NEWSLETTER

Key Energy & Resources

Key Energy Review – March 2004

Welcome to the March edition of our newsletter. Unfortunately, the summer holiday season now seems like a dull memory and we are all back into the working year. Rest assured however that there has been nothing dull about the energy market and no shortage of material for this newsletter. We hope you find it interesting. 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 Prices. We will probably have to wait a few more weeks to find out how retail prices are looking for the 'June 30 anniversary date'. However, many industry participants are hopeful that the relatively soft prices seen last year will continue and that it will be possible to negotiate good prices for two or three year contracts. The expectation is that longer-term contracts will contain a significant risk premium. Despite a few hiccups in February, VWA pool prices for the last twelve months ranged from $25.4/MWh in Queensland to $36.5/MWh in SA. Interestingly, OTC future contracts 'two years forward' have hardened by several percent over the last two years.

The Energy Contract, as some of our clients are finding out, may even be more important than the energy price. Allocation of risk, commercial terms, responsibilities and value adding services are all outlined in the energy contract. The problem for many users is that the energy contract they use is the energy contract proposed by their retailer and it may not always represent their best interests. It may also be difficult to read and understand, so always read the contract carefully. Better still, clients of Key Energy & Resources have access to our standard contract clauses that aim to more realistically represent customer needs. These clauses are becoming acceptable to the industry and appear to provide many of the benefits of developing your own contract without the inconvenience or expense.

Problems at the Moomba Gas Field has meant higher prices for many consumers. The higher charges are a result of increased costs incurred by the gas retailers and suppliers. Clearly the 'fairness' of passing these charges on is open to debate with strong arguments for each side. More importantly, the right of the retailer to pass these charges on may not be open to debate and should be outlined in your contract. Before paying any increased costs check your contract and make sure you have a clear understanding of your obligations. If you are obliged to pay additional costs then ask your supplier to explain how the additional fees have been calculated and how they have been allocated across customers.

Further Deregulation in Queensland has been proposed for the end of the current financial year. This will give consumers down to 100MWh per annum the right to negotiate their own energy supply contract. Retailer interest in these relatively small customers has still to be determined, but for those of us in S.E Queensland there may be some potential for cost savings.

Assistance for Victorian Industries who wish to implement energy efficient technology (including co-generation projects) is currently available through the SEAV. Subject to eligibility criteria, up to $150,000 in funding may be available. Further details can be found on www.seav.vic.gov.au

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.