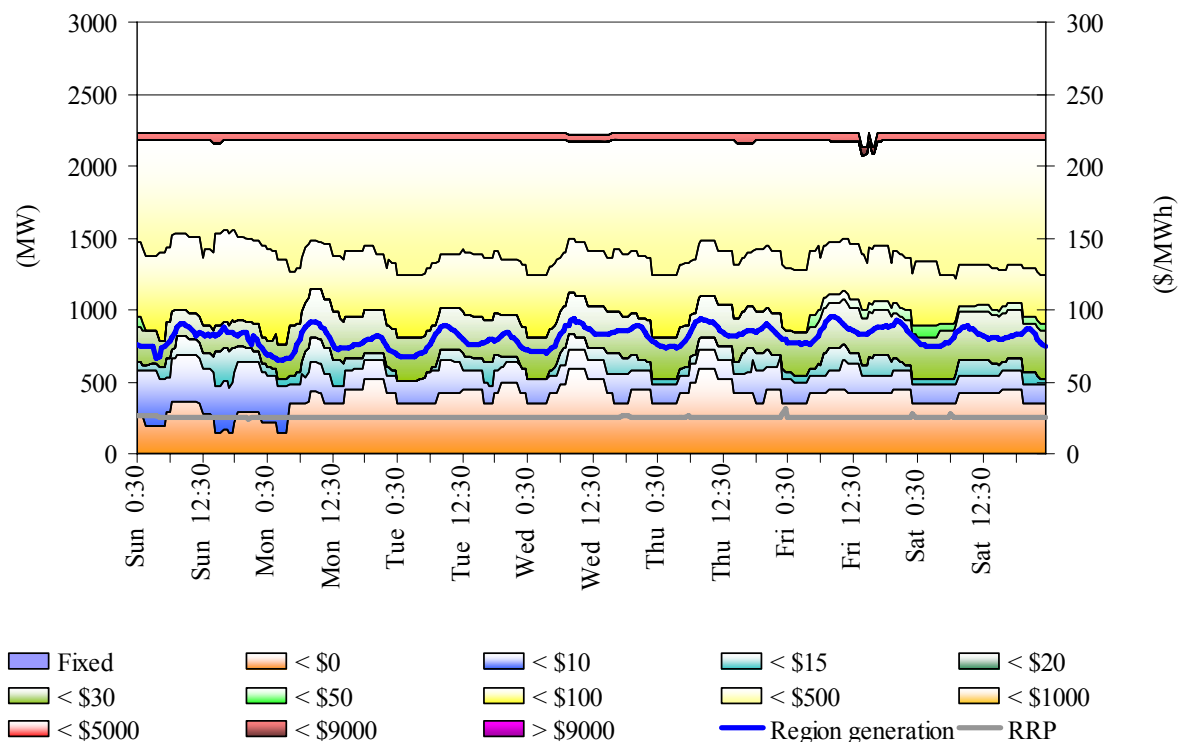


Figure 61: Tasmania closing bid prices, dispatched generation and spot price



Ancillary service market

The total cost of ancillary services on the mainland for the week was \$98 000 or 0.2 per cent of the energy market. Figure 62 summarises the volume weighted average prices and costs for the eight frequency control ancillary services across the mainland.

Figure 62: frequency control ancillary service prices and costs for the mainland

	Raise 6 sec	Raise 60 sec	Raise 5 min	Raise Reg	Lower 6 sec	Lower 60 sec	Lower 5 min	Lower reg
Last week (\$/MW)	0.45	0.17	0.61	1.27	0.11	0.09	0.47	1.11
Previous week (\$/MW)	0.43	0.18	0.56	1.54	0.05	0.09	0.29	0.57
Last quarter (\$/MW)	1.76	0.73	1.15	1.54	0.39	2.28	5.00	1.93
Market Cost (\$1000s)	\$17	\$5	\$30	\$20	\$0	\$1	\$11	\$13
% of energy market	0.03%	0.01%	0.06%	0.04%	0.01%	0.01%	0.02%	0.03%

The total cost of ancillary services in Tasmania for the week was \$49 000 or 1.1 per cent of the total turnover in the energy market in Tasmania. Figure 63 summarises for Tasmania the prices and costs for the eight frequency control ancillary services.

