

# Auction Report 2008-2

For auctions held on the 16<sup>th</sup> June 2008 and the  
distribution of Residues for Quarter 2, 2008.

*Prepared by: Settlement Residue Committee*

*Version No: - V3.0*

## **1 Introduction**

Section 3.18 of the National Electricity Rules (the Rules) authorises NEMMCO to conduct Settlement Residue Auctions.

Clause 3.18.5 requires NEMMCO to establish a Settlement Residue Committee (SRC). One function of the SRC is to report on the auctions conducted by NEMMCO (clause 3.18.5(b)(3)).

The purpose of this document is to report on the auctions conducted by NEMMCO on the 16<sup>th</sup> June 2008 and also to report on the distribution of residues for Quarter 2, 2008.

**It should be noted that all prices quoted in this report are exclusive of GST.**

## **2 Participation**

To be eligible as an Auction Participant, Market Customers, Generators and Traders, must enter into an Auction Participation Agreement (APA) with NEMMCO.

Prior to these auctions, thirty one (31) Auction Participation Agreement holders were able to bid at the Auctions. Seventeen (17) Participants lodged bids and all were successful in winning at least one unit.

## **3 Auctions Conducted**

NEMMCO conducted a single auction covering the next four quarters on 16<sup>th</sup> June 2008. The table below indicates the respective tranche portions with the following exception:

<b>Date</b>	<b>Portion of Available Residue</b>	<b>Period (Year/Quarter)</b>
16 June 2008	25% *	2008/3
	25%	2008/4
	25%	2009/1
	25%	2009/2

\* The portion of available residues for the NSWVIC and VICNSW interconnectors was 33%

- July – September 2008 (2008/3) 100% of the available residue on all directional interconnectors has been auctioned.
- October – December 2008 (2008/4) 75% of the available residue on all directional interconnectors has been auctioned.
- January – March 2009 (2009/1) 50% of the available residue on all directional interconnectors has been auctioned.

- April – June 2009 (2009/2) 25% of the available residue on all directional interconnectors has been auctioned.

#### **4 Auction Results**

This section of the report details the public results for the auction conducted on 16 June 2008 for the relevant quarters.

The first four sub-sections of this section 4 illustrates the public results for each of the relevant quarters for which auctions have been conducted. The final sub-section indicates in graphical form the performance of the clearing price.

**4.1 July – September 2008**

All of the tranches for this quarter have been completed for all unit categories.

VIC-NSW and NSW-VIC units were not sold in Tranche 1. Units for these directional interconnectors were sold over the remaining three (3) tranches.

Table 4.1 indicates the clearing prices for each tranche for each directional interconnector.

Bold typeface indicates the results for the 16<sup>th</sup> June 2008 Auction.

The purchase payments for this quarter are \$17.68M.

	<b>NSWQLD</b>	<b>QLDNSW</b>	<b>SAVIC</b>	<b>VICSA</b>	<b>NSWVIC</b>	<b>VICNSW</b>	<b>TOTAL (\$)</b>
Clearing Price T1 (\$/Unit)	800.00	4,625.00	2,256.00	1,000.99	Not offered for sale	Not offered for sale	
Clearing Price T2 (\$/Unit)	658.00	5,800.00	4,000.00	5,005.00	1,555.00	5,006.00	
Clearing Price T3 (\$/Unit)	400.00	6,000.00	2,750.00	1,990.00	1,002.00	3,600.00	
<b>Clearing Price – T4 (\$/Unit)</b>	<b>1,000.00</b>	<b>6,202.00</b>	<b>2,754.00</b>	<b>800.00</b>	<b>1,800.00</b>	<b>3,205.00</b>	
Units Available	550	1,200	400	700	1,300	1,500	
Units Sold	550	1,200	400	700	1,300	1,500	
Purchase Payments (\$)	393,546.00	6,788,100.00	1,176,000.00	1,539,298.25	1,892,553.00	5,894,520.00	17,684,017.25

**Table 4.1 – Auction Results – July to September 2008 (Q3)**

**4.2 Octpber – December 2008**

The third of four tranches for this quarter have been completed for all unit categories.

Table 4.2 indicates the clearing prices for each tranche for each directional interconnector.

Bold typeface indicates the results for the 16<sup>th</sup> June 2008 Auction.

The purchase payments so far for this quarter are \$24.04M.

	<b>NSWQLD</b>	<b>QLDNSW</b>	<b>SAVIC</b>	<b>VICSA</b>	<b>NSWVIC</b>	<b>VICNSW</b>	<b>TOTAL (\$)</b>
Clearing Price T1 (\$/Unit)	2,506.00	4,000.00	3,000.00	7,858.00	2,107.73	5,999.00	
Clearing Price T2 (\$/Unit)	3,004.00	4,000.00	3,533.00	28,050.00	2,000.00	4,500.00	
<b>Clearing Price T3 (\$/Unit)</b>	<b>5,310.00</b>	<b>4,702.00</b>	<b>2,845.00</b>	<b>22,070.00</b>	<b>2,362.56</b>	<b>4,325.00</b>	
Clearing Price T4 (\$/Unit)	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	
Units Available	550	1,200	400	700	1,300	1,500	
Units Sold	411	900	300	525	975	1,125	
Purchase Payments (\$)	1,482,340.00	3,810,600.00	937,800.00	10,146,150.00	2,101,844.25	5,559,000.00	24,038,734.25

**Table 4.2 – Auction Results – October to December 2008 (Q4)**

### 4.3 January – March 2009

The second of four tranches for this quarter have been completed for all unit categories.

Table 4.3 indicates the clearing prices for each tranche for each directional interconnector.

Bold typeface indicates the results for the 16<sup>th</sup> June 2008 Auction.

The purchase payments so far for this quarter are \$28.59M.

	<b>NSWQLD</b>	<b>QLDNSW</b>	<b>SAVIC</b>	<b>VICSA</b>	<b>NSWVIC</b>	<b>VICNSW</b>	<b>TOTAL (\$)</b>
Clearing Price T1 (\$/Unit)	6,000.00	5,800.00	4,871.00	40,005.00	7,250.00	7,004.00	
<b>Clearing Price T2 (\$/Unit)</b>	<b>8,999.00</b>	<b>5,184.00</b>	<b>4,500.00</b>	<b>32,050.00</b>	<b>8,145.00</b>	<b>5,503.14</b>	
Clearing Price T3 (\$/Unit)	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	
Clearing Price T4 (\$/Unit)	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	
Units Available	550	1,200	400	700	1,300	1,500	
Units Sold	274	600	200	350	650	750	
Purchase Payments (\$)	2,054,863.00	3,295,200.00	937,100.00	12,609,625.00	5,003,375.00	4,690,177.50	28,590,340.50

**Table 4.3 – Auction Results – January to March 2009 (Q1)**

**4.4 April –June 2009**

The first of four tranches for this quarter have been completed for all unit categories.

