



Key Energy & Resources

Key Energy Review - December 2003

Seasons Greetings!

We hope that the coming year brings you all success, health and happiness. For Key Energy & Resources the last year has seen further growth and exciting development. We finally settled into our new Melbourne premises, all systems are working and we are looking forward to another fantastic year.

A special "thank you" to all those clients who have contributed to our success.

Energy complaints reach record high'

(Melbourne Age newspaper, November 19)

...and *billing was the main source of complaint.*

This is probably not much of a surprise for those of us involved with the energy industry. Five years or more after the 'large scale' introduction of deregulation we are still seeing a plethora of accounts that are not correct, tariffs that are wrong and the inclusion of erroneous charges. As with everything else 'Buyer Beware', check your energy bills and ask your account manager to explain any discrepancies. If you prefer, Key Energy & Resources can check your accounts and warehouse your data. We have a number of services and you might be surprised to find out how little some peace of mind costs.

Energy prices continue to remain low, although how much longer they will remain low is anybody's guess. Pool prices for the last twelve months were between \$25/MWh (Victoria) and \$31.65/MWh (Queensland). Given that NEMMCO is predicting supply shortages within the next few years we can expect prices to begin to rise. This view is reflected in the retail market where two and three-year contracts seem to be delivering good value while longer contracts are attracting a price premium. Not sure if the price premium attached to the longer deals will bring value, but reasonably sure that prices will strengthen over the medium term.

Tariff changes are planned for the new-year. At best, we can expect some increases; at worst we can expect the introduction of some more complex and

confusing tariffs. Current indications are that the Victorian increases will be roughly in line with inflation. Our next newsletter will point out any major differences. Keep an eye on the first few accounts for the new-year.

Western Australia is unlikely to ever join the National Electricity Market (NEM). Nevertheless, Western Australia is proceeding with deregulation, albeit according to a model that is more attune to their needs and some of our clients are getting some good outcomes, including savings. As with any energy market, shop around, don't take the first offer that is available and check the commercial terms. Most importantly, ensure that your new electricity contract will not leave you stranded once the new market design is adopted and will not leave you exposed to 'Available Capacity Payments.

Seasonality has always been a dominant part of the electricity market. Contract anniversary dates normally coincide with June 30 (mid winter) or December 30 (mid summer). Given that electricity demand is weather driven, mid winter and mid summer are usually times of high demand and high price. Thus, they are probably the worst time of the year to be negotiating a new electricity contract. Add onto this the frenzy caused by hundreds, if not thousands of people trying to re-negotiate their contracts and you can be sure that these are the worst times of the year to be negotiating a new contract. Our advice, negotiate your contract in advance and aim for March/April or September/October.

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