

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

June 2010

ELL Index

8.3 c/kWh

(at Haywards)

Other Nodes

The index referenced to:

Otauhu	8.5 c/kWh
Benmore	8.2 c/kWh

Change

The index fell by 0.7 c/kWh or 8.0% since mid May.

Volume

Four contracts (excluding Energy-Hedge and short term contracts) traded during the month, totaling 42 GWh over the period Jun-10 to May-13.

Contract Types

1 FPVV (fixed price variable volume)
 8 CFD (contract for differences)

Spread

3.4 c/kWh Jun-10 to Mar-11, then
 0.2 or 0.3 c/kWh to Dec-12

Location Factors

No change to location factor forecasts this month.

Energy Hedge (Haywards)

Based on latest trades as of 18th Jun-10: **8.0 c/kWh**
 (4.2% below the ELL Index)

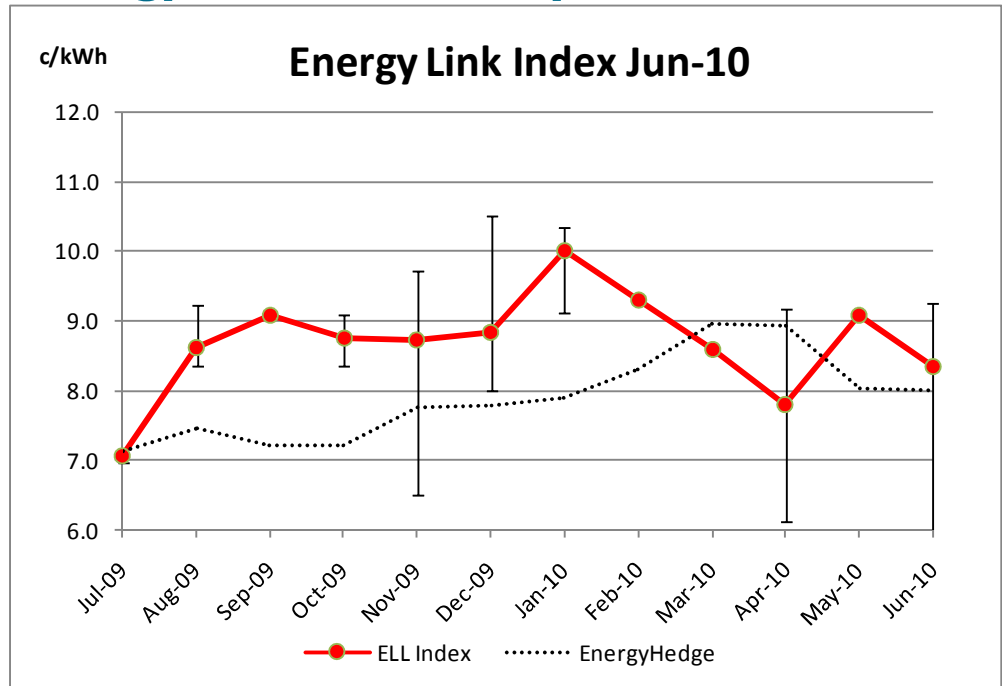
53 contracts traded in the month ending 18-Jun-10, totaling 29 GWh over the period May-10 to Dec-12.

ASX Futures

Based on 3 year average 'previous settlement' dates for 2011 - 2013, as of 18th June:

Otauhu	8.7 c/kWh
Benmore	8.5 c/kWh

Energy Link Electricity Contract Index



The Energy Link Ltd (ELL) index chart shows the values over the 12 months up to the Energy Trendz publication date. 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 this month** on a volume of nine contracts traded (8 CFD, 1 FPVV). 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 through April but fell away in the first half of May.

The spread of prices making up the index was high this month, with two CFDs traded in the lower South Island priced at only \$55/MWh for the period Jun-10 through Mar-11. A further four CFDs traded between \$56/MWh and \$68/MWh on an annualised basis when referenced to Haywards.

The average 3 year-ahead price of **EnergyHedge** contracts sat still at 8.0 c/kWh, which is 4.2% lower than the index value of 8.3 c/kWh. Monthly contracts for July through September were yet to trade as of Friday 18th June. Trading in the new Benmore and Otauhu contracts has picked up but is likely to tail off as the new hedge market develops.

New hedge market: by far the biggest news of the last month was the announcement on 3rd

Commentary

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A key advantage of the ASX's involvement is the existing array of financial intermediaries who trade electricity in Australia, and based on this familiarity with electricity, may be attracted to participate in New Zealand electricity futures.

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 42% of the total at-pump cost (major centres) of 91, with the cost of crude at 39%.

