

# MSCP Market Watch

Third Quarter (Oct-Dec) 2006/07

Issue 2

Table 1: Indicators of Market Performance			
	2005/06	2006/07	
	Q3	Q2	Q3
<b>Price Indicators</b>			
<i>Energy (\$/MWh)</i>			
- USEP	125.73	150.51	125.08
- WEP	127.77	151.29	128.06
- VCHP	128.39	147.90	150.20
<i>Ancillary (\$/MWh)</i>			
- Primary Reserve	22.20	9.88	6.03
- Secondary Reserve	1.67	1.04	0.34
- Contingency Reserve	11.54	23.61	10.32
- Regulation	79.63	49.82	119.60
Average Reserve Cost (\$)	296,841	371,633	180,582
HSFO Spot (US\$/barrel)	46.26	53.08	49.69
<b>Demand Indicators</b>			
<i>Forecast Demand (MW)</i>			
- Average	4,261	4,425	4,414
- Peak	5,359	5,385	5,452
<i>Metered Energy Quantities (MW)</i>			
- Average	4,109	4,275	4,262
- Peak	5,234	5,274	5,309
<b>Supply Indicators</b>			
<i>Capacity Ratio (%)</i>			
- CCGT	78.53	79.59	74.84
- OCGT	0.62	0.64	0.26
- OT	40.20	40.66	41.75
- ST	21.17	23.68	25.84
Supply Cushion (%)	25.13	22.78	22.20
<i>Total Outages (MW)</i>			
- Planned	4,699,478	5,870,322	4,644,283
- Unplanned	0	20,160	0
- Forced	187,523	127,405	192,781
Offers less than \$100/MWh (%)	71.05	61.93	70.39

## Market Performance

The average energy price for Q3 declined by nearly 17%, as average demand remained flat due to the seasonal effect of the year-end festive period. However, regulation prices became more volatile and the average regulation price surged 140% compared to the previous quarter, to a record high of \$187.0/MWh. The biggest jump was recorded in the off-peak periods, with an almost fivefold rise to \$196.6/MWh in Q3.

In the energy market, price spikes were observed on 9 October as a result of tightening supply, when up to three CCGT units were on maintenance. The USEP peaked at \$3,186/MWh in period 17 when the supply cushion tightened from 13.3% to 9.9%. On 21 December, the USEP hit the price cap of \$4,500/MWh and traded at above \$1,000/MWh for another two periods. This was due to the simultaneous tripping of two generation units (668MW total capacity), which led to a shortfall of energy supply and a blackout of less than one hour.

Based on historical price trends, regulation price spikes are a common feature when the demand is low and the commissioning of a new plant is underway, resulting in a reduction in the capacity available for regulation dispatch. However, a relatively unchanged available capacity suggests that other contributing factors might have been at work. In particular, the MSCP observed a significant shift in the offer strategy for Q3 especially in December.

In Q3, the proportion of regulation offers greater than \$100/MWh rose to 34% compared to 24% in Q2. In particular, the proportion of regulation offers in the \$400/MWh-\$2,750/MWh price band rose to 46% in December compared to less than 30% in each of the previous five months (July-November). The jump in offers in the higher price bands helps to explain the significant increase in regulation price spikes. The MSCP is monitoring this situation.



Joseph Grimberg  
Chair, Market Surveillance and Compliance Panel  
8 February 2007

