2022 draft coal price forecasts

26 October 2022 FRG Meeting

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Purpose and agenda

The purpose of this presentation is to *consult* with the FRG on draft 2022 coal price forecasts, which will be included in the 2023 Inputs, Assumptions and Scenarios Report (IASR).

Today's Agenda includes:

- Methodology
- Materiality
- Results
- Discussion

Timing	Relevant topic	Responsible
Today	**FRG presentation and discussion on coal price forecasts**	**AEMO, FRG**
Dec 22 – Feb 23	Draft 2023 IASR consultation	AEMO, Stakeholders

How coal price are forecast

Estimate each coal generator's contract position each year

Export-exposed generators

Use BIS Oxford Economics Newcastle export thermal coal price forecast (slide 4)

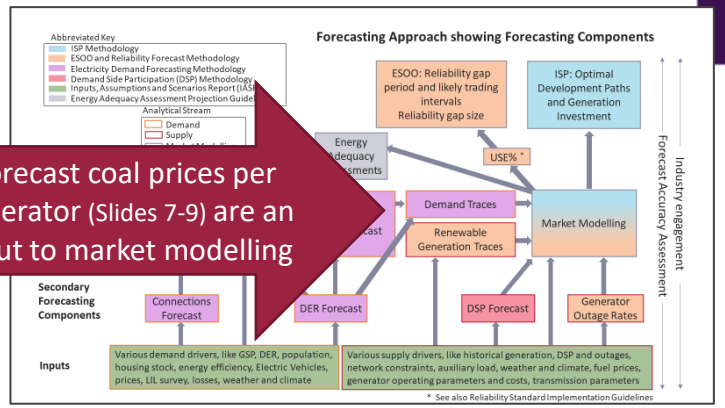
Convert to A$/GJ (slide 5)

Historical long-term contracts and non-export-exposed

Use Wood Mackenzie data for contract prices (A$/GJ) for the length of the contract

