

ERIG says crazy NEM grid rules mean new Wagga gen makes no more net energy but does make money for investors

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The Energy Reform Implementation Group (ERIG) said in a recently released discussion paper that current generation arrangements not only affect short-term market efficiency and equitable competition between participants but also have the potential to increase congestion for the sake of commercial gain.

Focus on constraints: A constraint situation, and a number of similar but more complex situations, currently exists in a number of locations in the national market (NEM). The intensity of the debate on the formulation of constraints highlighted the commercial importance of such situations.

Market advantage ahead of common sense: ERIG is aware of one proposed generation investment where the proposed location would have induced network congestion. The proposed generator would hold a strategic advantage as a result. In this case a relatively small change in the proposed location would have removed the risk of such congestion, but was less beneficial for the generator.

Line ratings limitations around Snowy: In its 2005 Annual Planning Report, TransGrid states: "At times when NSW is a heavy importer of power from the south, the line ratings within the Snowy system and immediately north of Snowy may impose a limitation."

Wagga generator for no real purpose: The report continued: "The development of any generation in the southwest of NSW (such as gas turbines in the Wagga area) will impose greater competition for the limited power transfer capability to the north. Such generation does not provide an effective

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Top price for NEM week 26 November - 2 December 2006: Quarantine at \$88.55/MWh

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TAS			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Liap/Way/Cat	\$440,955	10,040	\$43.92
Bell Bay Power	\$823,147	19,272	\$42.71
John Butters	\$293,013	6,088	\$48.13
Tungatinah	-	-	-
Poatina	\$1,508,492	32,785	\$46.01
Tarraleah	\$539,129	12,550	\$42.96
Reece	\$103,803	1,926	\$53.89
Cethana	\$28,020	447	\$62.66
Tribute	\$7,386	175	\$42.20
Lemonthyme/Wilmot	\$129,403	2,720	\$47.57
Trevallyn	\$200,635	4,321	\$46.44
Mackintosh	\$26,132	519	\$50.39
Bastyan	\$12,154	343	\$35.48
Woolnorth Wind	-	-	-
Gordon	\$1,878,794	43,756	\$42.94
Vic->Tas	\$2,028,944	49,303	\$41.15
Devils Gate	\$23,836	395	\$60.28
Fisher	\$120,424	2,603	\$46.27
Meadowbank	62790.74255	1508.995	\$41.61
Lake Echo	-	-	-
Repulse	-	-	-
Paloona	-	-	-
Cluny	-	-	-

increase to the net NSW generation at times where the transmission system is limiting.” Despite this, ERIG pointed out that a major new power station was proposed for Wagga.

Reference: Energy Reform Implementation Group - Discussion papers, November 2006. p.118. Document is available at: <http://www.erig.gov.au>

SA			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
North'n Power	\$3,517,244	89,050	\$39.50
Ladbroke	\$382,582	8,421	\$45.43
Osborne	\$424,702	12,118	\$35.05
Pelican Pt	\$2,405,540	56,583	\$42.51
Torrens Is. B	\$1,517,845	35,195	\$43.13
Vic->SA	\$1,560,551	32,761	\$47.63
MLink->SA	\$173,521	3,637	\$47.72
Torrens Is. A	\$896,157	12,626	\$70.98
Mintaro	-	-	-
Dry Creek	-	-	-
Playford	\$600,330	13,858	\$43.32
Snuggery	-	-	-
Pt Lincoln	-	-	-
Quarantine	\$191,792	2,166	\$88.55
Angaston Power	-	-	-
Hallett Power	\$219,179	2,093	-
Lonsdale	-	-	-
Terminal Storage	-	-	-
Lake Bonney Wind	-	-	-

VIC			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Loy Yang A	\$9,244,024	316,389	\$29.22
Loy Yang B	\$4,906,679	161,456	\$30.39
Hazelwood	\$7,467,410	250,454	\$29.82
Yallourn	\$6,623,931	224,288	\$29.53
Anglesea	\$722,777	23,559	\$30.68
Energy Brix	\$660,583	21,970	\$30.07
Newport	\$795,143	18,614	\$42.72
MLink->Vic	\$51,540	1,232	\$41.83
SA->Vic	\$46,698	1,235	\$37.82
Snowy->Vic	\$1,009,272	26,590	\$37.96
Tas->Vic	\$150,549	2,155	\$69.85
Jeeralang	\$10,960	235	\$46.63
West Kiewa	\$15,876	316	\$50.22
Bairnsdale	\$110,074	2,368	\$46.48
Dartmouth	\$546,274	18,360	\$29.75
Eildon	\$58,560	1,355	\$43.22
Hume Vic	-	-	-
McKay Power	\$4,603	59	\$78.10
Clover	-	-	-
Valley Power	\$160,867	2,419	\$66.49
Rubicon	-	-	-
Laverton North	257254.2869	7010.24	-
Somerton Power	41008.96375	570.21	-
Sunshine Energy	-	-	-
Longford	-	-	-

