Key Energy & Resources

Key Energy Review – April 2005

Welcome to the April edition of our Newsletter. This edition continues on with information about some of the environmental compliance costs that are embedded in your electricity accounts as well as some up-to-date information on energy prices. Hot off the press – International Power and Energy Australia have entered into a JV to retail gas and electricity in Victoria and NSW. As usual **further information** about energy prices or any energy / greenhouse related item can be obtained by e-mailing us at info@thekeygroup.com.au.

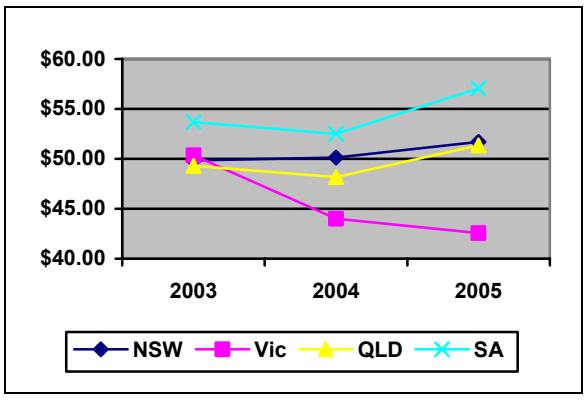
New South Wales Greenhouse Abatement Program applies to all electricity retailers in NSW and as of 1 January of this year to all **ACT electricity retailers.** The program targets a 5% reduction in per capita greenhouse emissions by 2010 (compared to the 1990 baseline). As with the MRET scheme, the target is being gradually phased in and, once again, retailers are unilaterally passing on the cost of compliance to their customers. This currently costs NSW consumers about $1.50/MWh and is expected to increase to $2.75/MWh by 2010. Program compliance is via **NSW Greenhouse Abatement Certificates (NGAC)**. NSW retailers must surrender their pro-rata allocation of NGAC's each year or pay a penalty. NGACs are generated by eligible emission reduction activities. This includes many energy efficiency projects and *NSW/ACT consumers who undertake appropriate energy efficiency work are able to create NGAC's that can then be sold into the market*. Several of our clients are now looking at this option.

Land Tax to replace Smelter Levy. Victorian electricity users were pleased to see the removal of the $2.48/MWh smelter levy in July of 2004. However, the joy was short-lived. A new land tax, to replace the smelter levy was included in the Transmission component on the NUoS fees. In round terms, this is increasing costs by about $3.50/MWh. There really is no way to avoid death and taxes! Several of our Victorian clients are reporting NUoS price increases of over 10%. *This makes it even more important to regularly check that you are on the most cost effective NUoS tariff.*

DST or EST? If you have assumed that retail energy rates and NUoS tariff rates follow Daylight Savings Time (DST), then think again! Most time stamps in the National Electricity Market (NEM) relate to Eastern Standard Time (EST). For those of us that have daylight savings this could be an advantage with an extra hour of off-peak in the morning over summer periods. But, if you are working night shifts then it could work against you.

Electricity Prices are likely to be foremost on many minds, especially with the amount of contracts that are about to be renegotiated. For most of us, there has been a general hardening of prices since the advent of deregulation (SA is the notable exception) but prices still haven't risen to the point where the gains brought about by deregulation have been lost. The change in year ahead forward prices (a realistic indicator price change) as at April are shown below.

Year Ahead Forward Price ($/MWh)



Note: Any advice contained herein is general in nature and not specific to any client's requirements. Further personal advice should be sought from a qualified consultant before making any decisions relating to material contained herein.