Forecast reflects a blend of export and contract price

Forecast coal prices per generator (Slides 7-9) are an input to market modelling

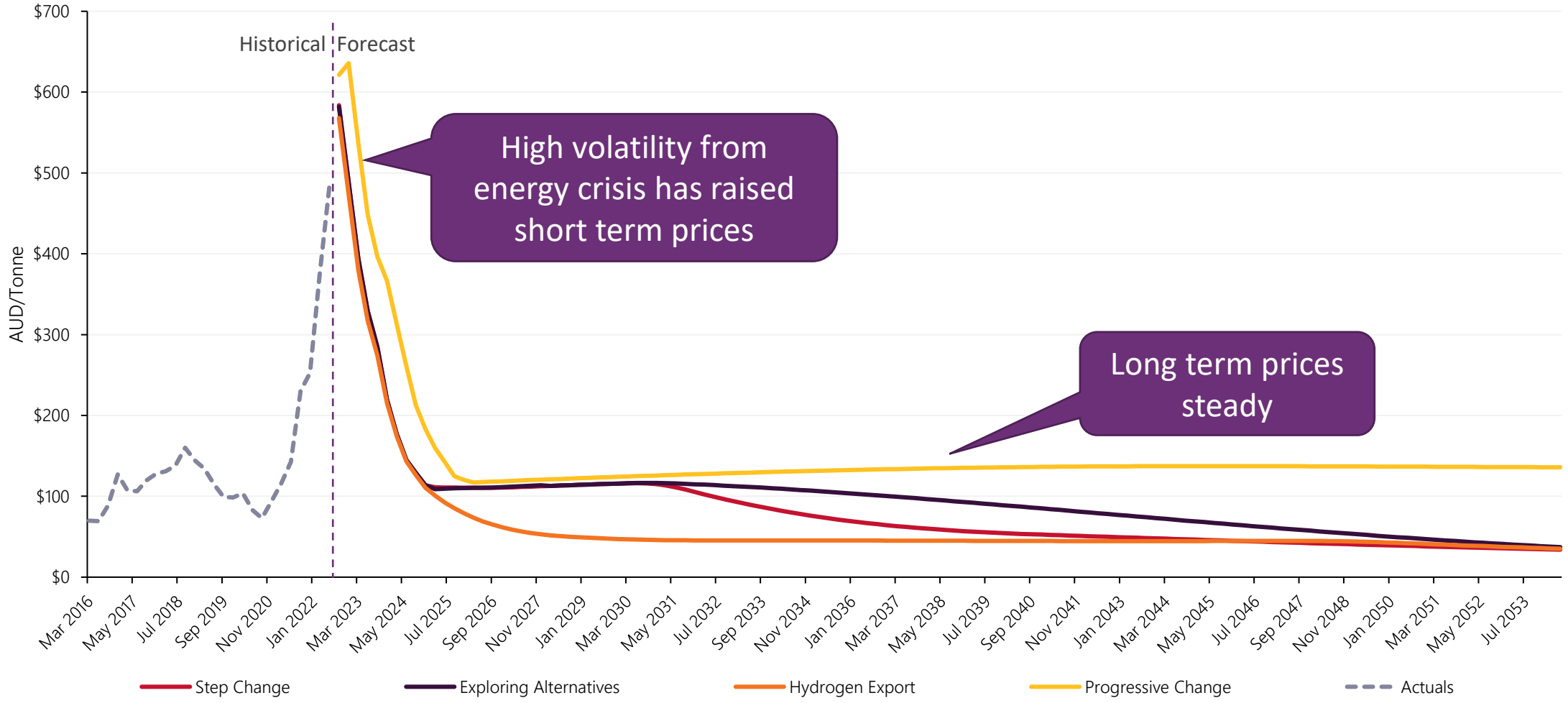


Note:

- Coal price forecast do not take into consideration announced closure dates (done in the model)
- Long term contracts are assumed to follow the Wood Mackenzie (2021) price forecast

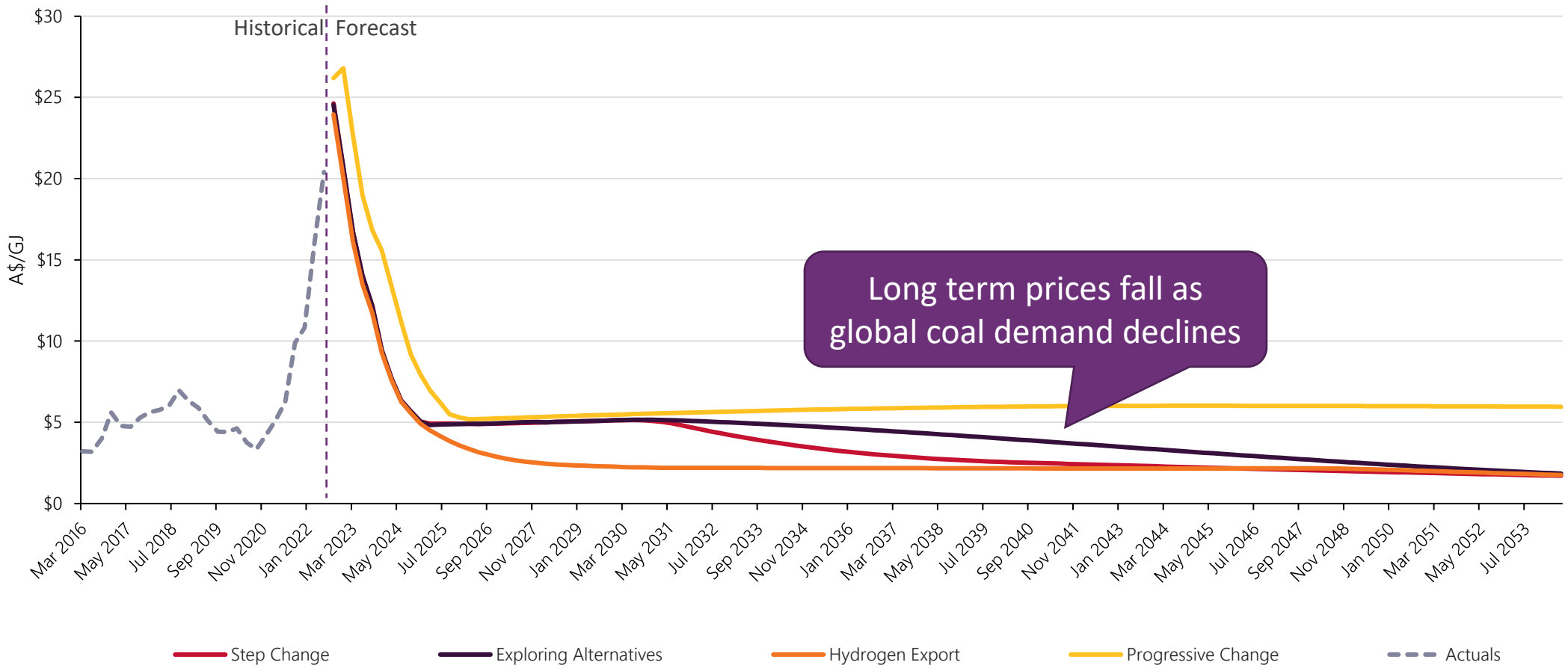
High near-term global volatility spikes prices for export exposed generators