# Supply Indicators

Chart 1: Capacity Ratio of Generation Plants

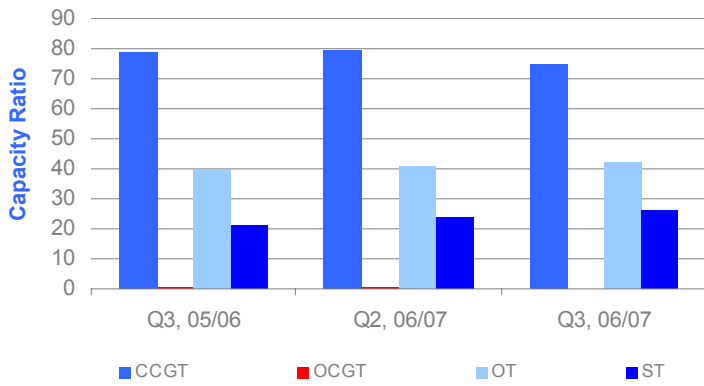


Chart 2: Relationship between USEP and Energy Supply Cushion - Q3 06/07

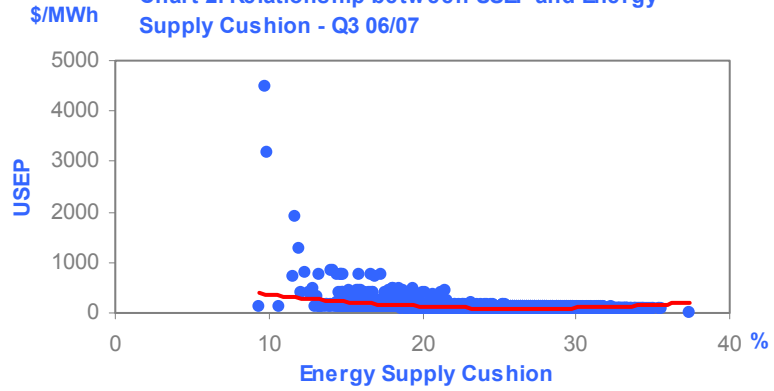


Chart 3: Comparison of Average Market Share by Generation Company Q3 06/07