NSW			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Bayswater	\$10,340,519	330,420	\$31.30
Liddell	\$5,629,205	186,853	\$30.13
Mt Piper	\$6,513,414	218,032	\$29.87
Wallerawang	\$2,220,657	74,161	\$29.94
Vales Point	\$3,050,529	101,908	\$29.93
Munmorah	\$1,643,855	55,690	\$29.52
Eraring	\$10,627,355	338,157	\$31.43
Redbank	\$722,493	24,658	\$29.30
Smithfield	\$642,375	20,106	\$31.95
Snowy->NSW	\$2,057,510	44,352	\$46.39
Shoalhaven	-	-	-
Hunter Valley	-	-	-
Hume Hydro	\$24,158	832	\$29.04
Blowering	\$107,376	3,601	\$29.81
Northern Gas	-	-	-
Burrinjuck	-	-	-
Brown Mountain	-	-	-
Keepit	-	-	-
Broken Hill	-	-	-
Ergon Energy	-	-	-
DL Q->N	\$471,121	15,831	\$29.76
QLD->NSW	\$3,302,226	110,251	\$29.95
Pindari Hydro	-	-	-
West Nowra	-	-	-
Country En (NSW)	-	-	-

QLD			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Tarong	\$8,174,456	292,511	\$27.95
Millmerran	\$3,756,627	136,552	\$27.51
Swanbank	\$1,247,737	40,445	\$30.85
Stanwell	\$5,442,476	183,152	\$29.72
Callide B	\$2,951,002	102,103	\$28.90
Callide Power	\$3,742,533	127,962	\$29.25
Gladstone	\$4,802,084	163,597	\$29.35
Collinsville	\$573,171	17,472	\$32.80
Swanbank C_D_E	\$1,376,030	45,266	\$30.40
Barcaldine	-	-	-
Callide A	-	-	-
Kareeya	\$303,781	10,862	\$27.97
Barron Gorge	\$115,890	3,237	\$35.80
Mt Stuart	\$27,469	536	\$51.22
Wivenhoe	-	-	-
Braemar Power	\$888,704	22,069	\$40.27
Townsville	\$926,043	31,881	\$29.05
Mackay	-	-	-
Roma	\$43,155	636	\$67.89
Oakey	\$1,745	30	\$57.50
DL N->Q	-	-	-
NSW->QLD	\$101,507	1,606	\$63.22
Rocky Point	-	-	-
Tableland	-	-	-
Stapylton	-	-	-

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TransGrid makes \$320m plans to upgrade ring lines around Newcastle, Sydney and Wollongong from 330-500kV

NSW-owned high voltage transmission operator TransGrid would invest \$320 million to deal with emerging limitations in the network supplying Newcastle, Sydney and Wollongong, wrote Annabel Hepworth in *The Australian Financial Review* (30/11/2006, p.4).

TransGrid problems put Delta plans at risk: It comes after another NSW-owned company, Delta Electricity, warned that its plans to potentially upgrade a key electricity plant, Mt Piper Power Station, faced risks because of uncertainty surrounding the TransGrid project.

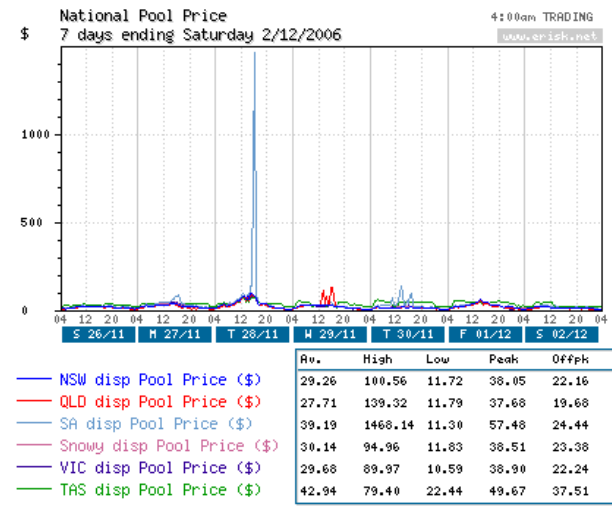
Delta sends out clear message: Earlier this month, Delta warned that an upgraded Mt Piper plant would probably be plagued by “material congestion” if the TransGrid transmission project did not proceed “in full”. The plan to go ahead with the project would appear to give Delta a degree of certainty.

