

Power price surge gets users hot, bothered

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Major electricity users will launch a national investigation into prices today after weekend energy prices in Queensland soared to near record levels, even though there was enough spare generating capacity to meet the demand spike.

Users were forced to cut back operations in Queensland on Saturday as 40-degree temperatures in Brisbane and the Gold Coast caused the spot price of electricity to pass \$9000 a megawatt hour.

Spot prices, which historically trade for about \$35 a MWh, rose from about \$2500 at 11am to more than \$9000 by 2pm.

Energy users, which will deliver their findings to the Australian

KEY POINTS

- Prices rose as temperatures hit 40C and air conditioners were switched on across south-east Queensland.
- But a market monitor says there was plenty of capacity.

Energy Regulator, are concerned the National Electricity Market could not meet the demand spikes with electricity from NSW or extra output from Queensland generators.

Roman Domanski, executive director of the Energy Users Association, which will conduct the investigation, said: "There have been similar incidents in Victoria and South Australia over the summer.

We have had concerns for some time the rules on bidding and rebidding into the market are far too lax and allow generators to get away with pretty indiscriminate use of market power."

Demand peaks on Saturday reached more than 8000 megawatts, which is only 500 MW lower than the state's record for electricity, as huge numbers of air conditioners were switched on.

The managing director of market monitor NEM-Watch, Paul McArdle, said major Queensland companies with retail electricity contracts but some spot-price exposure, such as Smorgon Steel, OneSteel, zinc smelters and magnesium producers, managed the risk by winding back operations during the peaks.

"Demand across the National Electricity Market was very modest and there was oodles of capacity, more than 38,000 MW, available. But with the demise of state-owned Enertrade there are only four significant generators in the state and they have no problems keeping the price above \$9000. They are doing their shareholders a good service."

A spokesman for the National Electricity Market said the market was operating efficiently and the high prices were "correlated to the high demand", which eased as a southerly change lowered temperatures during the afternoon.

Spot prices, which account for about 20 per cent of demand, also flow into higher wholesale prices and increase hedging contract costs.

Mr McArdle said attempts to top up supply from generators in NSW were constrained because the interconnector between the states could only export 200 MW, which would have been insignificant for managing prices.

Mr Domanski said generator capacity could often be restricted by maintenance or unforeseen circumstances.

"We are also concerned about the lack of interconnector capacity between states to allow NSW generators to supply into the market," he said.

Spot prices, which are set half-hourly, were also close to their \$10,000 (MWh) cap during the state's high temperatures earlier in the week.