

# C&I Q1 2023 Wholesale market update webinar

5 April 2023



**EnergyAustralia**  
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# Acknowledgement of Country

EnergyAustralia acknowledges the Traditional Owners and Custodians of this Country. We pay our respects to Elders past, present and emerging and we recognise and respect their connection to cultures, lands and waters.

Artwork by Mandy Nicholson, Wurundjeri-willam artist and  
Traditional Custodian of Melbourne and surrounds

# Agenda

Speakers	Subject
Vaughan Furniss, Head Commercial & Industrial	Welcome and introductions
Peter Frost, Electricity Trader	Electricity futures
Scott Jeffery, Commercial Lead - Gas	Gas futures
Maria Ducusin, Regulatory Affairs Advisor	Regulatory update: New Gas Code Latest ACCC report
Vaughan Furniss	Compensation charges
All	Questions from audience

## Q4-22/Q1-23 YTD Electricity Spot Summary

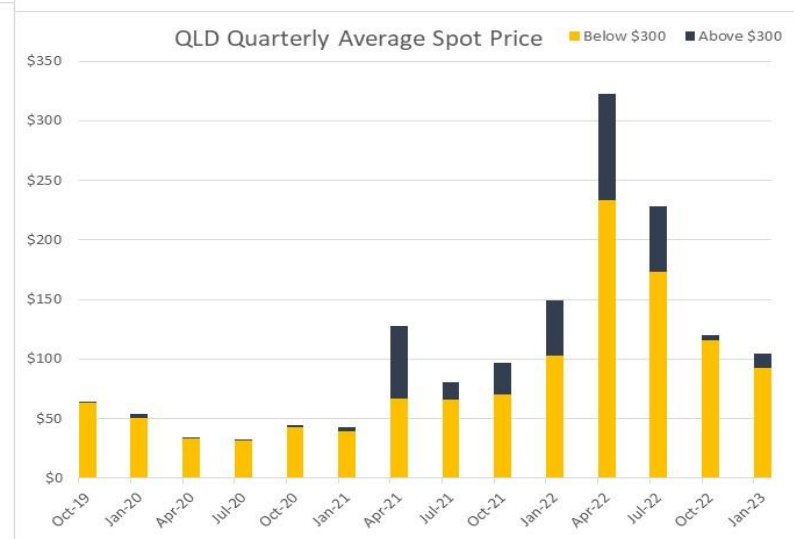
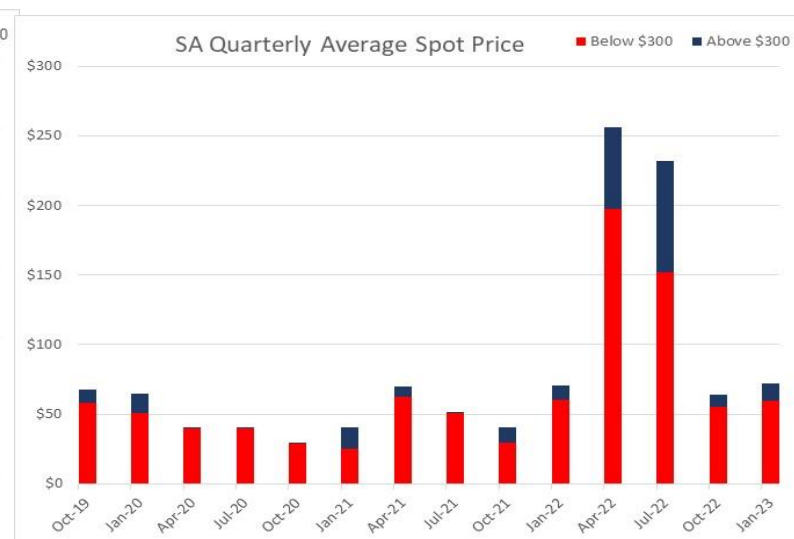
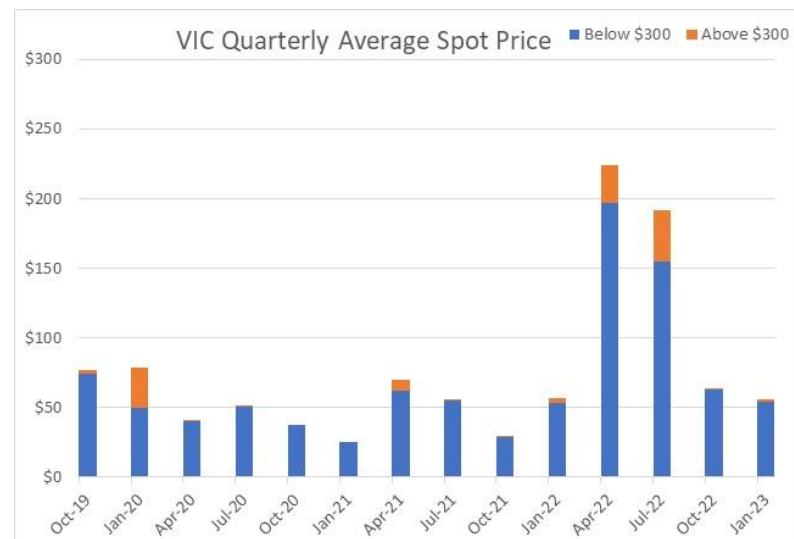
### Q4-22 Spot Outcomes

