

GOANNA ENERGY CONSULTING – APRIL 2010 TASMANIAN NEWSLETTER

Mandatory Renewable Energy Target increase published.

In late March the Office of the Renewable Energy Regulator (ORER) www.orer.gov.au announced the 2010 Renewable Power Percentage (RPP) at 5.98%, a significant increase over the 2009 level of 3.64%. Under the Mandatory Renewable Energy Scheme (MRET) the The ORER is required to publish the Calendar Year RPP prior to 31 March each year, to meet the Governments Target of 20% Renewable Energy by 2020. Due to this legislated increase in the MRET target, the RPP is now on a much steeper path than the previous commitment and therefore users need to factor these cost increases into their annual energy budgets.

So what is the impact on your current contestable electricity contract? Well that depends on the exact terms and conditions of your existing contract and also to some extent, at what date you entered into it. We interviewed one local retailer to establish some common situations and here is what they told us.

"Customers who entered in electricity contracts prior to September 2009, will notice increased Renewable Energy Certificate (REC) rates have flowed through into their electricity invoices from 1 January 2010. This is to say that the REC rates quoted in their original offer will no longer match their billed REC rates in the invoices. This is in line with the legislative change (increase) to the MRET and is catered for in most contracts under the Change Event terms, where amounts charged may be varied in response to a change in Law, such as the legislative increase to the MRET RPP.

Customers who have more recently entered into electricity contracts, such as following October 2009, are unlikely to notice any change in the billed REC amounts at this time as the increased MRET was largely known and taken into account in pricing proposals from late 2009."

The ***Energy Users Association of Australia** www.euaa.com.au will be holding the Annual **Tasmanian Energy Forum** on Thursday 29th April 2010 at the Hotel Grand Chancellor Hobart. The EUAA Tasmanian Energy Forum is the preeminent event for Tasmanian energy users and those with an interest in customer outcomes from the deregulated electricity and contestable natural gas markets. For this reason the EUAA is offering discounted registration rates for bona fide end-use energy customers, designed to attract as many Tranche 4 customers as possible.

With the cost of energy set to increase, borrowing from the EUAA Executive Director's words from last year's TEF, It's time for users to "*Get armed, get informed and exert influence*". **Download a copy of the agenda and registration form at** www.goannaenergy.com.au/EnergyUsers.htm

A lack of independent advice proves costly.

Like most new business owners when we started out in 2007 we wanted to help every energy user we came across. Two and a half years later we still do our utmost to help everyone but we can't escape the undeniable truth, that we "*can only hope to help those who know they need help and want to be helped*". The following story reminds us of this age old fact.

Back in July 2009 we contacted a local Tranche 4 customer, with the offer to assist them prepare for electricity contestability and to run a competitive energy tender process. They politely declined both our offer of assistance and our offer to attend a free education forum, instead choosing to "go it alone" in negotiating their new electricity contract.

In February this year we contacted them to see how they were going. The customer advised us that they had been unable to access any competing market offers, had signed a multi-year contract with the only retailer to make them an offer and that supply under this contract had already commenced at a **cost above the Grace Period Tariff**.

We were shocked at this response because, for this site, there was no need for contract supply to commence before 1 July 2010, unless the contract pricing offered was cheaper than the Grace Period Tariff. When we asked **why they would agree to pay more than they needed to, they simply said because "this is what we were offered"**. We thank them for kindly agreeing to share this experience with our readers.

If you thought a Tranche 4 site was hard work, try adding it to an Agri-Business!

During our tour of Tasmania's wonderful north in March, we presented Tranche 4 Electricity contracting workshops to some 50 DairyTas Members in Smithton, Ulverstone, Deloraine and Scottsdale. I met a great bunch of hard working people but their stories of mis-information and unnecessary costs really drove home the state of confusion surrounding the newly deregulated energy market in Tasmania.

By far the most common complaint related to Dairy farm site "Aggregation", which prompted our recent webpage release of a short article on this topic. Several farmers claimed to have been advised emphatically and repeatedly by the incumbent retailer that they could not "Aggregate" their sites in one geographic location, under sole ownership with adjacent titles for the purpose of retail electricity contestability, despite the fact that the Regulators web page www.power.tas.gov.au Fact Sheet 3 on Aggregation says you can apply to the Regulator for contestability on these grounds.

One dairy farmer claimed to have incurred "delays in commencing their new contestable electricity contract" and being billed for inappropriate Network tariffs", leading to thousands of dollars of excess costs" for which they had yet been unable to recover.

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Another claimed they had received a contestable notification letter but when they rang the incumbent retailer to confirm which of their several sites were contestable they were advised that they “didn’t have any contestable sites”.

Several farmers lamented the lack of knowledge of the retail call centre operator and the sheer frustration involved when “*you know more than the operator but they still won’t transfer you to a manager*” to resolve the issue.

Another Dairy farmer recalled that they had contacted the incumbent retailer “*repeatedly over the course of three years to query the bill as being double what they expected, only to be dismissed each quarter*”. Only when their new contestable smart meter was recently installed was it uncovered that the Current Transformer (CT) multiplier had been incorrectly recorded **at double its actual installed value, doubling their recorded consumption**. Their claims were finally vindicated and refunded. Alas, this three year old start up Agri-business lamented the long suffering caused by the critical cash flow impact of this massive over billing during its formative years.

Most of Tasmania’s Tranche 4 contestable sites have now entered into fixed price/fixed term contracts. A healthy share of these well prepared businesses have been able to beat the “Grace Period Tariff”, enabling these customers to commence their new contract supply arrangements well before the 1 July 2010 Deemed Fallback Contract would of kicked in. Despite this some 300 sites still need to negotiate contracts over the next 10 weeks to 30 June and it is worth noting that this was the total Tranche 3 workload of the previous financial year.

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

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