GOANNA ENERGY CONSULTING – MAY 2011 NEWSLETTER

NINE THINGS YOU NEED TO KNOW ABOUT TRANCHE 5A CONTESTABILITY

1. During late May/June 2011 some 3,500 Tasmanian electricity consumers who spend around $10,000 per annum or more on electricity at one metered site, known as a "NMI", will receive Tranche 5a contestability notification from Aurora Energy Network.

2. Tranche 5a electricity contestability in Tasmania will enable users who have consumed more than 50,000kwh of energy in the 2010/11 Financial year at one metered site (NMI), to negotiate a competitive retail supply contract.

3. The "contestable" or competitive elements of the electricity bill, such as peak and off peak energy and Mandatory Renewable Energy Certificates, make up around half the total cost of electricity, it is these cost components which are negotiable. Independent energy consultants, such as Goanna Energy Consulting and energy brokers such as Goanna's wholly owned subsidiary, Tasmanian Energy Brokers exist to help customers make the most of these opportunities and avoid the pitfalls.

4. The other half of the supply costs are predominantly made up of "Network Use of System" (NUoS) or transport charges, which remain regulated monopoly costs. Aurora Energy Network will continue to operate and maintain the poles and wires, irrespective of which Retailer you choose.

5. Whilst these Network transport charges are regulated, Tranche 5a users have a choice of several Network tariffs, some of which require the installation and additional cost of a "smart meter". Independent energy consultants, such as Goanna, can help advise you on your choice of Network Tariff. Choice of network tariff is totally independent of your choice of retail energy supplier and you can elect to change your network tariff irrespective of when your retail contract ends.

6. Retail contracts for Tranche 5a consumers can be negotiated as soon as you receive your Tranche 5a notification letter. However supply under these contracts cannot commence until 1 July 2011 and possibly later where a "Smart Meter" is required.

7. Unlike previous rounds of contestability, there is a regulated "Standing offer contract" available for Tranche 5a consumers (50MWh - 150MWh pa), which you can stay on indefinitely and may even return to once your contract ends.

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8. With a Standing Offer Contract available, the main reason to enter into a contestable market contract is to make savings over this Standing Offer. The amount of savings available (if any) through a negotiated contract will depend on many factors, including the prevailing electricity market conditions, your peak demand and your consumption profile between peak times and off peak times. Independent energy consultants, such as Goanna Energy Consulting and energy brokers such as Goanna's wholly owned subsidiary, Tasmanian Energy Brokers, along with electricity retailers should all be able to help you with these calculations.

9. Finally and most importantly, it's not just about price. Energy users should also be aware that the terms and conditions of competitive market contracts are likely to be different to both the old Tariff and the new Standing Offer Contract. Energy users should therefore familiarize themselves with the contracts on offer and how these suit your business circumstances and feel comfortable seeking **independent legal advice as you would for any other transaction of this value.**

An overview 9 min Goanna YouTube video on the components of your electricity bill and Tranche 5a contestability is available to watch at:
http://www.youtube.com/watch?v=OYzIeQkwOVs

AURORA ENERGY RETAIL & NETWORK TARIFF ESCALATIONS FOR 1 JULY

Last year residential and small business consumers were told to expect an average increase of 8.7% in non-contestable or monopoly electricity tariffs from 1 July 2011. However, due to the introduction of the Small-scale Technology Certificates (STC's) on 1 January 2011, the actual cost increase on electricity tariffs for the 2011/12 financial year may well be significantly more than this. Particularly given that Aurora Energy Retail would of been exposed to these additional cost obligations from 1 January 2011, and could reasonably be expected to have these legislated costs recovered.

Moving now to Network Tariffs, which make up around half of the average cost of delivered energy, the Aurora Energy Network proposal recently released, includes increases of up to 17.7% for Residential and Small Business Network tariffs, 11-14% for N13b Time of use Tariff popular with Tranche 4 contestable customers and up to 11% for N08a Irrigation network tariff. These cost increases are likely to flow through to all classes of customers from 1 July 2011. **For more information on the likely total cost impacts to your business contact Marc White on 0418 596 162.**

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DO LOSS FACTORS APPLY TO RENEWABLE ENERGY CERTIFICATES (REC's)?

Following on from last month's story on Small-scale Technology Certificates, we also receive queries about the application of Loss Factors on certain components of the electricity account. When energy markets are deregulated business electricity accounts often become "unbundled". That is, each of the significant cost elements become more transparent and itemised on electricity bills. One such cost group is known as "Loss Factors". Loss Factors are applied to the metered electricity consumption to recognise the costs of transporting energy over distances and supplying energy at different voltages.

Loss Factors are applied in two forms, Transmission Loss Factors (TLF's) and Distribution Loss Factors (DLF's). TLF's are location based, not unlike a map of the council boundaries, the state is broken up into almost 60 geographic areas and Losses are calculated for each financial year based on changing energy flows around the state.

These calculations are impacted by distances between customer loads and generators, including Hydro, Wind, Gas fired generation and even Basslink. In the South TLF's could add 5-6% onto the energy component of the metered electricity consumption. Whilst at Derwent Bridge or in the North West TLF's could actually reduce the metered consumption by 3-4%. Whilst these Transmission Loss Factors apply to metered energy consumption for contestable accounts, **TLF's do not apply to REC's, either Large Generation Certificates (LGC's) or Small-scale Technology Certificates (STC's).**

The other Loss factor is the Distribution Loss Factor or "DLF" and this is known as a "Connection Point" Loss Factor. DLF's also vary around the state in seven main regions, but are mainly reflective of the voltage level at which supply is taken. I.e. In general, lower loss factors apply for taking supply at higher voltages. Unlike TLF's, DLF's are always positive, varying from 0% for some High Voltage Transmission connections up to 7-8% for a basic Low Voltage street mains type supply connection.

For example, taking supply from the low voltage street mains in Hobart would attract a DLF of 1.0647 in this Financial Year, effectively grossing up your consumption by 6.47%. Whilst owning your own High Voltage Substation, like some of the larger aged care facilities and factories, would attract a DLF of 1.0159 in the same area.

DLF's apply to Renewable Energy Certificates or REC's, for both Large Generation Certificates (LGC's) and Small-scale Technology Certificates (STC's).

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OVER-BILLING CONTINUES TO PLAUGE LARGE ELECTRICITY CONSUMERS

If you have read the story above it may come as no surprise to you that once again during April we saved a local engineering company and a caravan park a significant amount of money by reviewing their contestable electricity invoice for overcharging! If you are spending over $30,000 per annum on electricity at one site and would like us to assess your energy bill for saving opportunities, contact us.

AM I ON THE CHEAPEST NETWORK TARIFF AVAILABLE?

Unfortunately, along with examples like the above, we continue to see businesses paying more than they need to. Another common problem we see is being left on the wrong Network Tariff after having entered a contestable market contract. **Recent classic examples of this have included Controlled Off Peak Energy Tariff N06 and Irrigation Tariff N08.** If you have either of these network tariffs appearing on your invoice it is worth contacting Goanna Principal Consultant, Marc White on 0418 596 162

OUR NEXT EDITION WILL FOCUS ON ENERGY SAVING OPPORTUNITIES FOR BUSINESS

Disclosure: Tasmanian Energy Brokers Pty Ltd is a wholly owned subsidiary of Goanna Energy Consulting Pty Ltd.

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