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Powering business market report

Energy market snapshot for your business

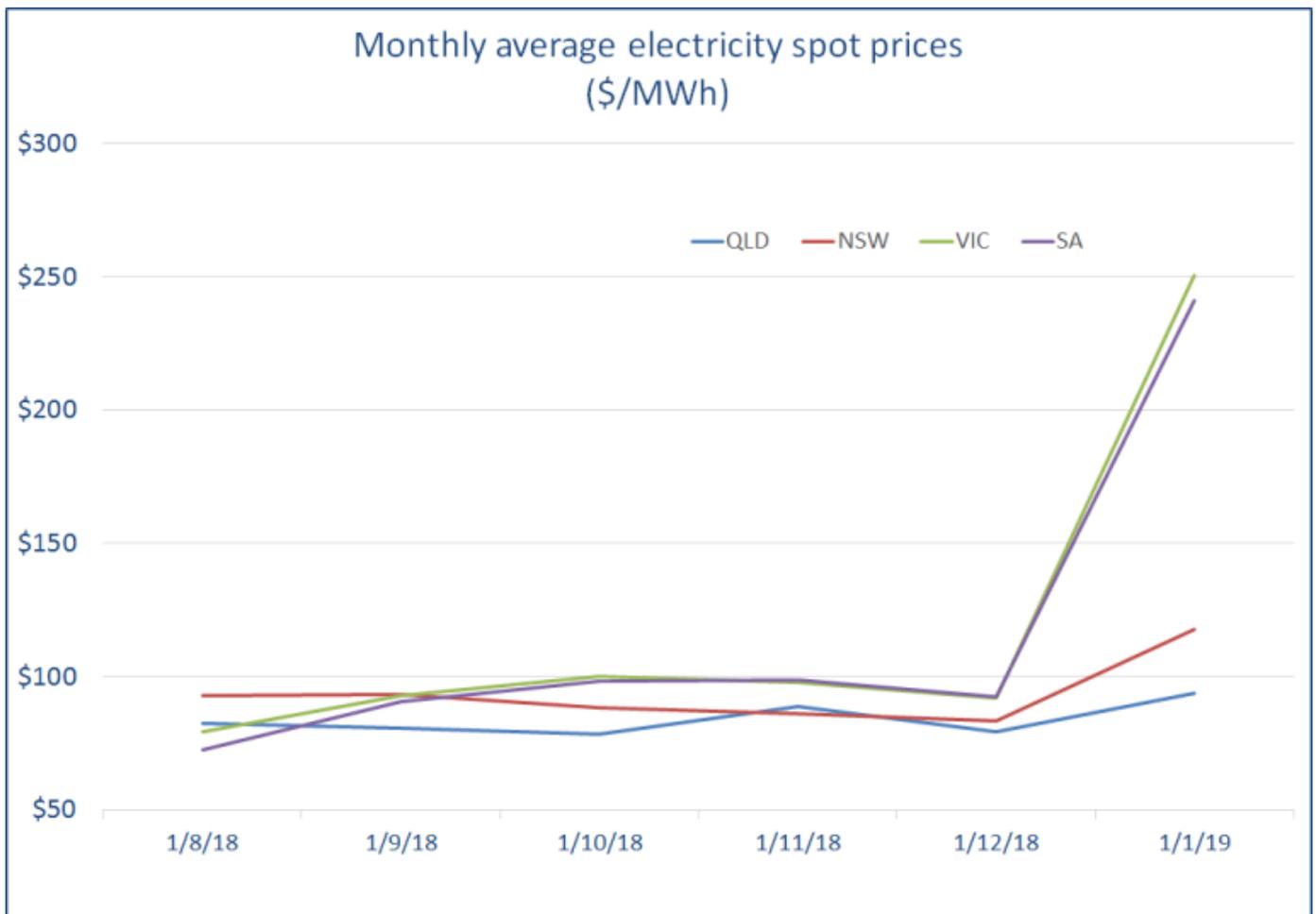
January 2019

Every month, we'll share our views on the energy market and outline the headlines that can impact the supply and price of energy.

Did you know?

