

GOANNA ENERGY CONSULTING – FEBRUARY 2010 NEWSLETTER

Over half of Tasmania's Tranche 4 contestable sites have now entered into fixed price and fixed term contracts. A fair share of these well informed businesses have benefitted from recent strong competition and been able to beat the "Grace Period Tariff". This has enabled these customers to make savings by commencing their new contract supply arrangements well before the end of access to their regulated Tariff on 1 July 2010, after which the Deemed Fallback Contract would apply.

Despite this progress, the next four months will still see the largest workload of energy tendering, negotiating and contract execution ever to occur in Tasmania. With strong efforts underway to ensure smart metering arrangements are in place for timely market transfers and/or to facilitate new contract commencements by the 30 June 2010 deadline.

Despite the time pressure to get firm contracts into place, customers are reminded to be wary of unsolicited offers. Again last week, we were called in to evaluate an unsolicited electricity proposal, only to find this energy offer was almost 10% above our benchmark expectations. The result, our client was able to save thousands off the original offer and also to get the terms they wanted.

Goanna continues its energy market education role in 2010 with "**Electricity Contracting in Tasmania's Deregulated Market and Renewable Energy Options for the Dairy Industry**" workshops. DairyTas in conjunction with Joule Logic and Goanna Energy Consulting will be holding workshops in Smithton, Ulverstone, Deloraine and Scottsdale on Monday 1st and Tuesday 2nd March 2010. Download a copy of the registration form at www.goannaenergy.com.au

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. Download a copy of the program outline and registration form at www.goannaenergy.com.au/EnergyUsers.htm

Tasmanian Hydro storage levels continue to decline to their current level of 39.1%, as reported on 1st February 2010.¹ The pendulum appears to have swung on the Tasmanian Pool Price as this "Spot" market has remained quite subdued since the wild gyrations experienced in June 2009. In fact, the first few days of February 2010 delivered a negative price result.² It remains to be seen what surprises are in store for the remainder of the financial year?

¹ <http://www.hydro.com.au/storages/storage.pdf>

² <http://www.aemo.com.au>

Volumetric Contract Limits – Do you have them? How are they going?

With all energy generated and consumed settling each half hour through the National Electricity Market (a Gross Pool), little scope exists for back dating to fix problems. For example last year whilst trawling through some old energy invoices, we found one client had paid an additional \$5,000 for operational changes that lasted less than a few hours. In retrospect had we been advised in advance of these planned works, we felt confident that a far less costly outcome may have been organised.

In terms of your electricity contract, forecasting can be critical when planning operational changes which can significantly impact on energy consumption, either up or down. In fact in some very large user cases, planning shutdown or maintenance works carefully can actually produce additional commercial value at certain times.

As most electricity contracts in Tasmania run on a financial year basis, now is probably a good time to review your “year to date” consumption and reconcile this against your annual “contracted volume”, to ensure the full year forecast falls well within any agreed volumetric contract limits.

Failure to remain within these contract bands can sometimes expose businesses to either “Take or Pay” type obligations or Spot Market exposure for consumption above predefined limits.

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