Commercial & Industrial

Wholesale market update

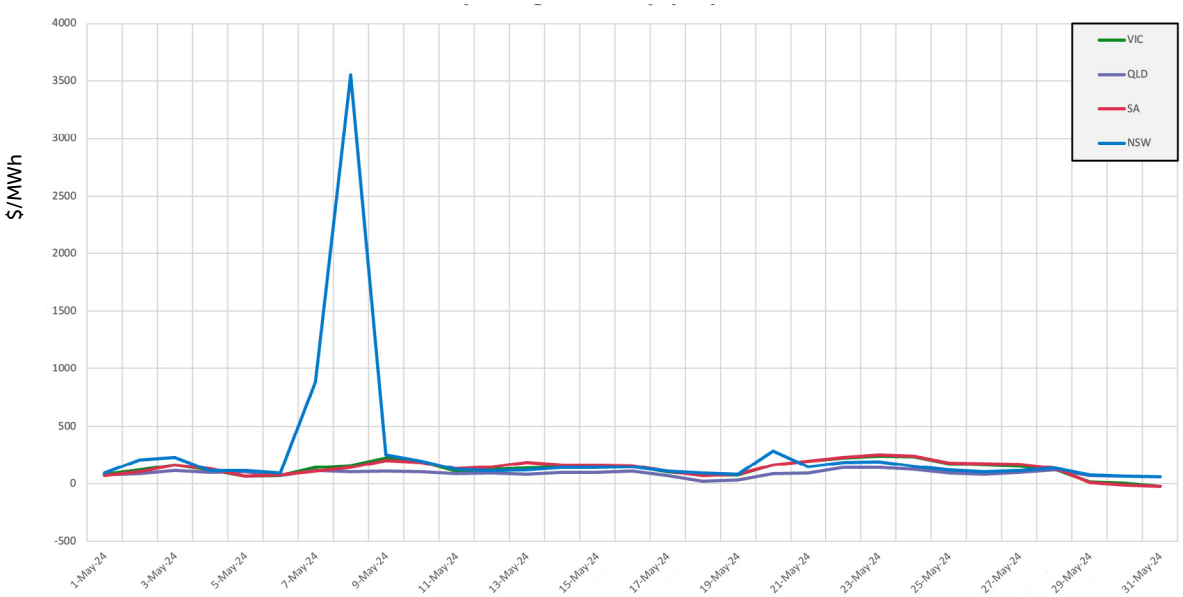
May 2024

EnergyAustralia

LIGHT THE WAY

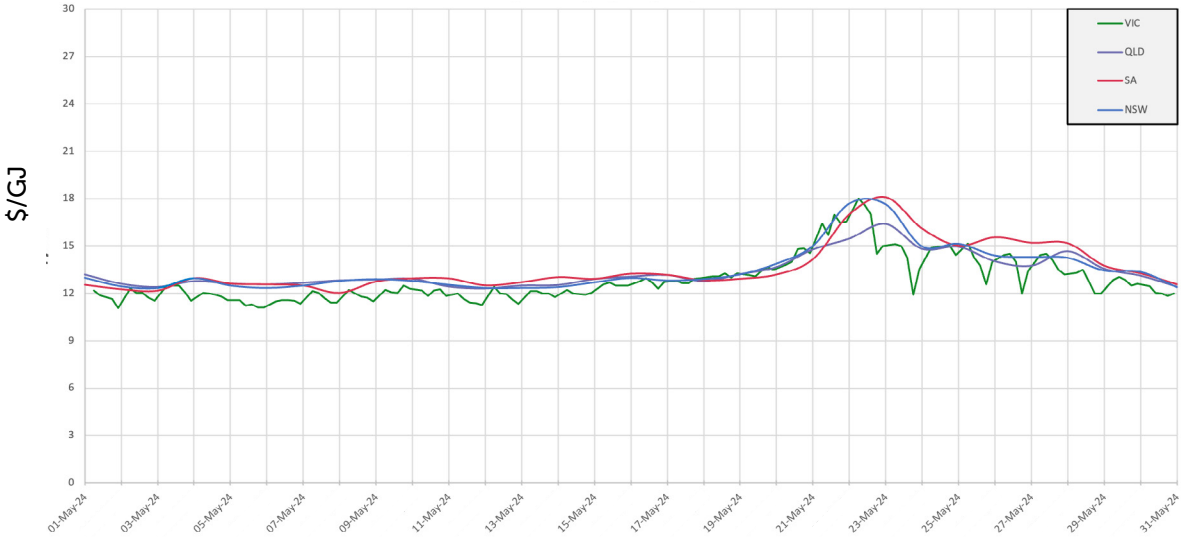
Physical (spot) market summary

May average electricity spot prices



- Average spot prices were up 10%–60% across all states compared to last month, except for NSW which increased threefold (due to volatilities early May), driven by wind drought, asset reliability issues and, Hydro Tasmania minimising water usage.
- Spot volatilities in NSW started on 7 May and continued into the next day, caused by a combination of low renewable output, unplanned outage of coal units, and importing constraints on the QLD-NSW Interconnector (QNI) and the VIC-NSW Interconnector (VNI). NSW subsequently entered Administered Price Cap (APC) from 7.55pm on 8 May and finished at 4.00am on 15 May.
- Both average and maximum demand in May increased by 7% compared to April driven by cooler weather.
- Solar output dropped to lowest Year to Date (YTD) (seasonal reduction). Wind was low for the first 28 days the month but flipped and reached an all-time-high of 8.4 GW at 9pm on 30 May.

May average gas spot prices

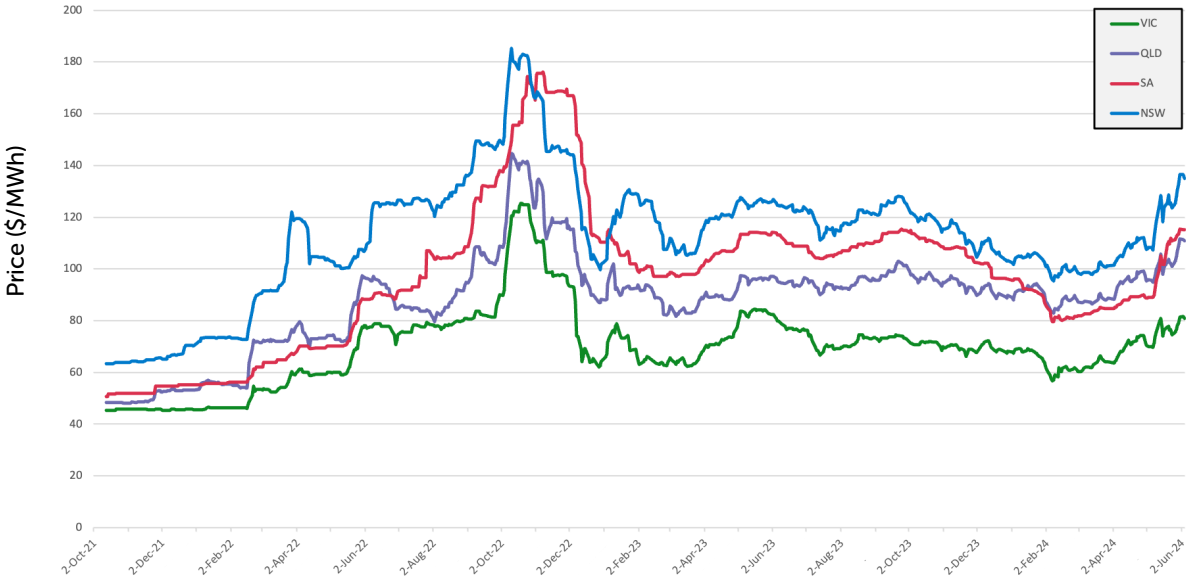


- Gas prices for May have moved up significantly relative to the previous month. The average gas price for the Short Term Trading Market (STTM) increased by $1.50 per GJ to $13.50/GJ while the Declared Wholesale Gas Market (DWGM) increased by $1.30 per GJ to $12.80/GJ. Overall, the