

MSCP Market Watch

Third Quarter (Oct-Dec) 2007/08

Issue 6

Table 1: Indicators of Market Performance

	2006/07 Q3	2007/08 Q2 Q3	
Price Indicators			
<i>Energy (\$/MWh)</i>			
- USEP	125.08	124.02	135.38
- WEP	128.06	124.77	135.72
- VCHP	150.20	137.25	150.04
<i>Ancillary (\$/MWh)</i>			
- Primary Reserve	6.03	4.52	0.32
- Secondary Reserve	0.34	0.07	0.04
- Contingency Reserve	10.32	5.54	2.44
- Regulation	119.73	36.46	16.80
Average Reserve Cost (\$)	180,582	102,771	32,595
HSFO Spot (US\$/barrel)	43.29	59.94	73.65
Demand Indicators			
<i>Forecast Demand (MW)</i>			
- Average	4,414	4,613	4,571
- Peak	5,452	5,689	5,782
<i>Metered Energy Quantities (MW)</i>			
- Average	4,262	4,465	4,444
- Peak	5,309	5,552	5,628
Supply Indicators			
<i>Capacity Ratio (%)</i>			
- CCGT	72.57	82.12	78.71
- OCGT	0.26	0.12	0.01
- OT	41.75	44.03	45.22
- ST	25.84	16.75	19.54
Supply Cushion (%)	22.20	23.86	24.71
<i>Total Outages (MW)</i>			
- Planned	5,249,153	4,503,171	4,562,332
- Unplanned	0	936,434	1,752,120
- Forced	145,283	147,875	102,219
Offers less than \$100/MWh (%)	73.78	65.16	61.42

Market Performance

Although energy prices rose more than 9 percent to an average of \$135.38/MWh in Q3, price volatility subsided tremendously as the standard deviation, which measures the variability of data from the mean, dropped from \$88.89/MWh in Q2 to only \$13.60/MWh this quarter.

Led by higher average anticipated outages and offer prices, a seasonally lower average demand was insufficient to alleviate the price pressure. Average anticipated outages in Q3 rose by 198MW per period, mainly due to higher CCGT outages. The higher outages resulted in a lower CCGT capacity ratio for the quarter. In addition, the proportion of capacity offered at or below \$100/MWh dropped to 61.4 percent as fuel oil prices jumped 23 percent during this period. Further, the market had to place greater reliance on ST units.

The low price volatility can be attributed to fewer occurrences of forced outages and improved supply cushions despite higher anticipated outages and offer prices. The higher availability of ST units and lower demand resulted in more generous supply cushions. The average supply cushion hit 24.7 percent this quarter, the highest level recorded since Q4 2005/06, despite 46 percent higher fuel oil prices over that quarter. This high average supply cushion is largely attributable to the recently added new generation capacity.

In November 2007, revisions to primary reserve and regulation requirements were introduced in the System Operation Manual. As a result, the primary reserve requirement per period declined by an average of 23.8 percent in December 2007 compared to October 2007. The change in the regulation requirement from a standing 100 MW per period to a specific figure for each period resulted in an overall decline of the average regulation requirement by 15 percent. Nonetheless, the lower reserve costs and regulation prices this quarter may not have entirely been the result of the November changes. The MSCP has observed a decline in the prices of both products since Q2 2007/08 to which new generation units have contributed.