- Nov-22 spot prices remained elevated with a number of planned and unplanned outages, with generators conscious of replenishing gas and coal reserves.
- VIC and SA were lower with the increasing impact of solar penetration. NEM operational demand was the lowest since 2001.
- Dec-22 spot fell even further by \$30/MWh for all regions. Return of plants from major outages.

### Q1-23 Spot Outcomes

Drivers for the retreat & stability in spot pricing in Q1-23

- High wind, mild temps resulting in low demand
- Continuing strong generator availability in NSW, with a number of days with all baseload units online and demand not exceeding 13GW.
- QLD LNG Gas producers are obliged to offer gas to the domestic market at \$12/GJ before they sell overseas spot cargoes.
- Q4-22 VIC settled \$62.98, SA \$63.83, NSW \$115.76 and QLD \$120.33
- Q1-23 VIC settled \$55.46, SA \$71.82, NSW \$100.64 and QLD \$104.41



## 2023 Electricity Forward Market Dynamics

- Forward prices in Q4-22 declined almost as rapidly as they rose in Q2/Q3 2022.
  - The forward swap price trends for Cal-23 and Cal-24 are almost identical.
  - NSW/QLD forwards fell from >\$200MWh in late Nov-22 to \$125 MWh just prior to Christmas. The threat & follow-through of intervention in wholesale markets with the introduction of commodity price caps drove this movement. VIC fell from \$135 MWh in late Nov-22 to below \$90 MWh at the end of Cal-23.
- Forward prices in Q1-23 have been range-bound but with a gentle downward trend. Drivers of this outcome.
  - Global fuel prices have eased significantly as Europe made it through winter without Russian gas
  - The federal government has capped local fuel prices in some states (Coal is Capped at \$125 per tonne, and Gas is capped at \$12/GJ for Cal-23).
  - Mild summer conditions continued, giving no reason for concern
- Forward price volatility has returned late in Q1-23, with the forward curve rising sharply since mid-March.
  - NSW and QLD Cal-23 are up ~\$25 MWh from 16 March to 31 March.
  - VIC is up ~\$20 over the same period.
- The recent sharp uptrend is probably a combination of the market hitting a floor, despite price caps on coal and gas. Capping price doesn't ensure there is a sufficient supply of either commodity. (initial overreaction to intervention)
- The tight supply has been exacerbated by the concern that there isn't enough coal generation to compensate for the Liddell closure and Callide C going into voluntary receivership. Q2/Q3 2023 in NSW and QLD has increased \$30 - \$50 MWh.
- Snowy Hydro generation is also low as they are awaiting the end of the water year (1 May) before generating more. This has helped tighten the supply/demand outlook for winter. It could improve when 1 May 2023 arrives.
- Forward swap @ 31 March for Cal-23 is trading in VIC at 97.14, NSW at 140.34, SA at 106.93 and QLD at 129.27
- Forward swap for Cal-24 @31 March is trading in VIC at 84.71, NSW at 131.85, SA at 107.80 and QLD at 107.58



