

EnergyAction

Energy Market Wrap

26 April 2021

Contents

Electricity Market Overview	3
Electricity Spot Market	4
Wholesale Electricity Pricing	5
Environmental Certificate Prices	6

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Electricity Market Overview

The last few weeks have seen prices continue an upward trend from the lows set in mid-February. Retailers continue to offer short validity periods of 1-2 days making it more difficult for customers to evaluate and accept offers before a reprice is required.

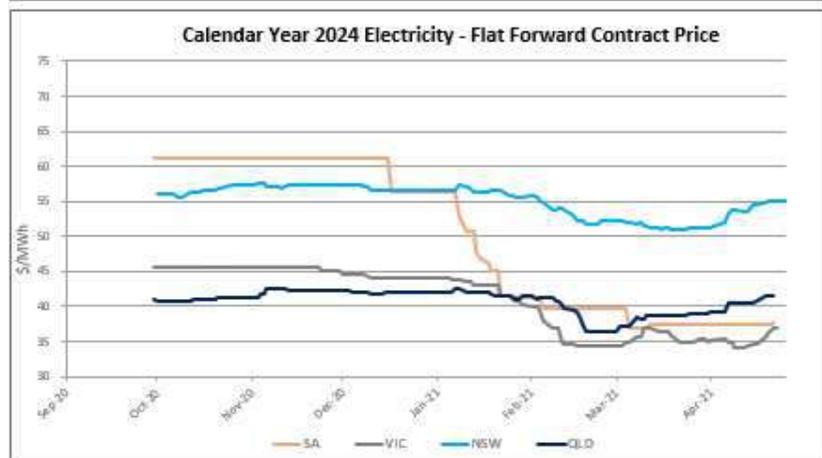
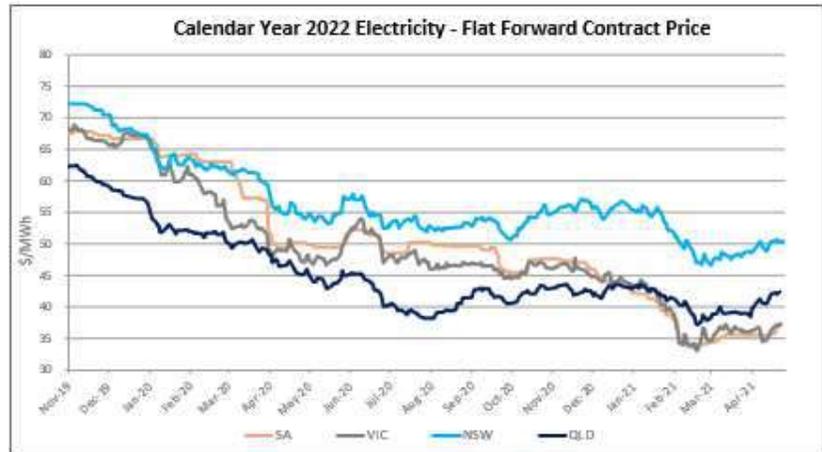
Recent price movements appear uniform across all states with the exception of SA, where prices have remained relatively flat.

NSW continues to be the highest prices state. 2022 contract prices are trading at \$50/MWh compared to QLD prices of \$42.00 and VIC/SA around \$35/MWh.

2023 contracts are moving in an almost identical upward movement to 2022. Each state market now shows signs of moving to a more traditional pricing structure, where prices are offered at a premium over the forward curve, as opposed to the past 18 months, where we have observed significant price 'backwardation' (backwardation occurs where future year price levels are cheaper than the current year's pricing). NSW, SA and VIC are currently showing a slight out-year price premium for 2023.

2024 pricing is mostly flat compared to 2023, with the expectation that this will turn to premium as electricity demand increases.

There are now multiple indicators suggesting the market is more likely to rise from this point, than it is to set a new low.