All Origin large business customers should now have access to [EnergyLink \(/business/commercial-and-industrial/monitor/energylink.html\)](/business/commercial-and-industrial/monitor/energylink.html). If you haven't received your login details, email us on [EnergySolutions@originenergy.com.au \(mailto:EnergySolutions@originenergy.com.au\)](mailto:EnergySolutions@originenergy.com.au).

The electricity market this month



Finlay Macdonald-Stack, Portfolio Trader, Trading Operations

Demand levels increased in January as high temperatures impacted all states, with January officially the hottest month on record since 1910.¹ VIC and SA experienced several heatwaves within weeks. Earlier in the month, there were several periods of forecast volatility that didn't eventuate due to high levels of wind. In the later part of the month there were extreme demands in VIC and SA, with temperatures exceeding 40 degrees two days in a row in Melbourne and exceeding 46 degrees in Adelaide. Coming into this heat wave, two baseload units were out of service in VIC, with an additional two units experiencing issues. This coincided with low wind in the south.

Due to these baseload outages, high demand and low wind, prices were +\$10,000 over the afternoon of the 24th and +\$7,000 for an hour on the 25th. This triggered an administered price cap in both VIC and SA that lasted until 1st of February.

NSW also experienced extreme heat on several occasions. On the 31st of January this caused +\$10,000 prices when demand got close to 14,000 MW, compared to the average over January of 9000 MW.

