

TASMANIAN ELECTRICITY MARKET 2008 - YEAR IN REVIEW

Tasmania started off the year with five Licensed Electricity Retailers but by the end of October only four remained with the surrender of Integral Energy's Tasmanian Retail License. Most notable was the fact that Integral reportedly held no Tasmanian customers, after participating in the local market for almost two years. Over the past 14 years each State electricity market deregulation has posed its own set of unique challenges for market participants and end use customers, clearly Tasmania is no exception.

On 30 June 2008 some 43 "Tranche 2" major electricity users (sites consuming more than 4GWh pa or some \$400,000 pa) saw their Regulated "Safety Net" Tariff expire. Reportedly in early-mid July a significant percentage of these had failed to commence market contracts for various reasons, meaning around a dozen of these large users were likely to be exposed to the "Spot Market" for several days or more.

They say fortune favors the brave and this looks to have been the case in this instance, with the Tasmanian spot market (capped between \$10,000/MWh and - \$1,000/MWh) recording a monthly average price of some \$31/MWh, there must have been several sighs of relief (or was there a lack of understanding of the level of risk assumed?).

The "Grace Period" Tariffs for the 330 Tranche 3 users (sites consuming more than 750MWh pa or some \$100,000 pa) has once again proven very difficult to beat for all but the very highest "Off Peak" energy consumers. With the vast majority of Tranche 3 Users choosing to stay on their existing Tariff, whilst continuing to "shop" for contract pricing for a "Supply Commencement" date of 1 July 2009.

Given that only a modest percentage of Tranche 3 users are reported to have executed market contracts (for supply commencement on 1 July 2009) and a significant volume of Code Compliant Meters are yet to be installed, the first half of 2009 is likely to be very busy, as the "Grace Period" Tariffs for these users expires on 30 June 2009.

It's anyone's guess as to how many of these Tranche 3 users will wind up playing the electricity markets equivalent of Russian roulette with the Tasmanian Spot Electricity Market on 1 July 2009. But with many likely to be facing significant price increases at the current market rates, energy conservation and maximizing the use of new "Off Peak" contract rates and Network tariffs are likely to be high on the agenda.

Based on the current market energy rates and combined with forecast increases in Network Use of System Tariffs, many Tranche 3 users appear to be facing nominal cost increases in the order of 20% – 35% for the 2009/10 Financial Year.

Despite these significant price rises, it is encouraging to note that well prepared electricity tenders have yielded competitive outcomes. A number of Tranche 3 users have seen price differentials in the order of several thousand dollars and in some cases more, over an average two year contract.

For 2009 the main question seems to remain rainfall and how Hydro Electric storages will fare from the current 30% level into 2009 and beyond?

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