

GOANNA ENERGY CONSULTING – MARCH 2009 NEWSLETTER

5th March 2009 saw the NSW Premier Nathan Rees, announce plans to transfer the electricity retailing operations of Energy Australia, Integral Energy and **Country Energy** (holder of Tasmanian Retail Natural Gas & Electricity Licenses) to the private sector.¹

The first few months of 2009 have seen Tasmanian Hydro storage levels continue to decline to their current level of 25.6%, as reported on 9th March 2009.² During this time Tasmania has continued to be a “net importer” of energy from Victoria over the Basslink interconnector, whilst the Tasmanian Pool Price has remained relatively subdued since the wild gyrations experienced in late January 2009.³

Early February 2009 set a new Tasmanian record for the largest percentage price rise for 2009/10 financial year electricity contracts, over the shortest period of time. Since then only Peak rates have softened slightly. Strangely enough February also saw the highest volume of Tranche 3 contestable sites enter into fixed price/fixed term contracts, for supply to commence on 1 July 2009.

This means that over a quarter of the 330 Tranche 3 sites are now expected to have locked into contracts, which include carbon price pass through provisions, with their Tasmanian “Retailer of Choice”. The exposure draft Carbon Pollution Reduction Scheme (CPRS) legislation is now available at www.climatechange.gov.au

As in other interstate market deregulation processes over the past 15 years, this “critical mass” of decisions usually signals the start of a very busy period. The next 8-10 weeks will probably see the bulk of energy tendering, negotiating and executing of contracts occur into late May 2009. Allowing new entrant Retailers time to check metering arrangements and issue market transfer notices in early-mid June for new electricity contracts to start smoothly on 1 July 2009.

The Energy Users Association of Australia’s (EUAA’s) Annual **Tasmanian Energy Forum**, is being held on Monday 30th March 2009 at the Hotel Grand Chancellor, Launceston. Goanna, Principal Consultant, Marc White will be presenting “*Tendering and Negotiating a Competitive Electricity Contract in Tasmania*” at this event. EUAA Information and Registration forms can be downloaded at www.euaa.com.au

Disclosure: Goanna Energy Consulting Pty Ltd is both an Affiliate Member of and performs services for the Energy Users Association of Australia, for which it receives fees and/or commissions, such as for EUAA seminar registrants and memberships.

¹ <http://www.nsw.gov.au/energy>

² <http://www.hydro.com.au/storages/storage.pdf>

³ <http://www.nemmco.com.au>

WHAT DO TASMANIAN LARGE ENERGY USERS AND NEW MILK BAR OWNERS HAVE IN COMMON?

Almost 20 years ago I had an accountant address our management team on the commercial and cultural differences between the government and private sectors. Whilst I barely remember his sermon on maximizing revenue opportunities and controlling expenditure, I'll never forget the insight into **human nature** embodied in the story of a successful professional couple who were leaving Melbourne's corporate sector behind and preparing to purchase their first small business, a milk bar in a regional centre.

Prior to purchase the couple had wisely sought out the advice of the local accountant. During their first meeting the couple had brought along their business plan, in which they had meticulously planned to take the existing milk bar's weekly revenue (advertised as \$6,000 by the selling agent), to over \$8,000 per week within the first year. Excited by the opportunity of making such strong returns the couple presented their plans in eager anticipation of the accountants support.

Firstly the accountant explained that he already managed the financial affairs of many of the milk bars in town. Then he surprised his new clients by explaining to them that the average weekly takings for milk bars in Bendigo generally ranged from \$3,000 to \$5,000 per week. Finally the accountant confessed (to us) that the Sellers of this particular milk bar had a proven recipe and lucrative history for buying bottom quartile performers and turning them around quickly, before on-selling them for a healthy profit.

(Now fasten your seat belts for my sales pitch...)

Like our prospective new milk bar owners, many of Tasmania's large energy users (Buyers) are about to enter into negotiations for significant face value contracts (in the competitive energy market) for the very first time. In contrast, the energy retailers (Sellers) enter into these multi-million dollar negotiations every day of the week, many have well over 10 years experience, are armed with refined contracts and have substantial corporate resources behind them. *Yet despite the apparent inequities and the significant costs involved, we continue to hear some end users profess their confidence in undertaking these negotiations without the need of independent support".*

Should you decide that the face value of your energy purchase decision warrants specialist attention, please don't hesitate to contact us, we are here to help.

For more information please contact **Marc White**, Principal Consultant on (03) 6223 7253, Mobile 0418 596 162 or visit www.goannaenergy.com.au

HOW GOANNA HAS HELPED ITS CLIENTS SAVE MONEY:

We have helped our end user clients save tens of thousands of dollars accessing the lowest cost electricity and renewable energy rates by reviewing electricity tariffs and running energy tenders for the most competitive prices.

Our Tasmanian Electricity Market Information Sessions have helped prepare many newly contestable local businesses for "retail choice". We provide energy tenders, market and electricity price updates as well as analysing power bills and comparing your existing rates to the prevailing market conditions. Despite the significant price rises, our electricity tenders have yielded competitive outcomes.

WHAT TRANCHE AM I IN AGAIN?

Tranche (App. Sites)	Annual Consumption	Approximate Annual Spend	Date Contestable	End date of Grace Period
T1 (19)	>20GWh (Consume >60% total)	>\$2,000,000	1/7/2006	30/6/2007
T2 (46)	>4GWh	>\$400,000	1/7/2007	30/6/2008
T3 (330)	>750MWh	>\$80,000	1/7/2008	<u>30/6/2009</u>
T4 (1,375)	>150MWh	>\$25,000	1/7/2009	<u>30/6/2010</u>
T5 (261,481)	<150MWh Remainder	<\$25,000 & Residential	2010*	???

Source Aurora Energy Annual Report 2007/08.

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Dated 10 March 2009