Newcastle export thermal coal price in AUD/Tonne (6,000 kcal) (BIS Oxford Economics)



Converting export thermal coal price to domestic price (A$/GJ)

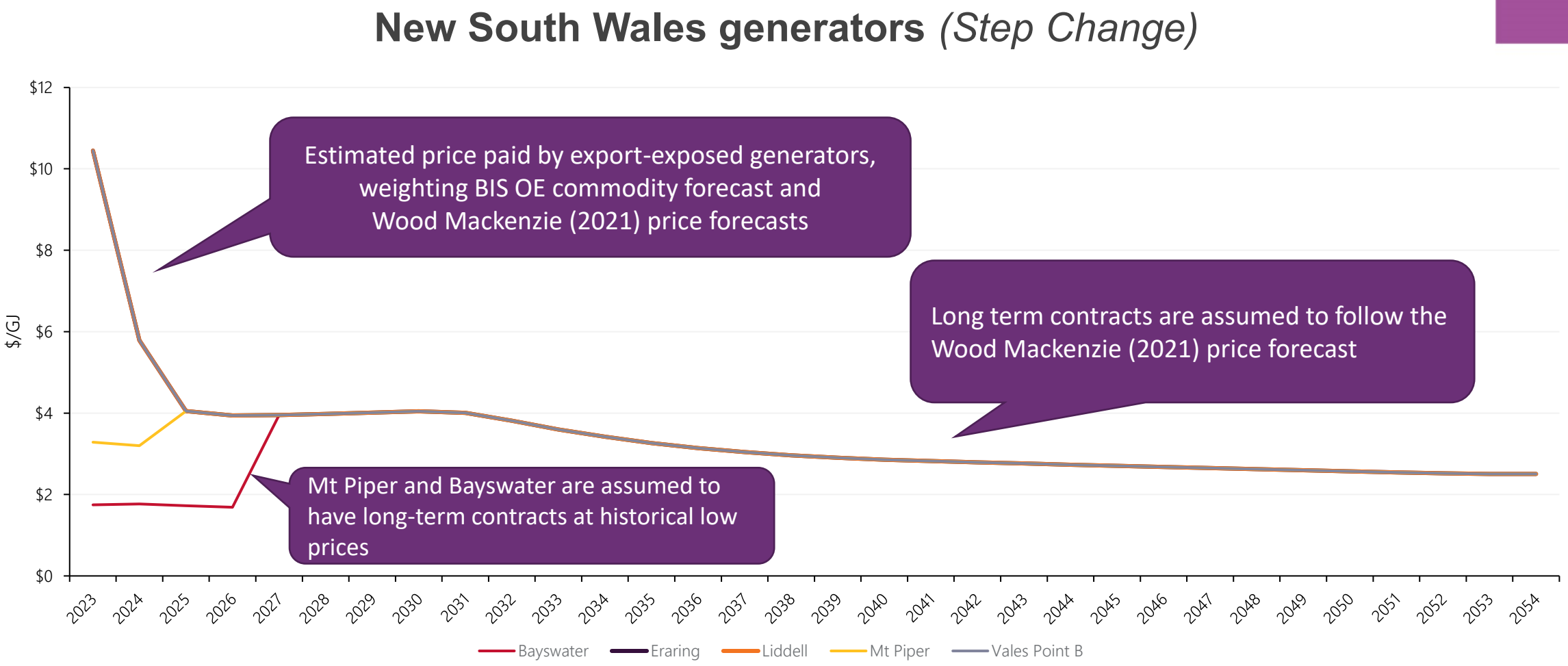
Newcastle export thermal coal price converted into A$/GJ (BIS OE)