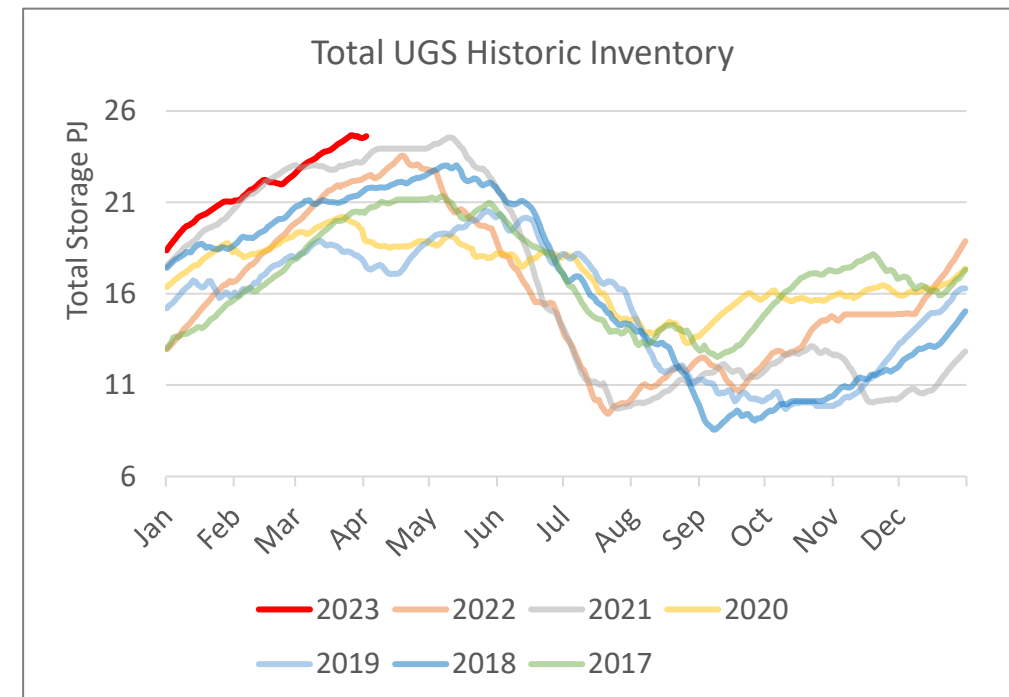
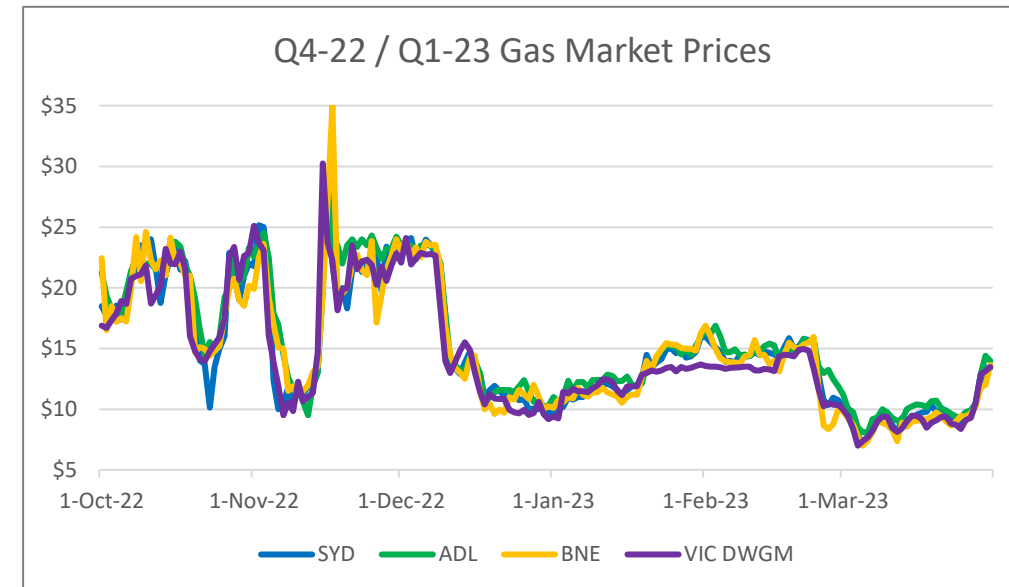
## Q4-22/Q1-23 Gas Market Summary