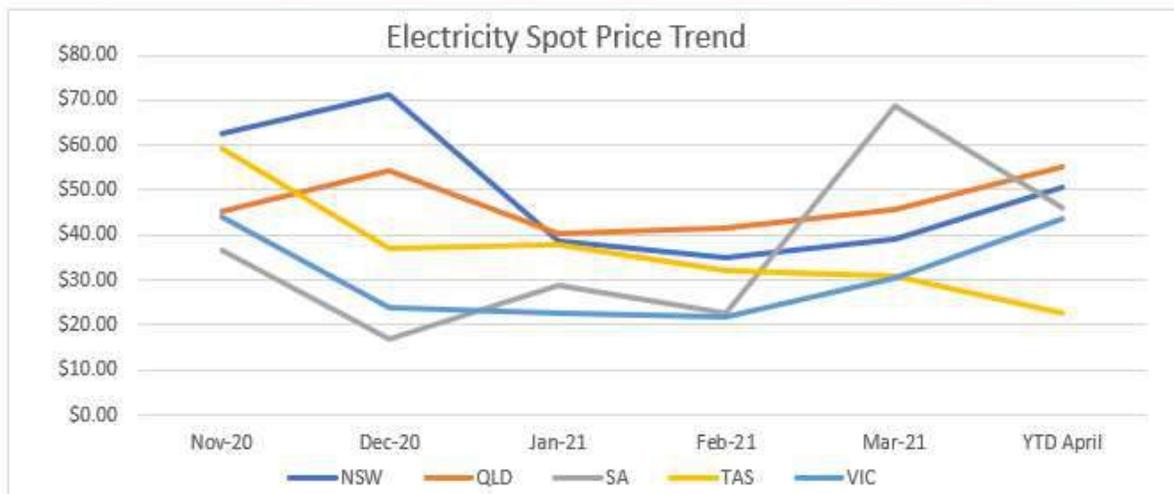
Electricity Spot Market

Month-to-date April spot prices has risen since our previous update, although 33% below last month's average price (compared to 66% a fortnight ago). NSW spot prices are now above last month by 29% and Victorian prices have risen by 44% since last month. TAS is the only other state to record negative spot price movements compared to last month, with a 26% decline the price of electricity.

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 returns to equity, placing greater upward pressure on electricity price levels.

Average Monthly Spot Prices (\$/MWh)

Ave. Monthly Spot Price	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	YTD April	Current Month % Change
NSW	\$62.49	\$71.38	\$38.84	\$35.13	\$38.97	\$50.44	29%
QLD	\$45.35	\$54.46	\$40.35	\$41.69	\$45.81	\$55.22	21%
SA	\$36.72	\$16.78	\$28.70	\$22.49	\$68.77	\$46.24	-33%
TAS	\$59.37	\$36.86	\$37.81	\$31.99	\$30.78	\$22.75	-26%
VIC	\$44.07	\$23.79	\$22.82	\$21.85	\$30.36	\$43.61	44%