Table 4.4 indicates the clearing prices for each tranche for each directional interconnector.

Bold typeface indicates the results for the 16<sup>th</sup> June 2008 Auction.

The purchase payments so far for this quarter are \$4.36M.

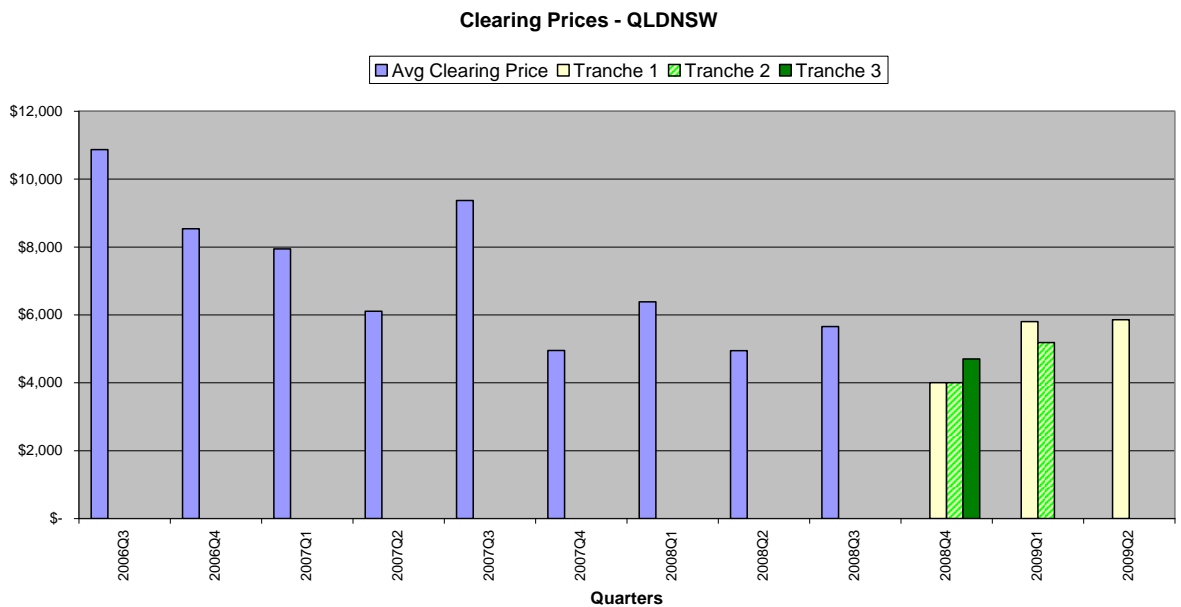
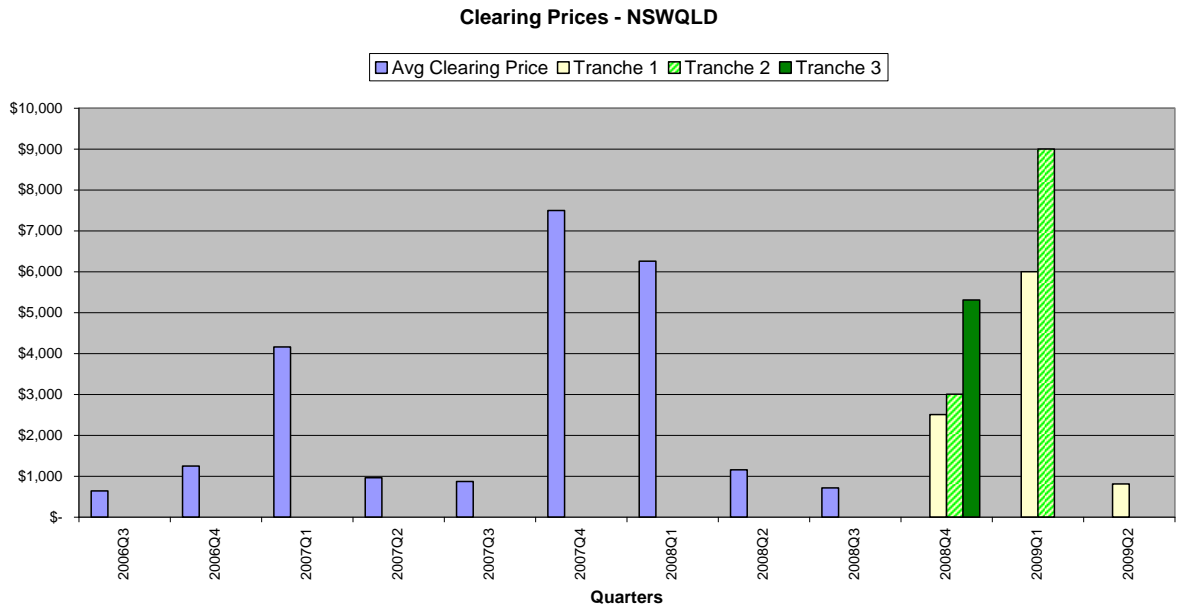
	<b>NSWQLD</b>	<b>QLDNSW</b>	<b>SAVIC</b>	<b>VICSA</b>	<b>NSWVIC</b>	<b>VICNSW</b>	<b>TOTAL (\$)</b>
<b>Clearing Price – T1 (\$/Unit)</b>	<b>812.00</b>	<b>5,856.00</b>	<b>4,000.00</b>	<b>1,004.00</b>	<b>1,500.00</b>	<b>3,800.00</b>	
Clearing Price – T2 (\$/Unit)	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	
Clearing Price – T3 (\$/Unit)	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	
Clearing Price – T4 (\$/Unit)	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	Still to be auctioned	
Units Available	550	1,200	400	700	1,300	1,500	
Units Sold	137	300	100	175	325	375	
Purchase Payments (\$)	111,244.00	1,756,800.00	400,000.00	175,700.00	487,500.00	1,425,000.00	4,356,244.00

