



EnergyAction

## Energy Market Wrap

17 May 2021

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# Electricity Market Overview

Electricity prices remain in uptrend since our previous update. Prices across all forward years appear likely to exceed a 9-month high during the coming weeks. Retailers continue to offer short validity periods and are not entertaining requests for extensions. We are encouraging customers to accept offers rather than chance an inevitable worse outcome from second round pricing.

For electricity consumers that haven't secured fixed pricing to 2024/2025, there is a saying: "snooze and you lose".

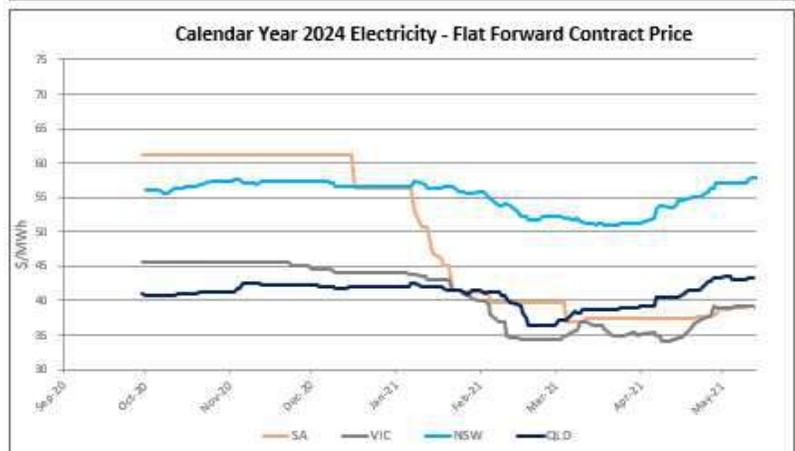
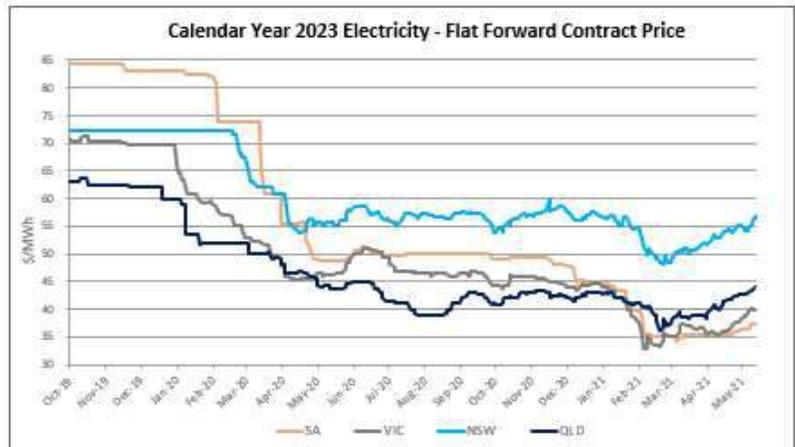
Recent price movements appear uniform across all states for 2022 and 2023.

NSW continues to be the highest priced state (represented by the light blue line in the charts). 2023 contract prices are trading at \$58/MWh (a 15% increase since our previous update). QLD 2023 prices are trading just below \$45.00 (7% increase); VIC is trading at \$40/MWh (up 12%) and SA at \$38/MWh (up 8%).

However, the news is not as concerning for 2024 and 2025, where prices have remained relatively flat over the past few weeks.

While 2025 contract pricing is beyond the observable forward curve, recent offers from our RFP results reveal pricing consistent with 2024. We recommend corporates act fast to obtain 2025 contract pricing.

While prices have risen over the past few weeks, and likely to continue rising, we still consider current electricity rates as being unsustainably low. If you are not considering securing fixed-price electricity contracting out to 2025, you probably should!



