

Key Energy & Resources

Key Energy Review – August 2005

Welcome to the August edition of our Newsletter. Good news for Victorian consumers. The ESC's draft Electricity Price Review looks like some real savings will be passed onto all Victorian consumers. Lets hope it is also an indicator of similar moves for other NEM jurisdictions. Victorian's are also benefiting from some relatively low contract prices. Unfortunately these low prices are not migrating to the rest of Australia. 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.

The Deregulation juggernaut continues – Tasmania joins the NEM. Tasmania has recently joined the National Electricity Market (NEM) and as of 1 July 2005, consumers using more than 20 GWh per annum are entitled to negotiate a contract with the electricity retailer of their choice. Unfortunately, there is still no link to the mainland (Basslink has been delayed until May 2006). Hopefully once the link is established prices will drop (spot prices in Tasmania have been over \$100/MWh), market liquidity will increase and some good deals will be done. In the meantime, our advice is to be very careful before signing an electricity contract that is for more than 12 months.

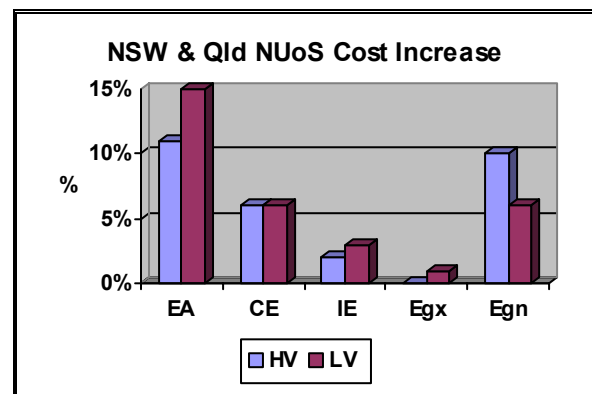
Retailers continue to aggregate. Many market analysts predicted that the NEM would settle down with three or four major retailers plus one or two niche players. Several years ago there would have been over 20 significant energy retailers across the NEM and it was not uncommon to have up to 15 bids for some of the more attractive contracts. Today these numbers have probably halved and the number of retailers (excluding small retailers set up to service the domestic market) continues to decline. As we reported in April, International Power (IP) and Energy Australia (EA) have formed a joint venture. More recently, the owners of Auspower (CLP) have purchased TXU, now known as TRUenergy. Who will be next?

Energy Saving Fund. The Department of Energy and Utility Services has recently announced their Energy Saving Fund. In a nutshell, they have

\$40m pa for the next four years to help fund energy saving projects. They also have a Water Saving Fund (\$30M pa for the next four years). On the down side, funding for the fund is, in part, being levied on the electricity network providers and will filter down to users.

Network Tariffs in NSW and Queensland have unfortunately moved up. Unlike Victoria, where it looks like Network Use of System (NUoS) tariffs will go down, the NUoS tariffs recently promulgated in NSW and Queensland are showing some real increases.

Typical price movements, subject to energy use patterns are shown below. (These may vary as a function of location and energy use pattern, especially in Ergon's area). There has also been some change in the structure of several tariffs, so it would make sense to carefully check your tariffs and see if savings are possible.



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.