

WEEKLY MARKET ANALYSIS



AUSTRALIAN ENERGY
REGULATOR

30 March – 5 April 2008

Summary

Average prices for the week on the mainland ranged from \$24/MWh in Queensland to \$38/MWh in South Australia and in Tasmania averaged \$52/MWh. These prices represent increases in every region compared to the low prices the previous week.

In the financial markets, Base Calendar and financial year prices remained steady across all regions.

Spot market prices

Figure 1 sets out the volume weighted average price for this week and this financial year to date across the NEM regions and compares them 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
Ave price for 30 March - 5 April	24	27	36	38	52
Financial year to 5 April	64	45	51	118	55
% change from previous week*	4%	11%	28%	28%	22%
% change from year to date**	69%	8%	7%	129%	27%

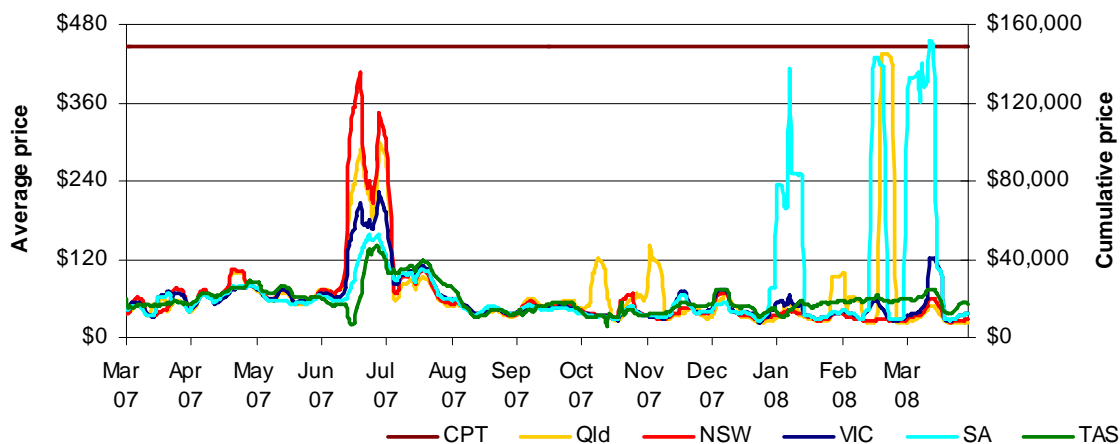
*The percentage change between last week's average spot price and the average price for the previous week.

**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

Longer term market trends are attached in Appendix A.

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

Figure 2: Seven day rolling cumulative price and CPT



Financial market

Figures 3 to 10 show futures contract¹ prices traded on the Sydney Futures Exchange as at close of trade on Monday 7 April. Figure 3 shows the financial year base futures contract prices for this year and the next two 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	46	-1%	45	-1%	47	-1%	66	0%
Financial 2010	44	-1%	50	1%	49	0%	54	0%
Financial 2011	50	1%	51	0%	50	0%	44	0%
Three year average	47	0%	49	0%	49	0%	55	0%