Figure 63: frequency control ancillary service prices and costs for Tasmania

	Raise 6 sec	Raise 60 sec	Raise 5 min	Raise Reg	Lower 6 sec	Lower 60 sec	Lower 5 min	Lower reg
Last week (\$/MW)	1.07	0.89	0.89	1.26	0.05	0.27	0.51	1.14
Previous week (\$/MW)	1.57	0.51	0.55	1.35	0.04	0.23	0.40	0.50
Last quarter (\$/MW)	4.97	0.49	2.93	3.00	12.67	0.43	0.82	0.45
Market Cost (\$1000s)	\$4	\$12	\$7	\$12	\$0	\$1	\$2	\$9
% of energy market	0.09%	0.27%	0.16%	0.28%	0.01%	0.03%	0.05%	0.21%

Figure 64 shows the daily breakdown of cost for each frequency control ancillary service.

Figure 64: daily frequency control ancillary service cost

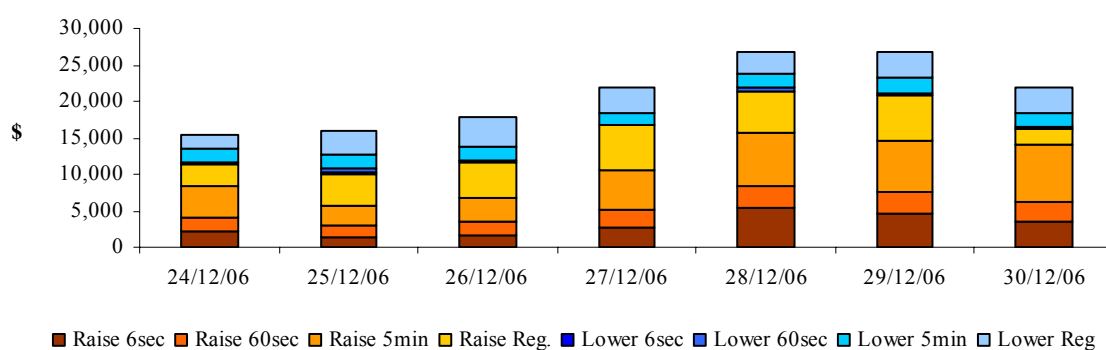
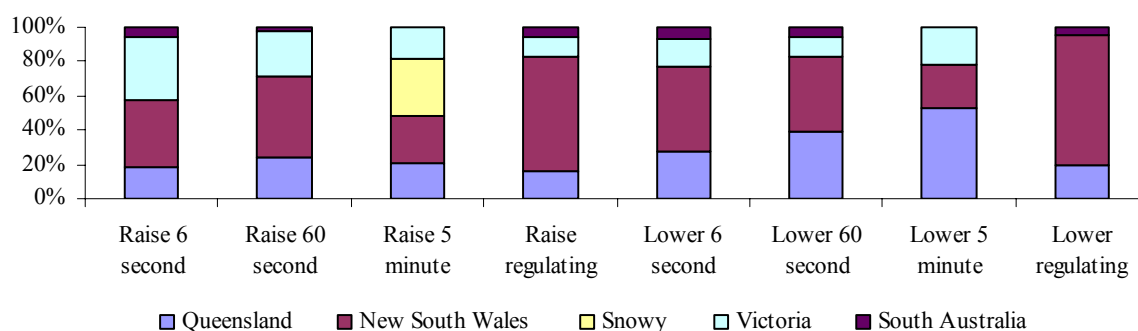


Figure 65 shows the contribution, on a percentage basis, that frequency control ancillary service providers are utilised (in each mainland region) to satisfy the total requirement for each service.

Figure 65: regional participation in ancillary services on the mainland



Figures 66 and 67 show 30-minute prices for each frequency control ancillary service throughout the week.