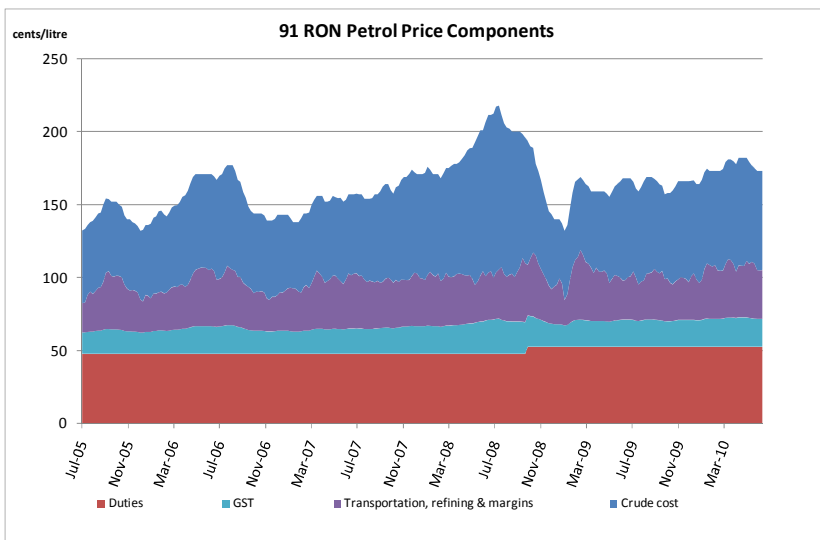
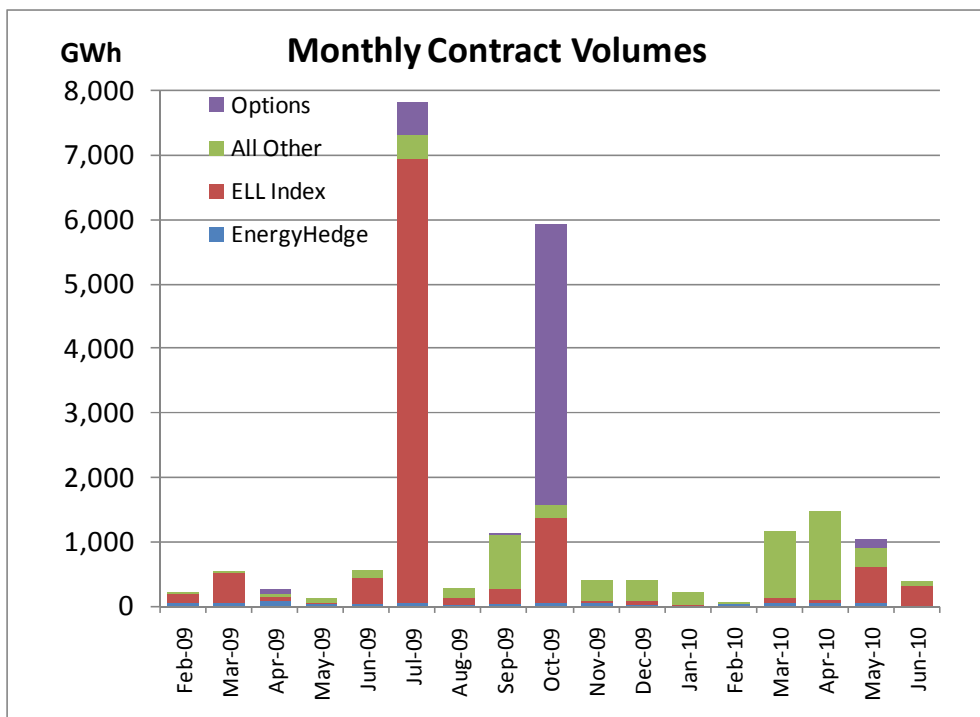
The cost of crude fell 5.4% over the month and the exchange rate fell 2.7%, resulting in lower NZD crude costs. Lower margins assisted to give a fall in price of 3.4% for the month.

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

June that the "Australian Securities Exchange (ASX) and EnergyHedge Limited (EHL) have signed an agreement to further develop the New Zealand electricity futures and options market", a move which took the market by surprise. EnergyHedge was in negotiations with NZX over the new market, but NZX have obviously not demonstrated that their proposed futures market could be delivered in a form, and within a time frame, that would satisfy the requirements of the market reforms currently underway.

ASX already offers 1 MW futures contracts at Otahuhu and Benmore and is reportedly working on a contract at Whakamaru on the Waikato River.

The announcement has created more certainty for the electricity market and will provide a focus for the next phase of hedge market development, which is to put in place market-making arrangements for the five major generator-retailers. This will require the 'big five' to offer to buy and sell minimum volumes through the new market, the objective being to create an initial level of liquidity and therefore encourage others to participate.



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