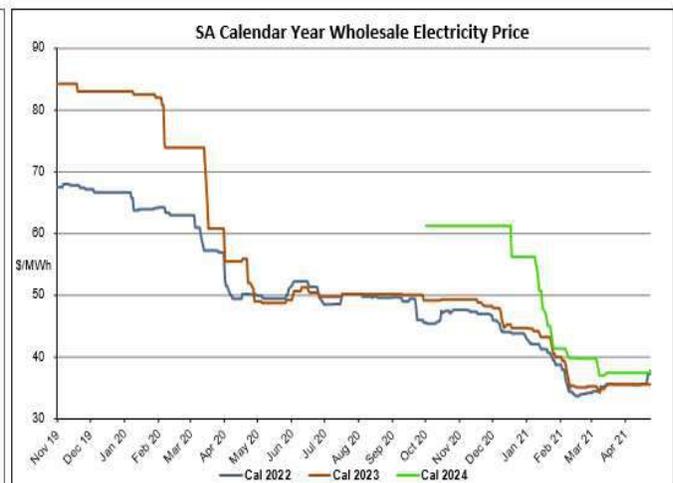
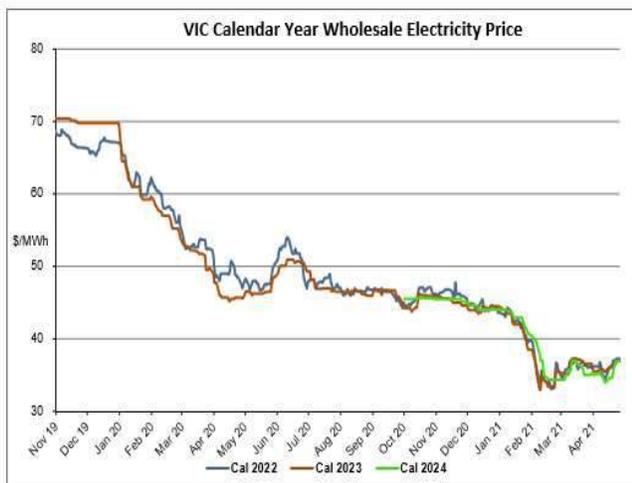
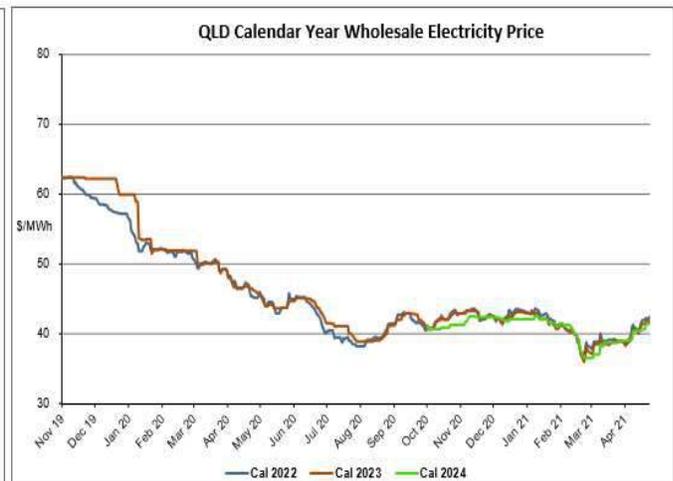
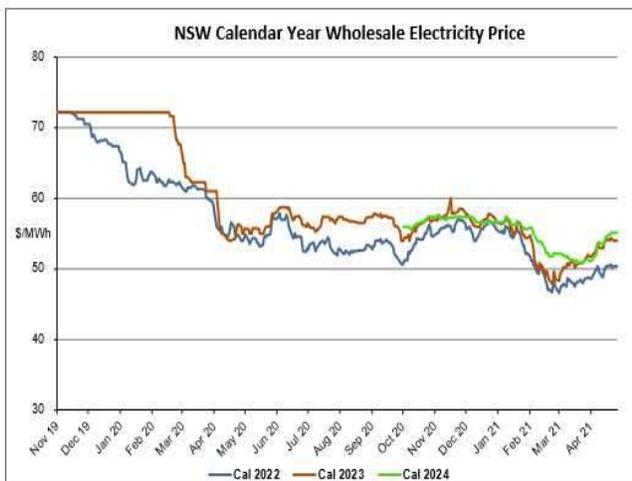


MTD period pricing up to 9 April 2021.

