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Energy | Sustainability | Risk

Australian Energy Markets Report
Q2 2025



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Blyth Battery - 238.50MW/447MWh – Connected 10 April 2025

Source: [NHOA Energy](#)



Australian Energy Markets Report

Market Wrap

Quarter 2 2025

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Market Review Summary

The second quarter of 2025 was marked by renewed volatility in both electricity and gas markets. While seasonal demand remained steady, a combination of unplanned outages, tightening supply-demand dynamics, and regulatory shifts exposed systemic fragilities and drove significant price fluctuations.

Electricity market volatility escalated through June, with Victoria and New South Wales experiencing pronounced price swings. A key driver was the multi-unit outage at Yallourn Power Station, where the collapse of a critical air duct during scheduled maintenance on 8 June took Unit 3 offline. In the following days, three of the station's four units were out of service, removing over 1,100 MW of capacity from the Victorian grid. This significant reduction in dispatchable baseload supply placed acute pressure on system reliability. Spot prices in Victoria surged in response, with monthly regional averages exceeding \$130/MWh. To manage evening peaks, the market leaned heavily on gas-fired generation, which led to a spike in gas demand—at times more than 100 TJ/day above seasonal averages. This uplift coincided with firming wholesale gas prices across the east coast, with average prices ranging between \$13 and \$14/GJ and short-term peaks in southern markets reaching up to \$18/GJ.

The Yallourn outage highlighted the increasing reliance on gas for short-term system stability and exposed risks associated with ageing coal infrastructure and tight fuel supply under stress conditions.

On 28 April 2025, a major grid failure across Spain and Portugal underscored the complex challenges facing power systems amid the global energy transition. Triggered during scheduled maintenance on critical interconnectors, the event caused cascading outages that left over 10 million customers disconnected. Preliminary investigations point to a confluence of factors, including low system inertia, inadequate frequency response capabilities, and an over-reliance on interconnections during periods of high renewable energy penetration. These vulnerabilities exposed the risks inherent in transitioning to low-carbon power systems without sufficient grid stability measures.

Beyond the immediate market impacts, the event has renewed international attention on the risks of operating high-renewables grids without adequate firming, system strength, or real-time operational control. For Australia, it highlights the critical importance of investing in flexible capacity, grid-forming technologies, and robust transition planning to ensure reliability as thermal assets exit, and renewable penetration deepens.

The AER's Default Market Offer (DMO) and Victoria's Victorian Default Offer (VDO) for 2025–26 were finalised in Q2, delivering modest price increases of between 2% and 8% for small customers, varying by region and consumption level. While wholesale energy cost forecasts have stabilised, the overall increase was largely driven by rising network charges, reflecting higher distribution investment and cost recovery across several jurisdictions.

On the regulatory front, the AER is progressing its review of the Retail and Network Exemption Guidelines, with proposed reforms targeting network shadow pricing, improved tariff transparency, and strengthened consumer protections within embedded networks. A follow-up consultation on a specific amendment remains open until 7 July 2025.

Separately, the federal government has launched a broader review of the Default Market Offer (DMO) framework, focusing on potential changes to how the DMO is set, including reconsideration of the treatment of retailer operating costs and margins. This review may lead to significant reforms beyond 2026.

Overall, Q2 2025 was a quarter that highlighted system vulnerabilities, underscored the market's increasing exposure to external events, and reinforced the urgent need for resilience planning, better fuel coordination, and clarity in regulatory reform implementation.



Electricity Spot Markets

Medium Term Spot Price Averages

In Q2 2025, Victoria and South Australia experienced elevated wholesale electricity prices, driven by a confluence of higher-than-average demand and more frequent price volatility. Key contributing factors included persistently low wind generation during critical periods, transmission constraints that limited dispatch flexibility, and strategic generator rebidding in response to tightening supply conditions. These dynamics led to an increased incidence of price spikes, particularly during evening peaks and periods of low renewable output.