Forecast prices

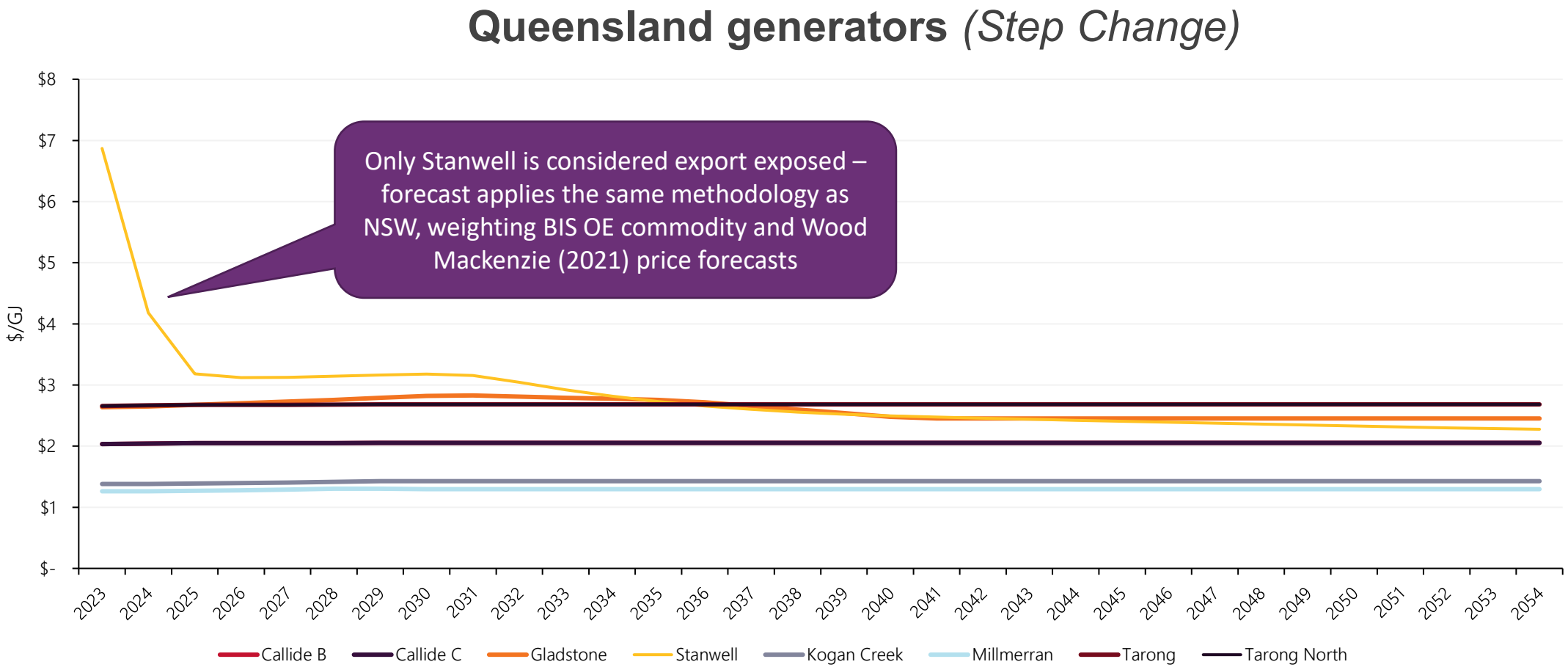
Results for New South Wales, Queensland and Victoria

