GOANNA ENERGY CONSULTING – MAY 2009 NEWSLETTER

As predicted in our March Newsletter, April saw a marked increase in customer contracting activity on a "customer" scale never before experienced in Tasmania. With the last half of the 330 Tranche 3 contestable sites beginning to issue tenders and negotiate electricity contracts, with their Tasmanian "Retailer of Choice", before risking exposure to the spot market price, via the Deemed Fallback Contract on 1 July 2009.

End user contestable "Peak Rate" pricing for 2009/10 and 2010/11 financial year electricity contracts in Tasmania, continued to soften overall in April from their highs of January/February 2009. However at the time of writing the 2009/10 market prices still translate to costs above Tariff for the vast majority of Tranche 3 consumers.

Late April bought short lived sighs of relief as Off Peak prices for 2009/10 plummeted, only to be rapidly withdrawn and later replaced with more modest declines. For most of our Tasmanian clients this was their first experience of having "firm offers" withdrawn, causing consternation as users started to enjoy the recently extended validity periods.

Tasmanian Hydro storage levels stabilized during April around the current level of 24.8%, as reported by Hydro Tasmania on 27th April 2009.[1] The Tasmanian Electricity Spot Market featured strongly in NEMMCO's April 2009 Pricing Events Report, where NEMMCO reports on Regional spot market prices above $300/MWh. This Pool Price volatility helped push up the average Load Weighted Regional Reference Price in Tasmania to $69.46/MWh for the month of April.

Tuesday 7th April in Tasmania saw the cumulative prices of the "Raise 6-second Frequency Control Ancillary Services" (FCAS) and the "Raise 60-second FCAS" reach $148,476 and $148,120 respectively (on a trading interval basis) or close to 99% of the threshold for an Administered Price Period. As reported by NEMMCO, with Basslink importing into Tasmania at its limit and local generators being either ramp rate constrained or fully dispatched, generation offered in higher priced bands had to be dispatched, resulting in one ½ hour Trading Interval reaching $2,473/MWh.[2]

The Australian Energy Regulator (AER) released its final Transend Transmission Determination for 2009–10 to 2013–14 on the 30th April. The 287 page report can be found at www.aer.gov.au Transmission costs make up around 10% of the average bill and the Determination will see Transend's maximum allowable revenue increase by 14% over the 2008-09 level, with an average increase of 6% pa over the full 5 year period. These increases will flow into the Aurora Energy Network and Retail Tariffs for 2009-10, which will be released over the coming weeks.

[1] http://www.hydro.com.au/storages/storage.pdf
[2] http://www.nemmco.com.au/opreports/pricing_apr.html

An electricity "market" contract is not the same as your old regulated Tariff.
The Tasmanian Economic Regulator's "Power to Choose" website, "Fact Sheet 6" titled "*Choosing an Electricity Retailer*", provides an insight into the range of contract alternatives, in the paragraph reproduced below.[3]

"… Negotiating an electricity retail contract can provide your business with many different options to consider. Retailers may offer electricity contracts at various prices; fixed, variable or "flow-through" rates. Retailers may also offer contracts for different lengths of time and offer additional services such as natural gas contracts, customised billing and energy management advice."

Several Tasmanian contestable electricity consumers we have spoken to, who have chosen to "go it alone" with their energy negotiations, tell us they executed electricity contracts "as presented" by Retailers.

In contrast to this, virtually all Goanna clients have to date enlisted the support of their legal professionals to vet these contracts. In the vast majority of cases this has seen Goanna negotiate improved terms and conditions on behalf of our clients. The face value of these electricity supply contracts usually provides a strong incentive to ensure any contract is tailored to best meet your business needs.

The Regulators Performance Review on the Tasmanian Electricity Sector, known as the "*2007-08 Energy Supply Industry Performance Report*", includes summary results of the Tranche 2 and Tranche 3 End Use Customer Survey. Pages 204 – 208 describes many of the difficulties faced by Tasmanian Users, most of which still appear to apply today. This Report can be found on the Regulators Web Page under Electricity, Performance Monitoring and Incident Reporting and is well worth reviewing.[4]

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Dated 3 May 2009

[3] http://www.power.tas.gov.au/domino/power.nsf/v-lu-factsheets/Choosing+an+Electricity+Retailer/$file/Fact-Sheet-6-Choosing-an-Electricity-Retailer.pdf
[4] http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/08_4370%20_ESI_Performance_Report_2007_08.pdf/$file/08_4370%20_ESI_Performance_Report_2007_08.pdf