### Q4-22 Spot Outcomes

- Q4-22 produced solid price outcomes as participants in the southern markets prioritised refilling underground storage following one of the most volatile winters in history.
- AEMO applied constraints on Victorian exports from July to September, limiting gas flows to the north, and set requirements for supply for generation purposes.
- By October winter heating and generation demands subsided though northern production demand continued to put upward pressure on prices, as did unseasonal November/December cool weather.
- Strong oil prices drove high oil linked gas contract prices across the quarter.
- In December the Federal Government imposed a \$12 Market Price Cap on the sale of any uncontracted Queensland Gas through the northern market hubs.

### Q1-23 Spot Outcomes

- A forced outage at QGLNG facilities at the end of December fuelled a comparative collapses in prices at the start of January. Prices in all regions fell from the \$20 range into the low teens.
- Low generation requirements due to high VRE and low seasonal electricity demands saw gas generation requirements relax.
- Underground storage filled at the fastest rate in history, reaching tank top by the end of March, relieving price pressure.
- Mild winter conditions across the entire northern hemisphere led to reduced LNG export requirements which have added to the benign outturns for the east coast gas markets.
- The last week of March however produced several forced outages across the NEM which has seen the demand for GPG increase.



## 2023 and 2024 Gas Market Forward Price Outlook

- Numerous market participants have voiced portfolios were largely solved at the commencement on 2023. Gas spot trading activity across the bulk of the quarter all but halted by the price cap intervention.
- Production sales gas liquidity dried up due to uncertainty attached to intervention.
- Two material Expression of Interest Gas Sales found markets in March 2023 in line with the intervention measures as legislated in December 2023. QGC sold 8PJ and APLNG sold 2.1PJ at the market cap price of \$12.
- Gas is delivered in Queensland and subject to constrained transportation capacity which has impacted effective delivered prices to the south.
- The next round of interventions due for release by Government entails the code of conduct to be applied to all producer gas sale contracts and reasonable price provisions, also causing significant uncertainty for future prices.
- Q2 and Q3 prices are proving difficult to read; guidance through various market channels has winter marked in the low \$20s though the spot sensitivity influence is not realised.
- Balance of 2023 ASX Vic Gas Futures is weighted at \$17.48 on settled prices. This is aligned closely to CAL 2024 at \$17.60 with CAL 2025 stretched to \$22.07.
- The 2023 AEMO GSOO inspires confidence supply will be sufficient to meet demand across the medium term window 2023 to 2026, with some concerns for supply adequacy for southern markets from 2027 onwards.
- There are a number of unknowns beyond the Liddell Power Station closure in April 2023, not only from the electricity energy perspective but also the pressures of firming VRE and high coincident gas demands with creating the potential for short term supply shortfalls.
- JKM prices have tracked sideways since the start of the year on account of suppressed demands tracking at a steady average roughly AU\$18-20 for the balance of year, as reflected in the short term netback prices.