New South Wales generators are highly export exposed



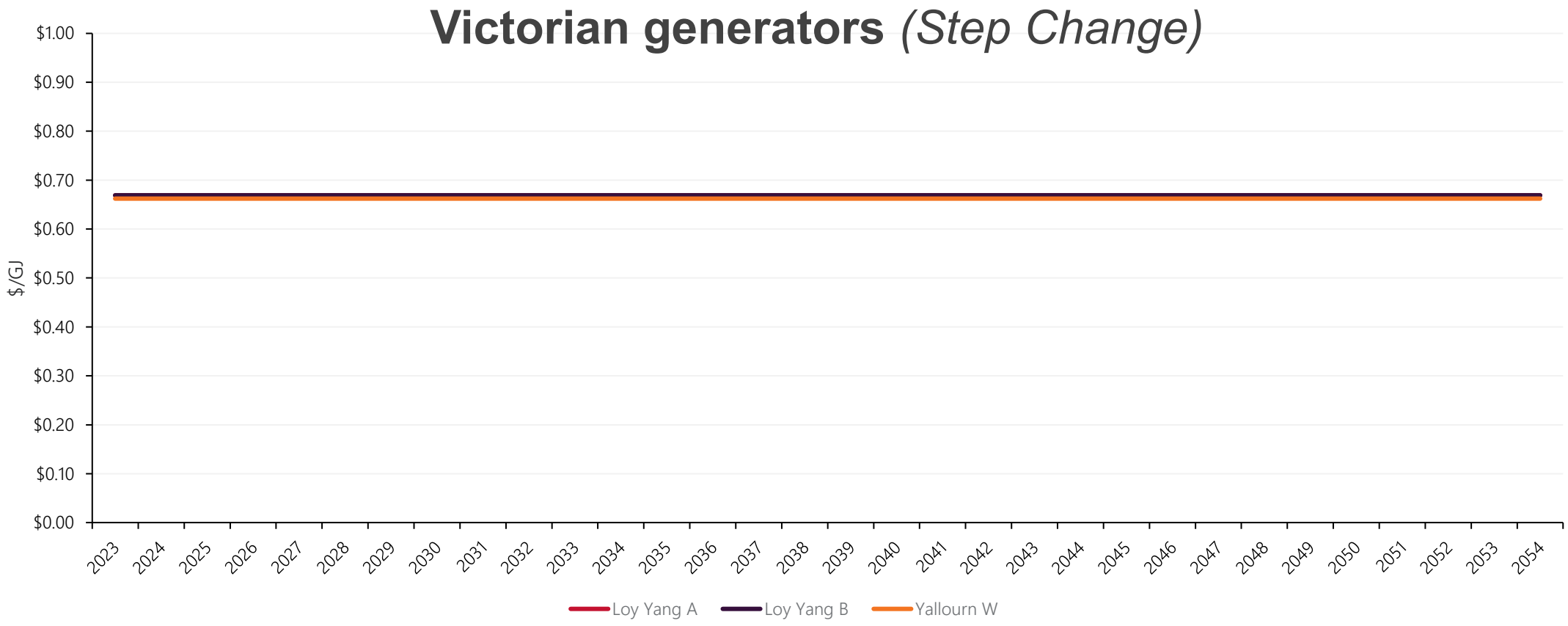
Note: Coal price forecast do not take into consideration announced closure dates

Queensland generators are mostly long term contracted



Note: Coal price forecast do not take into consideration announced closure dates

Victorian Brown coal generators are not export exposed



Note: Coal price forecast do not take into consideration announced closure dates

Stakeholder discussion

- Are the short-term coal prices dynamics reasonable for electricity generation?
- Any other feedback?

AEMO

AUSTRALIAN ENERGY MARKET OPERATOR

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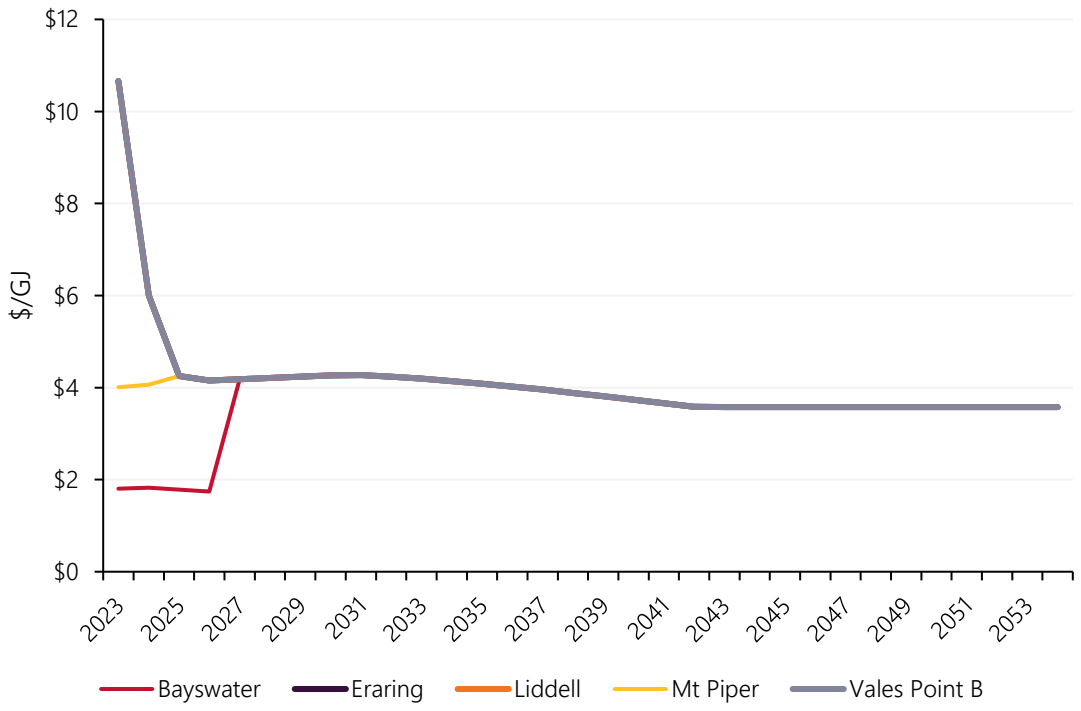
Appendix

