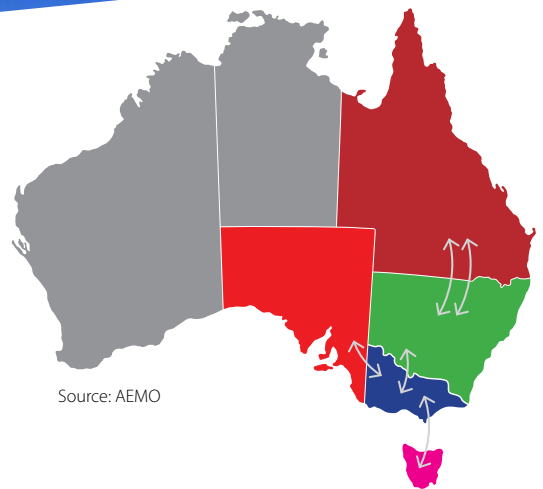


# The wholesale electricity market and prices

The South Australian energy industry has been deregulated since 2002, which means that the government is not in control of setting electricity prices.

As a result, companies are free to establish their own prices and customers are able to compare electricity retailers and select a company that meets the specific needs of their household and budget.



Source: AEMO

## HOW THE ELECTRICITY MARKET WORKS

### Electricity is traded as a commodity across the five interconnected states.

Electricity is unable to be stored, so the market works as a "pool", or spot market, where power supply and demand is matched instantaneously in real time through a centrally coordinated dispatch process.

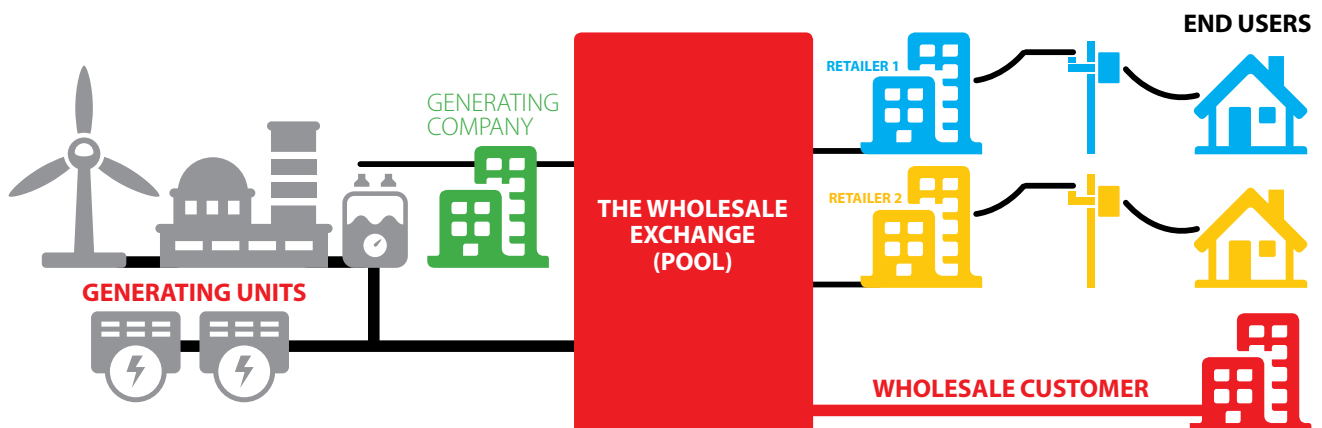
Generators offer to supply the market with specified amounts of electricity at specified prices for set time periods, and can re-submit the offered amounts at any time.

From all the bids offered, the independent Australian Energy Market Operator (AEMO) – which manages and facilitates the wholesale electricity market – decides which generators will be deployed to produce electricity, with the cheapest generator put into operation first. The system is designed to meet electricity demand the most cost-efficient way.

To pay generators, AEMO must recover costs from customers. Most customers don't participate directly in the National Electricity Market (NEM), because they purchase through a retailer. Customers pay the retailers a commercial tariff, and retailers manage customers' energy purchases, including paying AEMO the spot price.

