

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

March 2010
ELL Index

8.6 c/kWh

(at Haywards)

Other Nodes

The index referenced to:

Otauhu 8.6 c/kWh
 Benmore 8.3 c/kWh

Change

The index fell by 0.7 c/kWh or 7.6% since mid February.

Volume

One contract (excluding Energy-Hedge and short term contracts) traded during the month, totaling 11.3 GWh over the period Mar-10 to Feb-11.

Contract Types

0 FPV (fixed price variable volume)
 1 CFD (contract for differences)

Spread

N/a on one contract.

Location Factors

No change to location factor forecasts this month.

Energy Hedge (Haywards)

Based on latest trades as of 17th Mar-10:
9.0 c/kWh
 (4.3% above than the index)

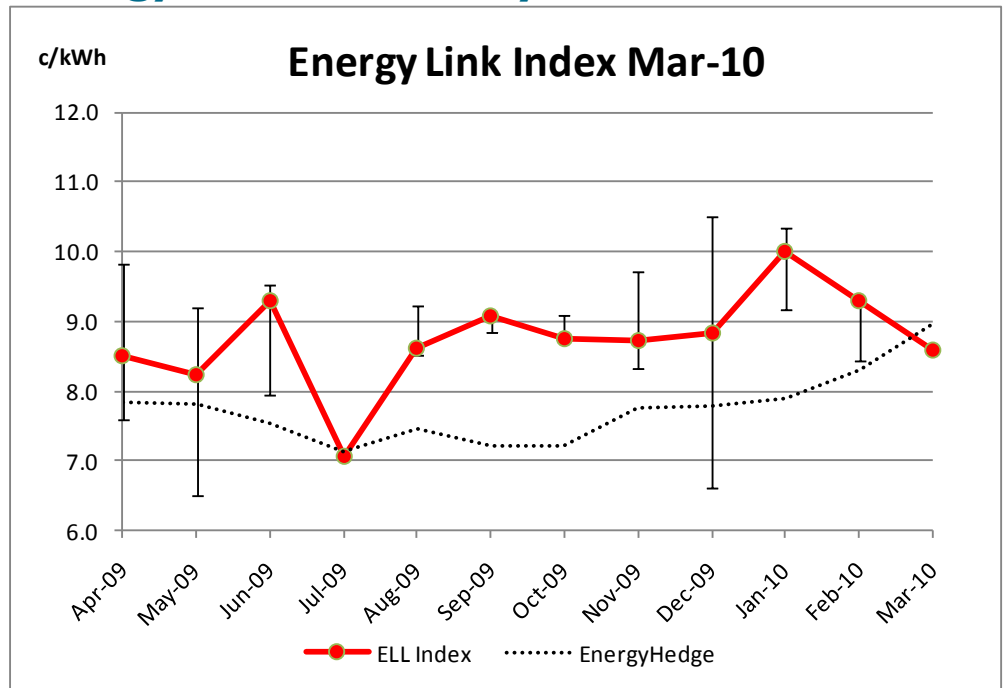
98 contracts traded in the month ending 17-Mar-10, totaling 55 GWh over the period Mar-10 to Dec-13.

ASX Futures

Based on 3 year average 'previous settlement' dates for 2010 - 2012, as of 18th March:

Otauhu **8.1 c/kWh**
 Benmore **7.9 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 18th January 2010. 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, so are not included in the index values.

ASX New Zealand electricity futures contracts have limited liquidity and are currently not included in the index.

Commentary

The **index fell again this month** on a volume of only one, one-year CFD contract traded in the middle of the North Island. The Energy Link index excludes contracts from EnergyHedge and contracts less than 6 months in duration. As the chart on the back page shows, the total volume traded picked up over the month.

The average 3 year-ahead price of **EnergyHedge** contracts rose again over the month and now sits at 9.0 c/kWh, just over 4% higher than the index value of 8.6 c/kWh. Trading in the new Benmore and Otauhu contracts remains limited over the month so we are not yet showing any of the data.

NZX announced on 17th March that it is in discussions with EnergyHedge over development of a platform to support the new hedge market. The announcement did not go as far as saying that NZX has the contract, but it was reported on the Scoop web site that NZX "looks set to pip its arch rival, ASX" in its bid to support EnergyHedge.