Additional scenario results

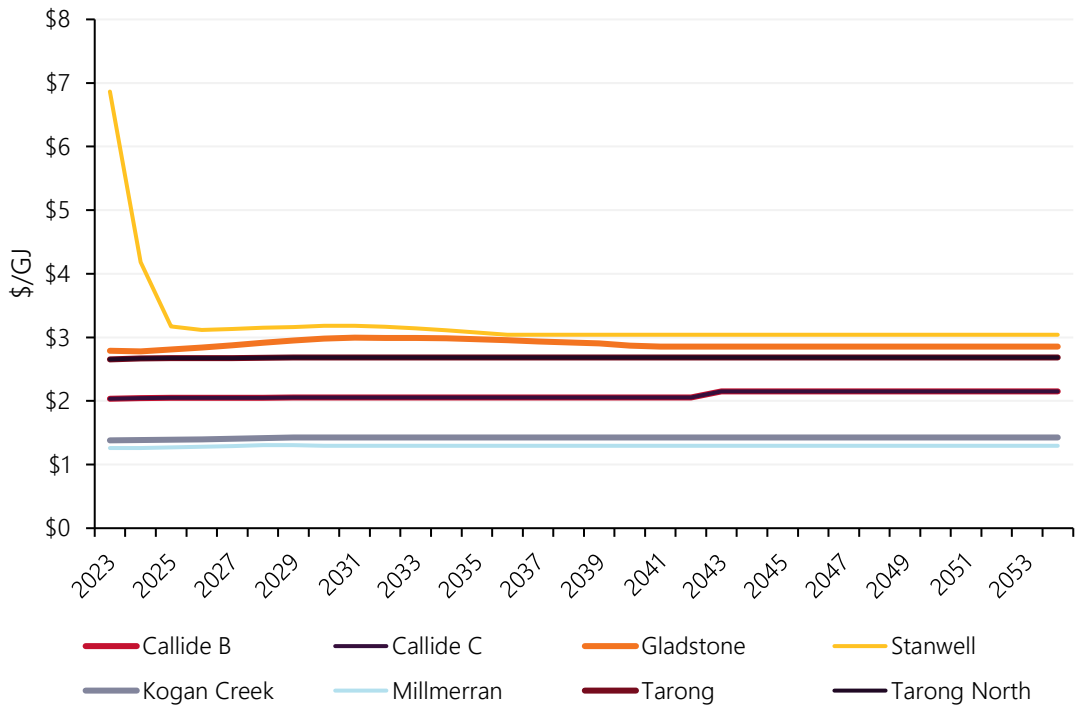
Exploring Alternatives

Note that Victoria has only minor changes between scenarios

New South Wales



