

media release

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Stanwell's trading strategies above board

Queensland has the lowest wholesale electricity prices in the National Electricity Market, along with Australia's most secure and reliable supply of baseload power.

"Stanwell strongly rejects any assertion that it is, or has been, 'gaming the market'," Stanwell's Chief Executive Officer Mr Richard Van Breda said.

"Stanwell's trading strategy reflects its response to competition in the market.

"Our approach to developing trading strategies has not changed over the past five years. The levels of demand we expect to see in the market, along with our costs of production, the availability and capability of our plant and the volume of fixed price contracts we have already sold to large energy users and retailers are taken into account.

"Throughout the summer of 2016/17, Stanwell operated in the highly competitive and regulated National Electricity Market where the balance between supply and demand was tight and prices were therefore high."

High prices in Queensland's wholesale electricity market in the summer of 2016/17 were driven by record high electricity demand due to very hot weather across the State. In January and February 2017, there were 37 days with temperatures higher than 31 degrees Celsius.

"In February 2017, Queensland experienced its highest maximum electricity demand on record (9,369 MW).

"Further, gas generators in Queensland reduced generation levels because of gas supply constraints and high gas prices.

"All of Stanwell's generation capacity was available to supply the market over summer and we achieved world class reliability rates of more than 99 per cent.

"The independent Australian Energy Regulator (AER) has investigated all high price events during January and February 2017 and their findings have been made public. The AER confirmed that in all of these cases, the high prices were the result of high demand caused by extreme weather and by network constraints, and not the rebidding strategies and behaviour of generators," Mr Van Breda said.

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“Importantly, the AER also stated that most energy consumers are not exposed to the spot price, because retailers manage their exposure by locking in to hedge contracts at firm prices.”

“In the National Electricity Market, there are more than 50 participants, any one of which can set the price. Even participants in other regions of the NEM can set the price in Queensland if the interconnectors are open.

“In times of peak electricity demand between January and March 2017, generators other than Stanwell set the spot price for more than 80 per cent of the time.

“Since March 2017, Queensland’s wholesale electricity prices have been below all other regions in the National Electricity Market.

“The direction from shareholding Ministers in June 2017 has allowed Stanwell to offer bids at levels below market price with a view to putting further downward pressure on average wholesale prices.

“Stanwell is contracting every day with large energy users and retailers, providing them with fixed price contracts to minimise exposure to volatile wholesale electricity prices.

“Stanwell operates in strict accordance with the National Electricity Rules and its bidding behaviour is in accordance with these rules,” Mr Van Breda said.

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