**Table 4.4 – Auction Results – April to June 2009 (Q2)**

### 4.5 Clearing Prices

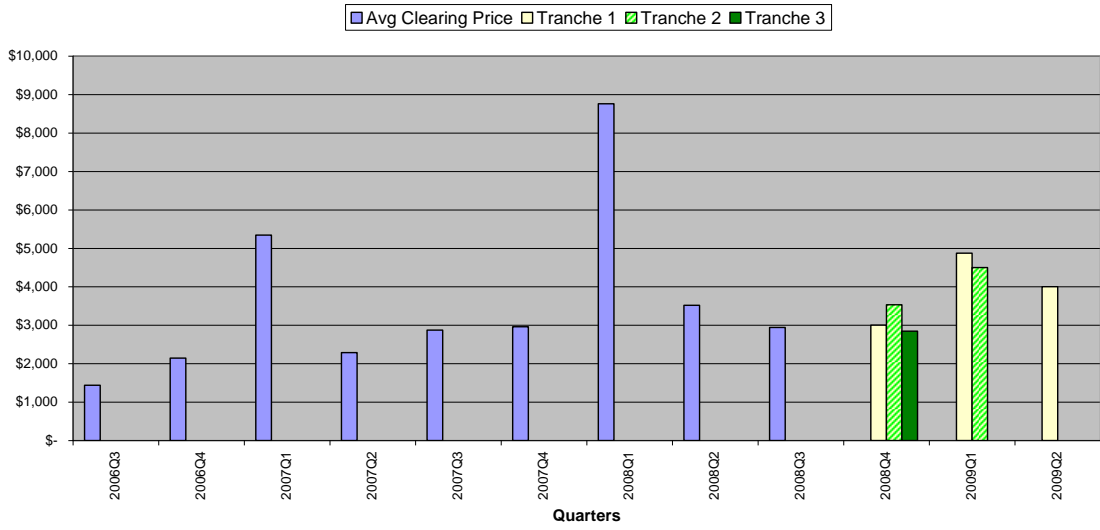
This section indicates the clearing price history for each of the unit categories. Each graph contains the average clearing prices since 2006Q3 for which all auctions have been completed and the clearing prices for the individual tranches for those quarters that have tranches still subject to auction.

It should be noted that the vertical scale of each graph has been automatically selected to reflect the range of prices being displayed. As such the scales are not consistent across all graphs.

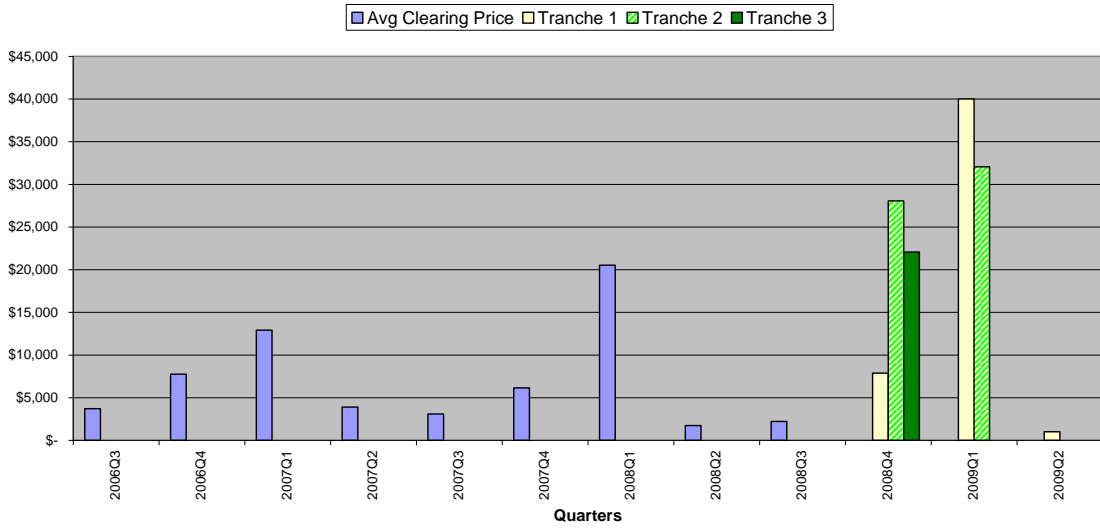


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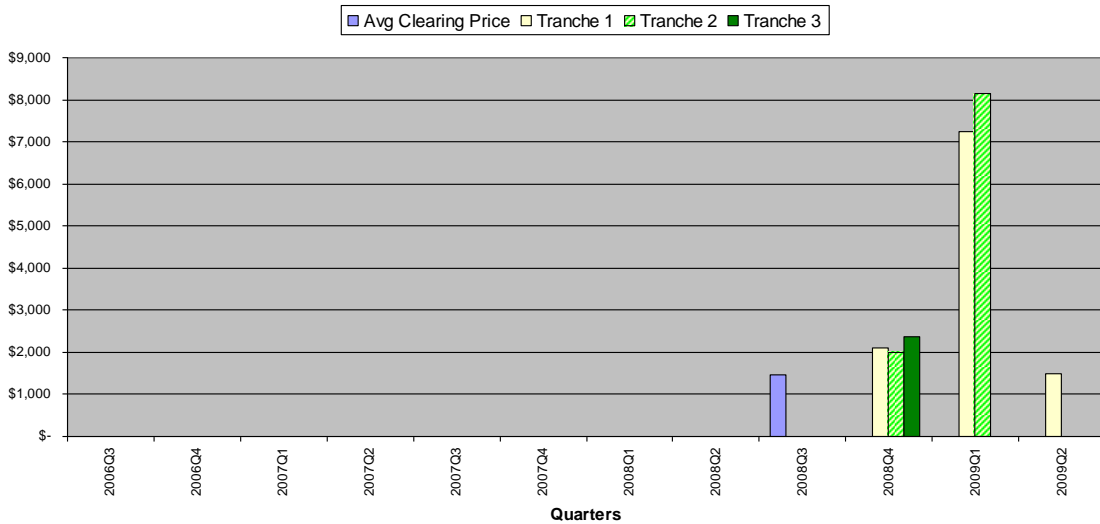
**Clearing Price - SAVIC**