Thean Lip Ping
Chair, Market Surveillance and Compliance Panel

Supply Indicators

Chart 1: Capacity Ratio of Generation Plants

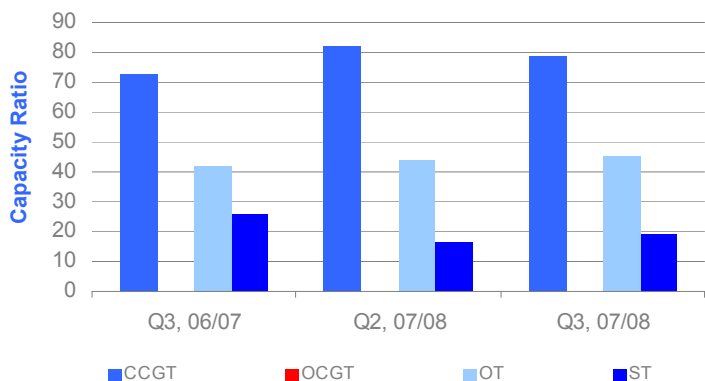


Chart 2: Relationship between the USEP and the Energy Supply Cushion - Q3 07/08

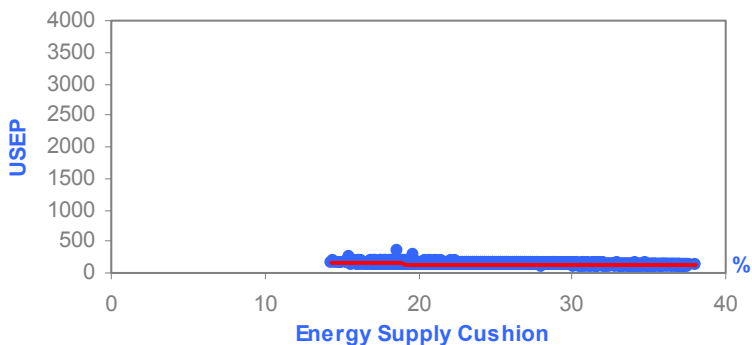