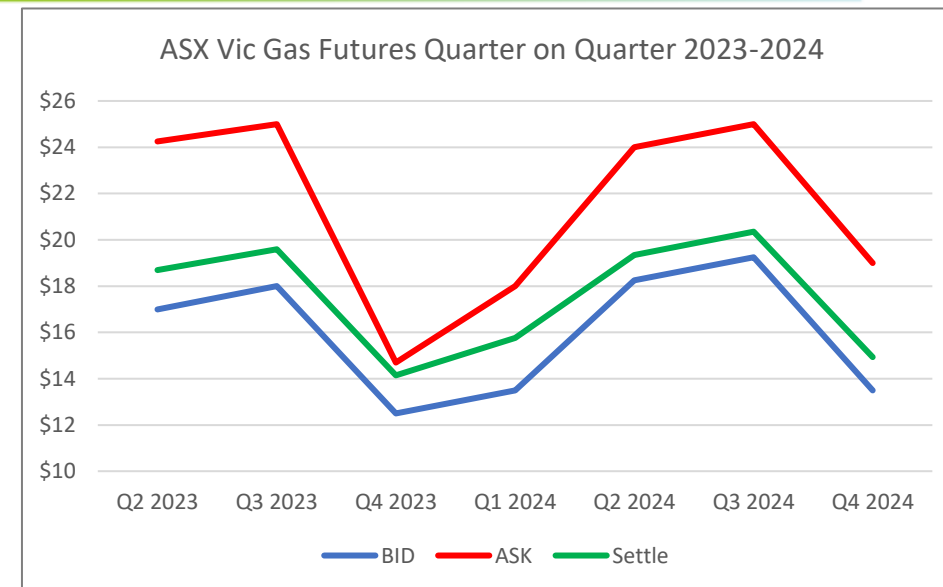
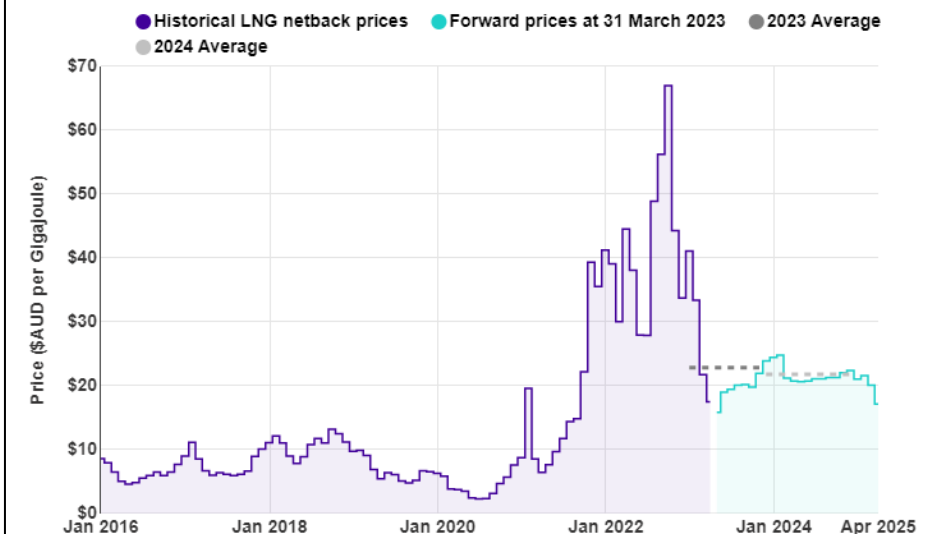


Chart 1: Historical and forward short-term LNG netback prices

Last updated on 3 April 2023. Next update on 17 April 2023.



# AEMO June 2022 NEM Events: Compensation Update (6 January 2023)

## Compensation amounts and timing

### 1. RERT payments (for activated demand response under Reliability and Emergency Reserve Trader contracts)

July 2022		November 2022
Final statements - RERT payments (NEM total \$80m)		Revision statements – RERT payment adjustments of \$2.2m
Week 25: 13 July	Week 26: No RERT	Week 25 R1: 1 November
<ul style="list-style-type: none"> <li>Qld - \$3.7m</li> <li>NSW - \$76.2m</li> </ul>		<ul style="list-style-type: none"> <li>Qld - \$0.1m</li> <li>NSW - \$2.2m</li> </ul>