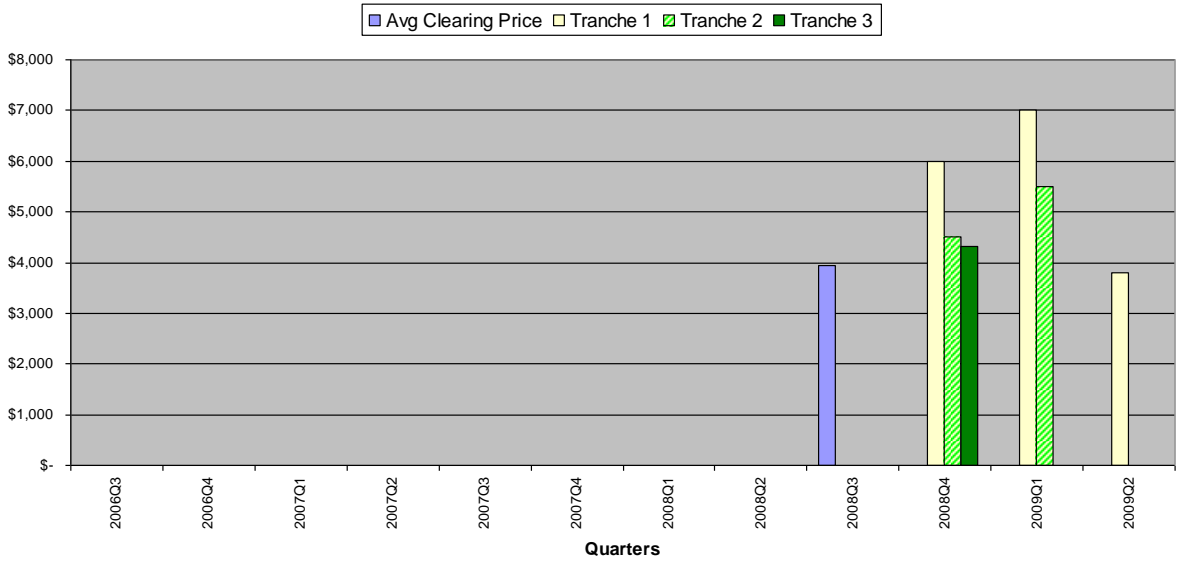
**Clearing Prices - VICSA**



**Clearing Prices - NSWVIC**



Clearing Prices - VICNSW

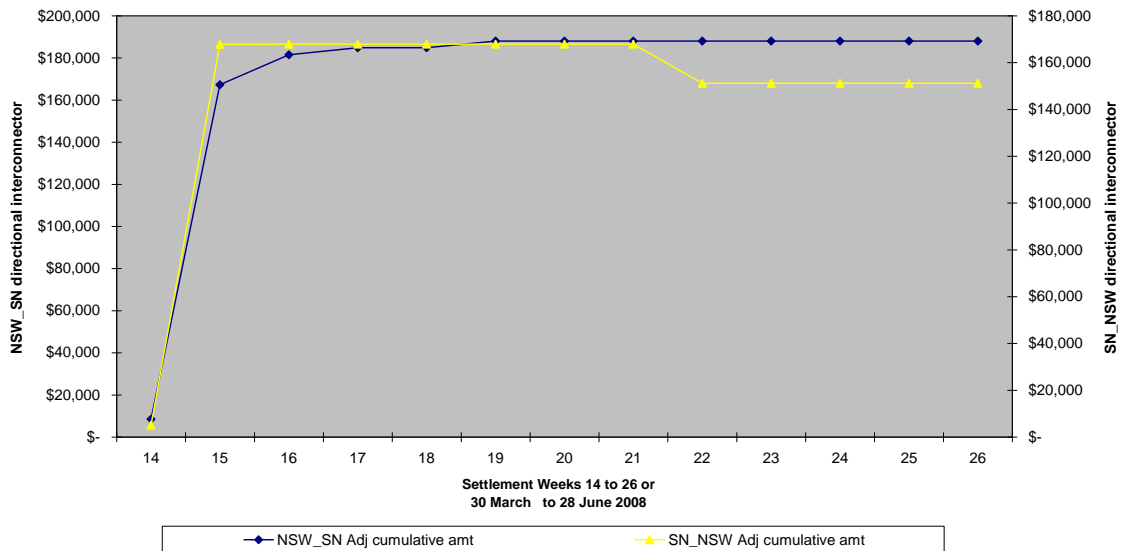


### 5 Inter-Regional Settlement Residue

The distribution of all residues for quarter 2 (weeks 14 to 26) which was 30 March to 28 June 2008 has been made and are summarised in the table below. Graphs indicating the variation of accumulated residue with time are also included. The graph below (on this page) indicates the accumulative adjustments arising from the CSC/CSP trial.

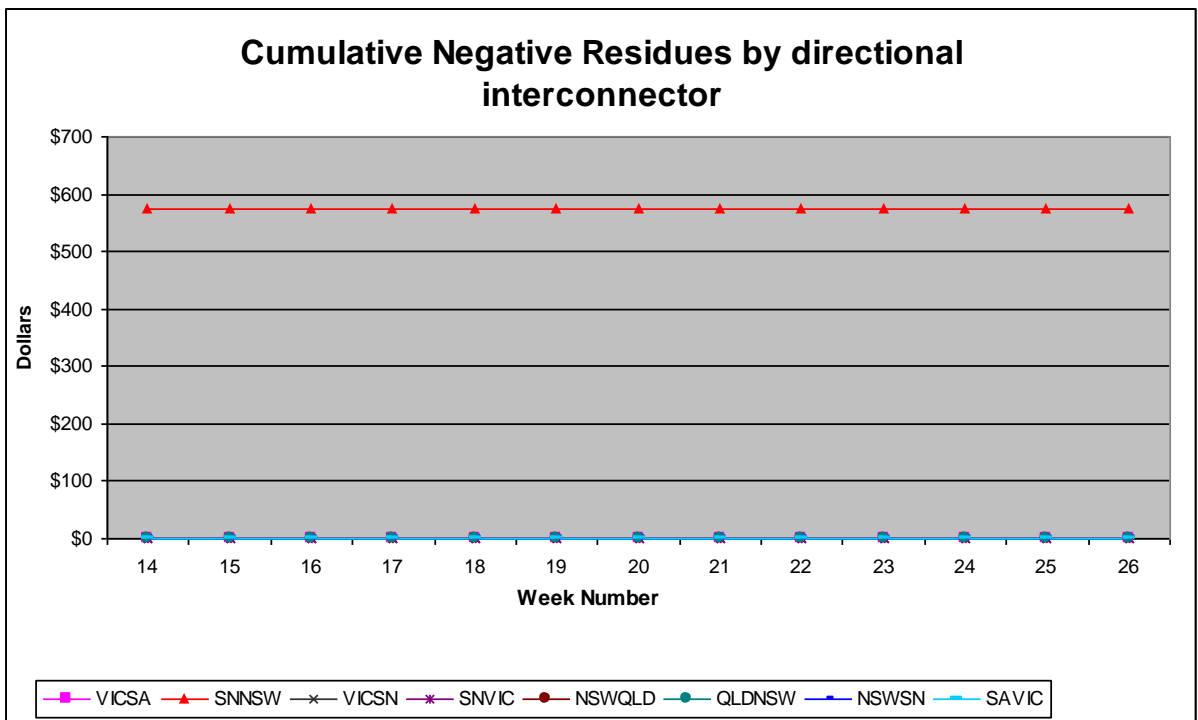
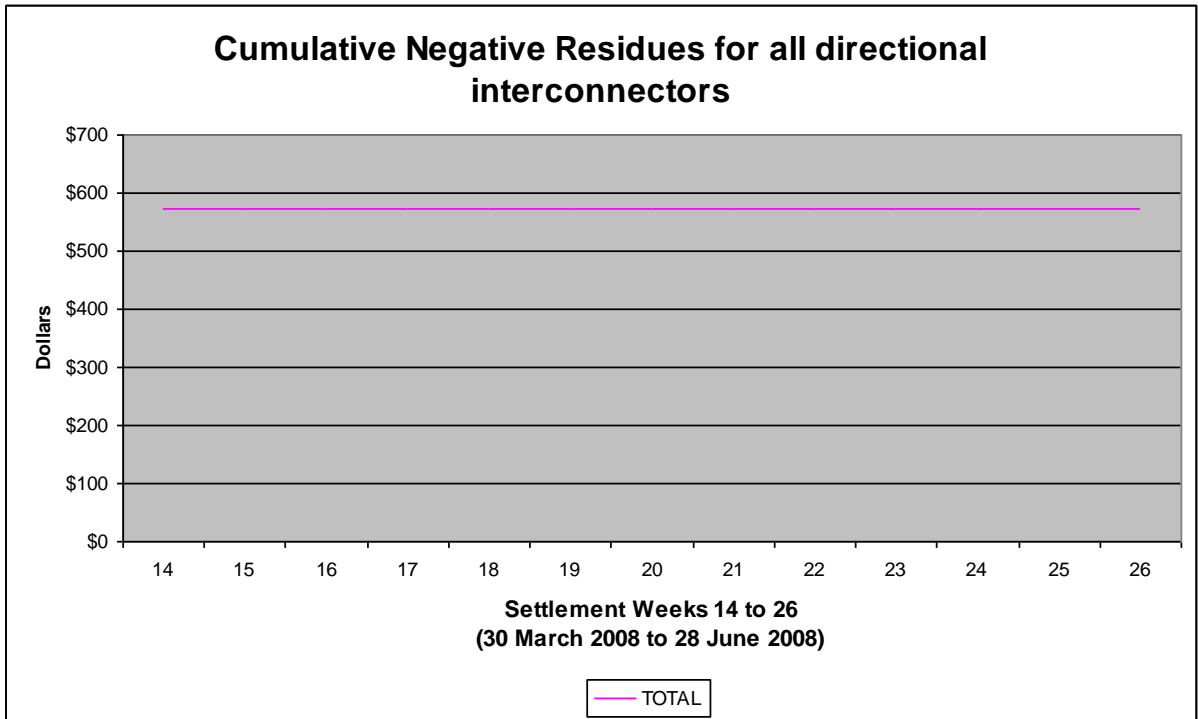
For this quarter, approximately \$16.718M of residues was distributed to unit holders. Auction proceeds for this same period were \$21.85M. The total negative residues for the quarter were \$573.01 which occurred on the SNNNSW interconnector in week 14.