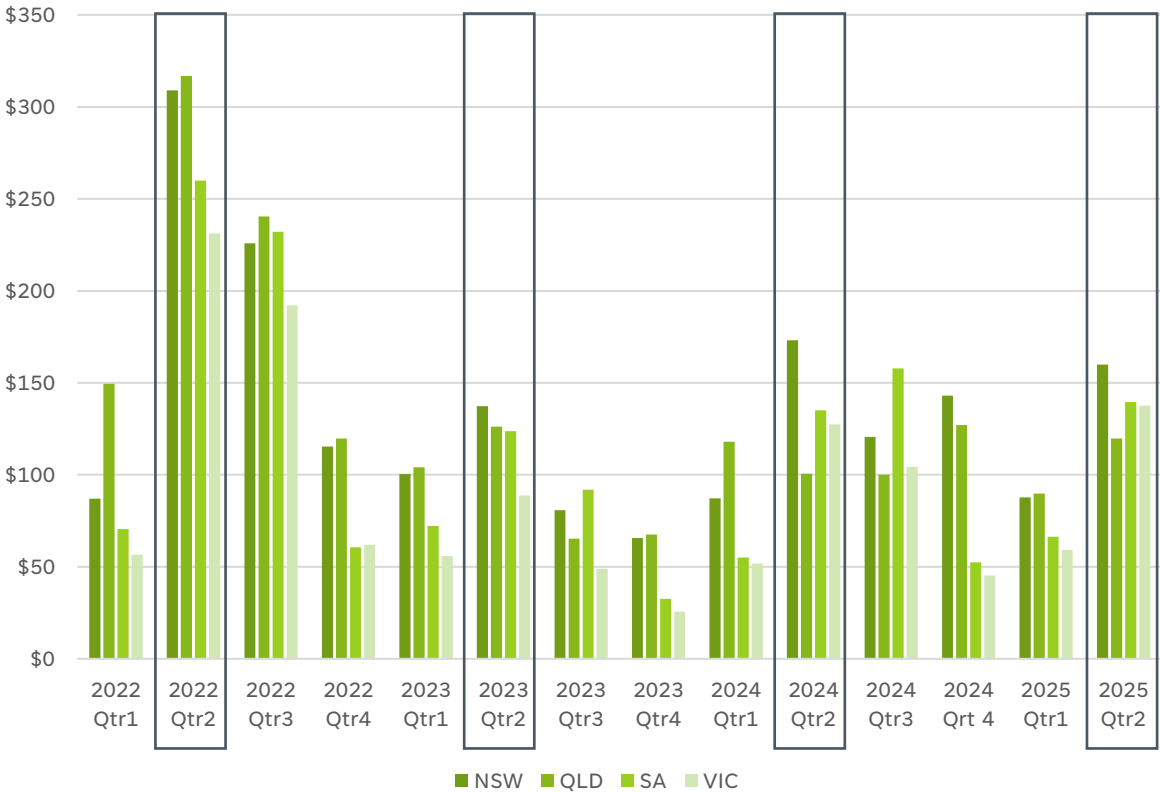
In contrast, Queensland and New South Wales recorded comparatively softer spot prices. Improved availability of coal and gas-fired generation, alongside a reduced frequency of high-price intervals, helped to stabilise outcomes in those regions.

The quarter also saw a major boost to renewable capacity in South Australia with the commissioning of Goyder South Stage 1A, a 201 MW wind farm developed by Neoen. This project forms part of the broader Goyder Renewable Zone and represents the largest wind project built in the state to date. Additionally, the Blyth Battery—a 200 MW / 400 MWh grid-scale battery co-located with the wind farm—was successfully connected to the grid. Together, these developments mark a significant step forward in enhancing renewable penetration and grid resilience in the region. However, the volatility observed during the quarter reinforces the continued need for complementary investment in flexible, dispatchable resources to maintain reliability as the energy transition accelerates.