movement was $1.45 per GJ. Prices started to move up from the 21st of the month reaching a high of $18/GJ in the Adelaide STTM on 23 May and in the DWGM on 22 May. The price change was driven by strong mass market, commercial and industrial market and gas-fired generation demands, combined with Longford gas plant maintenance and its delayed capacity increase.

- Combined STTM and DWGM demands increased by a huge 8.7 PJ or 40% to 30.5 PJ, transitioning into winter driven by several cold days.
- Longford gas plant capacity slightly increased by 3% to 528 TJ average capacity with delays to reach 775 TJ capacity late in the month.
- Iona storage plant has started to be used more heavily to support increase in demand and replace the capacity missing from Longford gas plant, at an average of 95 TJ/day. Overall gas use for the month was 2.9 PJ, with end-of-month balance of approximately 30 PJ or 86% full.
- Gas-fired Power Generation (GPG) consumption in the NEM increased by 64% to 12 PJ due to very low wind generation and significant plant outages. Notably, a decrease in hydro generation in Tasmania led to Tasmanian GPG usage constituting 8% of the overall GPG usage to just under a PJ for May 2024, resulting in increased gas flows along the Tasmanian Gas Pipeline (TGP).
- Liquified Natural Gas (LNG) exports at Curtis Island reduced by 2% to ~2.9 PJ due to train outages at Gladstone LNG and QLD Curtis LNG (QCLNG). Average daily production for the month was 3.8 PJ/day.