Figure 66: prices for raise services

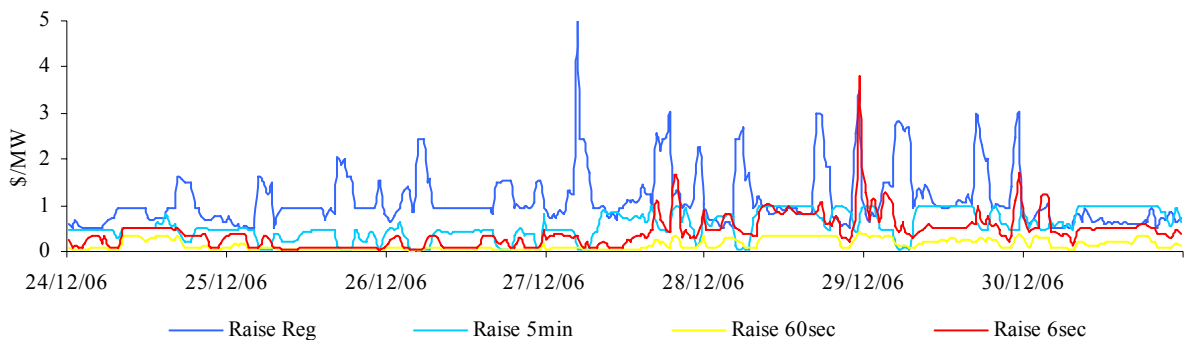


Figure 66A: prices for raise services – Tasmania

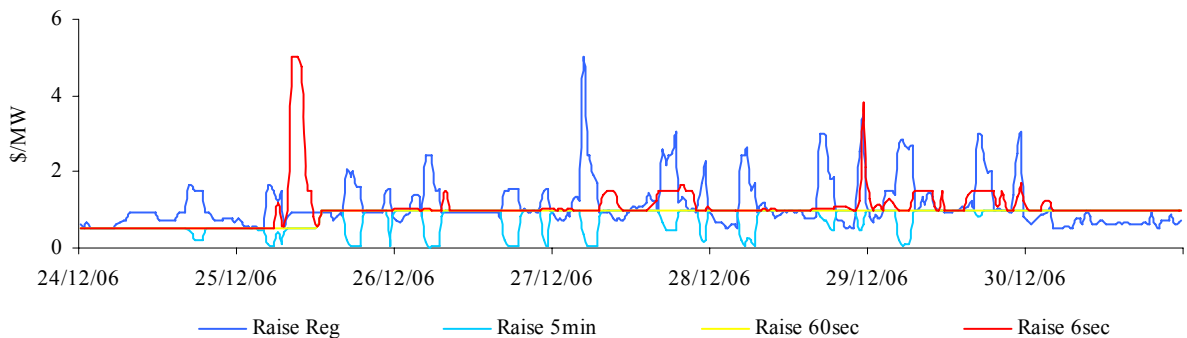


Figure 67: prices for lower services

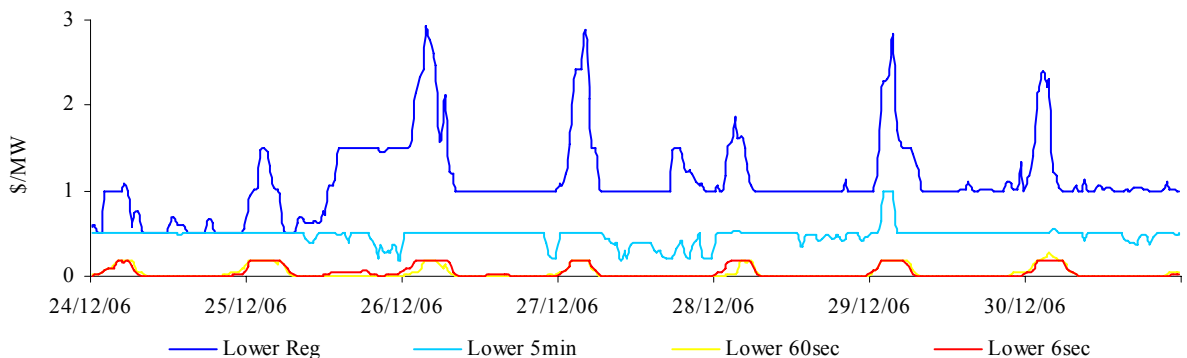
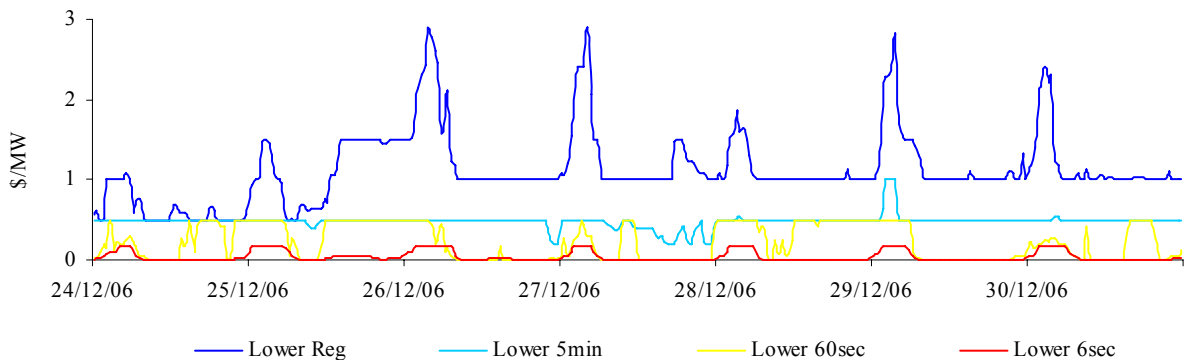


Figure 67A: prices for lower services – Tasmania



Figures 68 and 69 present for both raise and lower frequency control services the requirement, established by NEMMCO, for each service to satisfy the frequency standard.

