

Key Energy & Resources

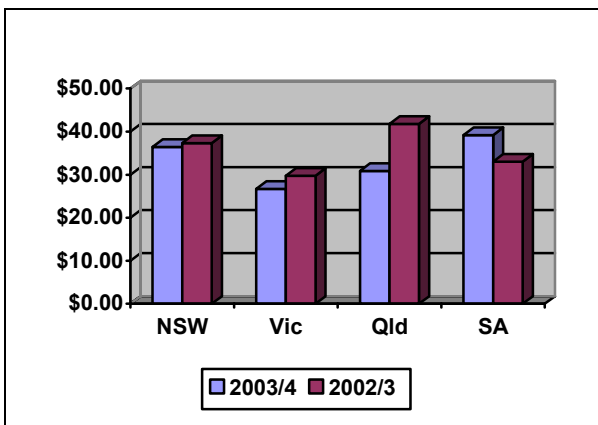
Key Energy Review – August 2004

Welcome to the August edition of our newsletter. Over the last few months there has been a lot of activity at the ‘top end’ of the energy industry, i.e. the production end and the regulatory end. Although it might appear that this is of little relevance to ‘industrial and commercial’ users, there is bound to be some flow on effect. Given that the financial year has just ended, this edition focuses on electricity prices. As usual **further information** about energy prices, anything else in this newsletter or any energy / greenhouse related item can be obtained by e-mailing us at info@TheKeyGroup.com.au.

“Energy deregulation is not about price savings”. These were the brave words of the CEO for the Center for the Advancement of Energy Markets in Washington DC, one of the recent speakers at the EUAA conference. Unfortunately, he may be right, especially for users in SA and parts of Queensland. The real problem is that the debate has come too late, deregulation is here and without long term price savings the whole process is a ‘lame duck’.

Energy Prices. Many Victorian users who recently renegotiated electricity contracts were able to make significant savings, perhaps 10% or more. NSW presented an interesting quandary, power was flowing into NSW and NSW prices were higher than Victoria. VWA Pool prices for the last two years are shown below.

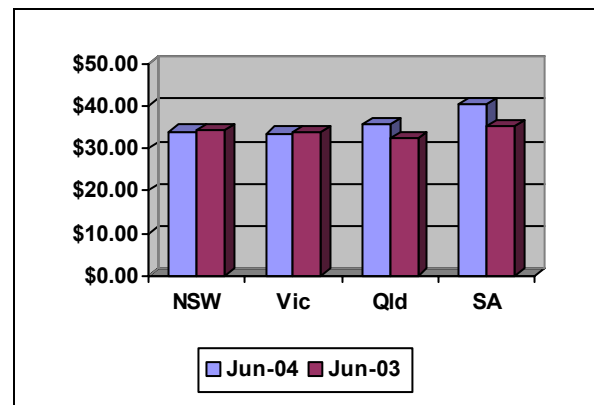
VWA Pool Price (\$/MWh)



With the exception of SA, all jurisdictions saw pool price decreases, especially Queensland. Despite transmission links, there is no noticeable convergence of pool prices.

Electricity Future Prices are often regarded as a more appropriate indicator of retail prices than the pool price. Future prices ‘out one year’ are shown below, i.e. the June 2004 future price is for 2005/6 and the June 2003 future price is for 2004/5. It is important to note that this is for perfectly flat load with no allowance for volume variation or load shape.

Electricity Futures (\$/MWh)



Unfortunately, future prices have increased in Qld and SA. Hopefully the newly announced Kogan Creek Power station will soften prices in Qld.

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.