QLD has been the least volatile state this year to date with moderate summer demands. Average prices have increased sharply across all states including QLD due to the impact of these extreme prices and the general uplift this has caused across the NEM.

News headlines

24 January: Temperatures in Adelaide hit a record 46.6 degrees, with Ceduna reaching 48.6 degrees for 2 consecutive days.² 25,000 customers lost power as transformers in several areas had blown fuses, and SA Power networks reported a substation fault.

25 January: South Australian state government-owned diesel power generators were switched on for the first time to assist with extreme demand conditions and the shortfall of supply from Victoria.³

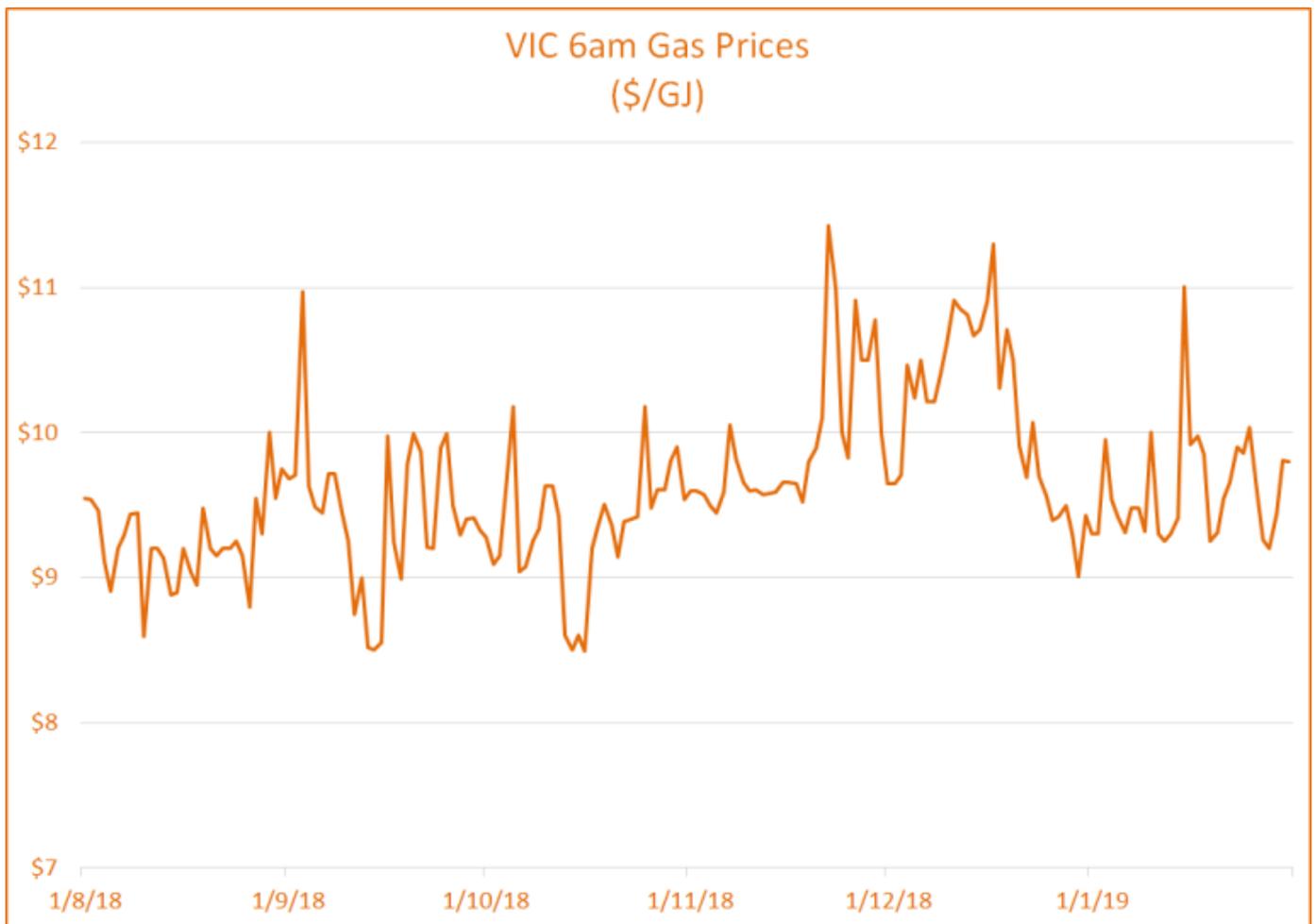
25 January: The combination of over 40 degree temperatures in Victoria, a scheduled outage at one of Energy Australia's Yallourn generating units, along with 2 power stations offline (Energy Australia's Tallawarra gas-fired power station and AGL's Loy Yang A),⁴ resulted in the loss of power to over 200,000 Victorian customers. With electricity demand well exceeding supply, AEMO called on emergency reserves from SA, NSW and Tasmania. To further meet high demand, AEMO relied on demand response capacity and ordered load shedding. Companies such as the GFG steel mill in Laverton and Alcoa's Portland Aluminium smelter⁵ participated in the Reliability and Emergency Reserve Trader (<http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Emergency-Management/RERT-panel-expressions-of-interest>) (RERT)⁶ responding to AEMO's request to cut its demand during the extreme weather event.