3 But minister brushes it aside: NSW Energy Minister Joe Tripodi’s office said the project had been in the planning for some time and was not driven by Delta’s comments.

500kV means 50pc capacity increase: Under the \$320 million project, key parts of the transmission network will be upgraded from

the week in detail

- **NSW:** Average price \$29.26/MWh, down 40 per cent on the spike-affected \$48.80/MWh, up 49 per cent on the \$19.66/MWh of the comparable week last year; maximum price \$100.56/MWh for the 30-minute trading interval ended 1600EST on Tuesday. Average demand 8934MW, down 1.3 per cent on the previous week, up 8.3 per cent on a year ago; maximum demand 12,226MW for the 1600EST on Friday, down 1.2 per cent on the 12,375MW the previous week.
- **Victoria:** Average price \$29.68/MWh down 39 per cent on the spike-affected \$48.65/MWh the previous week, up 43 per cent on the \$20.70/MWh of the comparable week last year; maximum price \$89.97/MWh for the 30-minute trading interval ended 1530EST on Tuesday. Average demand 5667MW, down 2.3 per cent on the previous week, up 2.1 per cent on a year ago; maximum demand 6998 MW in the 1600EST interval on Tuesday, down 11.0 per cent on the 7859MW the previous week.
- **South Australia:** Average price \$39.19/MWh, down 7 per cent on the spike-affected \$42.07/MWh the previous week, down 12 per cent on the spike-affected \$44.50/MWh of the comparable week last year; maximum price \$1468.14/MWh for the 30-minute trading interval ended 1630EST on Tuesday. Average demand 1577MW, down 9MW on the previous week, up 15.6 per cent on a year ago; maximum demand 2353MW in the 1330EST Thursday interval, down 2.6 per cent on the 2415MW of the previous week.
- **Queensland:** Average price \$27.71/MWh, down 28 per cent on the spike-affected \$38.49/MWh the previous week, up 61 per cent on the \$17.24/MWh of the comparable week last year; maximum price



\$139.32/MWh for the trading interval ended 1630EST on Wednesday. Average demand 6271MW, up 7.1 per cent on the previous week, up 7.2 per cent on a year ago; maximum demand 8149MW for the 1630EST Wednesday interval, up 11.9 per cent on the 7284MW the previous week.

• **Tasmania:** Average price \$42.94/MWh, down 5 per cent on the spike-affected \$45.18/MWh the previous week, down 21 per cent on the spike-affected \$54.30/MWh of the comparable week last year; maximum price \$79.40/MWh for the trading interval ended 1530EST on Tuesday. Average demand 1124MW, up 2MW on the previous week, up 7.4 per cent on a year ago; maximum demand a summer record of 1390MW for the 0730EST Thursday interval, up 2.7 per cent on the 1354MW of the previous week.

330 kilovolts to 500 kilovolts – a more than 50 per cent increase in capacity. It is the first stage of a multibillion-dollar program that, within 14 years, would result in a ring of upgraded transmission lines running from Newcastle to the Illawarra region.

Part of NSW's state plan: Tripodi said it would help meet the targets in the recent state plan of having 99.98 per cent energy reliability by 2016. During peak demand – on sweltering days when air-conditioning use soars – this area accounts for 75 per cent of NSW's power usage.

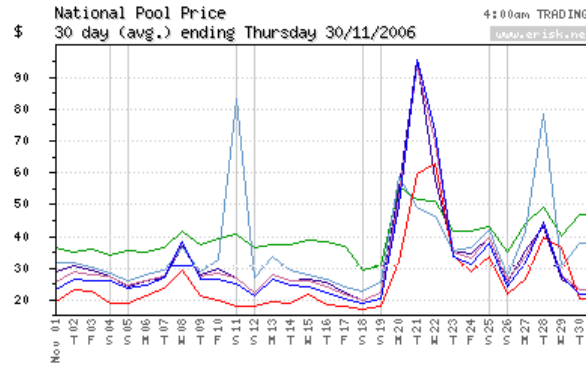
November 2006: many more price bumps than Nov 2005

There were 21 spikes with top prices between \$100.56/MWh and \$1687.35/MWh on eight days in all six National Electricity Market (NEM) regions in November, compared with a top price of \$137.29/MWh in South Australia on one day in October.