Chart 3: Comparison of Average Market Share by Generation Company Q3 07/08

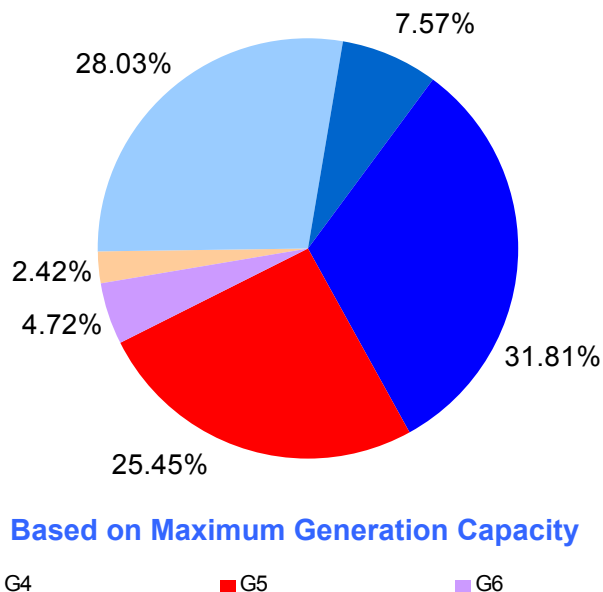
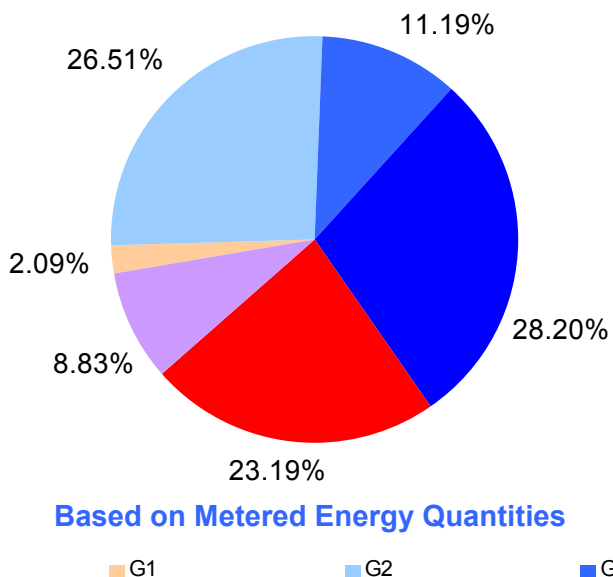
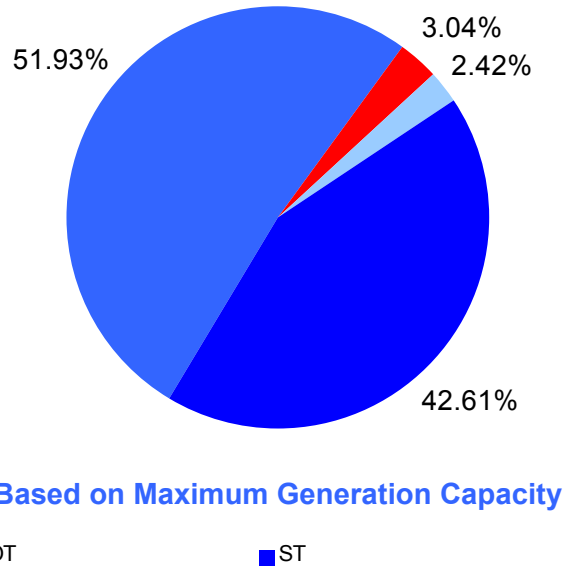
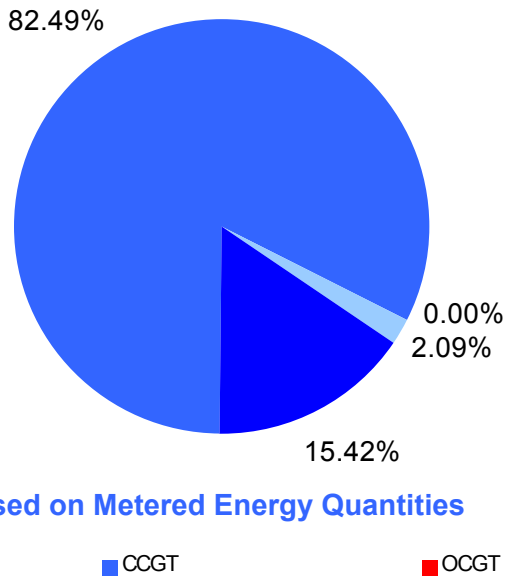
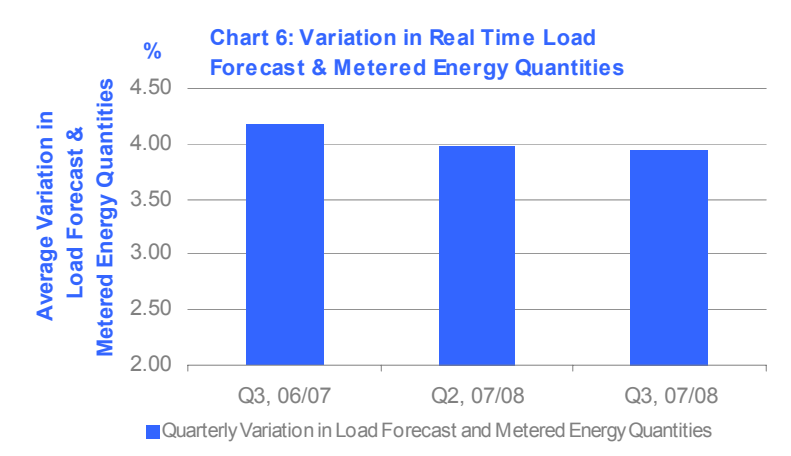
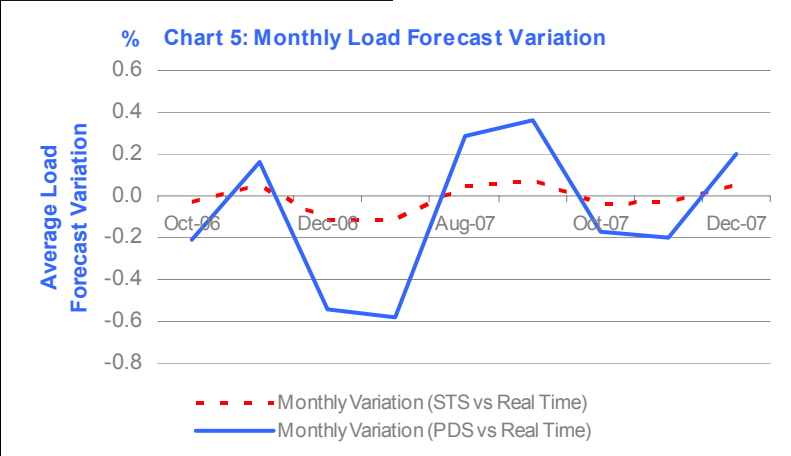