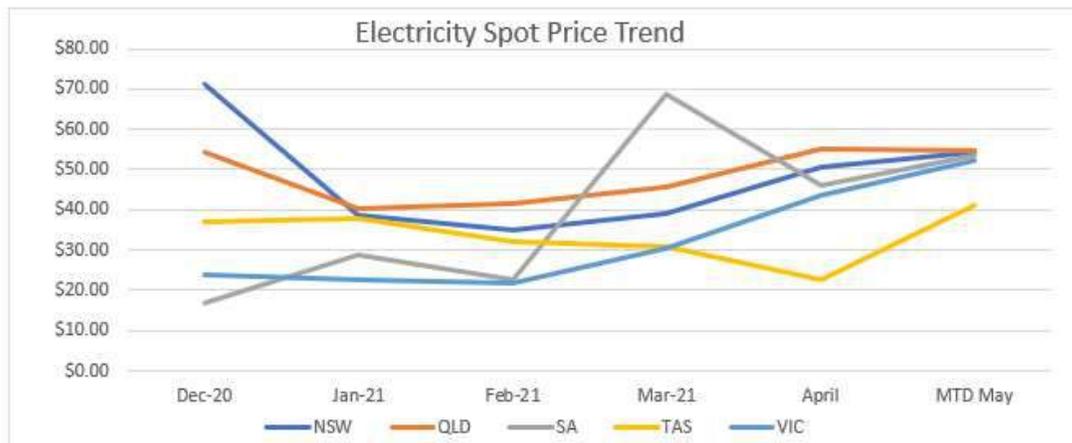
# Electricity Spot Market

Month-to-date May spot prices tell a similar story to the contract market. All state except QLD moved higher for the MTD May period, compared to April prices. VIC and SA spot prices are now above last month by 20% and 15% respectively. TAS MTD May prices have increased by a massive 82% from an unsustainably low average price of \$22.75/MWh last month.

Renewable generation remains the key to longer-term influence over spot prices and the continuing risk of further rationalisation in the baseload generation sector. Although renewables have very low short-run marginal costs, their impact is felt through the effect on merit order dispatch, particularly impacting baseload generation. At some stage in the future, renewable generation projects will need to recover their long-run marginal costs, associated with capital and equity, placing greater upward pressure on electricity price levels.

Average Monthly Spot Prices (\$/MWh)

Ave. Monthly Spot Price	Dec-20	Jan-21	Feb-21	Mar-21	April	MTD May	Current Month % Change
NSW	\$71.38	\$38.84	\$35.13	\$38.97	\$50.44	\$54.31	8%
QLD	\$54.46	\$40.35	\$41.69	\$45.81	\$55.22	\$54.64	-1%
SA	\$16.78	\$28.70	\$22.49	\$68.77	\$46.24	\$53.35	15%
TAS	\$36.86	\$37.81	\$31.99	\$30.78	\$22.75	\$41.32	82%
VIC	\$23.79	\$22.82	\$21.85	\$30.36	\$43.61	\$52.37	20%