NEM participants (mostly retailers) need to manage the financial risks associated with the significant spot price volatility that occurs during trading periods, which they mostly do through financial contracts, locking in a firm price for electricity that will be produced or consumed at a given time in the future.

Energy prices can be volatile, particularly in South Australia due to the State's fluctuating demand for electricity during seasonal periods, such as during heatwaves.



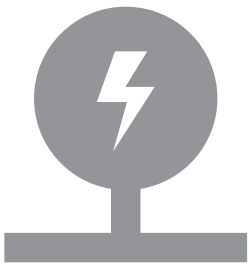


## INVESTMENT TO INCREASE COMPETITION AND DRIVE DOWN COSTS

The State Government has announced measures to increase energy market competition, drive down costs for businesses and consumers and reduce carbon emissions.

### Measures include:

- a tender to procure 75 per cent of its long term electricity needs, aimed at introducing a new competitor into the energy market, increasing competition.
- a tender to source about 25 per cent of the state's power from dispatchable renewable energy providers that utilises technology such as battery storage and electricity generation from biomass.
- \$24 million towards a program to incentivise companies to extract more gas and supply it to the local market.

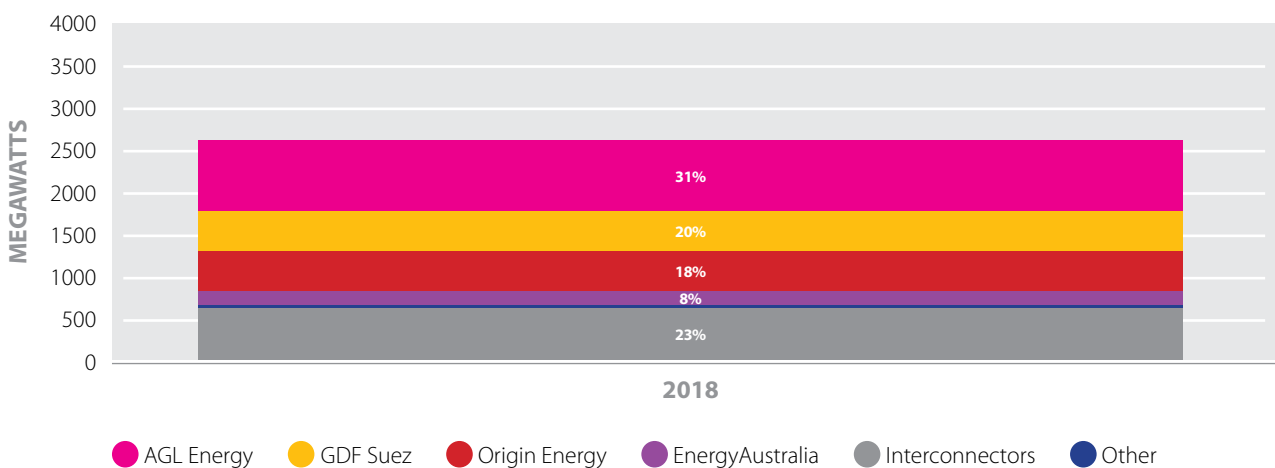


### A LIMITED MARKET IN SOUTH AUSTRALIA

South Australia has limited wholesale electricity market competition.

The majority of South Australia's synchronous generation is owned by AGL Energy, Engie (formerly GDF Suez) and Origin Energy.

### SOUTH AUSTRALIAN CAPACITY AND OWNERSHIP



Capacity based on summer availability, except wind, which is adjusted for an average contribution factor. Interconnector capacity is based on observed flows when the price differential between regions exceeds \$10 per MWh favour of the importing region; the data exclude trading intervals in which counter flows were observed (that is, when electricity was imported from a high priced region into a lower priced region. Capacity subject to power purchase agreements is attributed to the party with control over output. Source: AEMO; AER.

**FOR MORE INFORMATION ABOUT SOUTH AUSTRALIA'S ENERGY MARKET VISIT**

[www.dpc.sa.gov.au](http://www.dpc.sa.gov.au)