

CIRCULAR TO:

ALL MEMBERS

NO. 21/00

**SETTLEMENT PRICES FOR VICTORIAN ELECTRICITY
FUTURES CONTRACTS DUE TO INDUSTRIAL RELATIONS
FORCE MAJEURE PRICE CAPPING**

Victorian base load and peak load futures contracts will continue to be settled using the National Electricity Market Management Company (NEMMCO), end of month settlement prices. These settlement prices may, however, be influenced by NEMMCO price capping due to an Industrial Relations Force Majeure (IRFM) event.

- Extracts from the relevant by-laws explaining how Victorian base and peak load settlement prices are calculated are attached.

As a result from the (IRFM) event that occurred on the 10th of January 2000 at Yallourn Energy (which supplies 20% of Victoria's power), NEMMCO has advised that as of the 11th of January 2000, it has imposed price capping provisions in the Victorian region only.

- NEMMCO have advised that price capping provisions have been invoked.

If the price cap provision is invoked, electricity prices will continue to be reported by NEMMCO as usual (uncapped), however any dispatch interval prices or trading interval prices that exceed the capped prices should be interpreted as having the value of the cap and will be manually adjusted by NEMMCO and published. These published NEMMCO prices, adjusted for a price cap, will be the prices used by NEMMCO as input into determining the end of month settlement prices for Victorian base and peak load futures contracts.

The IRFM price cap provisions may continue post January 2000 and impact on subsequent monthly settlement price until the dispute is resolved.

A note from NEMMCO including a table of capped prices, is attached.

Please contact the undersigned on (02) 9256 0158 if you have any queries.

STUART BEIL
SENIOR RESEARCH ANALYST
ENERGY & ENVIRONMENT

28 JANUARY 2000

ATTACHMENT

Calculation of SFE Victorian base and peak load futures contract settlement prices

EVIC.1 (c) For the purpose of these by-laws, the wholesale Electricity Pool Market price that underlies the contract shall, subsequent to (d), be the VIC reference price as calculated by NEMMCO or its successor on a half hourly basis for the purpose of invoicing physical deliveries of electricity. (Amended 24/3/98, 10/5/99)

EPVIC.1 (c) For the purpose of these by-laws, the wholesale Electricity Pool Market price that underlies the contract shall, subsequent to (e), be the VIC reference price as calculated by NEMMCO on a half hourly basis for the purpose of invoicing physical deliveries of electricity occurring between 7.00am and 10.00 pm – Eastern Standard Time inclusive Monday to Friday excluding bank and public holidays and days determined by the Chief Executive or the board. (Amended 24/3/98, 10/5/99)

NEMMCO Communications (11/1/2000)– Potential IRFM Price Capping

As advised by NEMMCO in various Market Notices issued on Monday 10th January 2000, an Industrial Relations Force Majeure (IRFM) Event has occurred in Victoria. If the event continues with sufficient impact on generation availability, the Code provides for price capping to apply in the Victorian region only. As NEMMCO has no automated mechanism for implementation of the IRFM price cap, the purpose of this message is to advise participants of how the cap will be implemented if the need arises.

The Code provisions relating to IRFM appear in Schedules 9A1.1, 9A1.2 and 9A1.3 of the Code - they are derogation's relating to the Victorian Jurisdiction. If the conditions for invoking the IRFM price cap become satisfied, NEMMCO will advise participants of this by way of the Market Notice process. At this stage, the earliest that the price cap may be required to apply is from 1200hrs Eastern Standard Time today.

The value of the IRFM price cap (should it be required) is determined on a formula detailed in Schedule 9A1.2 of the Code. The value of the cap varies hourly through the day, and also has different profiles for different seasons, and for working days versus non-working days. The cap is also dependant on Consumer Price Index (CPI) values. Participants are referred to the Code for details of how the Cap is determined, however the values for the current period are shown below.

In the event that the IRFM price cap is invoked, prices will be calculated and published by NEMMCO systems as normal but these published prices will not be capped. Any dispatch interval prices or trading interval prices that exceed the cap value for the Victorian Region only, should be interpreted as having the value of the cap. NEMMCO will manually adjust any published Victorian prices that exceed the

Cap value by the end of the next business day, and participants will be advised of any adjustments by way of a market notice. IRFM price cap values for January 2000 are as follows (note that workdays and non-work days are defined in chapter 9 of the Code):

Hour ending	Work Days	Non-Work days
0100	65.33	57.30
0200	61.60	53.92
0300	52.35	48.21
0400	48.77	46.11
0500	48.97	45.49
0600	58.53	46.29
0700	80.07	51.47
0800	90.79	54.12
0900	80.90	55.02
1000	85.54	57.03
1100	106.05	62.8
1200	106.49	63.49
1300	110.42	63.91
1400	110.52	63.60
1500	107.98	62.68
1600	100.51	63.05
1700	73.33	56.63
1900	64.81	55.93
2100	68.60	54.38
2200	60.27	50.34
2300	62.83	53.08
0000	76.17	61.32

The value of ACPIt used in calculating these caps were 1.105023. Participants will receive notice of any changes to the status of this IRFM issue through the normal Market Notice process.

Inquiries may be directed to the NEMMCO Infoline on 1300 361 011.

Murray Chapman
NEMMCO, Head of Market Operations