

GOANNA ENERGY CONSULTING – AUGUST 2009 NEWSLETTER

Your new contestable electricity invoice – where can it go wrong?

Over the past 15 years, from the UK to Australia the move from quarterly meter reading and “bundled” regulated Tariffs, to monthly billing and disaggregated contestable electricity accounts, has caused much suffering for utilities and consumers alike.

Almost inevitably, wherever energy deregulation is introduced, large scale Customer Information Systems (CIS) upgrades are required to cope with “smart meter” data and disaggregated billing. As a result of these multi-million dollar IT projects, case studies abound on cost blow-outs, time delays, functionality problems, integration issues, skyrocketing bill error rates and the resulting impacts on employee and consumer satisfaction. A Google search on “*Utility CIS failure*” returned 364,000 hits in 0.24 seconds!¹

Old style “Regulated” Tariffs require the multiplication of the kilowatt Hour (kWh) consumption by a single or stepped rate, in cents per kWh and the addition of a Fixed Daily charge, such as Aurora Energy’s General Business Tariff 22.²

In contrast, new contestable invoices often include Peak rates, Off peak rates, metering charges, Renewable Energy Certificate (REC) costs, Market Fees, Ancillary Services, Network tariffs, Demand and Daily Charges, along with both locational transmission and Distribution connection point, “loss factors” applying to summated ½ hourly consumption volumes for some (but not all) of these charges, plus the GST.

So if you have just received your first contestable invoice, fallen off your chair and are now struggling to reconcile the cost, despite repeatedly hammering your calculator... please don’t hesitate to contact us, we are here to help save you time and money with bill checking and network tariff comparisons’.

Economic Regulator approves Aurora Energy Tariff increases for 2009/10

On Friday 5th June the Economic Regulator approved Aurora Energy’s Retail Pricing proposal, for prices to apply from 1 July 2009 to 30 June 2010. Of note most business tariffs have risen generally by between 7.2% and 15.1%. These charges will apply on consumption from 1 July 2009. The Regulator noted “*significantly higher inflation, higher Distribution and Transmission charges and other costs such as Renewable Energy Certificates (REC’s) as contributing factors in the higher than forecast increases*”.³

¹ www.google.com.au

² http://www.auroraenergy.com.au/small_business/rates_and_charges/small_businesses.asp

³ www.economicregulator.tas.gov.au

In yet another example of how the energy market treats those who put their thoughts in writing, by the time the approval was released, Federal Regulatory uncertainty had fed into the Renewable Energy Certificate (REC) Market. With REC prices softening across all periods, by 16th July we saw sub \$40/MWh prices for Spot and Calendar 2009.

At a REC price of \$40/MWh the 2009 (Mandatory) Renewable Power Percentage (RPP) of 3.64% on total consumption to be acquitted, translates to a REC rate of some \$1.46/MWh of total consumption. With wholesale pricing differing from customer pricing, which may include portfolio impacts and volumetric risk premiums, often seen quoted above \$2/MWh.

Tasmanian Spot Market hits Cumulative Price Threshold for first time in history.

1st 2009 June saw immediate volatility in the Tasmanian spot electricity price with \$9,159/MWh recorded for the 10am Trading Interval (TI) by NEMMCO (Now AEMO).⁴ As it turned out this was a sign of things to come, as the “WattClarity” website reported on Wednesday 10th June that the National Electricity Market (NEM) “Demand rose above 32,000MW for the first time this winter (to 32,029MW at 18:00hrs).⁵ By 12th June new “NEM-Watch 8”, showed the Tasmanian spot electricity price had hit a current Year to Date record of \$9,992.30/MWh for the 09.30 Trading Interval (TI).⁶

Tuesday 16th June saw the Tasmanian spot electricity market repeatedly hit above \$9,990/MWh. Reaching the Cumulative Price Threshold (CPT) for the very first time in Tasmania, which lead to an Administered Price Period (APP). An **Administered Price Period (APP)** is triggered when the sum of the spot prices in a single region for the previous 336 Trading Intervals (seven days) reaches the Cumulative Price Threshold (CPT), currently \$150,000. On 16th June 2009 Tasmania reached the CPT of \$150,000/MWh.⁷

Following June’s record spot market volatility in Tasmania it would appear that very few of the 330 Tranche 3 contestable sites were willing to chance exposure to this market on 1 July 2009, through the Deemed Fallback contract.

⁴ <http://www.aemo.com.au>

⁵ <http://www.wattclarity.com.au/Public/Article.aspx?aid=73>

⁶ <http://v8.nem-watch.info/>

⁷ <http://www.aemo.com.au/electricityops/150-0075.pdf>

Tranche 4 Deemed Fallback Contract proposed to pass thru Spot market costs.

Once again the proposed Deemed Fallback contract in Tasmania is set to be based upon a “Pool Pass Through” or “Spot market” type contract plus a 12% Gross Retail Margin. The Regulator has invited submissions on its draft determination, with consultation closing on 14 August 2009.⁸ This contract will apply to those Tasmanian Tranche 4 users who fail to enter into a contract, or make other arrangements after the end of their “Grace Period” Tariff on 30 June 2010.

Tasmanian Hydro storage levels continue to rise to their current level of 32.9%, as reported by Hydro Tasmania on 27th July 2009.⁹ With the Office of the Tasmanian Economic Regulator July 2009 Newsletter reporting that Hydro Tasmania was “*continuing its program to maintain storage levels to ensure Tasmania’s energy security*”.¹⁰

Goanna to present at Tonkin Corporation – Tasmanian Energy 2009 Conference

In addition to Chairing Day 1, Goanna Principal Consultant, Marc White will be presenting the Retail Customer Experience at “Tasmanian Energy 2009”. The Tonkin Corporation conference is being held from Wednesday 28th to Friday 30th October at the Grand Mercure Hadleys Hotel in Hobart. Program and Registrations are available at www.tonkincorporation.com

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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Dated 1st August 2009.

⁸<http://www.economicregulator.tas.gov.au/domino/otter.nsf/a08b00d12c2fae17ca256c4c0020929e/21c650ca0ba21786ca256e16000359eb?OpenDocument>

⁹<http://www.hydro.com.au/storages/storage.pdf>

¹⁰<http://www.economicregulator.tas.gov.au/domino/otter.nsf/a08b00d12c2fae17ca256c4c0020929e/4377bfe3106d57b4ca2573cb00018850?OpenDocument>