➤ Can Demand Response help your business better plan ahead? Call us on 13 23 34 and our expert teams can provide all the information you need.

25 January: Australian Energy Regulator (AER) released its Quarterly Retail Performance Report Q1 2018-19 Summary (https://www.aer.gov.au/system/files/Q1%202018-19%20Retail%20Performance%20Report_Q.pdf). The report provides a view of the electricity and gas market for residential and small business customers over the quarter. Included in the report findings is the rising number of both electricity and gas residential market contracts, with more customers moving away from standard contracts.

31 January: Ausgrid reported an outage of an underground cable in Double Bay at 11:30am, cutting power to 45,000 homes and businesses in eastern Sydney.⁷ Power was restored at 1pm.

The gas market this month



Louise Colbran, Portfolio Trader, Trading and Operations

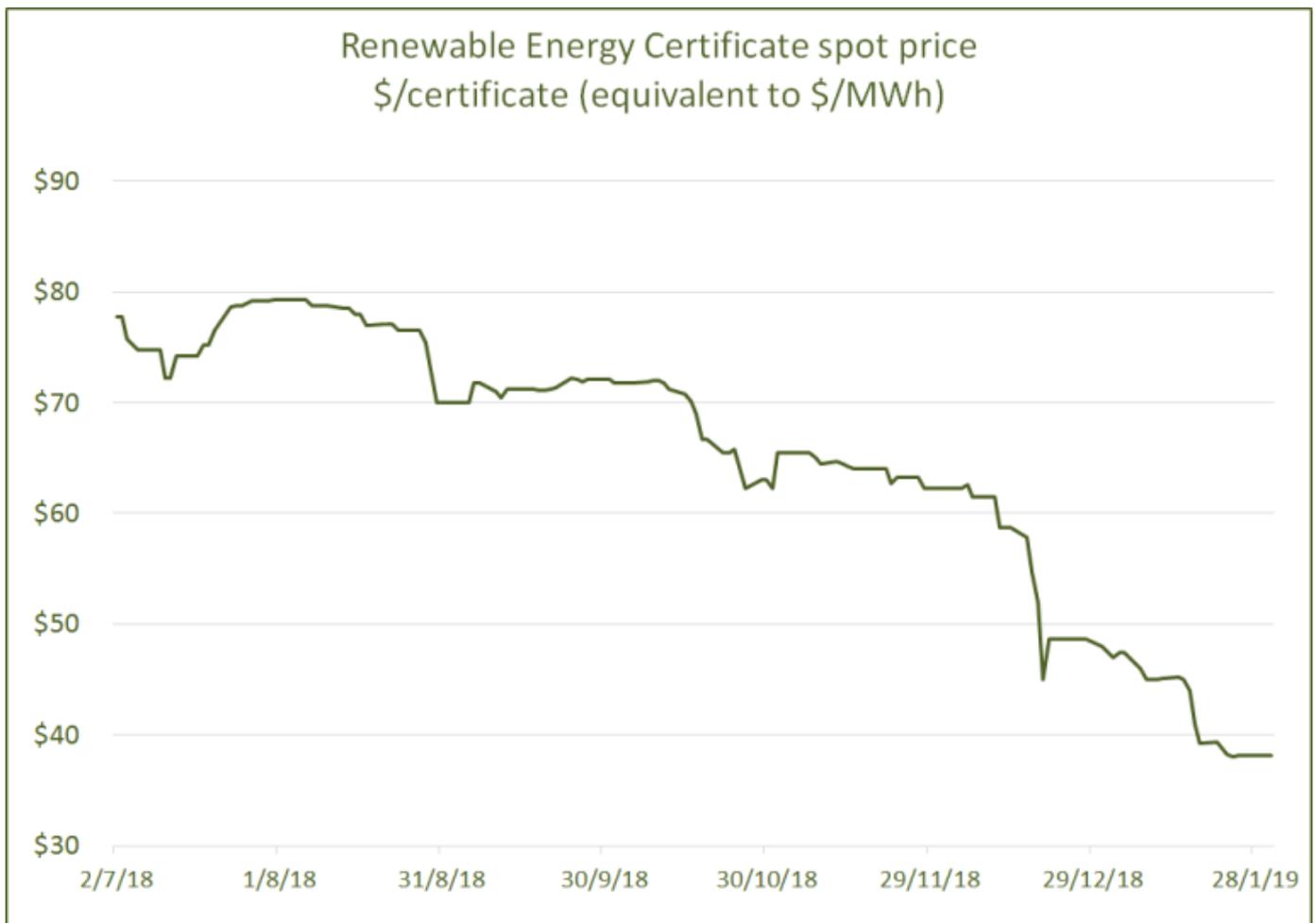
Gas prices have been rising steadily since the start of January. Commercial loads have returned from Christmas break, however the material shift in gas consumption has arisen from gas-fired generation requirements.

January was the hottest on record across the eastern states. Multiple heat waves rolled through January which pushed the NEM to its limits in SA and VIC. Gas generators filled gas demand caused by some coal baseload outages, and this led to an uplift in market prices across all states.

Longford gas plant is undergoing maintenance. Most days there was no impact on market requirements, however they did have a production curtailment on the 21st of January.

APLNG had a half train outage in Jan 25th - Feb 3rd.

Renewable market update



News headlines

17 January: The City of Melbourne is the first council to power its infrastructure by renewable energy; about half supplied by the Crowlands windfarm in Ararat.⁹ Council buildings, libraries, gyms and the city's street lights are now 100% renewable energy. 40% of the contracted volume was purchased at a fixed price with 60% at the market price, renegotiated every two years. The council will fund the cost of that energy by saving energy in other areas; including an upgrade of the city's 12,000 street lamps to LED with expected savings of \$1 million.

Interested in [LED for your business \(/business/commercial-and-industrial/reduce-costs/ledlighting.html\)](/business/commercial-and-industrial/reduce-costs/ledlighting.html)? We can help.