CSC/CSP Cumulative adjustments



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Note, positives add to the residues distributed to unit holders, conversely negatives are deducted from residues distributed. Also note the scales on either side of the graph are very different.

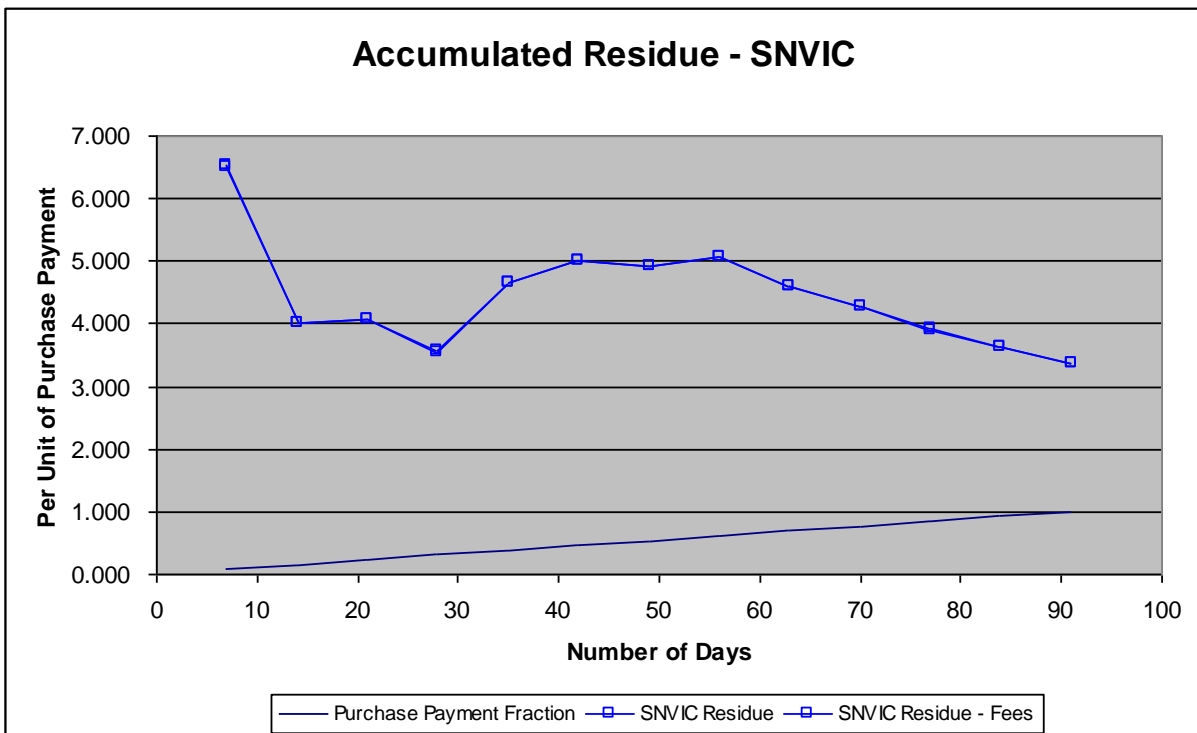
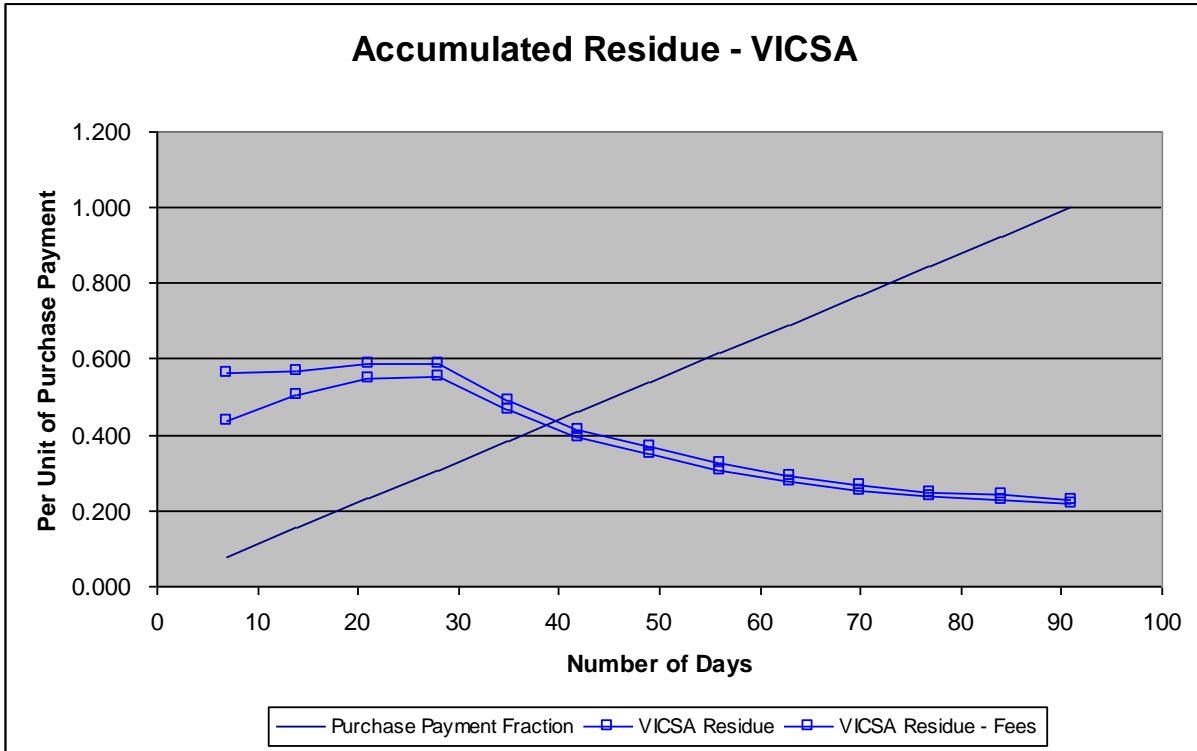


