



Key Energy & Resources

## Key Energy Review - September 2003

**Welcome** to the first edition of our newsletter. As some of our readers will know, this newsletter has been a 'long time coming', but things have been very hectic at Key Energy & Resources. Our client list continues to grow and so does the range of services we are able to offer. Several months ago we moved into our new premises and things have gone from strength to strength.

**Energy Prices** for the last financial year were softer than they have been for several years. In fact the pool finished the year with volume weighted average prices of less than \$38/MWh in NSW, \$30/MWh in Victoria, \$42/MWh in Queensland and about \$33/MWh in South Australia. These low pool prices translated into lower retail prices and many consumers realized significant savings. In some cases, large users 'forward contracted' so as to take advantage of the lower prices. Some of our South Australian clients were able to realize savings of more than 25%. Picking 'next weeks' electricity prices is a little like trying to pick a winner on the racetrack. That aside, we would expect the next few months, prior to the expected summer peak, to continue to offer relatively competitive prices.

**Power Shortages** have been predicted right across the Eastern Seaboard for the summer period of 2004/5. For many years, Australia has experienced high summer electricity peaks, largely fuelled by increasing use of air-conditioning. The design of the National Electricity Market (NEM) assumed that electricity users would voluntarily curtail load, in return for payments, when electricity loads were high. To-date the reality has been that most consumers expect a reliable electricity supply and have no interest in voluntarily curtailing load. In fact, many consumers equate the need to shed load during periods of high demand with the 'third world' and expect government to deliver electricity regardless of the deregulation process or anything else. Leaving aside these ideological arguments, the current market constraints mean that load curtailment does offer some real benefits for the right customer and it is something that a lot more of us should consider. For the rest of us, there is the risk that threatened power shortages will push up electricity prices.

**Victorian EPA Energy Requirement:** If you are an EPA licence holder you are required to comply with the Protocol for Environmental Management (PEM). As part of this requirement, you must develop an action plan to manage Energy and Greenhouse Gas emissions and implement the action plan. Naturally, the objective is to develop an action plan that is both cost effective and makes good business sense. This requirement to implement your action plan can backfire if the action plan contains recommendations that are not cost effective. Key Energy & Resources are happy to help you manage this process and ensure that action plans are of benefit to your organization

**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](mailto:info@TheKeyGroup.com.au).