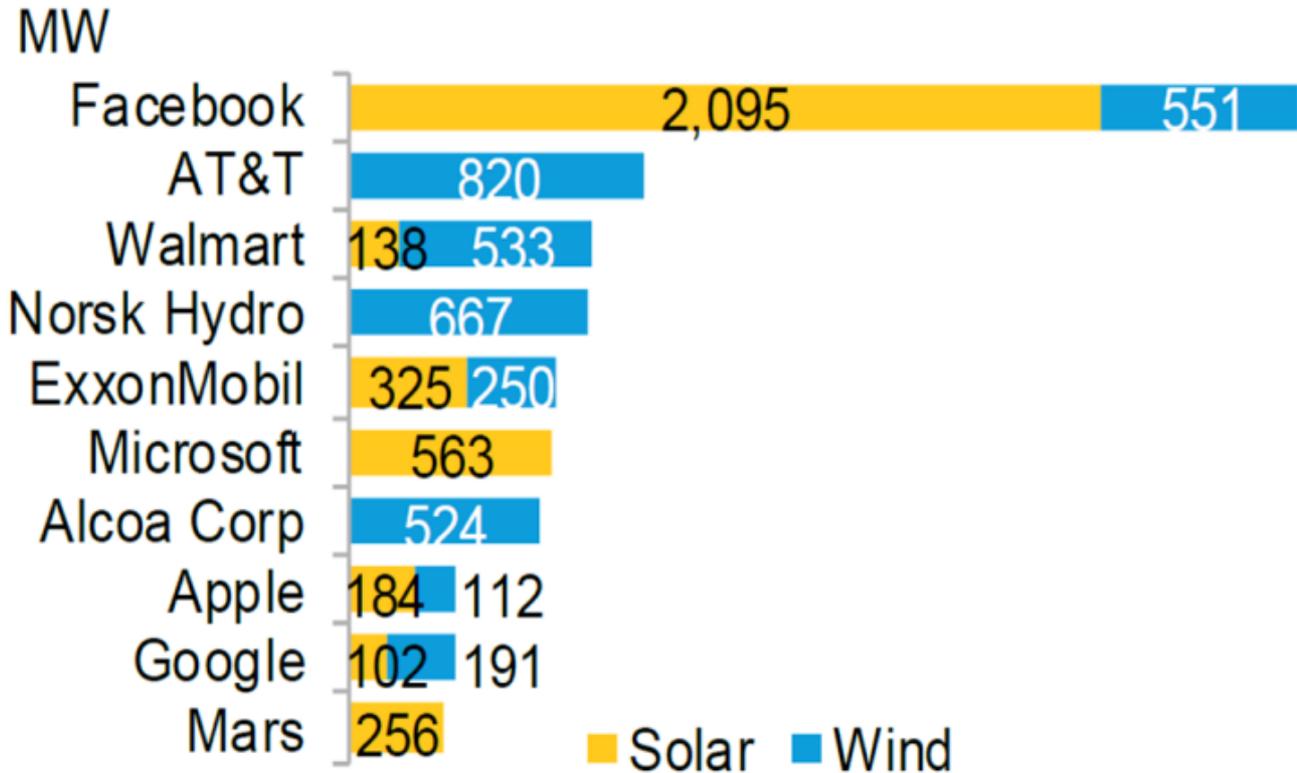
➤ [Send an enquiry \(/business/commercial-and-industrial/monitor/enquiries.html\)](/business/commercial-and-industrial/monitor/enquiries.html)

29 January: The Federal government has approved a new wind and solar farm in WA.¹⁰ Located in Kondinin, Lacour Energy will invest in the build of 120 MW of wind energy, 50 MW of solar and battery storage, with energy from wind generated at night and solar energy production during the day.

Commercial energy worldwide

More companies are locking in clean energy contracts.

Figure 3: Top corporate offtakers, 2018



**Pre-market reform Mexico PPAs, India onsite deals and Australian sleeved PPAs are not included.

Source: BloombergNEF

Corporate Power Purchase Agreements on the rise

According to Bloomberg's 2019 Corporate Energy Market report, both private and public organisations worldwide contracted a record of 13.4 GW of clean energy through Corporate Power Purchase Agreements (PPAs), more than doubling 6.1 GW in 2017. In Australia, a broad range of procurement choices resulted in 1.4 GW of clean energy purchased in 2018.

- What is a corporate or renewable PPA (<https://www.originenergy.com.au/business/commercial-and-industrial/forward-plan.html>) and can it help your business?

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