Futures electricity market summary

2025 CAL FWD SWAP



NSW Volatility during May

- The volatility seen in NSW from 7–8 May was triggered by baseload outages and interconnector constraints, resulting in the Cumulative Price Threshold (CPT) being reached and an Administered Pricing Period (APP) commencing.
- This led to a significant increase in the current quarter swap and cap prices, with the forward curve for FY25 and FY26 experiencing rapid growth. Specifically, the FY25 NSW forward curve saw a 22% rise, amounting to an increase of $24/MWh over 7 days.

Eraring Power Station Extension

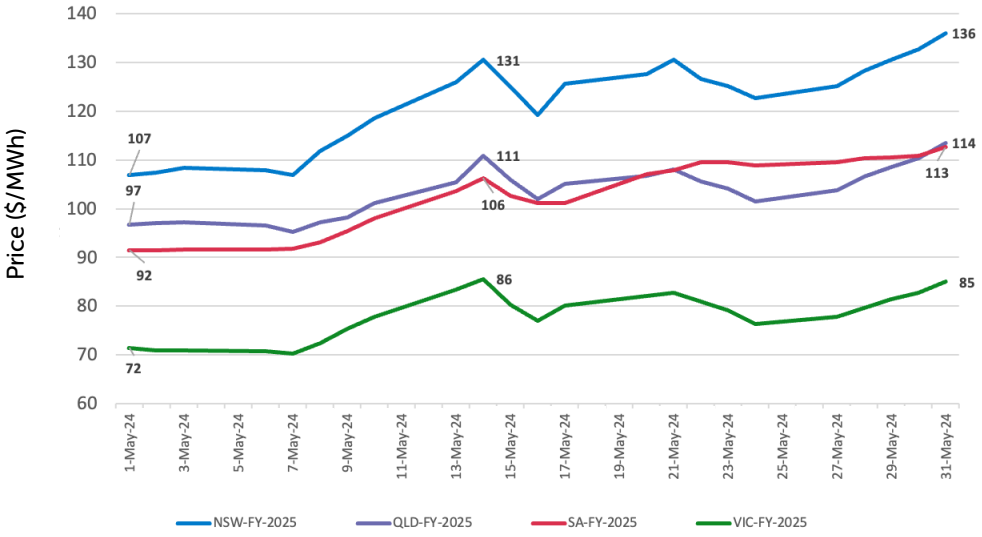
- On 22 May 2024, it was announced that Eraring Power Station will remain operational until August 2027, with a potential extension until April 2029. This announcement, though expected, may have contributed to a rise in the forward curve due to the low level of firm energy commitment.
- Prior to the announcement, the NSW curve was in steep backwardation. For instance, on 21 May the FY27 contract was $11.60/MWh lower than the FY25 contract. By the end of May, the FY25, FY26, and FY27 contracts settled at nearly $136/MWh, with less than a $1/MWh differential between contract years.

VIC spot prices influenced the forward curve

- Elevated spot prices were caused by baseload generator outages, scarce wind, and limited imports from Tasmania amid hydro generation shortfalls.
- As a result, VIC spot prices often exceeded those of NSW.
- This led to an escalation in the VIC FY-25 and FY-26 forward curves, with both exceeding $85 and $80/MWh for the first time since June 2023.

