

A monthly review of trends in the energy markets compiled by Energy Link Ltd

October 2009 ELL Index

8.8 c/kWh

(at Haywards)

Other Nodes

The index referenced to:

Otauhu	8.9 c/kWh
Benmore	8.1 c/kWh

Change

The index fell in October by 0.3 c/kWh or 3.6% since mid September.

Volume

8 contracts (excluding EnergyHedge contracts) traded during the month, totaling 17 GWh over the period Jan-10 to Dec-12.

Contract Types

8 CFD (contract for differences)

Spread

Ranges from 0.3 c/kWh early 2010 to 0.5 c/kWh mid 2012.

Location Factors

Updated expected location factors this month increased the index by 0.07 c/kWh (0.8%).

Energy Hedge

Based on latest trades as of 14th Sep-09:
7.2 c/kWh
 (18% lower than the index)

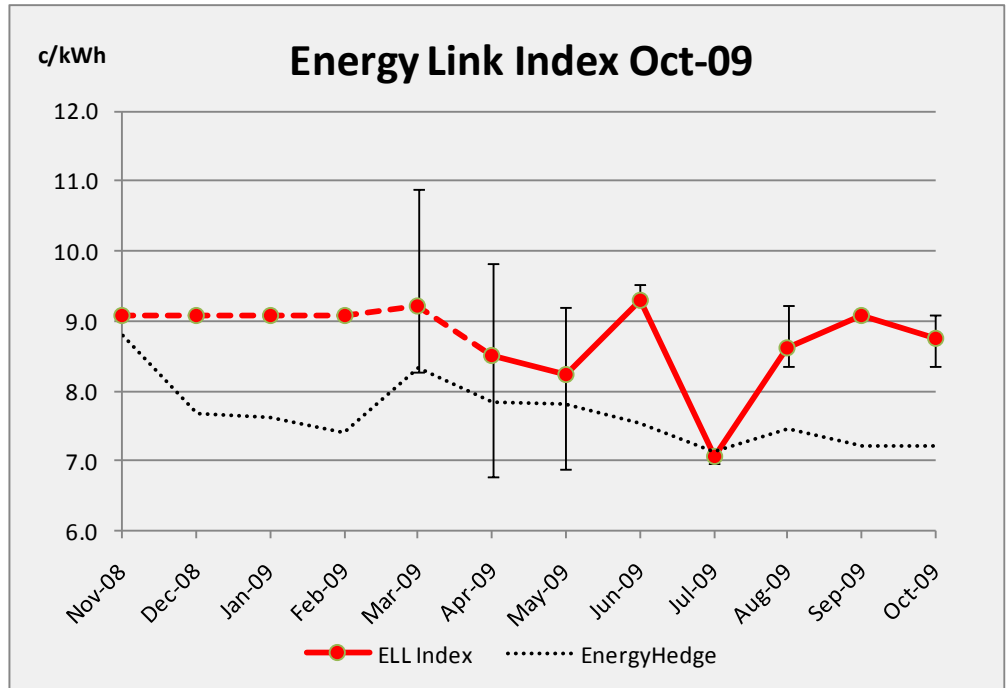
44 contracts traded in the month ending 14-Oct-09, totaling 29 GWh over the period Oct-09 to Dec-14.

ASX Futures

Based on 3 year average 'previous settlement' dates for 2010 - 2012, as of 14th October:

Otauhu	8.0 c/kWh
Benmore	8.1 c/kWh

Energy Link Electricity Contract Index



The Energy Link Ltd (ELL) index chart shows the values over the 12 months up to and including 15th May 2009. Solid red line—the index values from Mar-09 use the detailed contract data disclosed by the Electricity Commission since 2nd Feb-09. Dashed red line—for the months prior to Mar-09 we have used data disclosed by M-co on behalf of the industry (these data points are not strictly part of the ELL index series). The equivalent to the index for EnergyHedge is shown as the dotted line.

All contracts are referenced to the **Haywards** reference node on the grid (lower North Island), and the error bars show the highest and lowest contract value in the 36 month period covered by the index. The index, and how to use it, are described in more detail at www.energylink.co.nz/energy-trendz.

EnergyHedge contracts are traded between the five major retailers and are not available to consumers.

Commentary

The **index fell this month** on a volume of 8 CFD contracts traded in all regions except upper South Island.

The average 3 year-ahead price of **EnergyHedge** contracts remained unchanged from last month at 7.2 c/kWh.

Liquidity continues to be poor on the **ASX** electricity futures market with only Benmore quarterly contracts trading during the last month.

Details of **27 contracts were disclosed late or very late** over the last month, appearing to be part of a 'catch-up' on disclosure by one or more market participants. The Electricity Commission is aware of the evidently poor compliance around hedge disclosure data and we are hopeful that this will result in better compliance over time.