### 2. Directions compensation (directed participants for energy, ancillary services or other compensable services)

July 2022		January 2023	
Final statements – Provisional amounts <sup>2</sup> (NEM total \$2.1m)		Revision statements:	
		<ul style="list-style-type: none"> <li>Additional compensation (NEM total \$6.6m)</li> <li>Fair payment for other services (NEM total \$9.6m)<sup>3</sup></li> </ul>	
Week 25: 13 July	Week 26: 20 July	Week 25 R2: 12 January	Week 26 R2: 19 January
<ul style="list-style-type: none"> <li>Qld - \$930k</li> <li>NSW - \$550k</li> <li>Vic - \$360k</li> <li>SA - \$100k</li> <li>Tas - \$0</li> </ul>	<ul style="list-style-type: none"> <li>Qld - \$40k</li> <li>NSW - \$70k</li> <li>Vic - \$40k</li> <li>SA - \$10k</li> <li>Tas - \$0</li> </ul>	<ul style="list-style-type: none"> <li>Qld - \$6.9m</li> <li>NSW - \$2.7m</li> <li>Vic - \$1.8m</li> <li>SA - \$0.5m</li> <li>Tas - \$0</li> </ul>	<ul style="list-style-type: none"> <li>Qld - \$1.2m</li> <li>NSW - \$1.7m</li> <li>Vic - \$1.1m</li> <li>SA - \$0.3m</li> <li>Tas - \$0</li> </ul>

## Regional summary

NEM region	Total compensation amount (up to 6 January 2023) <sup>6</sup>	Equivalent recovery rate (\$/MWh) <sup>7</sup>
Qld	\$45 million	\$27
NSW	\$132 million	\$54
Vic	\$28 million	\$19
SA	\$7.5 million	\$17
Tas	\$0	\$0

### 3. Suspension pricing compensation (for eligible costs not covered by spot prices when set/affected by market suspension pricing schedule prices)

July 2022		January 2023	
Final statements – Provisional amounts (NEM total \$7.2m)		Revision statements – Additional compensation (NEM total \$87.6m)	
Week 25: 13 July	Week 26: 20 July	Week 25 R2: 12 January	Week 26 R2: 19 January
<ul style="list-style-type: none"> <li>Qld - \$1.1m</li> <li>NSW - \$1.6m</li> <li>Vic - \$1.1m</li> <li>SA - \$280k</li> <li>Tas - \$0</li> </ul>	<ul style="list-style-type: none"> <li>Qld - \$860k</li> <li>NSW - \$1.3m</li> <li>Vic - \$830k</li> <li>SA - \$220k</li> <li>Tas - \$0</li> </ul>	<ul style="list-style-type: none"> <li>Qld - \$14.9m</li> <li>NSW - \$22.1m</li> <li>Vic - \$14.4m</li> <li>SA - \$3.9m</li> <li>Tas - \$0</li> </ul>	<ul style="list-style-type: none"> <li>Qld - \$8.7m</li> <li>NSW - \$12.9m</li> <li>Vic - \$8.4m</li> <li>SA - \$2.3m</li> <li>Tas - \$0</li> </ul>

### 4. Administered pricing compensation (for eligible costs when spot market prices were set/affected by the administered price cap)

January 2023 onwards
Claims assessed and progressively determined by the Australian Energy Market Commission (AEMC), with the aim for direct cost claims to be determined first. The first AEMC determinations were finalised in December 2022 and will be included in final statements from 9 January 2023.
The total administered pricing compensation payable is not yet known. As of 6 January 2023, the amounts determined and recoverable from each region are (NEM total \$17.1m):
<ul style="list-style-type: none"> <li>Qld - \$6.3m</li> <li>NSW - \$10.7m</li> <li>Vic - \$0</li> <li>SA - \$27k</li> <li>Tas - \$0</li> </ul>
Further compensation amounts will be published on the AEMC website as each claim is determined, with payment and recovery amounts included in the next practicable final statements.



# Question time



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