Spot Prices	Rolling Ave Prices to 30 June 2025			Yr on Yr Movement		
	3 Month Ave	6 Month Ave	12 Month Ave	3 Month Ave	6 Month Ave	12 Month Ave
State						
NSW	\$159.92	\$123.86	\$127.84	-8%	-5%	26%
VIC	\$137.66	\$98.46	\$86.63	8%	10%	37%
QLD	\$119.71	\$104.75	\$109.18	19%	-4%	24%
SA	\$139.58	\$102.94	\$104.05	3%	8%	32%

Rolling Average Spot Prices
Source: AEMO

Ave Qrtly Spot Averages



Quarterly Average Spot Prices
Source: AEMO

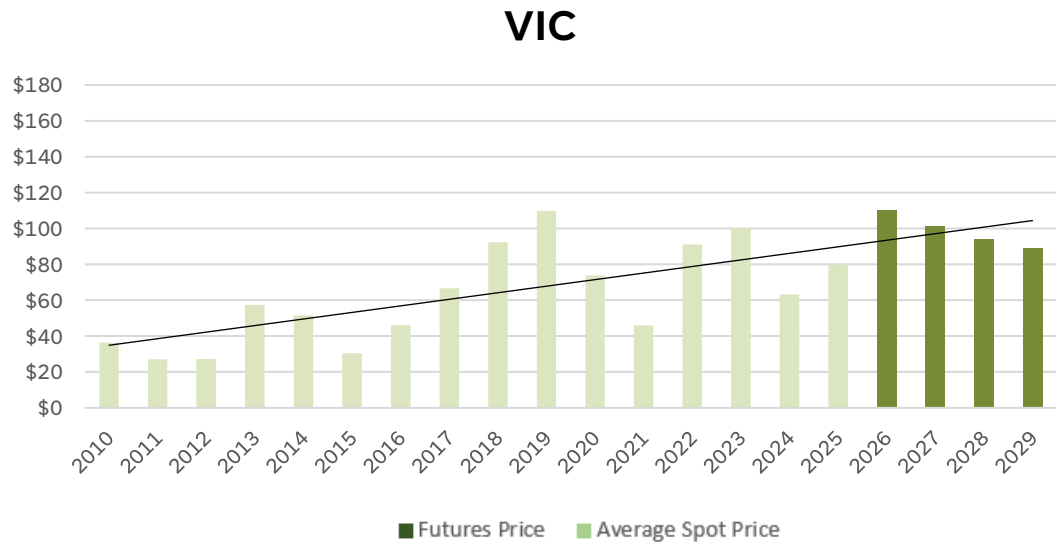


Electricity Futures Markets

In the second quarter of 2025, ASX Energy's FY strip baseload futures saw some increases across southern regions of the National Electricity Market (NEM). This increase was primarily attributed to tightening supply-demand dynamics, unplanned outages—especially the flooding at Yallourn Power Station—and high gas prices.

Futures for NSW and QLD were flat through the quarter while VIC experienced even sharper increases exceeding 10%, largely due to its direct impact from the outage and dependence on gas-fired generation.

The overarching trend indicated rising forward risk premiums and heightened hedging efforts, as market players aimed to mitigate their exposure to unstable conditions. These variations highlight the growing responsiveness of futures pricing to short-term system pressures and regulatory unpredictability, emphasizing the critical need for strategic risk management in energy procurement.



Quarter 2 2025

ASX Futures	Current Prices @ 30 June 2026				Yr on Yr Price Growth			
	FY 26	FY 27	FY 28	FY 29	FY 25	FY 26	FY 27	FY 28
NSW	\$124.95	\$118.22	\$115.45	\$114.00	-4%	-8%	-11%	NA
VIC	\$88.67	\$77.62	\$75.42	\$76.63	11%	7%	2%	NA
QLD	\$107.53	\$100.22	\$93.52	\$88.80	0%	-1%	-5%	NA
SA	\$97.58	\$92.25	\$91.57	\$91.43	-9%	-12%	-10%	NA

Baseload FY Strip Futures Contract Prices @ 30 June 2025
Source: ASX Energy



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Carbon & Environmental Markets

During the second quarter of 2025, Australia’s renewable energy and carbon markets continued to evolve, revealing various trends among different types of certificates. LGC prices experienced a further drop this quarter, primarily due to a persistent oversupply caused by strong renewable energy production and surplus carryover from earlier years.