Figure 68: raise requirements

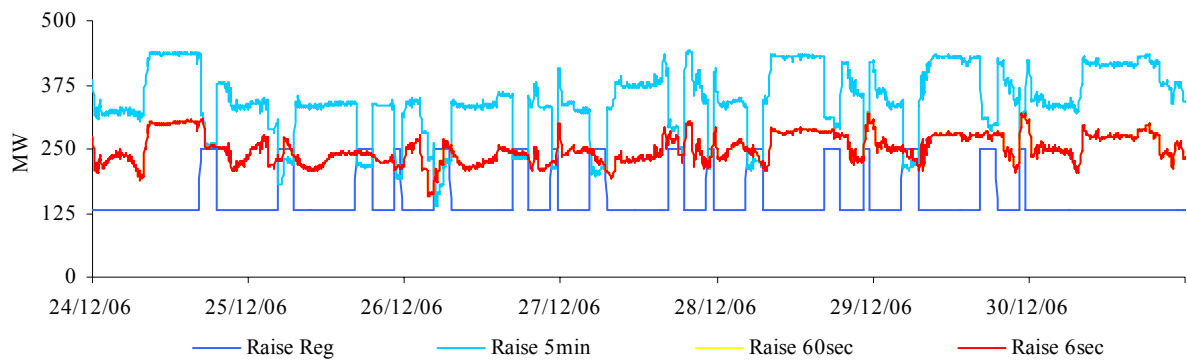


Figure 68A: raise requirements – Tasmania

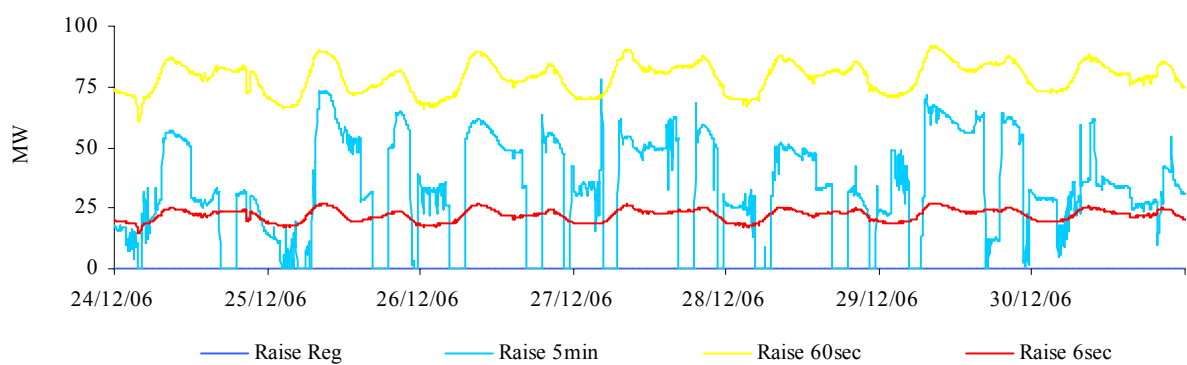


Figure 69: lower requirements

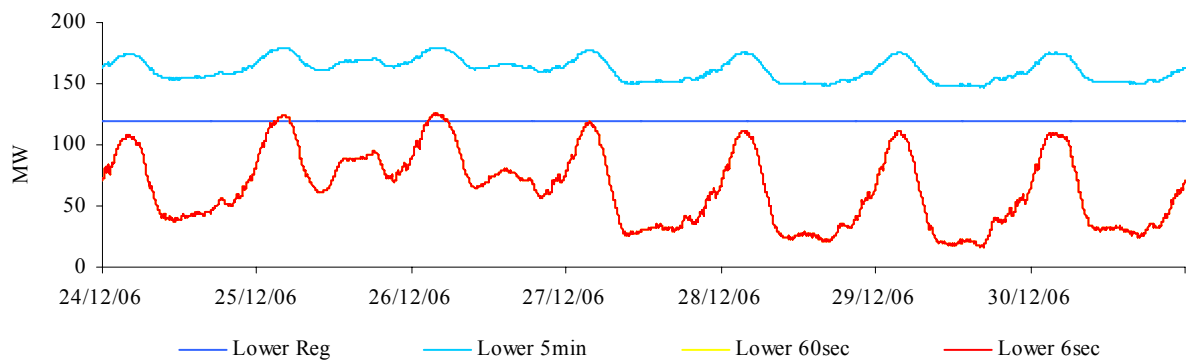


Figure 69A: lower requirements – Tasmania