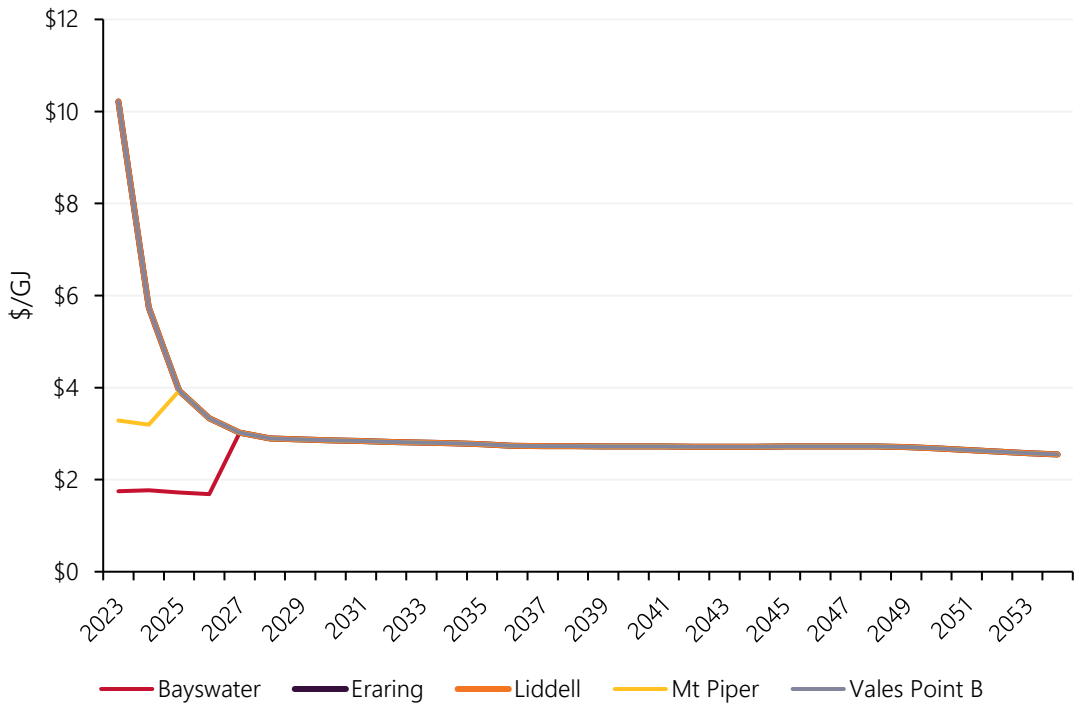
Queensland



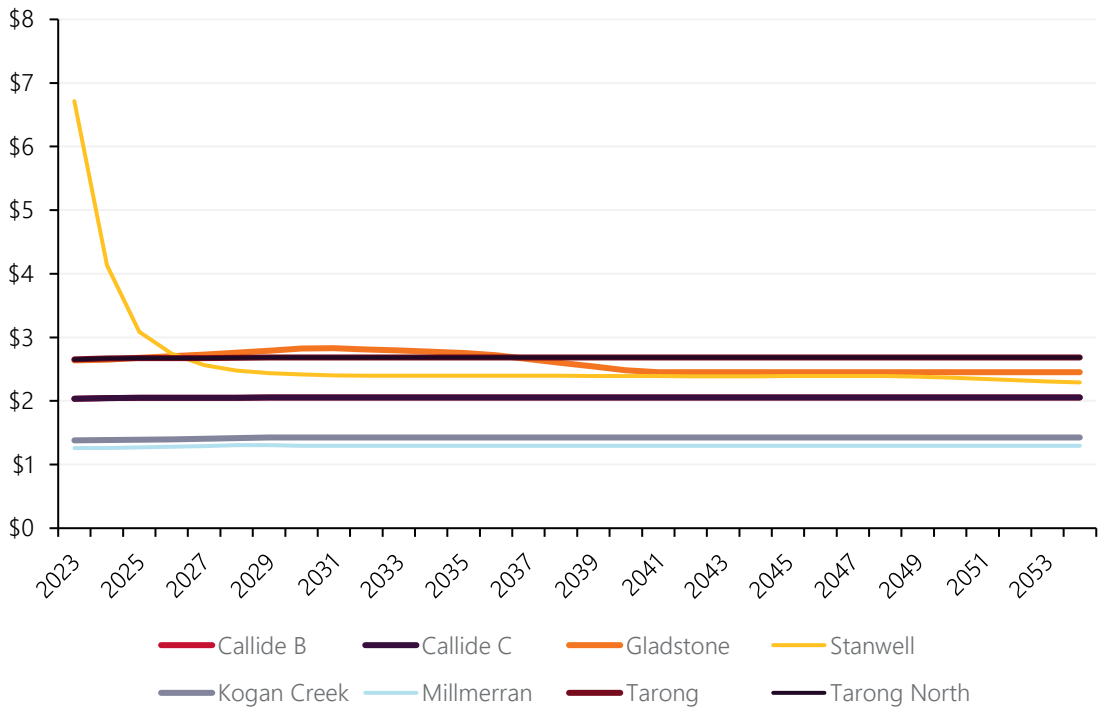
Hydrogen Export

Note that Victoria has only minor changes between scenarios

New South Wales