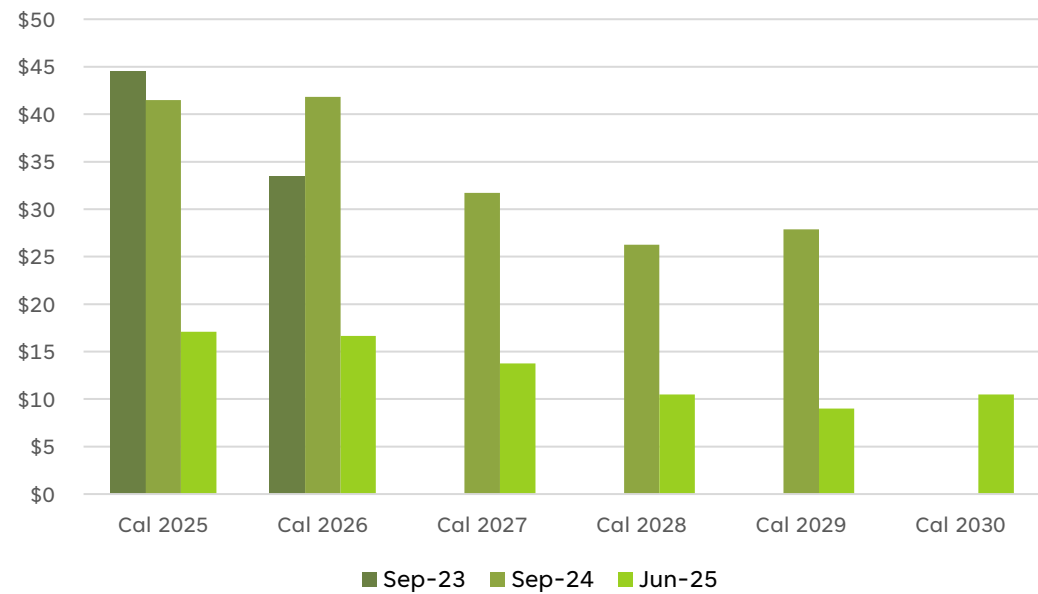
Market participants remained cautious as they anticipated the upcoming Renewable Energy Guarantee of Origin (REGO) scheme, expected to impact demand starting in 2026. While there was steady voluntary demand from businesses, the supply of available certificates consistently surpassed retirements, putting downward pressure on both spot and forward prices.

The Australian Carbon Credit Unit (ACCU) market exhibited relative stability but remained subdued throughout Q2 2025. Spot prices varied within a limited range, indicative of low trading activity and restricted liquidity. Compliance demand under the Safeguard Mechanism continued to support a price floor, while voluntary market participation saw slight growth, spurred by ongoing corporate interest in emissions reduction targets.

Market participants kept a close watch on ongoing policy changes and proposed updates to project methodologies—especially those concerning landfill gas and carbon farming. These adjustments could significantly influence future credit supply and project economics, contributing to a cautious market outlook during the quarter.

Certificate	Spot Price	Cal 2025	Cal 2026	Cal 2027	Cal 2028	Cal 2029
LGC	\$16.75	\$17.10	\$16.65	\$13.75	\$10.50	\$9.00
STC	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
ESC	\$20.50	\$23.00				
VEEC	\$94.00	\$94.00				
ACCU	\$35.60					
As at:	23/06/2025					