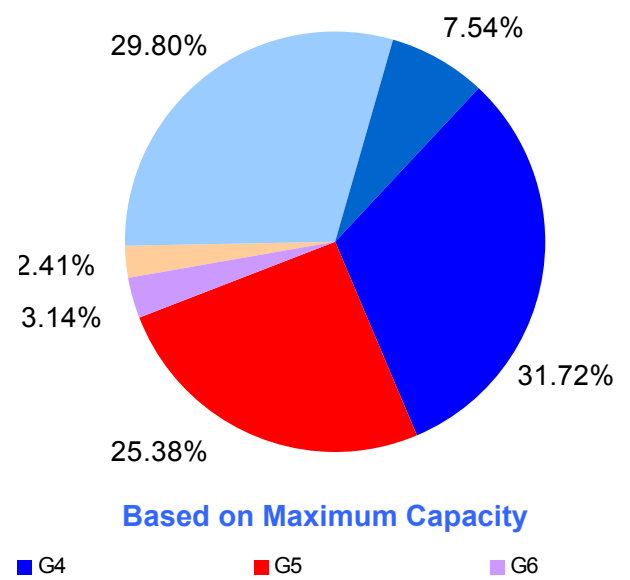
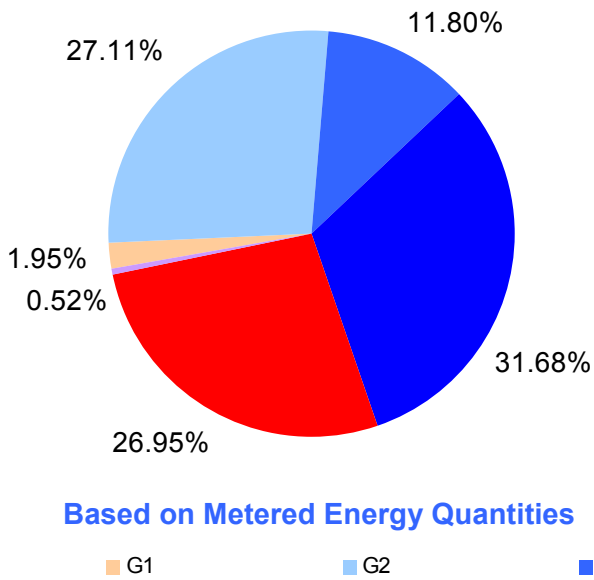
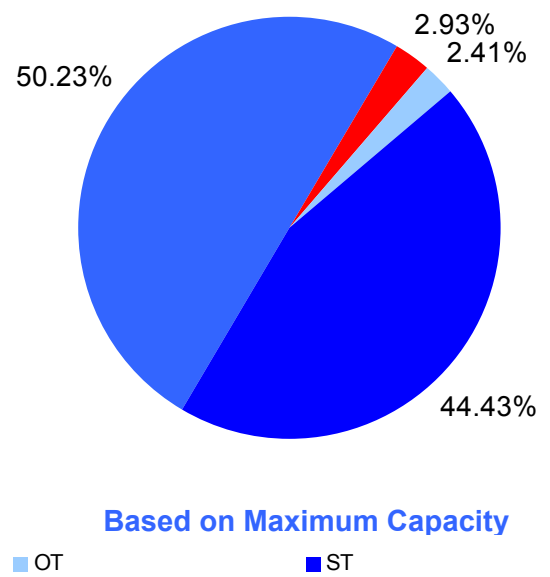
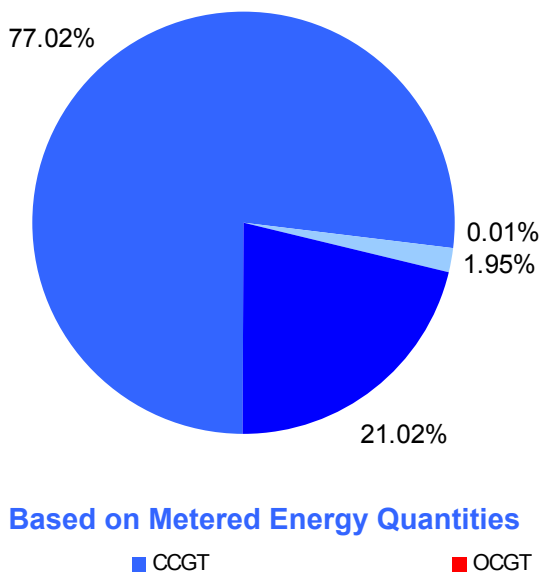
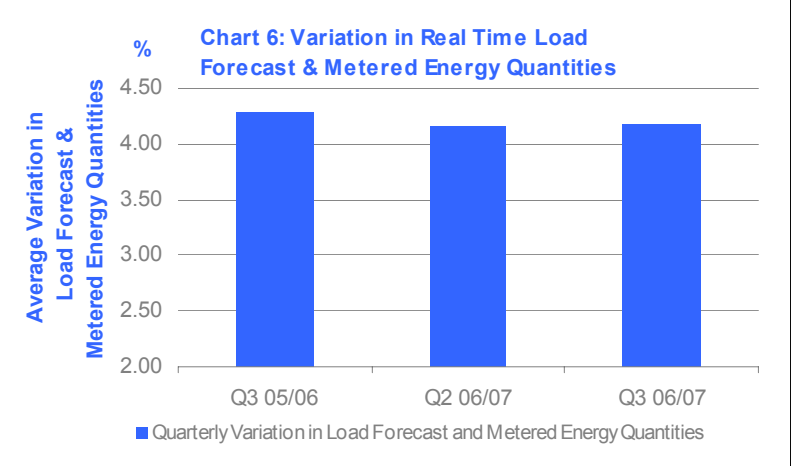
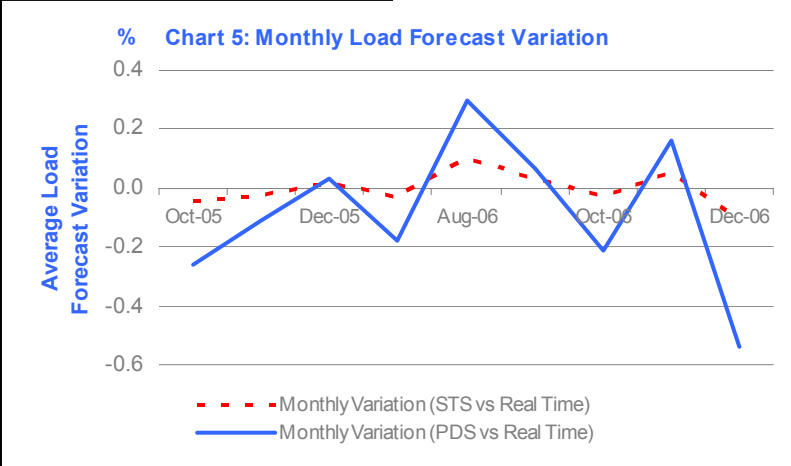