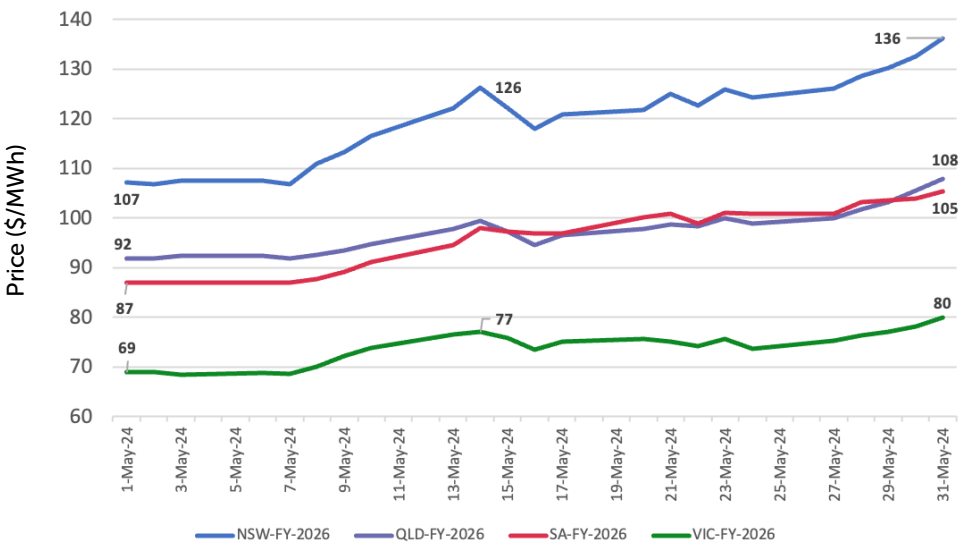
FY-25 Swap Curve ($/MWh)						
Region	Max Trade Price (31-May-24)	Average Trade Price	1st Trade Day (1-May-24)	Last Trade Day (31-May-24)	Variance (Last minus 1st) $/MWh	Variance %
NSW	136	122	107	136	29	27%
QLD	114	103	97	114	17	17%
VIC	86	78	72	85	14	19%
SA	113	102	92	113	21	23%

FY-25 Swap Price by Region (May-24)

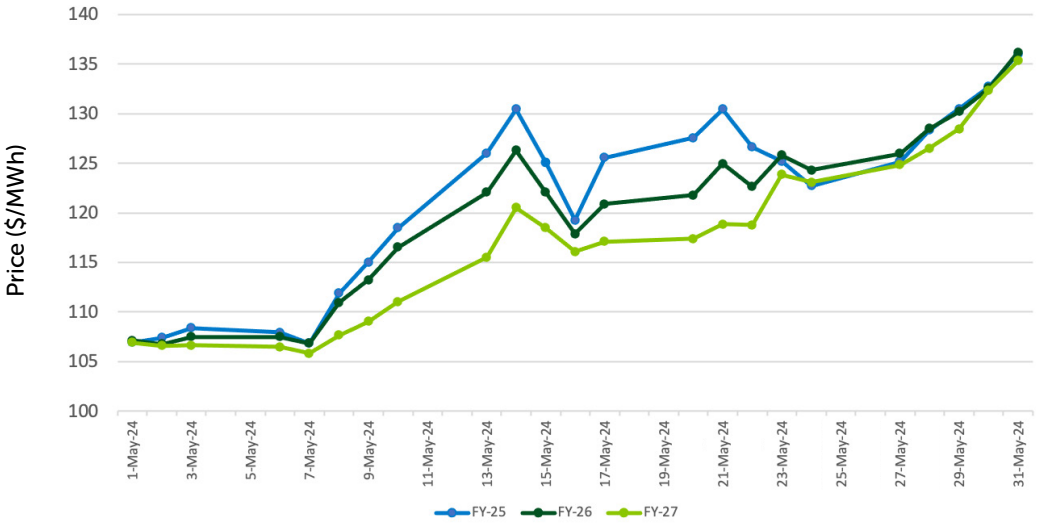


FY-26 Futures Swap Curve ($/MWh)						
Region	Max Trade Price (31-May-24)	Average Trade Price	1st Trade Day (1-May-24)	Last Trade Day (31-May-24)	Variance (Last minus 1st) $/MWh	Variance %
NSW	136	120	107	136	29	27%
QLD	108	97	92	108	16	17%
VIC	80	74	69	80	11	16%
SA	105	96	87	105	19	21%

FY-26 Swap Price by Region (May-24)



NSW Forward Curve (FY-25, FY-26, FY-27)



Ancillary price spike for June 24 consumption

Due to recent market events, we wanted to let you know that customers in QLD will notice higher ancillary charges on their June invoices, which will be issued in July.

What are ancillary services?

These are services purchased by the Australian Energy Market Operator (AEMO) to control frequency and maintain system voltage during sudden and unexpected changes in supply or demand. These services play a crucial role in ensuring the safe, secure, and reliable operation of the power system. Retailers like EnergyAustralia pass on the costs associated with ancillary services to their customers.

What occurred that resulted in higher ancillary service costs?

Generation outages, leading to localized Frequency Control Ancillary Services (FCAS) requirements in QLD, along with significant market volatility, were key factors contributing to the elevated QLD FCAS rates. Additionally, the outage at the Armidale-Tamworth transmission line on 8 May resulted in the electrical separation of QLD. This isolation necessitated the local procurement of QLD FCAS, further driving up the costs.

For more information on ancillary services visit the AEMO website.

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