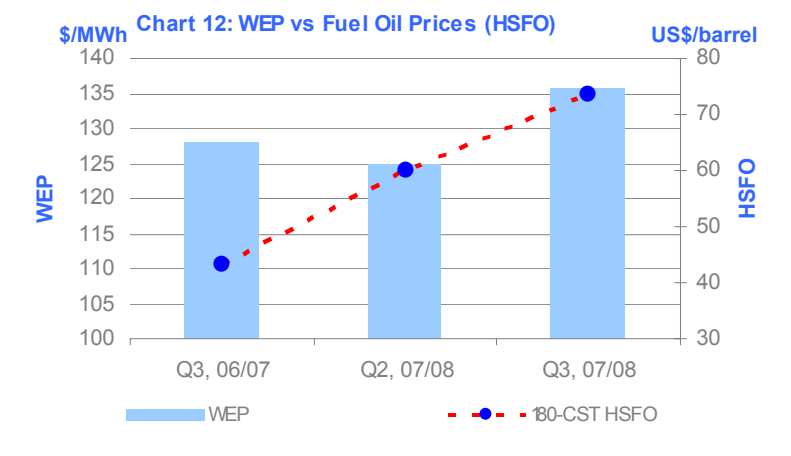
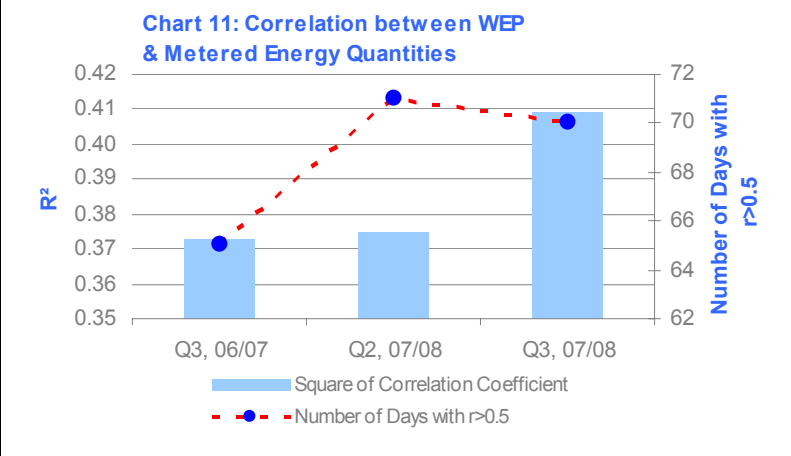
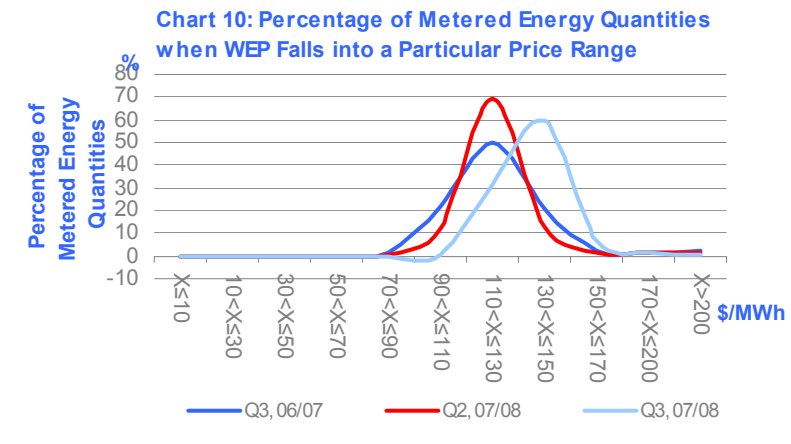
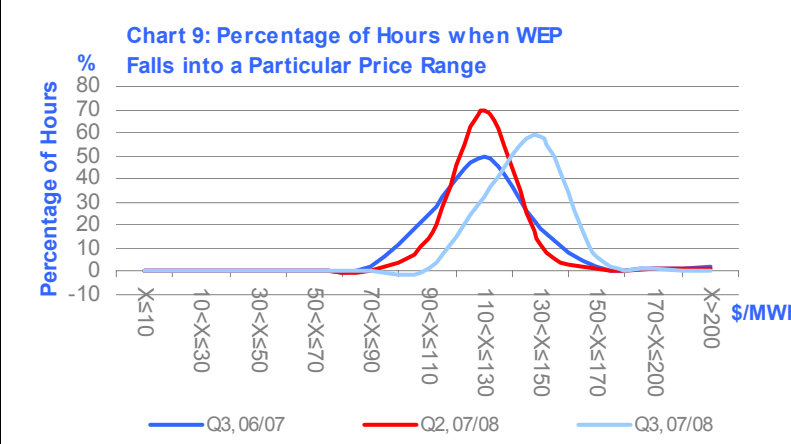
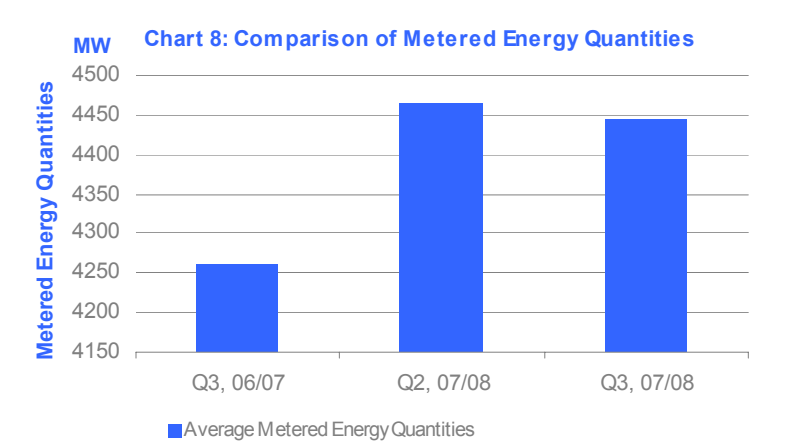
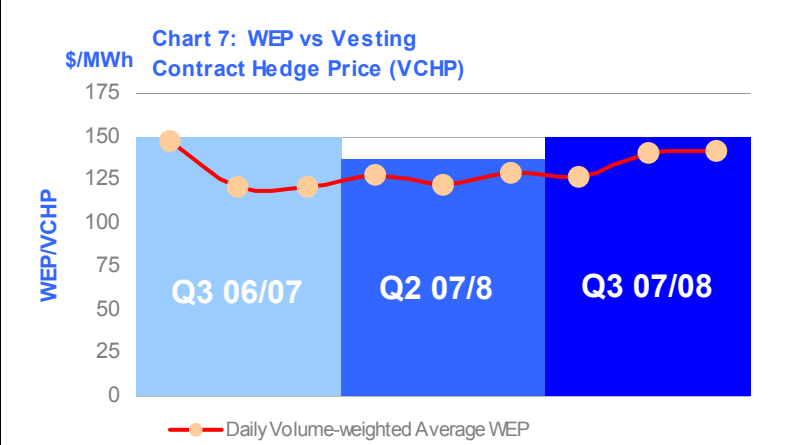
Chart 4: Comparison of Average Market Share by Generation Type Q3 07/08