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

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

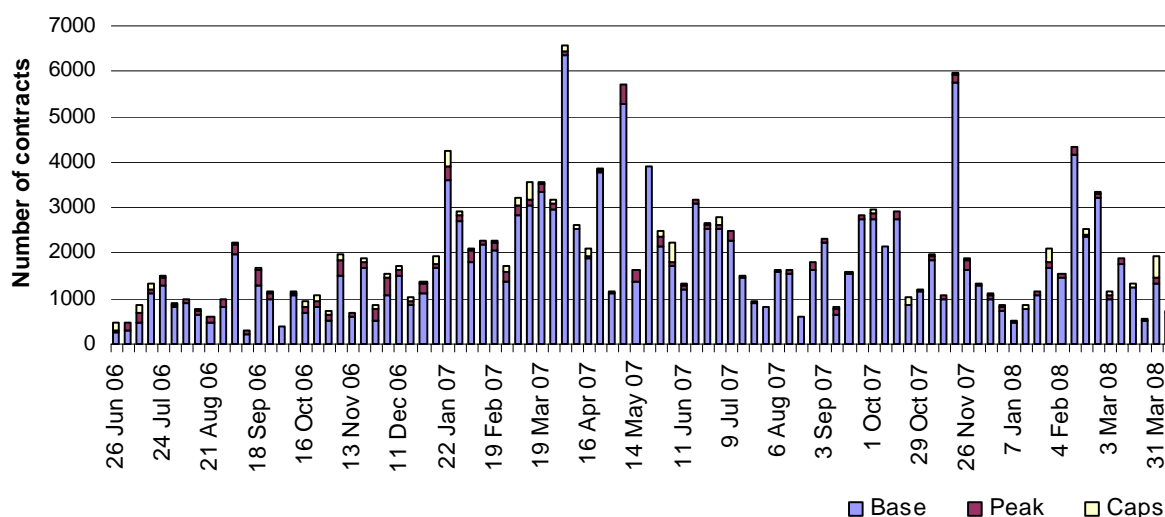
Figure 4: \$300 cap contract prices (\$/MWh)

	QLD		NSW		VIC		SA	
Q1 2009 price	35	0%	23	0%	26	0%	40	0%
Calendar 2009	13	0%	12	0%	11	0%	14	0%

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

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

Figure 5: Number of exchange traded contracts per week

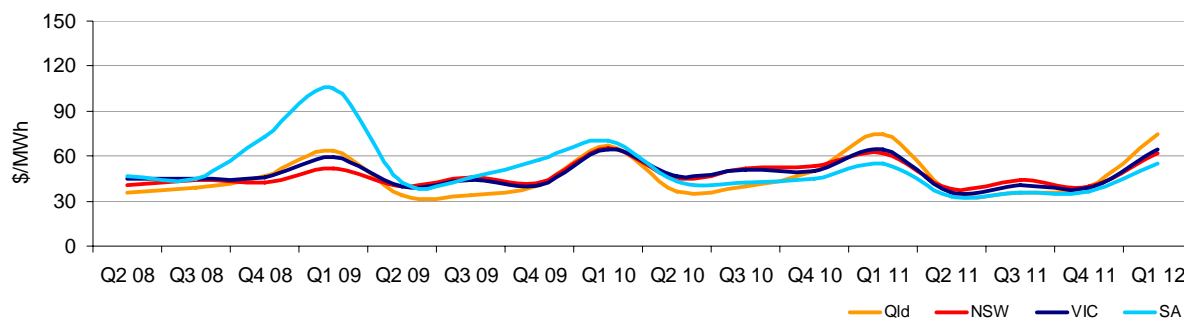


Source: d-cyphaTrade www.d-cyphatrade.com.au

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 three years.

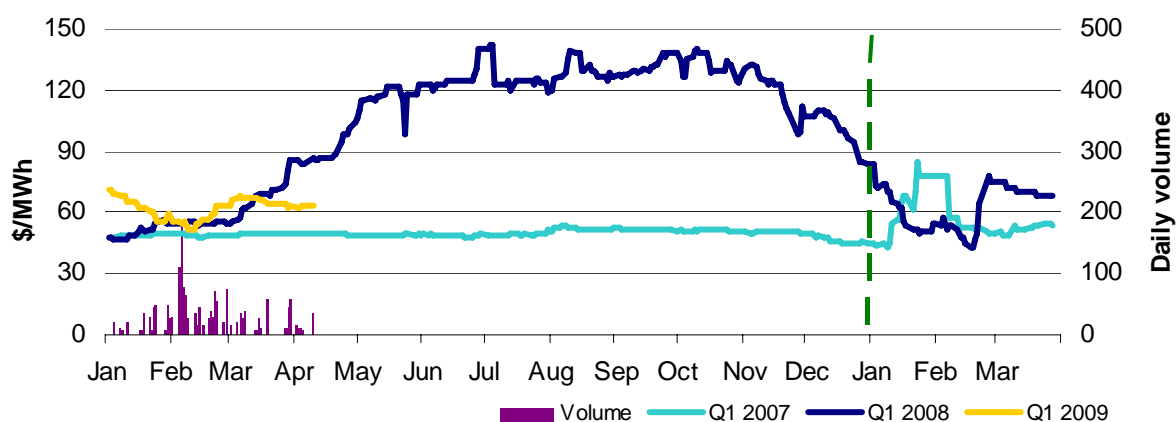
Figure 6: Quarterly base future prices 2008 - 2011