Wholesale Electricity Pricing

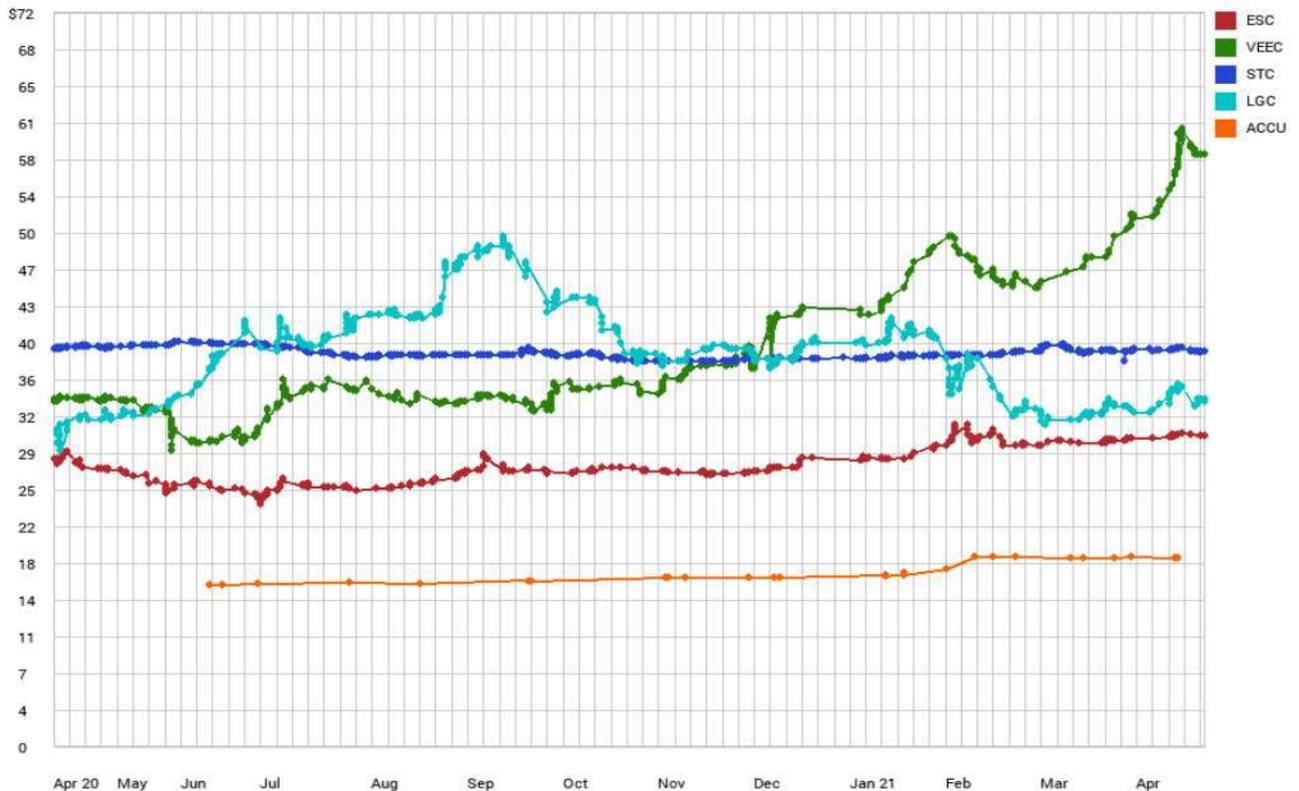
We have identified over the past few editions of the Market Wrap how current market pricing represent a key risk to the generation sector, along with the impact that renewables are having on longer-term contract pricing. We understand that renewables rely on 'firming' provided by large base-load power stations to provide consumers and industry with reliability of 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 to structural changes in the Australian Electricity Market.



Environmental Certificate Prices

- LGC prices have flattened over the past few weeks and are currently trading around \$34 /certificate. We continue to see the demand for LGC's influenced by large corporate voluntarily using LGC's to establish their longer-term carbon reduction strategies.
- VEEC prices hit an all-time high in early April. Prices have retraced back to \$58/cert over the past fortnight, down from a high of \$61/certificate. Compliance demand for VEECs is likely to remain greater than short term supply. VEECs are currently trading above \$58.00/ certificate.
- ESC prices remain reasonably stable at \$30.00 /certificate.
- STC prices are flat, just below the price cap, at \$38.50 /certificate.
- ACCU's (Australian Carbon Credits) are currently trading slightly higher at \$18.30 /certificate.



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

The forward price for LGCs has increased slightly with 2024 LGC's trading above \$10 /certificate.

Calendar year 2025 LGC's are also higher at \$7.40 / certificate.