LGC Forward Curve



Decline in LGC Spot Price Through 2023 , 2024 and 2025



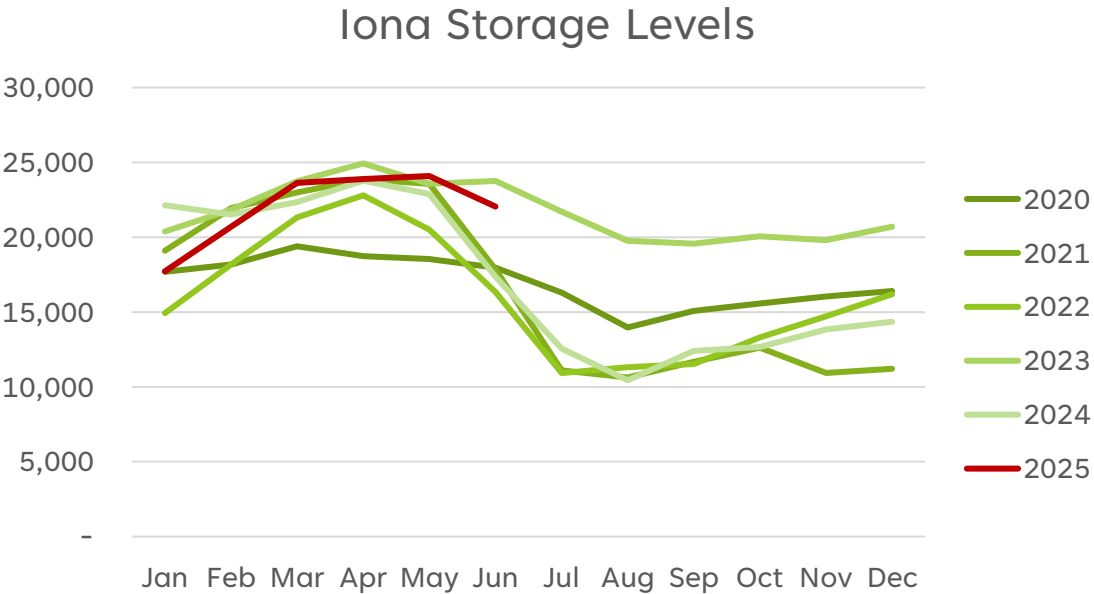
Domestic Gas Markets

The Australian Competition and Consumer Commission (ACCC), in its March 2025 interim report, highlighted growing concerns over the short-term supply-demand balance in the east coast gas market. The report projects a potential shortfall of 9 petajoules (PJ) for the upcoming July–September quarter, driven by LNG producers exporting all uncontracted gas volumes.

The supply risk is particularly acute in the southern states, where the ACCC forecasts a 40 PJ shortfall—the highest ever recorded for a third quarter. This deterioration is largely attributable to declining output from existing gas fields, with production forecasts reduced by 13.6 PJ compared to earlier estimates.

To mitigate winter peak demand risks, the ACCC stresses the critical importance of gas storage, urging that Victoria’s Iona Gas Storage Facility be filled to near capacity by May 2025 to ensure adequate deliverability during periods of high demand. On pricing and contracting trends, the report notes a reversal in long-term Gas Supply Agreement (GSA) prices, which have declined from the elevated levels seen in 2022 and early 2023. There is a marked shift towards shorter-term, more flexible contracts as buyers respond to improved market liquidity and easing prices.

Despite these positive signs, the ACCC cautions that the market remains vulnerable without new supply projects and greater transparency. The report calls for urgent investment in upstream production, expanded pipeline capacity, and ongoing reforms to improve domestic gas market visibility and reliability.



Iona gas storage levels through 2025
Source: Vic GBB data AEMO NEMWEB



Australian Energy Markets Report **Market Analysis**



Iberian Power Outages – Summary

Overview: What Happened?

On April 28, 2025, Spain and Portugal experienced a significant power outage, initiated by a voltage surge near a solar facility in western Spain. The surge led to a cascading failure, resulting in the loss of over 30 GW of load—approximately 60% of Spain's electricity supply—within minutes. This event underscored critical vulnerabilities in grid stability and response mechanisms.

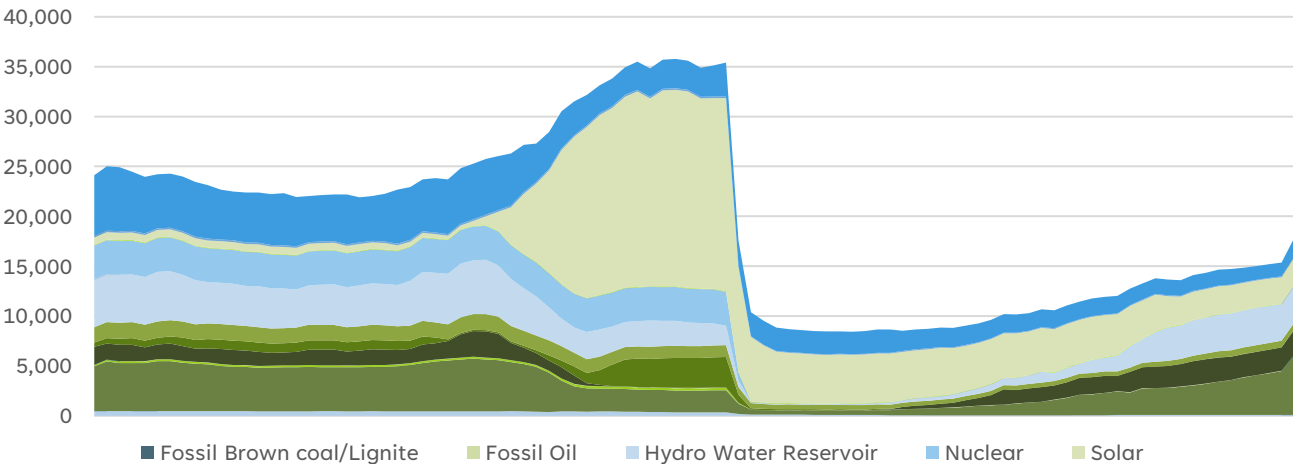
Key Findings from Interim Investigations:

- **Inadequate Conventional Generation Response:** Conventional power plants, including coal, gas, and nuclear facilities, failed to provide essential voltage and inertia support during the disturbance. Many of these units disconnected, exacerbating the instability.
- **System Operator Limitations:** The Spanish grid operator underestimated the necessary reserve margins and lacked real-time visibility into system limits, hindering effective response to the incident.
- **Low Interconnection Capacity:** With interconnection capacity to the broader European grid at approximately 3%, Spain and Portugal were effectively isolated from external support, limiting options for system stabilization.

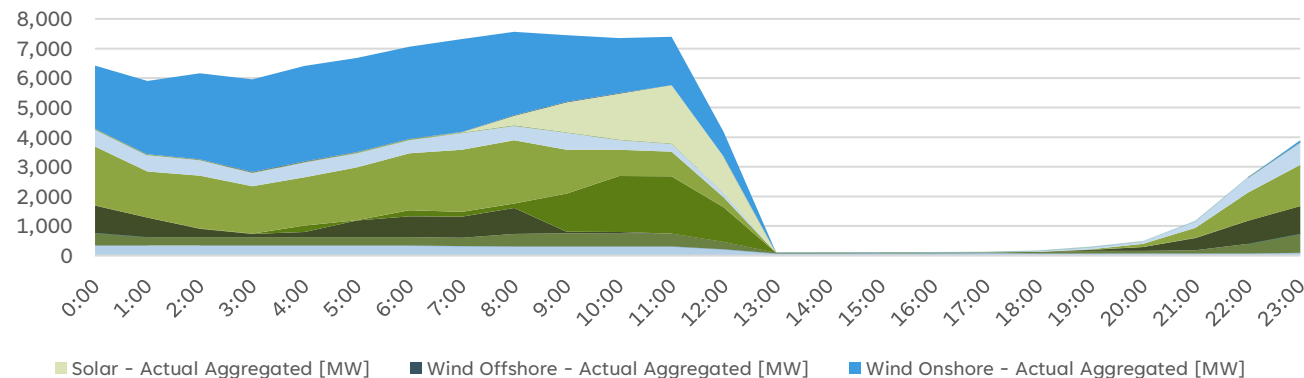
Consequences and Policy Implications:

The blackout disrupted critical infrastructure, including public transport, hospitals, and telecommunications. In response, both Spain and Portugal have initiated comprehensive investigations and are planning substantial investments in grid modernisation. These efforts aim to enhance system resilience, improve reserve capacities, and increase interconnection with neighbouring grids to prevent future occurrences.