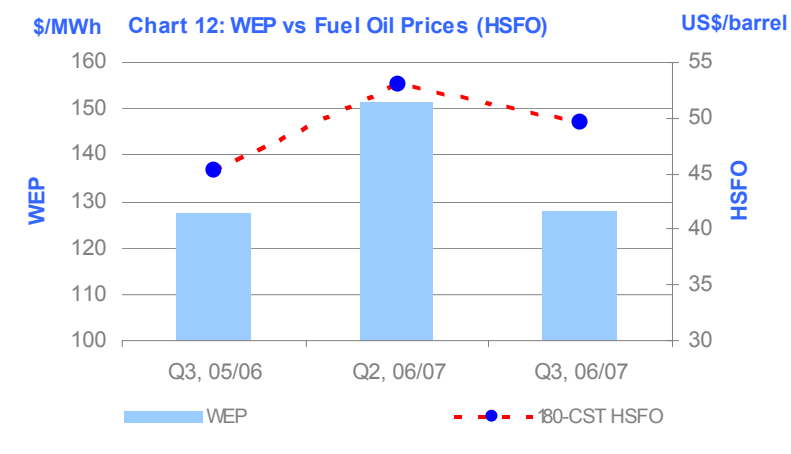
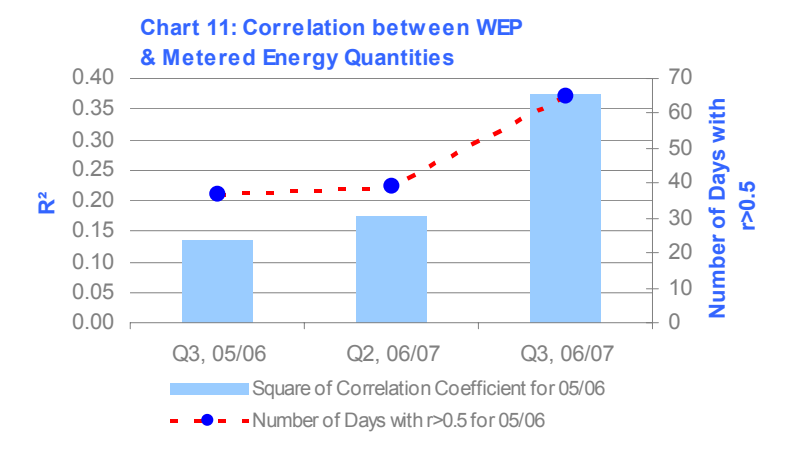
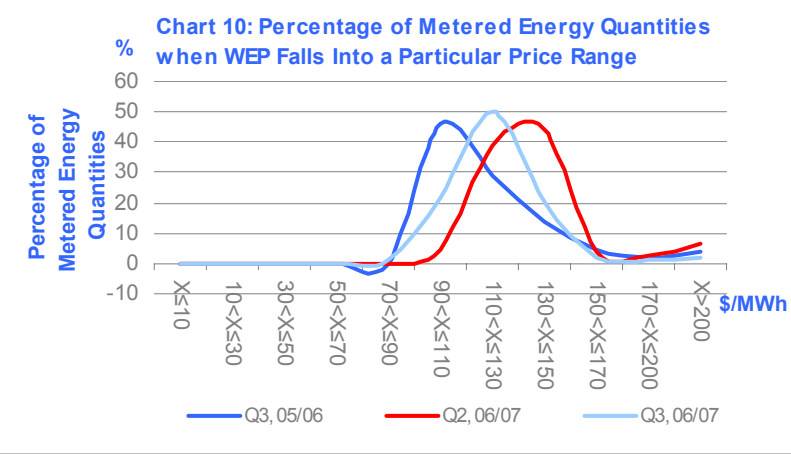
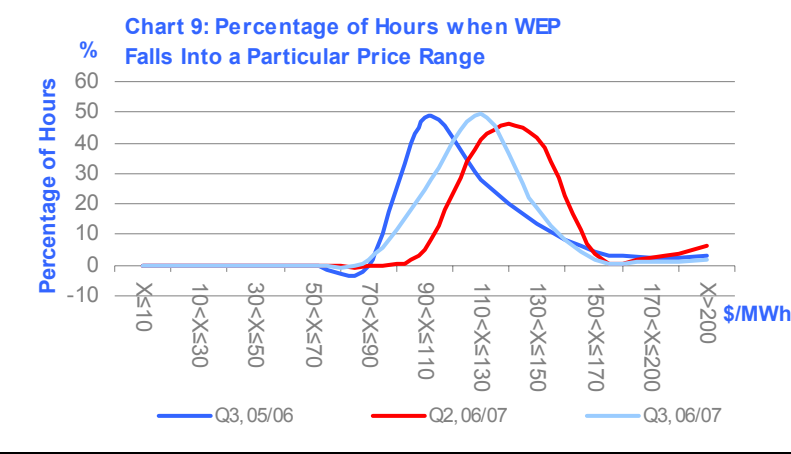
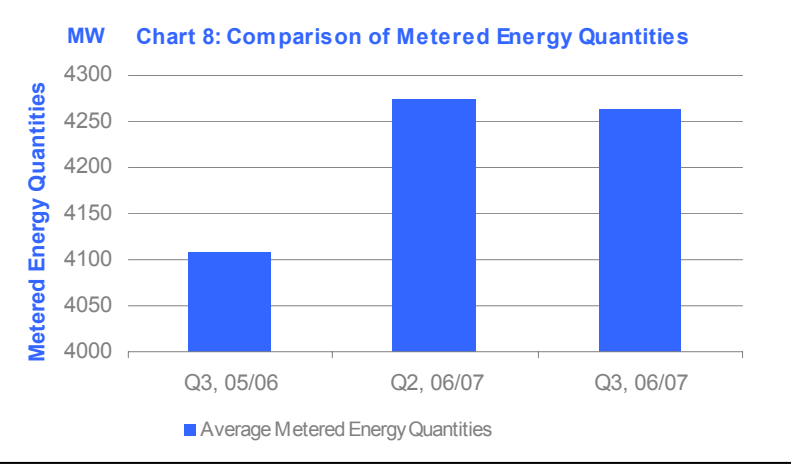
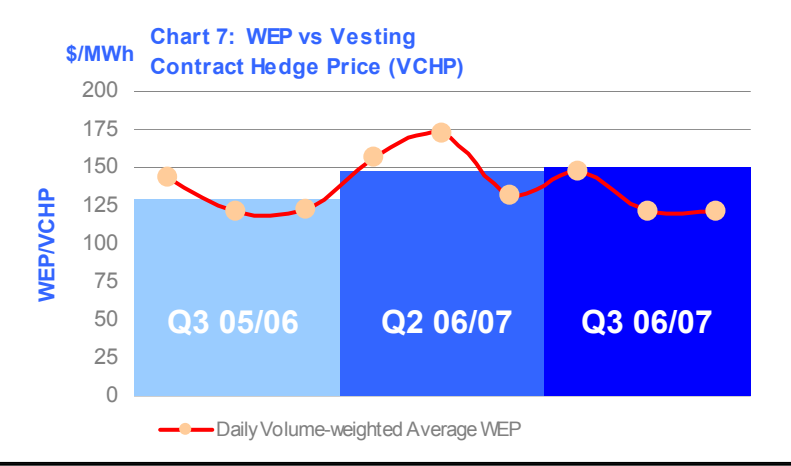
Chart 4: Comparison of Average Market Share by Generation Type Q3 06/07