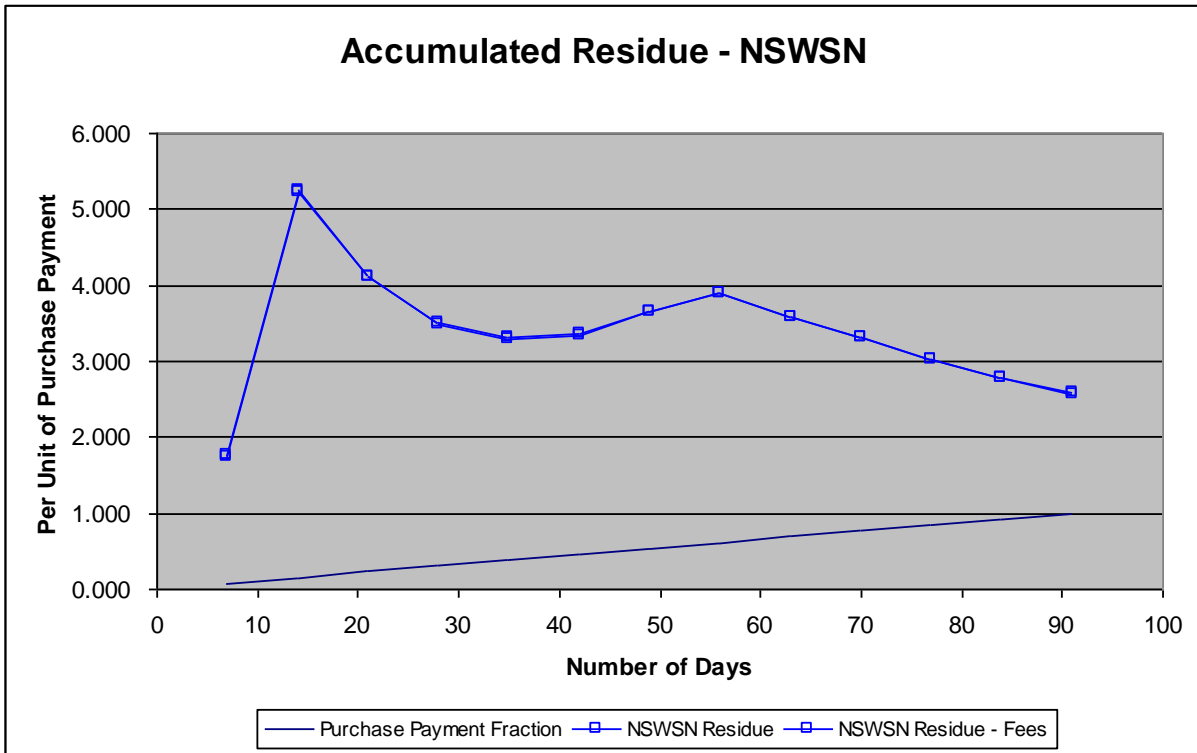
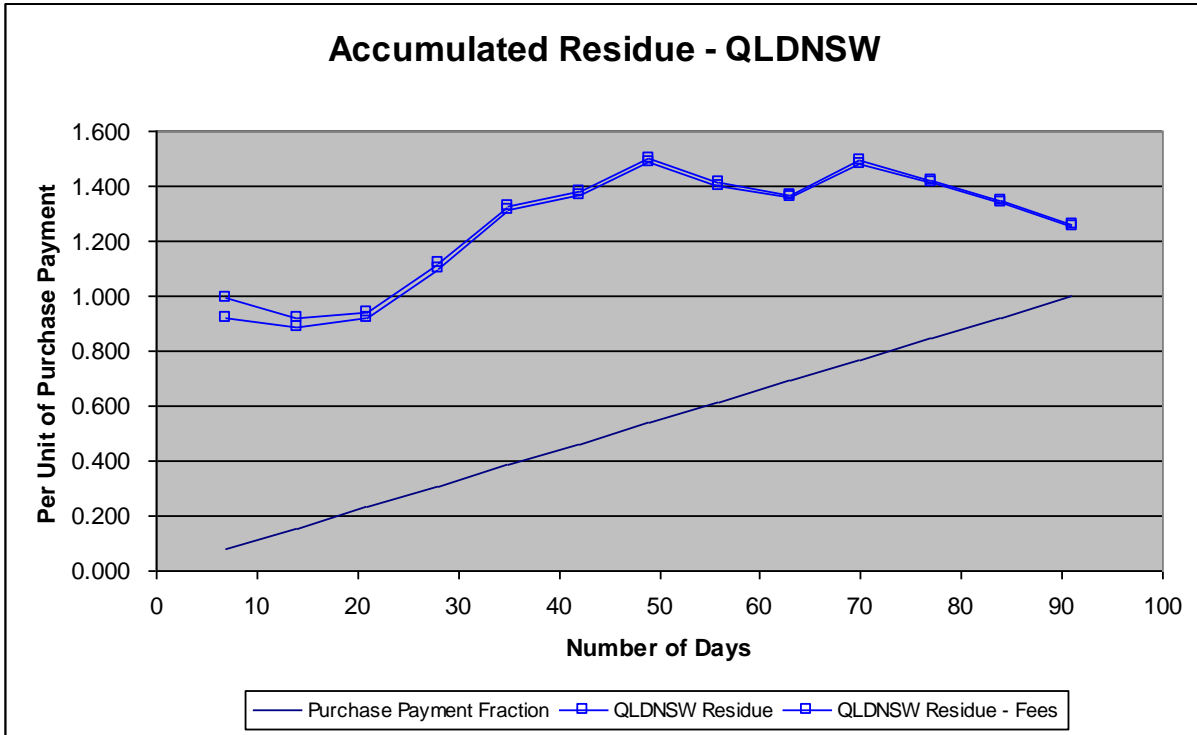
**Auction Report 2008 – 2**