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

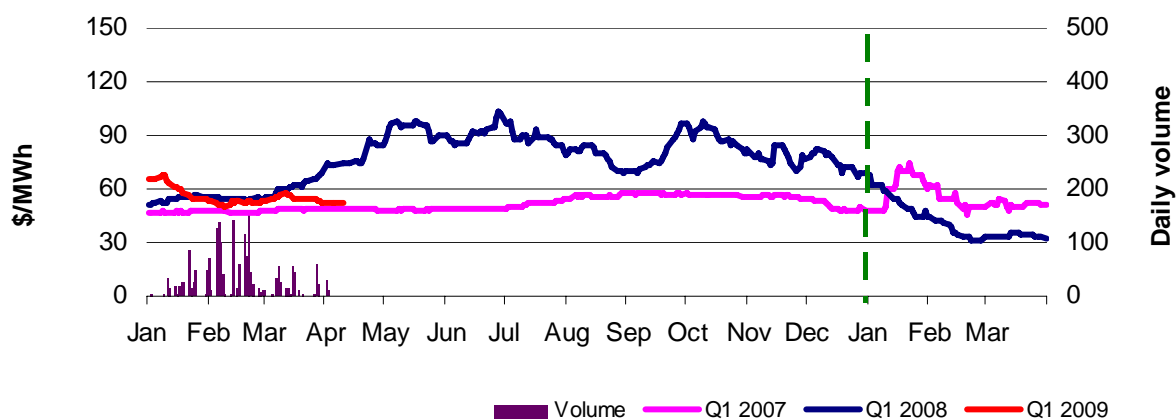
Figure 7-10 compares for each region the closing daily base contract price for the first quarter of 2007, 2008 and 2009. Also shown is the daily volume of Q1 09 base contracts traded. The vertical dashed line signifies the start of the Q1 period.

Figure 7: Queensland Q1 2007, 2008 and 2009



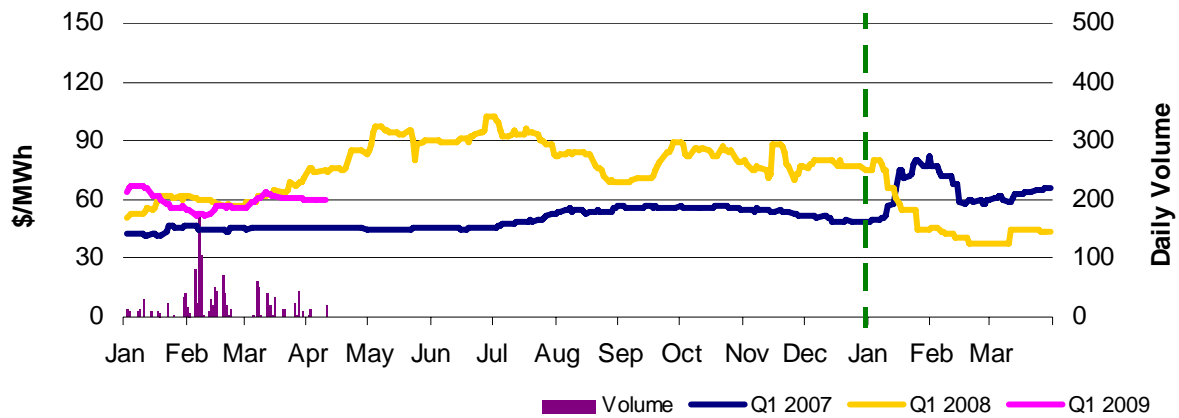
Source: d-cyphaTrade www.d-cyphatrade.com.au

