Average energy prices jumped nearly 8% higher for the period under review, as the average supply cushion tightened to 22.8% from 24.1%. The significant drop in the supply cushion was the result of divergence in demand and supply. While average demand edged slightly more than 1% higher, the average plant availability for dispatch retreated by 0.11%, as supply from all generation types dropped except for STs.

In particular, the MSCP observed a significant jump in average shoulder period prices, rising from $136.5/MWh to $175/MWh, compared to a 3% drop in average peak period prices. The price spike on 12 August was a contributing factor to higher average shoulder prices during this quarter. This happened when two generators tripped within a short period, leading to a temporary tightening of supply and a few periods of high prices in the region of $3,000/MWh.

In addition, most high prices occurred in shoulder periods. A significant proportion of these were observed in July and August.

The tighter supply cushion and the drop in the percentage of offers of less than $100/MWh were the main reasons behind the increase in the average shoulder period prices. While the average supply cushion for the quarter actually improved during peak periods, it dropped in the shoulder periods from 24% to 21.9%. At the same time, although the average capacity offered below $100/MWh dropped across all periods, offers in the shoulder periods were worst hit, dropping close to 4%.

The MSCP is closely monitoring the supply situation and the underlying factors affecting high prices in shoulder periods.

Joseph Grimberg
Chair, Market Surveillance and Compliance Panel
15 November 2006
Chart 1: Capacity Ratio of Generation Plants

Chart 2: Relationship between USEP and Energy Supply Cushion - Q2 06/07

Chart 3: Comparison of Average Market Shares by Generation Company Q2 06/07

Based on Metered Energy Quantities

Based on Maximum Capacity

Chart 4: Comparison of Average Market Shares by Generation Type Q2 06/07

Based on Metered Energy Quantities

Based on Maximum Capacity
**Demand Indicators**

**Chart 5: Monthly Load Forecast Variation**

Average Load Forecast Variation

- Monthly Variation (STS vs Real Time)
- Monthly Variation (PDS vs Real Time)

**Energy Prices**

**Chart 7: WEP vs Vesting**

Contract Hedge Price (VCHP)

**Chart 8: Comparison of Metered Energy Quantities**

Average Energy Quantities

- MW
- MW

**Chart 9: Percentage of Hours when WEP Falls Into a Particular Price Range**

Percentage of Hours

- Q2, 05/06
- Q1, 06/07
- Q2, 06/07

**Chart 10: Percentage of Metered Energy Quantities when WEP Falls Into a Particular Price Range**

Percentage of Metered Energy Quantities

- Q2, 05/06
- Q1, 06/07
- Q2, 06/07

**Chart 11: Correlation between WEP & Metered Energy Quantities**

- Square of Correlation Coefficient for 05/06
- Number of Days with r>0.5 for 05/06

**Chart 12: WEP vs Fuel Oil Prices (HSFO)**

Average Fuel Oil Prices

- $/MWh
- $/barrel
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.

The details of the determinations are available at www.emcsg.com