

**CLIENT:** VALVOLINE (AUSTRALIA) PTY LTD  
**SERVICE:** ELECTRICITY  
**ENERGY RETAILER:** ENERGY AUSTRALIA  
**NETWORK PROVIDER:** INTEGRAL ENERGY  
**PRICING:** ELECTRICITY CONTRACT

### SUMMARY

From the information provided, we have calculated annual usage and costs, excluding GST, of the contestable location indicated below to be as follows:

Location	NMI No.	Annual kWh	Annual Cost
30 Davis Rd, WETHERILL PK	NEEE 003 1767	567,166	\$66,466

### ENERGY CHARGES

The current energy contract for the above location expires 30<sup>th</sup> June 2007.

NUS Consulting has obtained competitive offers from a number of electricity suppliers and these have been compared to your Energy Australia renewal offer, taking into account your usage profile.

Appendix A illustrates the costs of offers received.

Country Energy provided the most competitive offers for terms of one to three years.

### **SAVINGS AGAINST ENERGY AUSTRALIA RENEWAL**

Period	Country Energy	AGL	Aurora Energy	Integral Energy	TRU-energy	Energy Australia
1 Year	\$42,512	\$36,795	\$34,841	\$29,579	\$28,258	n/a
2 Year	\$101,137	\$82,836	\$79,936	\$77,333	\$70,296	n/a
3 Year	\$167,248	\$138,527	\$134,014	\$137,204	\$121,282	\$121,305

*TRUenergy also offered a four year term costing \$256,923, saving \$69,330 over the renewal.*

Please see Appendix B for actual quoted rate information. Rates are presented inclusive of REC's and NGAC's which are mandatory government charges.

There has been a dramatic increase in energy contract prices across the National Electricity Market in the past year and particularly in the past five months.

The drought has been the major factor driving the prices upwards. In three regions: Snowy, Victoria and Queensland, there are current or threatened government water restrictions which will affect the amount of water available for essential services such as power stations. The Queensland Government has ordered cut backs to Queensland generators and this has left the state in the new position of low electricity reserves. New South Wales, South Australia and Tasmania have also been affected by the drought and this has also contributed to price rises in those states.

Victoria and South Australia had an extremely hot summer and high demands. This also contributed to driving prices upwards.

It is also likely that generators are taking advantage of the tighter supply situation to push prices up and increase profits.

It is notable that the prices for the year from 1<sup>st</sup> July 2007 are much higher than for subsequent years. This is undoubtedly because the prospect of rain has been factored into the pricing. El Nino has been affecting the weather in the Pacific bringing dry conditions to Australia. The El Nino conditions have just ended and it is expected that this will result in an increase in rainfall. It will take some time for this to affect the drought but when it does, prices may decrease.

## ANALYSIS

Analysis shows the most cost effective three year pricing was from Country Energy and is calculated to cost \$159,005 over the term. This offer is calculated to be \$167,248 cheaper than your Energy Australia renewal (were it extrapolated over three years). Year three rates are 13% lower than year two rates. Please note that the pricing shown does not include GST.

Analysis shows that Country Energy's two year pricing, costing \$115,856 over the term will cost \$101,137 less than your Energy Australia renewal. Year two rates are 23% lower than year one rates. The market would have to reduce by more than these percentages for the two and three year terms to be unattractive.

Country Energy's one year offer will cost \$65,728, which is \$42,512 less than the Energy Australia renewal.

AGL ranked number two for one, two and three years, costing \$71,446, \$134,158 and \$187,726 respectively.

Incumbent Energy Australia's improved three year quote will cost \$204,948, \$121,305 less than the renewal offer.

Please note that although the pricing we have negotiated is marked available until 6<sup>th</sup> June, it is a real possibility that the quote could be retracted should significant increases occur over the validity period.