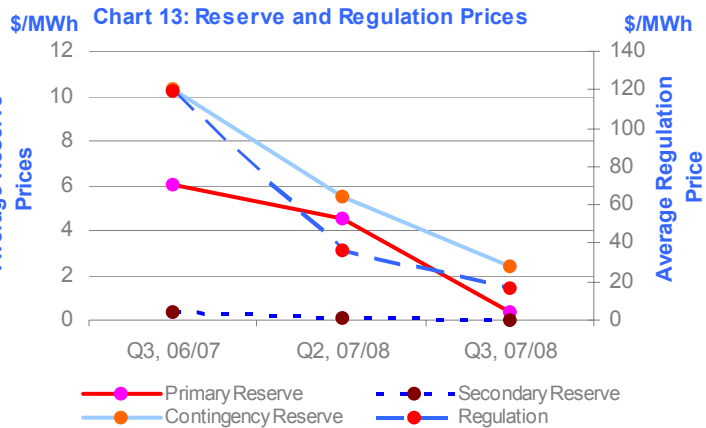
Demand Indicators



Energy Prices



Ancillary Prices



Market Compliance

Table 2: Compliance Statistics for Q3 2007/08

No. of cases of potential rule breaches	211
Self-reports	2
Referrals/Complaints	209
MSCP initiatives	0
No. of determinations	98
Rule breach	0
No rule breach	92
No further action	6
Enforcement	
No. of cases with enforcement action	0
-Financial penalty	0
-Letter of non-compliance	0
Total amount of financial penalties	\$0
Total amount of costs	\$0

The current members of the Market Surveillance and Compliance Panel are:

- Thean Lip Ping, Chair
- Lee Keh Sai
- Professor Lim Chin
- TPB Menon

It is supported by the Market Assessment Unit of Energy Market Company.