Spain 28 April 2025



Portugal 28 April 2025





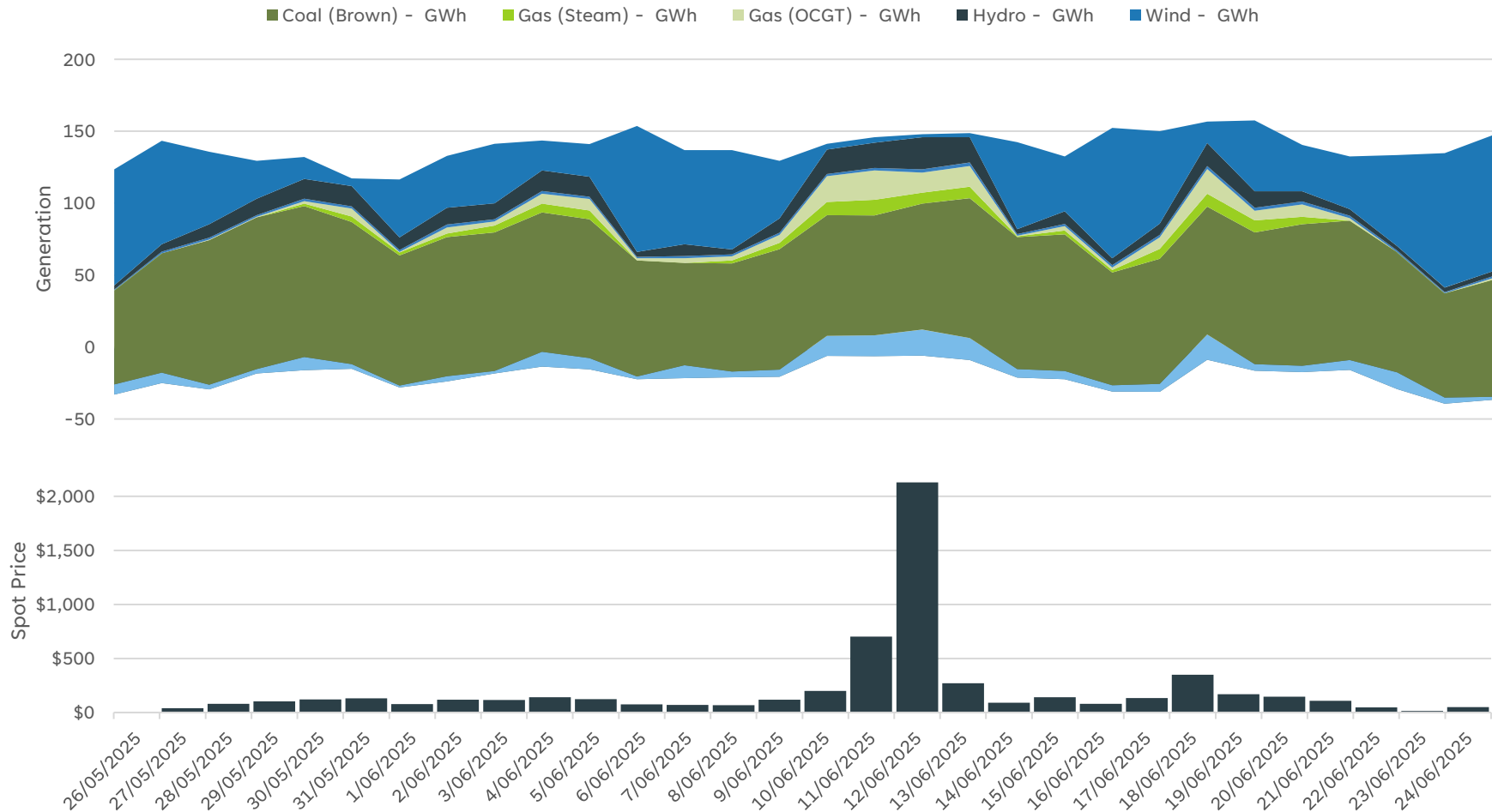
Yallourn Outage – 8 June

In early June 2025, Yallourn Power Station experienced an unplanned outage on Unit 3 after the collapse of a critical air duct during scheduled maintenance on 8 June. This event resulted in the immediate loss of approximately 370 MW—around 25% of Yallourn’s total 1,480 MW capacity—from the grid for a minimum of two weeks.

The outage coincided with a sustained period of below-average wind generation across Victoria and South Australia, tightening supply margins in the National Electricity Market (NEM) and contributing to increased spot price volatility, particularly in Victoria. System operators responded by ramping up gas-fired generation to meet demand, leading to elevated gas consumption and upward pressure on gas prices in the region.

This incident highlighted the operational challenges posed by ageing coal-fired assets amid Australia's accelerating energy transition. It underscored the need for a diversified and flexible generation mix, alongside investments in firming and storage technologies, to ensure grid reliability and market stability during periods of stress.

Vic Market Generation Sources & Ave Daily Spot Price



Source: www.openelectricity.org.au



Summary of Changes to Regulated Retail Tariffs

What Are the DMO and VDO?

