

Key Energy & Resources

Key Energy Review – December 2005

Welcome to the December edition of the Key Energy Review. It's hard to believe that another year is drawing to a close so quickly. In some respects it has been another year with 'more of the same'. More than ten years into the deregulation process and we are still talking about supply shortages in the electricity market. But, at least there is some good news, especially for Victorian customers who will benefit from some very significant network price reductions. 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.

Most importantly, **Seasons Greetings**. Lets hope we all have a healthy and prosperous New Year.

Significant Victorian Network Price Reductions have been tabled in the Essential Service Commission (ESC) final decision. Unfortunately, this represented a softening of the draft position. Nevertheless, there are some welcome savings for the New Year. It is expected that there will be some tariff rebalancing and *all Victorian electricity consumers should carefully check their electricity accounts, ensure that they are getting the full benefit of this decision and check that there is not a better tariff option.*

Network Price Reductions

LNSP	Draft	Final
AGL	14.0%	3.1%
CP	22.3%	7.7%
PC	22.5%	16.4%
TXU	16.5%	7.8%
UE	23.4%	15.6%

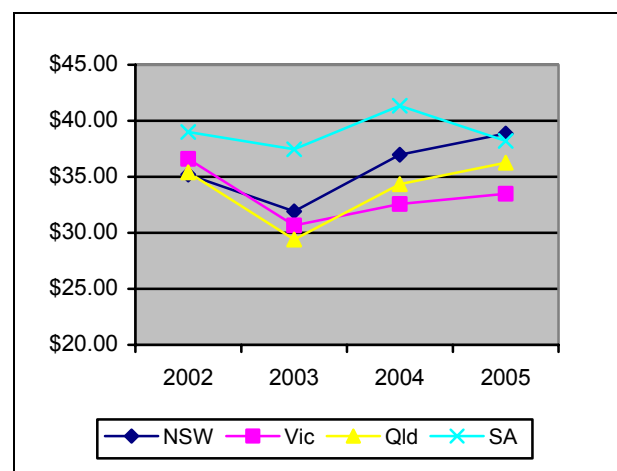
Electricity Cost Study showed major 'overspending'. Key Energy & Resources undertook a detail study of electricity costs for 30 sites in the Bendigo area with a combined spend of \$12M per annum. Total savings through tariff changes, demand re-set and effective contract negotiations were \$1.5M or a staggering 12% of total cost. It is expected that these results are 'typical' and *this provides even more reason to check your energy accounts.*

Supply Shortages are once again being foreshadowed for the National Electricity Market (NEM). This time it is a 500MW reserve shortfall for Victoria/South Australia. This could lead to

higher prices across the NEM, and power restrictions across Victoria and South Australia during the warmer weather, typically February 2006.

Where are retail electricity prices going? As we have said before, predicting future electricity prices is a bit like a horse racing scheme. As a start, the ratio of the 'year ahead forward price' at the time of contract renegotiation to the 'year ahead forward price' at the time your current contract was initially negotiated (i.e. the **Key Electricity Index**) is a guide. Year ahead forward prices are shown below, so you can make an estimate of how your retail electricity prices are likely to move. If nothing else, it shows some interesting price trends.

Year Ahead Forward Price – Flat Load (\$/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.