

## **GOANNA ENERGY CONSULTING – OCTOBER 2010 NEWSLETTER**

### **AGL APPLIES FOR RETAIL ELECTRICITY LICENCE IN TASMANIA**

Mid September 2010 saw major Australian energy company AGL apply for a retail electricity license in Tasmania. A significant development given AGL currently retails energy to over 3 million Australian customers. AGL certainly have the resources to make an impact in our market but only time will tell whether they seek to secure 1,000 Tasmanian customers or just 1! The likely granting of this license to AGL will see Origin Energy as the last major Australian retail energy market participant yet to initiate a strategy to enter the Tasmanian Electricity market.

What is clear is that the imminent passage of Tranche 5a legislation in Tasmania will see several thousand additional SME customers qualify for contestability. Tranche 5a applies to Tasmanian customers who consume between 50,000kWh per annum (around \$10,000 pa) up to 150,000kWh pa (around \$30,000 pa). With all this electricity tendering, pricing and contracting, plus the addition of a new electricity billing system, early 2011 is shaping up to be a busy year for both electricity consumers and suppliers alike!

### **DON'T MISS THE ENERGY USERS ASSOCIATION OF AUSTRALIA'S ANNUAL CONFERENCE IN BRISBANE ON 12<sup>th</sup> & 13<sup>th</sup> OCTOBER 2010**

Stay up to date on the latest developments in the Australian energy market and hear from Government and industry experts, as well as international speakers, on what's in store for the future of energy and renewable energy pricing at this preeminent event. Download the program and your Registration Form at [www.euaa.com.au](http://www.euaa.com.au)

### **GOANNA HELPS CLIENTS SAVE MONEY RECONTRACTING NATURAL GAS**

Last time most of our clients contracted for Natural Gas it was for their initial "*commissioning supply*" of Natural Gas. At this stage most customers had little knowledge of what their actual Maximum Daily Quantity (MDQ) or Annual Contract Quantity (ACQ) was likely to be. As a result of this both the Customer and Supplier had to take on some risk around these unknown volumes and as you know, risk management comes at a premium price.

Unlike the Retail electricity market, natural gas contracts can include substantial Take or Pay (ToP) provisions and hefty over-run charges, which flow through from the commercial terms negotiated "Upstream" at the Well Head. Goanna use high quality information about both past and future energy consumption to derive improved pricing outcomes and better risk management for our clients. Goanna offers "fixed price" Natural Gas Supply Tenders to ensure you get the most competitive deal for your business. **Contact Marc White now on 0418 596 162 to find out more.**

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## **SPOTLIGHT ON DEVELOPMENT OF TASMANIA'S NATURAL GAS MARKET**

Seven years since Natural Gas was first connected to Tasmania and the relatively cheap fuel source is playing an increasing role in the local economy. Natural gas now passes some 43,000 homes and business in Tasmania, of which around 8,000, or one in 5, are connected (Mercury, Sunday Tasmanian, 19 Sept 2010. "Gas Option goes begging" P. 11). Whilst the majority of these connections are residential this number is increasing by well over 1,000 sites per annum.

Most of these new connections are free, where newly connected loads **include both hot water and space heating**, whilst loads of under 40GJ per annum (less than ~\$850 pa) now attract a connection charge. The recent growth has been in ducted gas heating loads, a result of an increased awareness of the cost advantages of this relatively cheap fuel source. Word of mouth is impacting uptake of gas as have the recent increases in Tasmanian tariff electricity prices, causing consumers to look wider for their heating options.

The Launceston General Hospital (LGH) cogeneration plant is commissioned and operating, supplying base load power of some 2MW to the LGH, and providing relief to the Launceston electricity supply infrastructure. The Fonterra Wynyard project commenced operation in late August 2010. Whilst a delay in the Carbon Pollution Reduction Scheme (CPRS) has also delayed conversion to natural gas of the states remaining large thermal coal fired energy users. However, all large industrial customers fronting the natural gas networks have now converted to natural gas for all thermal and heating needs.

A few smaller electrode boilers remain, most of which will either be replaced with natural gas, upon the electric units eventual failure, or where commercial pressure from increasing electricity costs force this switch.

The Tasmanian Climate Action Councils advice to the Tasmanian Government, by way of the "*Tasmanian Wedges Report*" has released its final document on "*opportunities to reduce Tasmania's Greenhouse gas emissions*". Whilst the report highlights opportunities for larger industrials to convert to cogeneration, unfortunately there are no funding programs available to support these. Never the less, Cadbury and Cascade Brewery have now made the move from coal to natural gas as a straight thermal replacement, without any government assistance.

Both Tasmania and Australia's spot market price for electricity has been historically low over the past several months, due to a number of factors, including CPRS uncertainty. Unfortunately for users, this situation is largely offset by increasing electricity network charges.

### **CAN I SAVE MONEY BY CONSOLIDATING MY NEW SMART METERS?**

In our last edition we spoke about making “*Smart use of your new smart meter*”, but it is possible to have too much of a good thing. Some contestable customers may have noticed that they are paying for not one but two or three smart meters inside their meter box. Whilst in the past one "dumb" spinning disk meter was required for each tariff and these were relatively cheap, each new smart meter is likely to be costing you between \$915 and \$1,250 per meter per annum in Tasmania. In some cases multiple smart meters can be consolidated to avoid paying multiple metering fees. However there are a few catches. A registered electrician is required to consolidate the meter position and where Current Transformers (CT's) are installed different CT ratios may also make this a prohibitive or more costly exercise. In the event that you don't actually use the extra data or need this additional metering, a business case can usually be developed to work out what's best for you.

**PREPARING YOUR 2011 OP EX BUDGET?** Contact us to find out what you should know about Tasmanian Electricity Costs in 2011. We provide monthly seasonalised energy cost forecasts for 2011 and beyond to help you get it right. While you're at it, why not let us check the accuracy of your previous electricity bills and optimize your Network tariff to ensure you are not overpaying for energy!

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

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