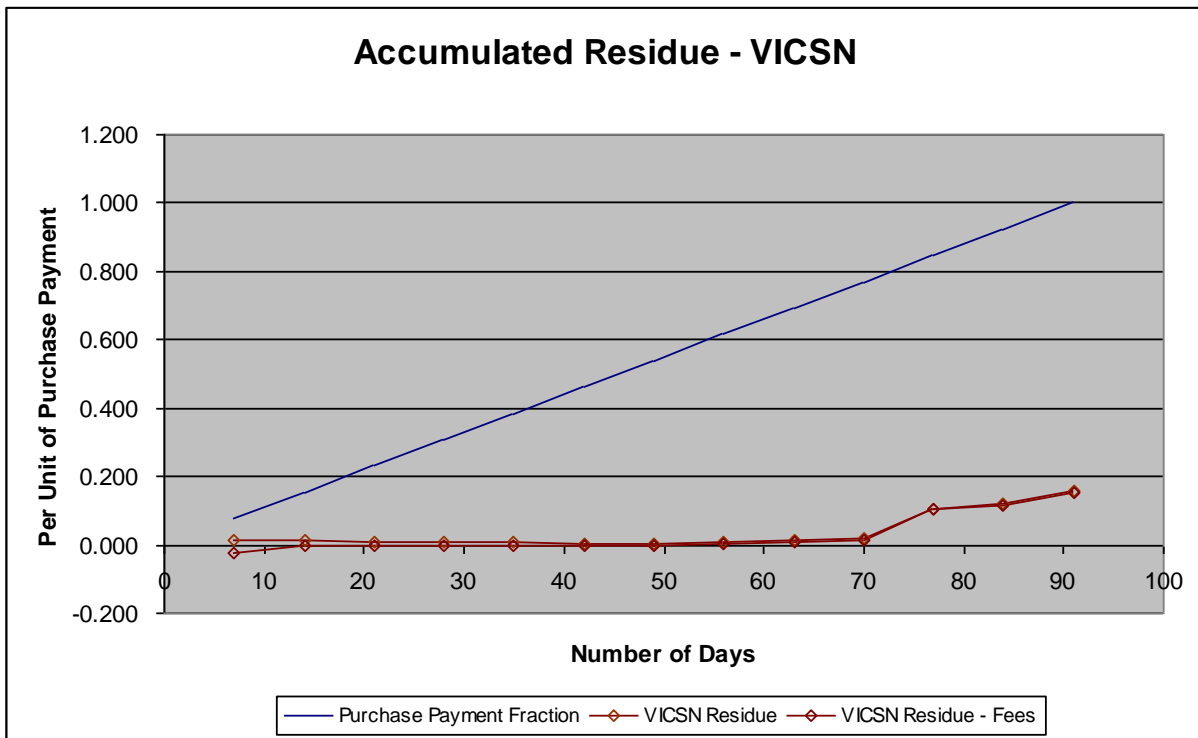
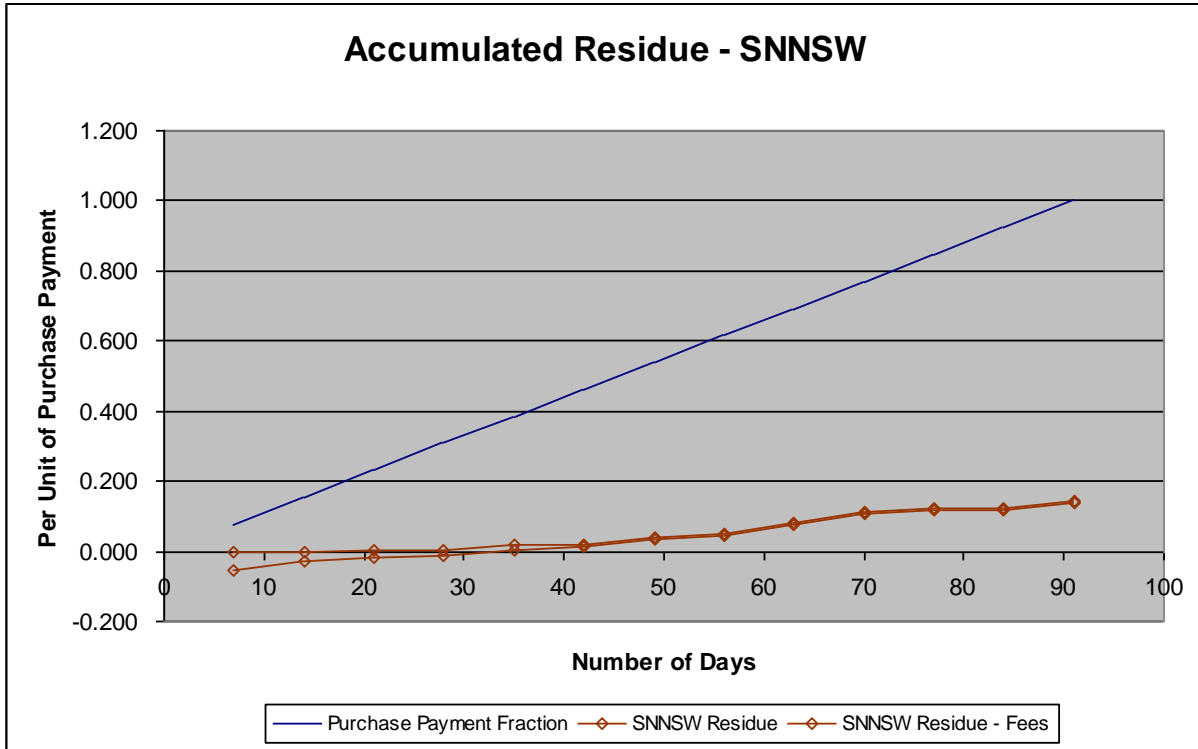
**Residue Payments Quarter 2, 2008 (weeks 14 to 26)**