Even spread across regions: An analysis of the top price exceeding \$100.00/MWh on each day for all regions shows the November spikes were evenly spread across the regions. (There could be more prices above \$100/MWh in any region on any day, but only the top daily price is used in this analysis).

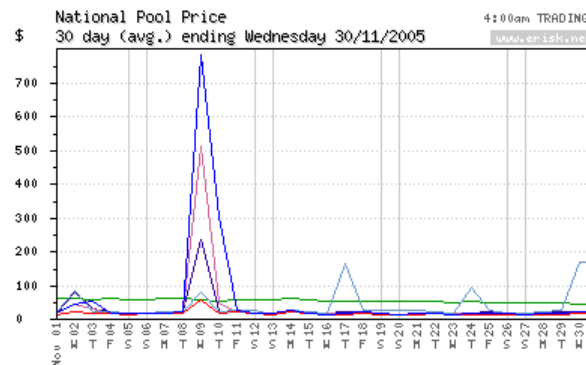
Between 3 and 5 spike days in each region: South Australia had five such spike days, NSW four, and Victoria, Queensland, Snowy and Tasmania three each.

November 2006



	Avg.	High	Low	Peak	Offpk
NSW disp Pool Price (\$)	31.46	95.66	18.83	40.49	23.42
QLD disp Pool Price (\$)	26.13	62.96	16.98	33.31	19.82
SA disp Pool Price (\$)	36.33	83.42	22.59	43.58	27.87
Snowy disp Pool Price (\$)	32.59	93.68	20.10	41.47	24.60
VIC disp Pool Price (\$)	32.69	95.48	19.84	42.04	24.22
TAS disp Pool Price (\$)	39.80	56.01	29.46	44.53	35.87

November 2005



	Avg.	High	Low	Peak	Offpk
NSW disp Pool Price (\$)	57.49	784.61	17.30	103.82	18.05
QLD disp Pool Price (\$)	19.83	59.18	15.65	24.54	15.39
SA disp Pool Price (\$)	40.62	169.51	16.81	63.78	20.16
Snowy disp Pool Price (\$)	39.54	514.13	17.69	64.34	18.32
VIC disp Pool Price (\$)	30.70	238.28	15.47	46.09	17.36
TAS disp Pool Price (\$)	57.54	65.01	47.68	59.19	56.02

November in detail

• **NSW:** Average price \$31.46/MWh, up \$6.13/MWh (24 per cent) on the average \$25.33/MWh in October, down \$26.03/MWh (45 per cent) on the average \$57.49/MWh of November 2005. Average demand 8669MW, up 258MW (3.1 per cent) on the 8411MW of October, up 371MW (4.5 per cent) on the 8298MW of November 2005.

• **Victoria:** Average price \$32.69/MWh, up \$5.03/MWh (18 per cent) on the average \$27.67/MWh in October, up \$1.99/MWh (6 per cent) on the average \$30.70/MWh of November 2005. Average demand 5678MW, down 14MW (0.2 per cent) on the 5692MW of October, up 185MW (3.4 per cent) on the 5493MW of November 2005.

• **South Australia:** Average price \$36.33/MWh, up \$7.11/MWh (24 per cent) on the average \$29.22/MWh in October, down \$4.29/MWh (11 per cent) on the average \$40.62/MWh of November 2005. Average demand 1498MW, up 78MW (5.5 per cent) on the 1420MW of October, up 127MW (9.3 per cent) on the 1371MW of November 2005.

• **Queensland:** Average price \$26.13/MWh, up \$5.76/MWh (28 per cent) on the average \$20.37/MWh in October, up \$6.30/MWh (32 per cent) on the average \$19.83/MWh of November 2005. Average demand 5894MW, up 265MW (4.7 per cent) on the 5629MW of October, up 64MW (1.1 per cent) on the 5830MW of November 2005.

• **Tasmania:** Average price \$39.80/MWh, up \$5.49/MWh (16 per cent) on the average \$34.31/MWh in October, down \$17.74/MWh (31 per cent) on the average \$57.54/MWh of November 2005. Average demand 1150MW, up 6MW on the 1144MW of October, up 92MW (8.7 per cent) on the 1058MW of November 2005.

Range of prices in November 2006: The range of top prices of spikes in November 2006 was:

- \$101/MWh to \$200/MWh – 6.
- \$201/MWh to \$500/MWh – 9.
- \$501/MWh to \$1000/MWh – 4.
- \$1001/MWh to \$2000/MWh – 2.

Much bigger spikes in November 2005:

November 2006 had the same total number of spikes (21) to November 2005, but they were spread over eight days compared to eleven in November 2005 and were much lower. Top prices ranged from \$110.65/MWh to \$9166.67/MWh.