Energy Link has launched the "**Electricity Essentials**" course for non-residential electricity pur-

Commentary

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**Providing advice, analysis,
training and tools for energy
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chasers. The objective of the course is to provide the essential information a purchaser needs to get the best deal on electricity, whether on their own or through a consultant. The course ran on the morning of 14th October at the Otago Chamber of Commerce.

Attendance was lower than ideal, but feedback was very positive indeed. We perceive that consumers feel they are under cost pressure from rising prices (or at least the perception that prices will rise in the medium and longer term) and are seeking assistance to ensure they don't pay more than they need to. The issue of sustainability, including the Emissions Trading Scheme, is also changing attitudes to energy, albeit at a slower rate during the recession, which is increasingly causing consumers to examine their energy purchasing arrangements, and the way that they use energy.

Submissions on the recommendations arising from the **Ministerial Review of the Performance of the Electricity Market** closed mid September and 128 submissions, including Energy Link's, are now listed on MED's web site. While the Review provides many useful ideas and recommendations on how to improve the electricity market, we have concerns around the feasibility and efficacy of the Review's core recommendations around market structure and security of supply.

Our electricity market has performed well in respect of investment in new base-load generation, but it has at the same time largely failed in respect of peak load and reserve generation (which is required in dry years, for example).

The Review includes recommendations to make relatively minor adjustments to the structure of our market to "improve the economics of dry year plant" but these are largely untried around the world and certainly untested in our market, which is dominated by hydro generation.

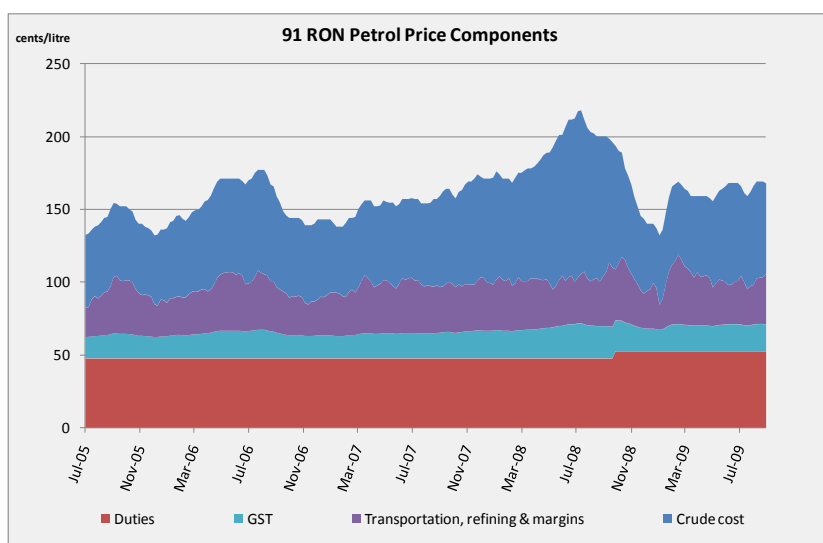
Our concern is that, from the perspective of consumers, the recommended changes to market structure could result in higher prices without noticeable improvement in security of supply when it comes to a dry year.

On a closely related note, Genesis Energy and Meridian Energy announced this week that they have agreed to a contract which will effectively see Meridian receive dry year cover from Genesis, and which will help maintain the viability of the 1,000 MW Huntly power station near Auckland. Huntly has proven critical time after time in ensuring the lights stay on during dry winters when the hydro lakes have headed faster than usual toward empty. However, Genesis states that the contract is only an interim measure in respect of preserving Huntly's viability, although Genesis' submission to the Review supports the recommendations around changes to market structure: it does not believe that more complex structural changes would provide additional benefits commensurate with the cost of such interventions.

Petrol Prices

The chart at right shows the price of 91 octane (91 RON = "research octane number") from July 2005, broken down into its 4 major components: government duties, GST, the cost of transporting and refining crude oil including the retailer's margin, and finally the spot price in NZD of crude oil on international markets. Duties and GST currently comprise 44% of the total at-pump cost (major centres) of 91, with the cost of crude at 37%.

The NZD/USD exchange rate rose 7.8% over the last month which saw prices at the pump 5.8% lower for the month. We expect pump prices to ease over the next month due to further gains in the exchange rate. More data is at www.med.govt.nz.



Why pay more than you need to? Energy Link is here to help you reduce and manage energy costs. We act as adviser and broker for initiating and renewing energy contracts including fixed price variable volume and hedging contracts. Our Ellserve energy information system captures energy invoices electronically, checks invoices, and provides access to data from multiple suppliers on our secure web site. With your energy data on Ellserve you can target energy wastage, improve efficiency, create reports, and easily monitor CO₂ emissions. We make it easy to take action on energy. It's simply better business! [Take action today and visit our web site](#)