

## Electricity market trends vienna

The electricity price that customers pay is made up of three components: the cost of the energy itself, the cost of using the electricity grid, and taxes and levies.

Wholesale electricity prices are determined through the interplay of supply and demand. The distinguishing feature of how electricity prices are set is called the merit order. Power stations are ordered according to their marginal costs - in other words, the costs incurred by generating one additional megawatt hour of power at the power station concerned. The price that all generating stations receive for their electricity is equal to the marginal costs of the last power plant from which electricity is called off in order to meet demand.

Thermal installations such as gas and coal-fired power stations usually determine the price because marginal costs include the price of fuel (like gas or coal) as well as costs for CO2 emission allowances. On the other hand, power stations that produce electricity from renewable sources like wind, water and sun have very low marginal costs. If these producers are in a position to satisfy all or at least a significant proportion of electricity demand, more expensive providers are pushed out of the market - which leads to a fall in electricity prices.

So this mechanism not only ensures that there are sufficient power stations on the market to cover electricity needs in full; it also means that particularly cost-effective electricity producers get the nod before others. And this is especially important from a medium-to-long-term point of view: it gives power station operators a major incentive to cut costs and to invest in renewable generating facilities, because electricity is certain to be called off from installations like these thanks to the reduction in their marginal costs.

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In September 2024, the average wholesale electricity price in Austria amounted to 81.7 euros per megawatt-hour, an increase on the previous month. In August 2022, Austria's electricity prices reached a record high, at around 489.5 euros per megawatt-hour.

Between mid-2021 and mid-2022, figures soared across Europe, the consequence of an energy supply shortage which severely impacted the continent. The situation was further aggravated by Russia's invasion of Ukraine in February 2022.

APG's factbox clearly shows the effects of the expanded production of renewables. Due to the good coverage of the domestic demand by renewables, Austria was able to export surplus energy every day in April.

"A high-capacity electricity infrastructure, storage facilities, and digital intelligence within the electricity

system are required to take full advantage of the expected growth rates of renewables in the coming years. APG's EUR 9 billion investment program up to 2034 is therefore central to achieving the energy transition without jeopardizing the security of supply," emphasizes Gerhard Christiner, Chief Technical Officer of APG.

A strong grid is necessary to make the volatile, renewable electricity available and to transport the electricity to where it is needed. To avoid grid overloads and ensure a secure supply, the electricity flow is managed with so-called redispatch measures, i.e. the targeted and controlled use of thermal and hydraulic power plants.

"In 2024 such interventions were already necessary on 52 days until the end of April. This causes costs which have to be borne by the electricity customers. Until the end of April, the costs generated by redispatch measures amounted to around 19 million euros. A strong transmission grid with sufficient capacities would considerably reduce the need for redispatch and the associated costs. Therefore the immediate expansion of the grid infrastructure is our top priority," emphasizes Thomas Karall, CFO at APG.

The trans-regional electricity grid of APG facilitates the exchange of energy within the country. Electricity surpluses in individual provinces can thus be distributed throughout Austria to compensate for deficits.

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