Nine prices exceeding \$1000/MWh: In 2005, there were three top prices between \$1001-\$2000/MWh, three between \$2001-\$5000/MWh and three between \$5001-\$10,000/MWh.

Most November 2005 spikes in SA: Of the 21 spikes in November 2005, South Australia had 9, NSW and Snowy 4 each, Victoria 3 and Queensland 1. Tasmania had no spikes in November 2005.

November 2005 spikes range: The range of top prices of spikes in November 2005 was:

- \$101/MWh to \$200/MWh – 5.
- \$201/MWh to \$500/MWh – 5.
- \$501/MWh to \$1000/MWh – 2.
- \$1001/MWh to \$2000/MWh – 3.

- \$2001/MWh to \$5000/MWh – 3.
- \$5001/MWh to \$10,000/MWh – 3.

Reference: Analysis of maximum daily prices exceeding \$100/MWh for November 2006, October 2005 and November 2005 for National Prices of NSW, Victoria, South Australia, Queensland, Snowy and Tasmania in Price/Demand section of Erisk Net – Realtime NEM Data. <http://www.erisk.net>

November 2006: average prices up 16-28 per cent

Average prices rose 16-28 per cent in November 2006 to a range of \$26.13-\$39.80/MWh, compared to a range of \$20.37-\$34.31/MWh in October, an analysis of average prices and demand for the month show.

Demand changes: Average demand rose between under 1 per cent to 5.5 per cent in NSW, South Australia, Queensland and Tasmania, but fell 0.2 per cent compared to October.

SA has biggest monetary rise: The increases in average prices in November compared to October ranged from \$5.03/MWh in Victoria to \$7.11/MWh in South Australia. NSW with an increase of 253MW and Queensland with 265MW had the largest increases in average demand.

Vic and Qld up on 2005, with others down: However, average prices showed marked differences when compared with November 2005 – with Victoria and Queensland up 6-32

per cent while NSW, South Australia and Tasmania were down 11-45 per cent on the November 2005 range of \$19.83-\$57.54/MWh.

Demand up in all regions on previous year:

Average demand was up between 1.1-9.3 per cent in all regions in November compared to November 2005.

November 2006 in detail:

- **NSW:** Average price \$31.46/MWh, up \$6.13/MWh (24 per cent) on the average \$25.33/MWh in October, down \$26.03/MWh (45 per cent) on the average \$57.49/MWh of November 2005. Average demand 8669MW, up 258MW (3.1 per cent) on the 8411MW of October, up 371MW (4.5 per cent) on the 8298MW of November 2005.
- **Victoria:** Average price \$32.69/MWh, up \$5.02/MWh (18 per cent) on the average \$27.67/MWh in October, up \$1.99/MWh (6 per cent) on the average \$30.70/MWh of November 2005. Average demand 5678MW, down 14MW (0.2 per cent) on the 5692MW of October, up 185MW (3.4 per cent) on the 5493MW of November 2005.
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Reference: Analysis of average prices and demand for November 2006, October 2006 and November 2005 for NSW, Victoria, South Australia, Queensland and Tasmania shown in National Price and National Demand in Price/Demand section of Erisk Net – Realtime NEM Data. <http://www.erisk.net>

29 November: blackouts affect 40,000 homes in Sydney

6 About 40,000 homes lost power in eastern and northern Sydney yesterday, reported *The Sydney Morning Herald* (30/11/2006, p.5).

20,000 in northern blackout: Half were blacked out for an hour after a tree branch fell on a power line at Hornsby about 12pm. A second line that supplies the area was not available due to maintenance.

Eastern outage under investigation: Another 20,000 homes were blacked out in the Double Bay area from 2pm to 4pm. The cause is under investigation. The NSW Opposition blamed the outages on underinvestment by the State Government in the electricity network.

Tuesday, 28 Nov: spikes with top prices of \$1468.14/MWh in SA and \$100.56 in NSW

Spikes with top prices of \$1468.14/MWh were recorded in South Australia and \$100.56/MWh in NSW in the afternoon of Tuesday, 28 November.

Hot in both capitals: The spikes occurred as Adelaide had its second day of top temperatures in the thirties while Sydney was up five degrees to 27 degrees, though it was higher in outer suburbs.

Demand soars in NSW: Maximum demand in NSW soared to 12,147MW, up 1971MW (19.4 per cent) on Monday while South Australia's was up 78MW (3.5 per cent) to 2282MW on the high 2204MW on Monday.