The industry is waiting with baited breath to see who will win out of NZX and ASX, and the process

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Commentary

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**Providing advice, analysis,
training and tools for energy
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Links at www.energylink.co.nz:

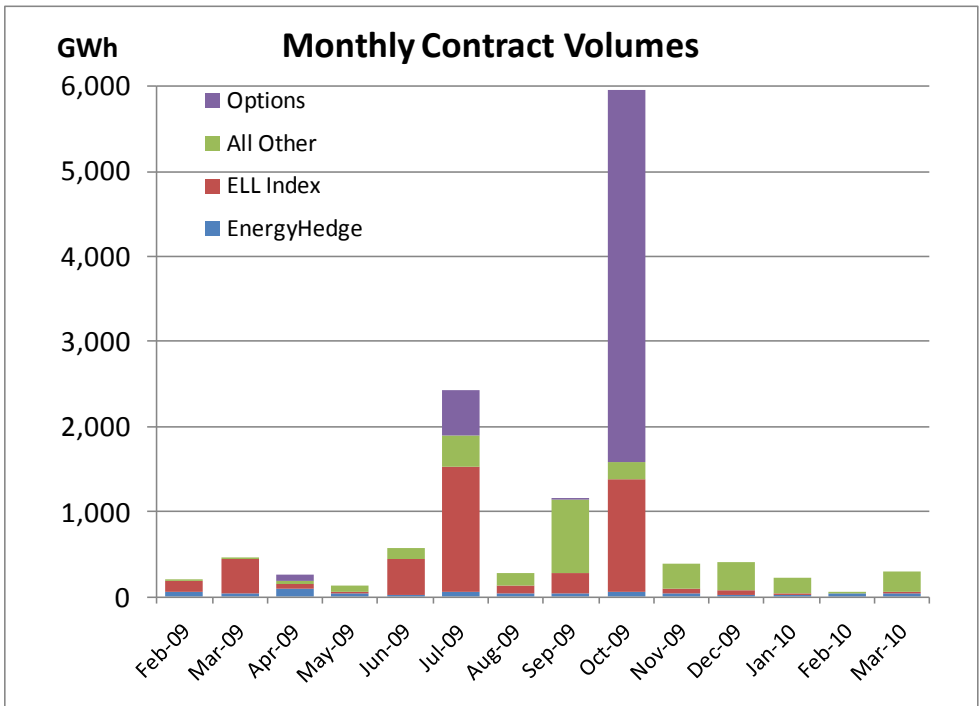
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Anau are very low, and there is an extended outage on the large TCC gas-fired thermal generator yet to come before winter. But even considering these factors, there appears to be additional forces at play, perhaps driven by the market reforms.

seems to have taken a rather long time. If it is confirmed soon that NZX is actually the successful bidder then everyone will be able to turn their attention to preparing for the introduction of the new market. The requirements on EnergyHedge to develop a new, liquid (and hence much more effective) hedge market is very specific, at least as it is spelled in the list of electricity market reforms. If liquidity targets are met then it will have implications for a wide range of organizations, including consumers, retailers, generators and financial institutions who may benefit either directly or indirectly.

We have been watching closely (as have many) the recent **rise in spot prices**, which turns out to be unprecedented given hydro storage for this time of year. What is really telling is that the level of southward transfers on the HVDC link for this time of year, given storage levels, are very high. In fact, the link is running southward most of the time during the week.

This means only one thing: South Island generators are conserving water. Manapouri and Te

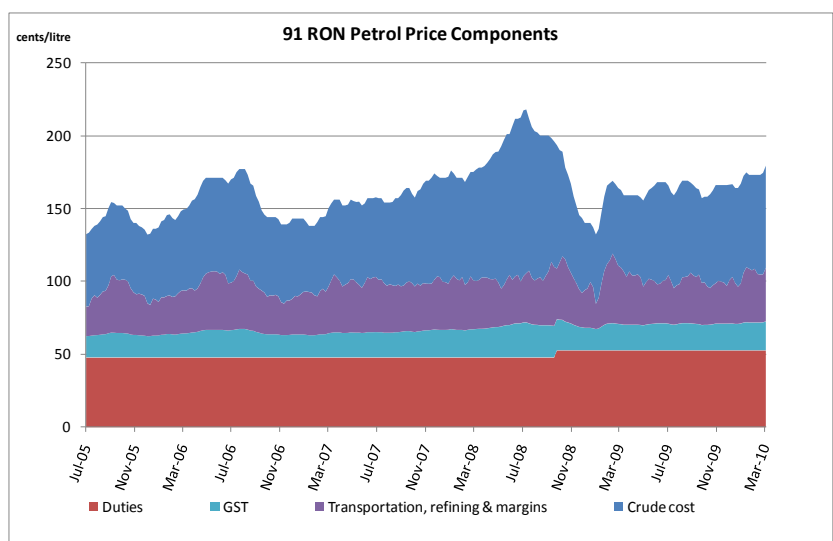


Petrol Prices

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 40% of the total at-pump cost (major centres) of 91, with the cost of crude at 39%.

The cost of crude rose 10.1% over the month while the exchange rate rose only 1.3%, resulting in higher NZD crude costs. Higher margins however offset this fall to push pump prices up 3.6%

More data is at www.med.govt.nz.



You can have confidence in your energy strategy when you work with Energy Link: we're here to help you make the best energy-related decisions. 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 and reports from multiple suppliers on our secure web site. We make it easy to take action on energy, it's as simple as that! [Take action today and visit our web site](#)