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



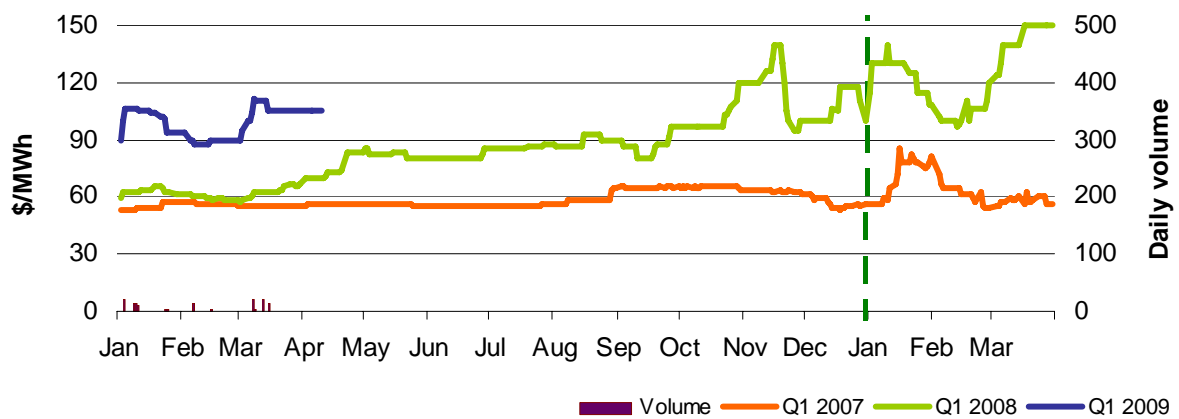
Source: d-cyphaTrade www.d-cyphatrade.com.au

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 by 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 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. For the week, there were 89 trading intervals where actual prices significantly varied from forecasts. Reasons for these variances are summarised in Figure 11.

Figure 11: Reasons for variations between forecast and actual prices

	Availability	Demand	Network	Combination
Price is higher than forecast	2%	33%	0%	37%
Price is lower than forecast	0%	19%	0%	8%

Demand and bidding patterns

The AER reviews demand, network limitations and generator bidding as part of our market monitoring to better understand the drivers behind price variations. Figure 12 shows changes to the offer price and available capacity of generation in each region for the on-peak periods only². For example, in Queensland 154 MW more was offered at prices less than \$20/MWh this week compared to the previous week. Also included is the change in average demand during peak periods for comparison.

² Peak periods is defined as between trading intervals ending 7.30 am and 10 pm on weekdays, which aligns with the SFE contract definition.

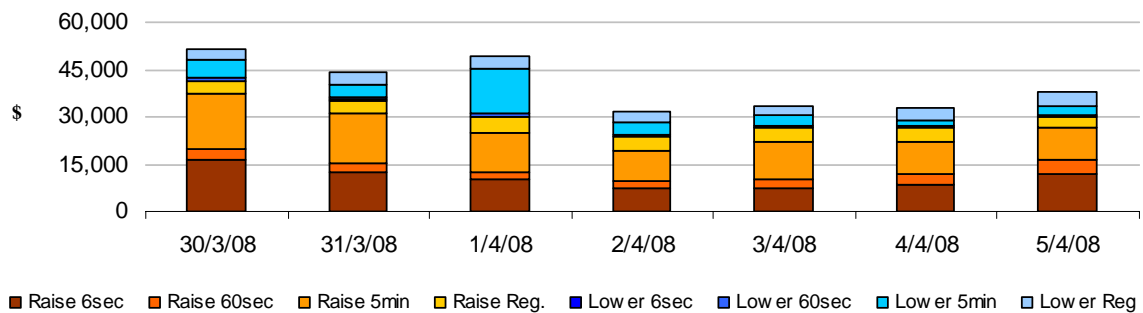
Figure 12: Changes in available generation compared to the previous week during peak times