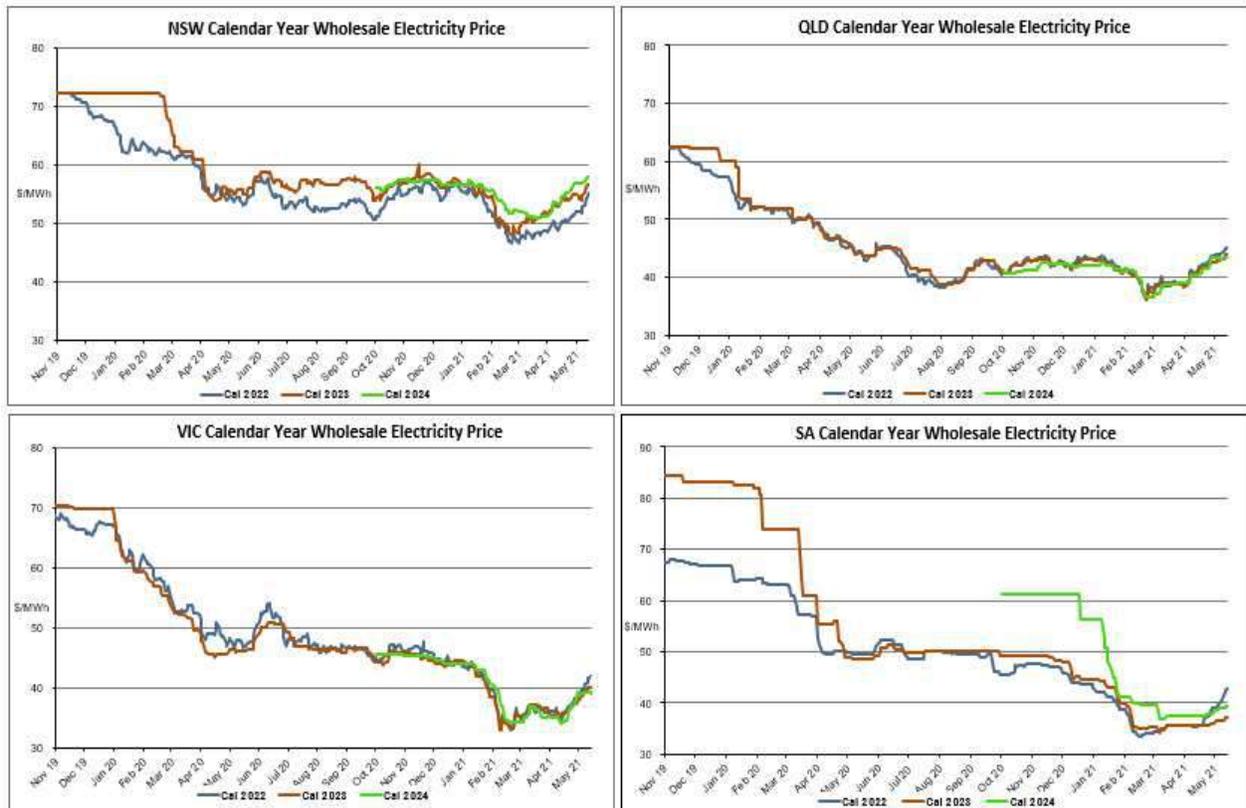


MTD period to 17 May 2021

# Wholesale Electricity Pricing

We have identified over the past few editions of the Market Wrap how current market pricing represent a key risk to the generation sector, along with the impact that renewables are having on longer-term contract pricing. We understand that renewables rely on 'firming' provided by large base-load power stations to provide consumers and industry with reliable supply. We also expect the introduction of 5-minute dispatch to create upward price pressure and expect this will translate into higher contract pricing.

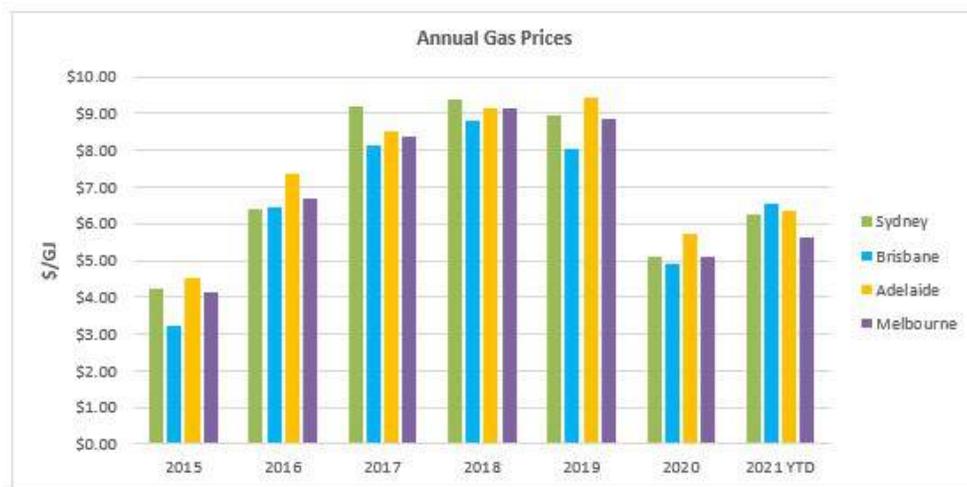
It remains to be seen whether the current price conditions are a short-term response to Covid-related decreases in system demand or a longer-term response from structural changes in the Australian Electricity Market. One thing that is certain, commodities such as electricity, move in price cycles.



# Wholesale Gas Market

YTD 2021 wholesale gas prices remain higher than the 2020 average price. Depending on the state, prices are between 0.50 - \$1.00/GJ above last calendar year's average. Recent short-term changes in supply conditions continue to hold gas prices above historical averages.

The chart below shows YTD 2021 pricing remains above Calendar year 2020 prices by approx \$0.50-\$1.00 /GJ.



The table below shows YTD 2021 average prices continue to increase, with Brisbane, Sydney and Adelaide the most affected by LNG export demand. Prices for all state hubs remain above the 12-month rolling average.

Average Price	Sydney	Brisbane	Adelaide	Melbourne
Rolling 12 Month Average Price	\$5.36	\$5.40	\$5.83	\$5.19
2021 YTD Average Price	\$6.25	\$6.55	\$6.35	\$5.64

Average monthly prices during April rose as a result of greater LNG export demand which diverts supply from the domestic market. We consider there is greater likelihood that retail prices will trend lower for contract years 2023 and 2024, as retailers commence forward selling. We are now seeing greater downward pressure on contract gas prices for calendar years 2022 and 2023.



