

Chart of the Week

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“While capacity factors may appear low, CleanCo are well placed to facilitate higher renewable penetration through firming output and selling that energy to C&I customers. Yesterday, it was announced that Acconia’s Macintyre Wind Farm (1GW) would go ahead and CleanCo would own and operate 100MW with 400MW acquired through a ten year PPA. This is expected to be fully operational in 2024.”

CleanCo – little ripples make big waves

Many would have noticed that CleanCo received their electricity retailer authorisation from the AER recently, signifying a key step to providing retail electricity services to customers. For those not familiar, under the National Electricity Retail Law, a retailer authorisation is needed prior to engaging in the retail sale of energy. Now, CleanCo can sell electricity directly to customers through its portfolio of renewable energy assets. Its portfolio includes Wivenhoe Power Station, Swanbank E, Barron Gorge and Kareeya; ~1GW of dispatchable (mostly renewable) energy.

It has been about five months since CleanCo’s first day of trading and with summer all but over, this is a good time to look back at their portfolio and assess how the change of ownership has impacted the way the assets within their portfolio have operated.

To compare, we have taken the five-month period from November 2019 to March 2020 and compared this with the same time period a year prior (Figure 1). The first thing that jumps out is the output from Swanbank E which ran fairly hard and flat over the summer months like it did last year. Kareeya and Barron Gorge on the other hand, are operating much less than the previous period. Over summer last year, both hydro facilities were operating at high capacity factors however now dispatch is more targeted to higher priced intervals.

For Wivenhoe in aggregate, behaviour has been similar to the previous period. Dispatch remains targeted for the evening peak for maximum price capture; however, the times of pumping are changing (Figure 2). Under ownership of CleanCo, pumping has tended to occur in the middle of the day – where solar penetration is driving down price outcomes. This is significantly different to 12 months ago, where pumping typically occurred in the early hours of the morning.

It is important to note that this change in pumping times between ownership is more coincidental than a significant departure from the previous operating mode. Intra-day price fundamentals have changed significantly, and rapidly, to the point where the average midday price is lower than the offpeak morning price.

Figure 1: Average output (Nov–Mar 2020 vs Nov–Mar 2019)

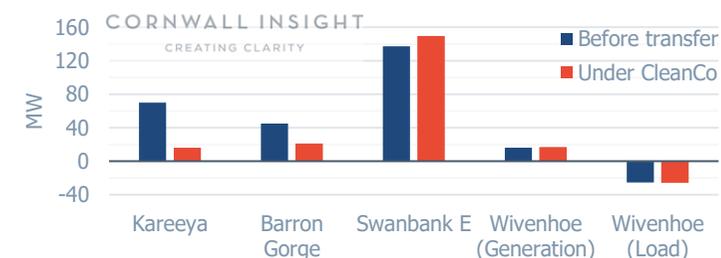
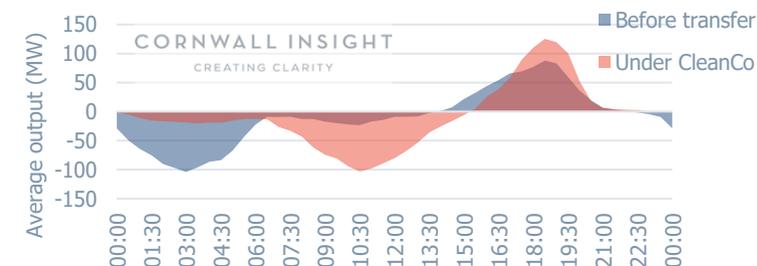


Figure 2: Wivenhoe average daily profile (Nov–Mar 2020 vs Nov–Mar 2019)



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With a mandate to facilitate the development of 1GW of new renewable projects, we expect further announcements of QLD-based renewable projects in the near future, potentially also in neighbouring regions to diversify the portfolio and earnings potential. With the trends in price outcomes we are seeing, we anticipate the next announcements could include battery storage to provide rapid response.

The transition in the supply mix and optics around carbon intensity are driving retailers to change their business models. Other companies are also pivoting to provide firm, renewable contracts to C&I customers (such as Infigen) so competition will be fierce – a good outcome for consumers.