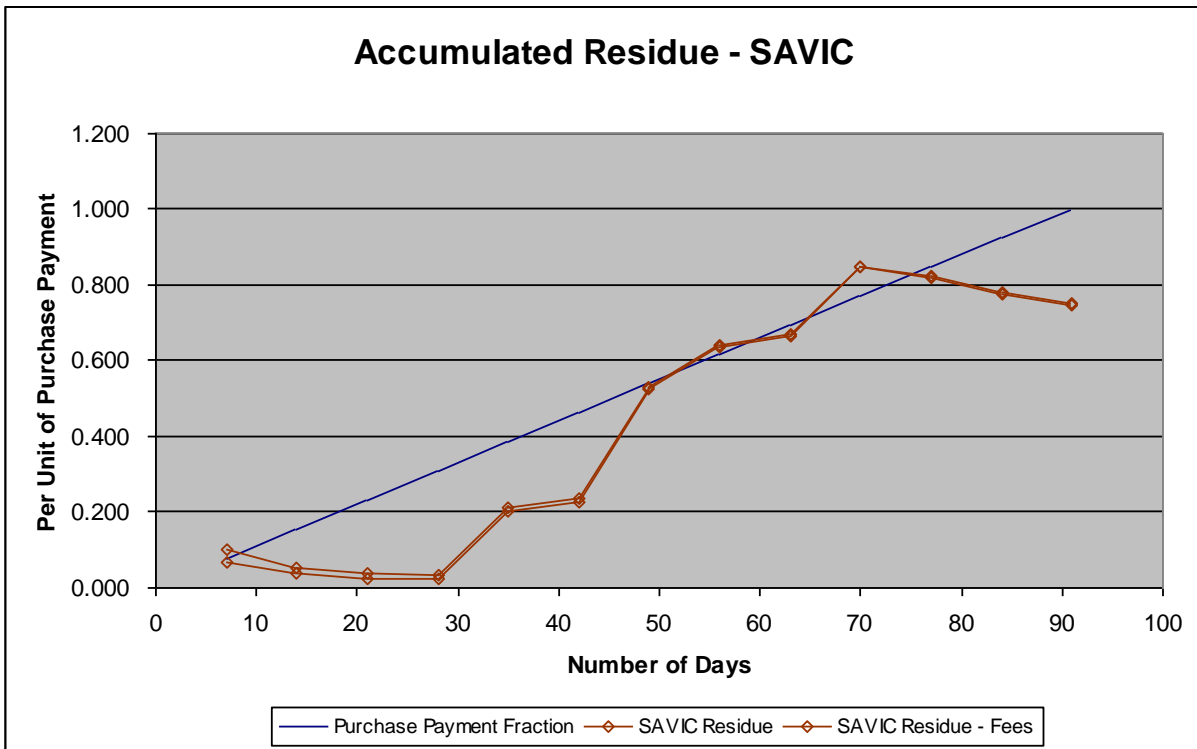
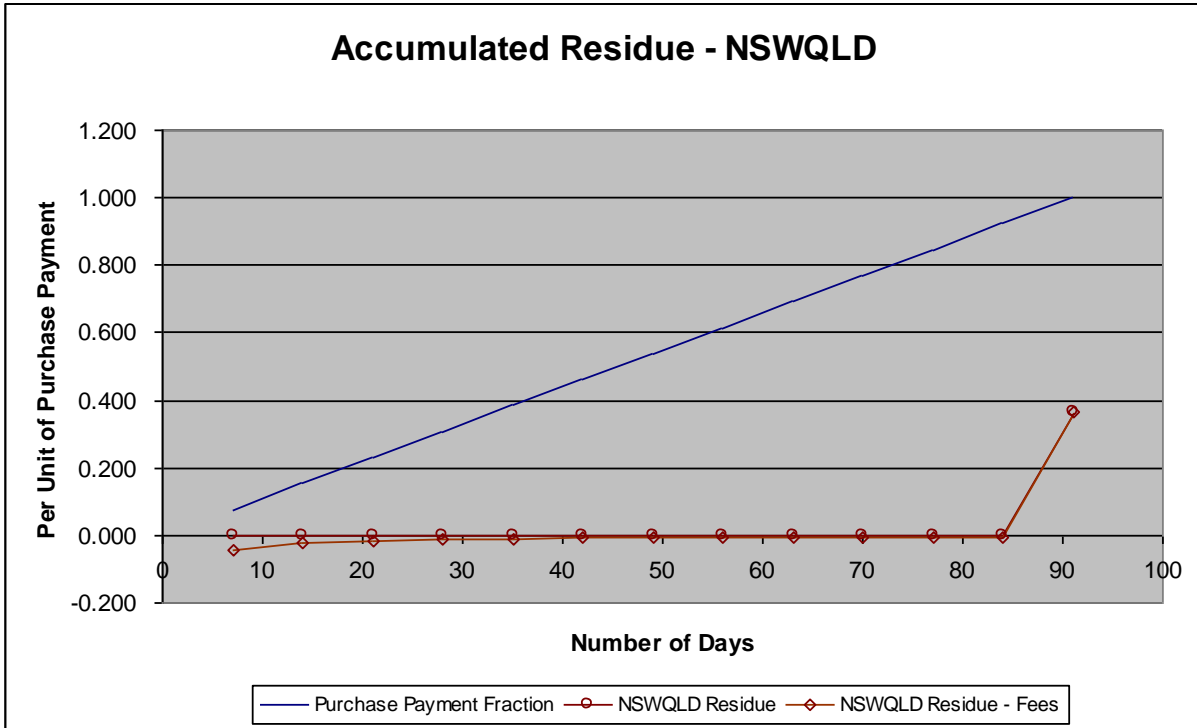
	<b>NSWQLD</b>	<b>NSWSN</b>	<b>QLDNSW</b>	<b>SAVIC</b>	<b>SNNSW</b>	<b>SNVIC</b>	<b>VICSA</b>	<b>VICSN</b>	<b>TOTAL</b>
Total Residue (\$)	232,693.55	888,005.03	7,466,583.26	1,057,709.11	1,328,940.27	5,319,505.57	273,326.56	248,643.38	16,815,406.73
Auction Fees <sup>1</sup> (\$)	2,200.00	800.00	32,400.00	4,000.00	40,000.00	5,700.00	11,900.00	4,000.00	101,000.00
Guaranteed Minimum <sup>2</sup> (\$)	5,500.00	8,000.00	12,000.00	4,000.00	25,000.00	19,000.00	7,000.00	10,000.00	90,500.00
Residue Distributed (\$)	230,493.56	887,205.03	7,434,183.26	1,053,709.11	1,288,940.27	5,313,805.57	261,426.56	244,643.38	16,714,406.73
Adjustment Amount <sup>3</sup> (\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Auction Proceeds (\$)	635,177.00	344,600.00	5,932,800.00	1,407,800.00	9,170,625.00	1,581,275.00	1,204,173.25	1,575,750.00	21,852,200.25

1. Auction fees are paid out of the residue prior to the balance being paid to the successful auction participants.
2. All successful auction participants are guaranteed a minimum payment of \$10/unit.
3. This is an additional payment to ensure that the participant receives the minimum payment.









Please note that all of the above graph data is subject to revision under the normal settlements revision processes.

## **6 Auction Process**

The auction was scheduled for 16<sup>th</sup> June 2008. This required data to be released and the auction opened to bids from the 2<sup>nd</sup> June 2008. No technical issues were encountered in the running of the Auction.

## **7 Conclusion**

On the 16<sup>th</sup> June 2008 NEMMCO conducted an auction for inter-regional residue units arising on the six directional interconnectors (NSWQLD, QLDNSW, SAVIC, VICSA, NSWVIC and VICNSW) for quarters 3 and 4 of 2008 and quarters 1 and 2 of 2009.

Seventeen (17) of the thirty one (31) auction participants eligible to bid participated in the auction.

All units offered were sold.