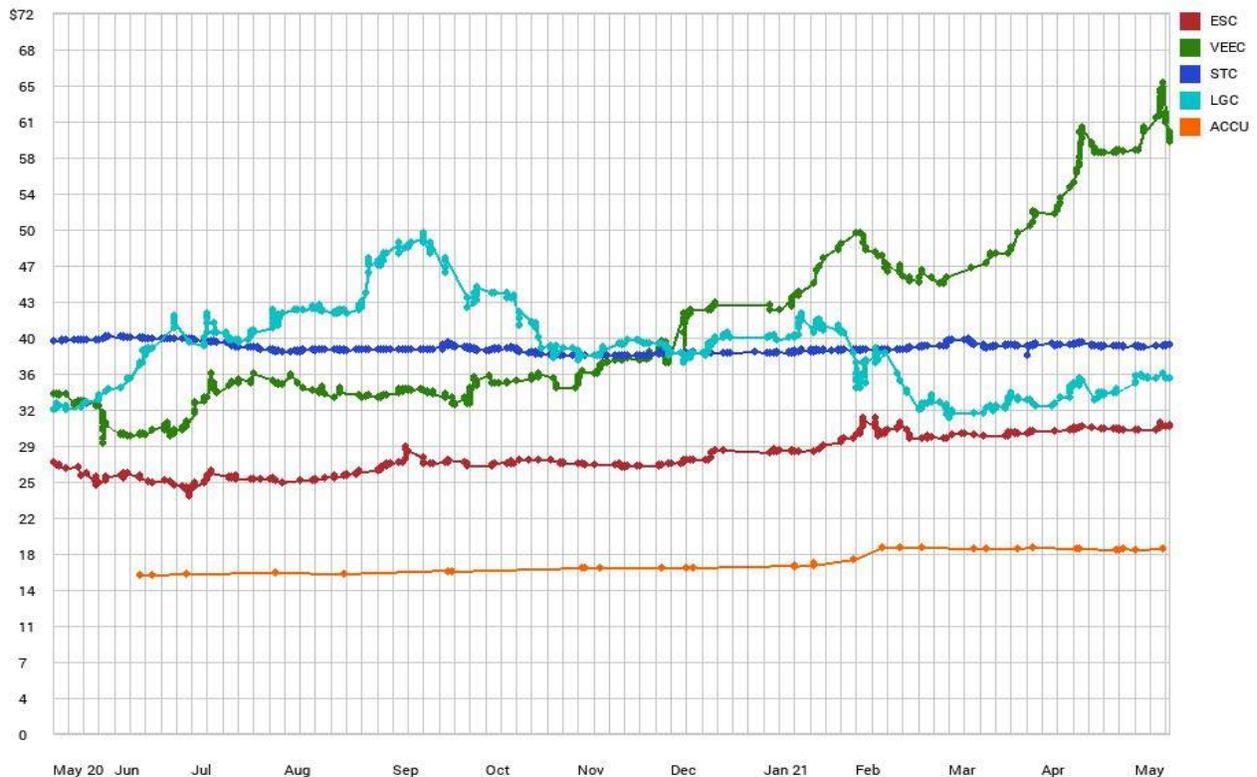
The monthly average state hub prices show April has risen in comparison to the March average. This was most notable in Brisbane and Adelaide.



# Environmental Certificate Prices

- LGC prices are currently trading around \$36.00/certificate. We continue to see the demand for LGC's influenced by voluntarily surrenders.
- VEEC prices hit an all-time high in early May and are now trading lower at \$58.00/certificate, down from a high of \$66/certificate. Compliance demand for VEECs is likely to remain greater than short term supply.
- ESC prices remain reasonably stable at \$30.00 /certificate.
- STC prices are flat, just below the price cap, at \$39.00 /certificate.
- ACCU's (Australian Carbon Credits) are currently trading slightly higher at \$18.35 /certificate.

Source: Demand Manager: <https://www.demandmanager.com.au/certificate-prices/>



The forward price for LGCs has increased significantly with 2024 LGC's trading at \$13.25, up from \$10 /certificate two weeks ago, from greater demand for voluntary surrenders.

Calendar year 2025 LGC's are also higher at \$8.70/ certificate.