\$/MWh	<20	Between 20 and 50	Total availability	Change in average demand
Queensland	154	-29	-391	-65
New South Wales	-551	243	-60	119
Victoria	-321	241	-275	197
South Australia	-180	100	-178	52
Tasmania	72	-46	-56	59
Snowy	-12	-34	-169	-8
Total	-838	475	-1,128	354

Ancillary services market

The total cost of ancillary services on the mainland for the week was \$212 000 or 0.2 per cent of turnover in the energy market. The total cost of ancillary services in Tasmania for the week was \$68 000 or 0.7 per cent of the turnover in the Tasmanian energy market. Figure 13 shows the daily breakdown of cost for each frequency control ancillary service.

Figure 13: Daily frequency control ancillary service cost



Appendix A: Detailed NEM Price and Demand Trends



Table 1: Financial year to date spot market volume weighted average price

Financial year	QLD	NSW	SNOWY	VIC	SA	TAS
2007-08 (\$/MWh) YTD	64	45	31	51	118	55
2006-07 (\$/MWh) YTD	38	42	28	48	51	43
Change (YTD)	70%	8%	12%	7%	129%	27%
2006-07 (\$/MWh)	57	67	38	61	59	51

Table 2: NEM turnover

Financial year	NEM Turnover* (\$, billion)	Energy (TWh)
2007-08 YTD	\$9.0	159
2006-07	\$12.7	206
2005-06	\$7.9	201
Change (2005-06 to 2006-07)	61%	2.7%

* estimated value

Table 3: Recent monthly and quarterly spot market volume weighted average price and turnover

Volume weighted average (\$/MWh)	QLD	NSW	SNOWY	VIC	SA	TAS	Turnover (\$, billion)
Dec-07	41	43	32	50	54	52	0.78
Jan-08	52	36	28	45	186	48	0.94
Feb-08	161	28	24	41	207	58	1.30
Mar-08	31	37	29	65	325	57	1.12
Apr-08	25	29	26	35	37	48	0.09
Q1 2007	60	57	29	75	69	50	3.26
Q1 2008	80	34	27	50	243	54	3.36
Change	34%	-40%	-8%	-33%	252%	9%	

Table 4: ASX energy futures contract prices at 7 April

	QLD		NSW		VIC		SA	
	Base	Peak	Base	Peak	Base	Peak	Base	Peak
Q1 2009								
Price on 24 Mar (\$/MW)	65	115	55	88	61	106	105	150
Price on 7 Apr (\$/MW)	64	110	52	89	59	102	105	160
Open interest on 7 Apr	1707	73	1461	66	1159	322	140	0
Traded in the last week (MW)	75	0	40	0	40	0	0	0
Traded since 1 Jan 08	1669	119	1942	68	1320	280	150	0
Settled price for Q1 08(\$/MW)	68	97	32	42	43	65	152	322

Table 5: Changes to availability of low priced generation capacity offered to the market

Comparison:	QLD	NSW	SNOWY	VIC	SA	TAS	NEM
January 08 with January 07							
MW Priced <\$20	-8	-409	22	-83	84	13	-381
MW Priced \$20 to \$50	79	989	-260	116	-178	1	747
February 08 with February 07							
MW Priced <\$20	-243	-732	4	-221	-44	-94	-1331
MW Priced \$20 to \$50	318	1,387	282	-38	0	-66	1883
March 08 with March 07							
MW Priced <\$20	134	-130	27	-59	46	-19	-1
MW Priced \$20 to \$50	7	1,087	463	-100	-51	27	1434