Five spike intervals in SA, two in NSW: South Australia had spikes in five 30-minute afternoon trading intervals and NSW in two.

Reference: National Price for NSW and South Australia for one day, Tuesday 28 November, in Price/Demand section of Erisk Net – Realtime NEM Data. <http://www.erisk.net>

AGL faces below capacity generation from costly acquisition of Southern Hydro

Just because AGL has been rerated since its rather expensive \$1.43 billion purchase of Southern Hydro a year ago, it does not mean that it was such a great acquisition, said an article in *The Australian Financial Review* (30/11/2006, p.20).

Generation losses due to low rainfall: In fact, there have been reports that at least one of Southern Hydro's generation units will not be able to operate after this Christmas until it rains. The shutting of some capacity means AGL misses out on revenue from selling into the peaking market

Retail insurance is also an issue: AGL also has to wear the costs of alternative "insurance" for its retail energy business, though AGL boss Paul Anthony has been able to offset this with astute hedging and heavy cost-cutting.

Earnings issues for three governments: The NSW, Victorian and Federal Governments will also be reflecting on the decision not to float Snowy Hydro earlier this year, since low rainfall means that it is likely to be facing some earnings issues, too.



EnergyAustralia changes five year old standard customer connection and supply deal

EnergyAustralia gave notice that its Standard Form Customer Connection Contract (SFCC), which had been in operation since October 2001, had been amended, with effect from 30 November 2006.

Access to new contract: The full text of the amended contract is available from any EnergyAustralia office, by calling 13 15 35 or by visiting <http://www.energy.com.au> The SFCCC sets out the terms and conditions on which EnergyAustralia Network provides customer connection services.

Applies to new and existing customers: The amended contract applies to any person,

whether that person is a new or existing customer of EnergyAustralia, who owns or occupies premises within EnergyAustralia's distribution district, provided that person:

- is not entitled to be provided with customer connection services under a wholesale market access regime; or
- has not entered into a separate Negotiated Customer Connection Contract with EnergyAustralia.

What the changes affect: The scope, intent and general effect to the amendments are:

- to make the language of the contract more customer focused and to generally update the contract to reflect the new National Electricity Law and Rules;
- to ensure that EnergyAustralia can effectively administer pre-conditions for connection and ensure customers continue to comply with conditions of connection;
- to enable EnergyAustralia to ensure that all new electricity assets which encroach upon private property are protected by formal property rights;
- to change the arrangements for resolving complaints and disputes for customers who are not small retail customers, so that after an internal review such complaints are referred to mediation rather than to the Electricity and Water Ombudsman of NSW;
- to clarify the liability limitation and exclusions clauses and in particular to

make it clear that the contract does not exclude or affect customer's rights to payments under the new Distribution Network Service Provider (DNSP) licence condition which requires distributors to pay \$80 to a customer who experiences outages outside new interruption frequency and interruption duration standards;

- to inform customers with generators connected to the distribution system that EnergyAustralia may require the customer to enter into a separate connection agreement for the generator.

Changes to supply contract as well: The notice also advised that EnergyAustralia's Standard Form Customer Supply Contract from the same period was also to be amended with effect from 30 November 2006.

For customers using less than 160MWh: The amended Standard Form Customer Supply Contract applies to existing and new EnergyAustralia customers whose premises are located in EnergyAustralia's supply district and who consume less than 160 MWh of electricity per annum at the premises and are eligible to enter into a Negotiated Retail Customer Supply Contract with an electricity retailer, but have decided:

- not to enter into such a contract; or
- having previously entered into such negotiated customer contract, have subsequently elected to return to a Standard Form Customer Supply Contract.

What the changes will mean: The scope, intent and general effect of the amendments are:

- to make the language of the contract more customer focused and concise;
- to clarify a customer's rights and EnergyAustralia's rights regarding termination of the contract;
- to align the Liability clause in the contract with the EnergyAustralia Standard Form Customer Connection Contract;
- to include EnergyAustralia's Privacy Statement;
- to remove provisions related to EnergyAustralia's Smooth Payment Plan which are no longer applicable, and to provide for automatic bill payment arrangements which can be agreed between EnergyAustralia and customers;
- to clarify the obligation of EnergyAustralia to purchase green energy and to expand the ways in which EnergyAustralia can fulfil its obligations to purchase green energy;
- to change EnergyAustralia's reporting period for green energy from financial year to regular yearly intervals
- to clarify the method of calculation of rebates for customers in circumstances where demand for green energy exceeds supply.