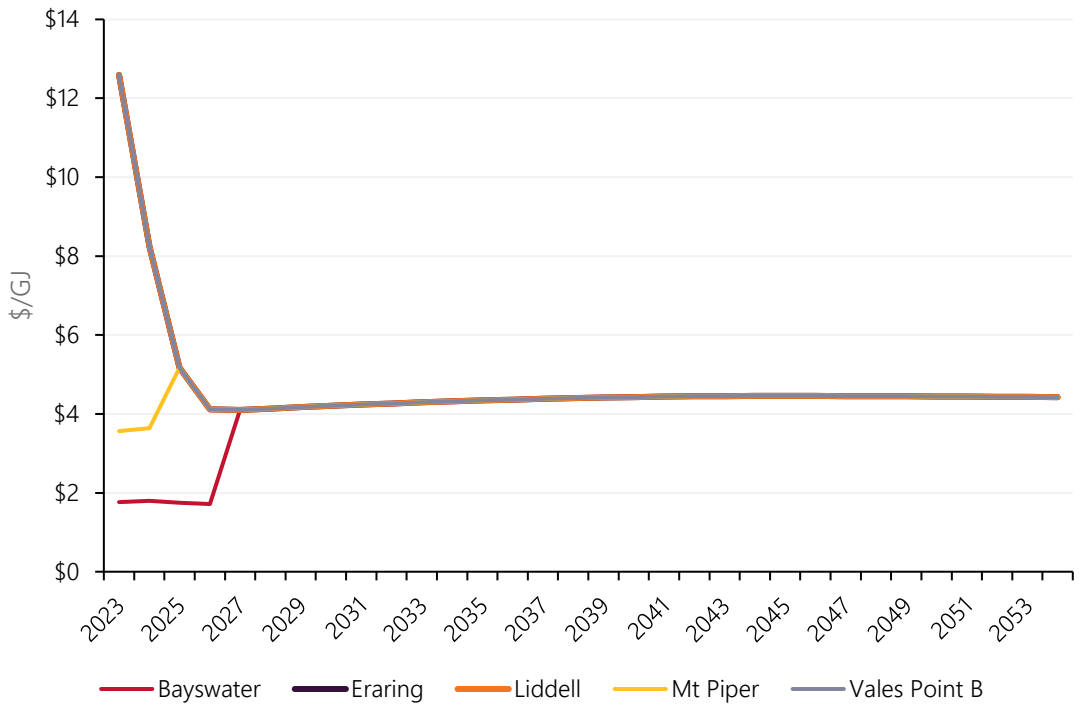
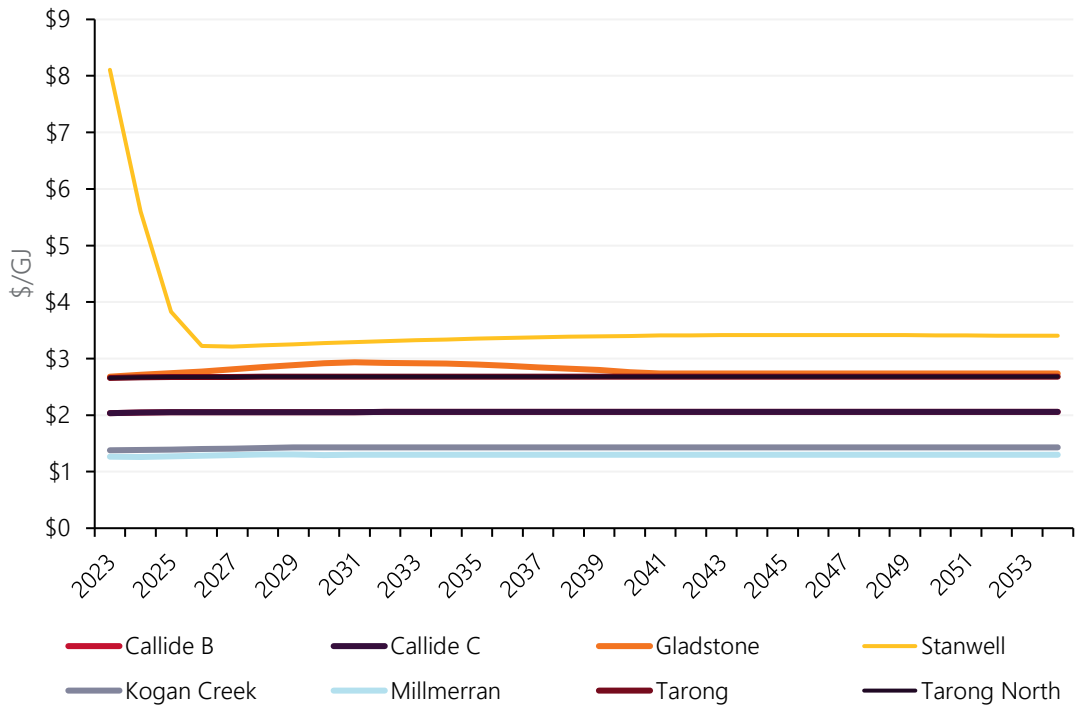
Queensland



Progressive Change

Note that Victoria has only minor changes between scenarios

New South Wales



Queensland