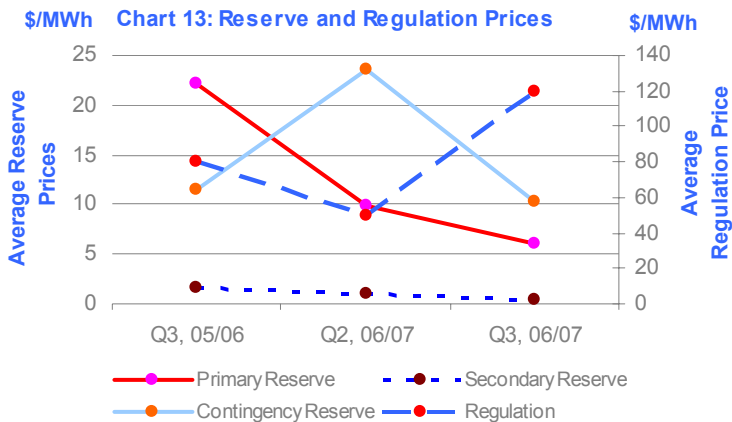
## Demand Indicators



## Energy Prices



## Ancillary Prices



## Market Compliance

**Table 2: Compliance Statistics for Q3 2006/07**

<b>No. of cases of potential rule breaches</b>	<b>430</b>
<i>Self-report</i>	3
<i>Referrals/Complaints</i>	427
<i>MSCP initiatives</i>	0
<b>No. of determinations</b>	<b>406</b>
<i>Rule breach</i>	0
<i>No rule breach</i>	257
<i>No further action</i>	149
<b>Enforcement</b>	
No. of cases with enforcement action	0
- <i>Financial penalty</i>	0
- <i>Letter of non-compliance</i>	0
Total amount of financial penalties	\$0
Total amount of costs	\$0

**The Market Surveillance and Compliance Panel comprises the following persons:**

- **Joseph Grimberg SC, Chair**
- **Lee Keh Sai**
- **Professor Lim Chin**
- **TPB Menon**
- **David Wong**

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