- The Default Market Offer (DMO) is a government-set electricity price cap in NSW, Southeast Queensland, and SA.
- The Victorian Default Offer (VDO) serves the same function in Victoria, independently set by the Essential Services Commission (ESC).
- These default tariffs act as reference prices for comparing energy deals and are reviewed annually by the regulators (AER and ESC).

Final Determinations — 2025–26

- The AER published the DMO 7 final determination on 26 May 2025, with prices effective from 1 July 2025, covering NSW, Southeast Queensland, and South Australia.
- The ESC Victoria released the final VDO decision on 21 May 2025, effective 1 July 2025, applying to Victorian households and small businesses.

Energy Minister’s Reform Announcement - 21 June 2025

- DMO Mechanism Review launched to ensure it delivers genuine price protection. Proposed changes include:
- Removing the “competition allowance” (a markup in the DMO to foster market activity).
- Limiting retailers’ ability to pass through excessive operational costs.
- Minster Bowen reiterated that home battery subsidies (\$2.3b) will cut installation costs by ~30%, potentially saving families up to \$2,300/year.

Jurisdiction	Distributor	Residential (No CL)	Small Business
VIC	AusNet Services	0.30%	3.80%
VIC	CitiPower	6.20%	5.60%
VIC	Jemena	-1.60%	-0.20%
VIC	Powercor	0.20%	2.30%
VIC	United Energy	0.20%	3.20%
NSW	Ausgrid	8.60%	7.90%
NSW	Endeavour Energy	8.50%	8.00%
NSW	Essential Energy	9.10%	8.50%
QLD	Energex	3.70%	0.80%
SA	SA Power Networks	3.20%	3.50%

Source:
Victorian Default Offer (VDO): Published by the Essential Services Commission (ESC):
<https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer/victorian-default-offer-price-review-2025-26>
Default Market Offer (DMO): Published by the Australian Energy Regulator (AER):
<https://www.aer.gov.au/industry/registers/resources/reviews/default-market-offer-prices-2025-26>



Regulatory Reviews and Consultations Update

Consultation	Reviewing Body	Summary	Consultation Close Date	Status
Review of the Default Market Offer (DMO)	DCCEEW (Federal Dept. of Climate Change, Energy, Environment and Water)	Reviewing the DMO framework to enhance fairness and remove retailer margin allowances.	18 July 2025	Open
Retail Exempt Selling Guideline – Version 7	AER	Updating exempt seller obligations, including consumer protections, refund rules, and ombudsman contact visibility.	7 July 2025	Open
NEM Wholesale Market Settings Review	Independent Expert Panel (Tim Nelson), supported by DCCEEW	Comprehensive review of market settings to ensure investment in firmed renewables and reliability into the 2030s.	Final report due late 2025 (Initial consultation closed 14 Feb 2025)	In Progress
Electricity Pricing Review	AEMC	Examines how retail electricity prices can better reflect efficient cost and consumer usage under DER-rich futures.	TBC	Open
Proposed Gas Rule Change – Upfront Connection Costs	AEMC	Requires new gas connections to pay full costs upfront, reducing socialisation of network expansions.	TBC	Open
2025 Flexible Trading Arrangements	AEMO	Aims to support multiple trading relationships and behind-the-meter flexibility.	28 May 2025	Closed



Regulatory Reviews and Consultations Update

Consultation	Reviewing Body	Summary	Consultation Close Date	Status
Voluntarily Scheduled Resources Guidelines	AEMO	Seeks stakeholder input on framework to allow responsive load and DERs to voluntarily participate in scheduling.	9 July 2025	 Open
Shared Asset Guidelines Update	AER	Proposes updates to align with new stand-alone power system rules and better allocate shared costs.	TBC	 Open
Draft Market Monitoring Information Orders	AER	Drafting new powers to collect and analyse electricity and gas market data for compliance and transparency.	TBC	 Open
2025–26 Default Market Offer Determination (DMO 7)	AER	Annual price-setting process for standing offers in NSW, SA, and SE QLD.	Final published 26 May 2025	 Closed
Wholesale Market Monitoring Framework Reform	Energy Ministers / National Cabinet Senior Officials	Draft regulatory changes to enhance the AER’s wholesale oversight functions.	TBC	 Open



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