Access to amended contract: The full text of the amended contract is available from any EnergyAustralia office, by calling 13 15 35, or by visiting <http://www.energy.com.au/contract>

Batchelor takes up Victoria's Energy and Resources Minister post with 10pc renewable energy target set for 2016

Energy has been hived off from Victoria's Department of Infrastructure and put into the Department of Primary Industries, according to Rod Myer, energy reporter at *The Age* (1/12/2006, p.2).

Deputy Premier bags 'super' portfolio:

Deputy Premier John Thwaites will head a new super portfolio including water, environment and climate change, while a separate Office of Climate Change will be set up in the Department of Premier and Cabinet.

Renewables policy implementation task:

It means Peter Batchelor (Minister of Department of Infrastructure) will be dealing with Thwaites, the Premier and their departments as they introduce an integrated climate-change response. He will be charged with implementing the policies announced before the election, including a renewable energy target of 10 per cent by 2016.

GHG cuts, emissions trading scheme:

There is also a commitment to cut greenhouse gas emissions by 60 per cent by 2050 and a plan to introduce a state-based national emissions trading scheme.

Work of past Victorian energy minister:

Outgoing energy minister Theo Theophanous

can take credit for liberalising retail electricity tariffs and introducing protection for cash-strapped consumers.

Hazelwood power station deal: But he will mainly be remembered for completing the politically sensitive deal to give Hazelwood power station access to a new coal mine, ensuring its operation until 2031.

Origin pays \$1300 a customer for Qld retail outfit to shore up business case for possible 1000MW Spring Gully station

Oorigin surprised the market by paying a record price for the Queensland business formerly owned by Energex, reported *The Sydney Morning Herald* (30/11/2006, p.27).

Estimated at \$1300 per head: The deal amounted to \$1300 a customer, according to Deutsche Bank analyst John Hirjee. That compared with \$500 to \$800 a customer paid in Victoria early in the decade.

Building cross-market presence: Origin paid up because it wants to build on its Queensland businesses. These include 90,000 retail gas customers, two gas-fired power stations and interests in coal-seam gasfields.

Downstream ambitions: Origin hopes its control of a big retail power portfolio will bring it closer to a business case for its planned

Spring Gully power station that could be as big as 1000 megawatts. It will also help support the development of the 400-megawatt Braemar power station, rights to which come with the Sun Retail deal.

Insuring against price jumps: The rationale is that Origin can use the power stations to insure its retail business against price spikes in the peaky Queensland market.

Customer retention vital: But it all hangs on Origin's ability to maintain its new customers. Customer churn rates in the power market have been as high as 25 per cent. "The issue for Origin is how to defend their market share and what others will do to try to win it," Hirjee said. "Churn levels could erode their customer base."

Grant King's \$800m spend in methane gas means Origin can provide its own peaking power to service customers

Origin Energy chief Grant King's \$800 million investment in the Queensland methane gas business, including the circa \$300 million Spring Gully gas-fired power station, means he can provide his own peaking power to service the 833,000 newly acquired customers, said *Australian Financial Review* columnist 'Chanticleer' (28/11/2006, p.64).

More muscle at table: This also partly explains why he figures the Sun Retail

business will generate earnings before interest tax and depreciation of about \$133 million compared with the \$71 million reported by the vendor last year. Not only does he bring more muscle to the table than the stand-alone former Queensland Government operator, but he will have lower hedging costs, which means the cost to service customers will fall dramatically when the power station starts operating in about mid-2009.

Transmission sale: The sale of the transmission business could generate more than \$500 million for King given the infrastructure crowd are happy to pay circa 12 times earnings when Origin paid just nine times for the retail business.

Asian steaming coal contract prices could exceed \$US50/t for third year running as ship queues grow off Newcastle

Asian contract prices for coal used in power stations might be at least \$US50 a tonne for a third year, helped by shipping delays at Newcastle, the world's largest coal export port, according to Citigroup research published in *The Australian* (4 December 2006, p34).

Queue in Newcastle grows: Australian miners may renew annual supply contracts at close to the \$US52-\$US53 agreed in 2005 and this year, Citigroup said. Maintenance and rough weather

had extended the queue of ships waiting to load at the Australian port to 50, the most since 2004, slowing exports and boosting costs.

Xstrata sets benchmark: Benchmark contract thermal coal prices for the year started 1 April 2006, were settled in July by Xstrata, the world's largest producer, with Japanese customers at \$US52.50 a tonne, near last year's record. Citigroup forecasts next year's contract price will be \$US50 a tonne, 4.8 per cent less.

ANZ sees upward trend: The global COAL Newcastle index fell 24 per cent between this year's high of \$US53.95 a tonne in mid-April and a low of \$US41.10 in the second week of November. Prices have since been rising and are set to gain again this week, based on trades carried out, said ANZ bank Sydney commodities analyst Andrew Harrington.

"Sharp turnaround": Week-to-date calculations indicated the price had since risen to \$US50.97, representing a "sharp turnaround", he said. Harrington has tentatively increased his forecast for the 2007-08 contract price to \$US50-\$US51, up from the high \$US40s.

Just hanging about: Ships at Newcastle waited an average of 17 days to load coal in the week ended November 27, up from 14 days the previous week, Newcastle Port Corp said. Citigroup's forecast for next year's prices matches the \$US50 a tonne expected by Goldman Sachs JBWere in Melbourne. Those predictions are higher than National Australia Bank's \$US46 estimate, a 13 per cent drop from this year.

Constraint Library Changes Report for the week 27 November 2006 to 3 December 2006

Effective Date	Constraint Set	Constraint Equation	Action
27/11/06	Reason: Updated to reduce difference between dispatch and PD equations		
	Impact:SA Generation + Interconnectors	V>>S_SETB_N-2_MTBL, V>>S_SETB_N-2_SGKH	Modified Constraint(s)
28/11/06	Reason: New Constraint required based on system studies		
	Impact:SA Generation + Interconnectors		
	S-MTSE	V::S MTSE, V>>S MTSE SETB PWKN	Modified Constraint(s)
		S>V_MTSE, V:S_MTSE, V>S MTSE	Marked for Archival
28/11/06	Reason: Remove duplication of Trevallyn term in pre-dispatch		
	Impact:Baslink	Generic Equation: X-T^V_COM_1_PD	Modified
28/11/06	Reason: New Constraint required based on system studies		
	Impact:SA Generation		
	S-NIL	S>NIL NOTI NOTI	New Constraint(s) added
29/11/06	Reason: Fine tuning		
	Impact:Murraylink	V>SML_BESH_3	Modified Constraint(s)
29/11/06	Reason: Constraints archived as they are either superseded or replaced by new constraints due to line rating upgrades		
	Impact:SA Generation + Interconnectors		
	S-DVBR	S>>V_BRDV, V>>S_BRDV	Constraint(s) removed
		S>>V_BRDV, V>>S BRDV	Marked for Archival
30/11/06	Reason: Tune limit based on dispatch limit outcomes on 29/11/2006		
	Impact:Qld Generation + Interconnectors		
	Q-NIL TR 1	Generic Equation: X ST TR 1	Modified
30/11/06	Reason: New Constraint required based on system studies		
	Impact:SA Generation		
	S-CGMB_KHTB12_MAMO	S>KHTB12_PWSE_SGBL	Existing Constraint(s) added
30/11/06	Reason: Set renamed on PSO request		
	Impact:		
	N-NIL-X5_TRIP	N^N-X5_TRIP_A, N^N-X5_TRIP_B	New Set(s), Existing Constraint(s)
30/11/06	Reason: Conversion to Fully Co-Optimised		
	Impact:NSW Generation + Interconnectors		
	N-NIL	N>>N-NIL_46, N>>N-NIL_47, N>>N-NIL_48, N>>N-NIL_49, N>>N-NIL_51, N>>N-NIL_58, N>>N-NIL_59, N>>N-NIL_60, N>>N-NIL_77, N>>N-NIL_81	New Constraint(s) added
	N-NIL	N>N-NIL_46, N>N-NIL_47, N>N-NIL_48, N>N-NIL_49, N>N-NIL_51, N>N-NIL_58, N>N-NIL_59, N>N-NIL_60, N>N-NIL_76, N>N-NIL_77, N>N-NIL_78, N>N-NIL_79, N>N-NIL_80, N>N-NIL_81, N>N-NIL_82	Constraint(s) removed
		N>N-NIL_46, N>N-NIL_47, N>N-NIL_48, N>N-NIL_49, N>N-NIL_51, N>N-NIL_58, N>N-NIL_59, N>N-NIL_60, N>N-NIL_76, N>N-NIL_77, N>N-NIL_78, N>N-NIL_79, N>N-NIL_80, N>N-NIL_81, N>N-NIL_82	Marked for Archival
1/12/06	Reason: Required for planned outage		
	Impact:SA Generation		
	S-WHCB6045_46, S-WHCB6045_50	S>WHCB6045_46, S>WHCB6045_50	New Set(s), New Constraint(s)

Some price relief in sight: Newcastle port's capacity increase, due by the end of the first quarter, would push prices lower, said Gerard Burg, a minerals and energy economist at NAB.

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