

Wholesale Electricity Prices

When a negotiated (or market) contract between a **large** electricity customer and their retailer expires, and a new contract has not been agreed, the large customer will be deemed to be on a **Standard Large Customer Retail Contract** with their retailer¹.

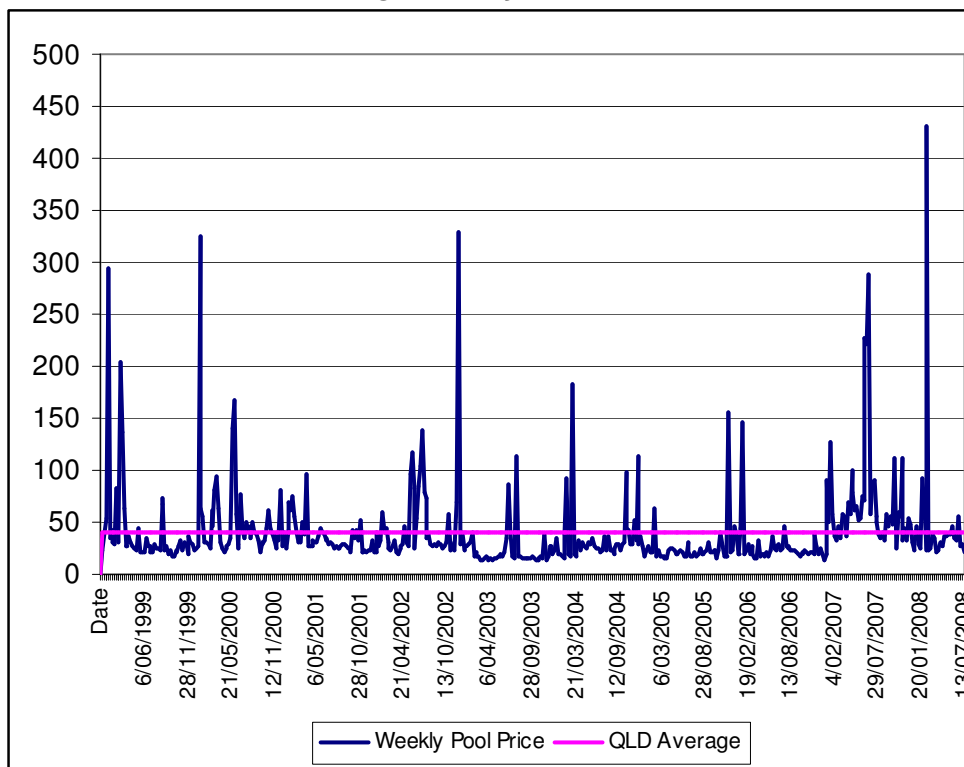
The prices that a retailer may charge its customers on a Standard Large Customer Retail Contract must be fair and reasonable and may be linked to the cost of purchasing electricity in the wholesale market.

Recent Trends in Wholesale Electricity Prices

Wholesale (also known as “pool” or “spot market”) prices can fluctuate by significant amounts and can be very high at times.

Chart 1, below, shows the weekly average pool prices of electricity in Queensland from 1998 to July 2008.

Chart 1: Queensland Average Weekly Pool Prices 1998-2008



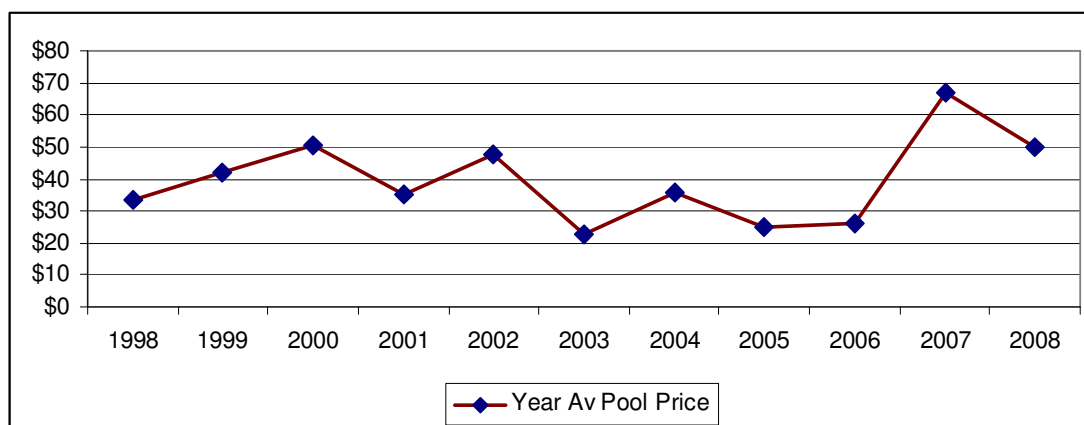
The volatility of wholesale electricity prices in Queensland is comparable to that experienced across eastern Australia.

Prices in 2007 tended to be higher than the long-run average price. The main reason for this was the impact of the prolonged drought on generation capacity across the National Electricity Market. Some of the largest generators in the market - in the Snowy region of New South Wales, Victoria, and in south-east Queensland –operated at reduced capacity for most of 2007 due to the impacts of the drought across eastern Australia.

¹ A customer will be large if they consume more than 100 megawatt hours of electricity per annum – refer to the *Classification of Customers* fact sheet which provides information on the classification of customers. For more information on contract types, refer to the *Electricity Retail Contracts and Prices* fact sheet.

Late summer rainfall in January and February 2008 boosted the water reserve levels in south-east Queensland. This, along with the connection of both Swanbank and Tarong power stations to the western corridor recycled water pipeline, has resulted in water no longer being a critical issue for electricity supply for 2008. Subsequently the pool price for 2008 (to date) is less than that experience last year (see chart 2).

Chart 2: Queensland Yearly Average Pool Price 1998-2008



What else is included in the price?

The above charts show the cost of purchasing energy in the wholesale market. They do not include the costs associated with transporting and selling that energy to individual customers. Network and retail administration costs, as well as a retail margin will be included in the prices charged to customers.

Impacts on Large Customers

Large customers being supplied under a Standard Large Customer Retail Contract may have experienced significant increases in their electricity accounts in recent months. This may be the case even if the customer's negotiated contract ended some time ago and they have been facing the pass-through of pool prices for some time.

Large customers who are affected by these high wholesale prices may be able to benefit by entering into a new negotiated contract with a retailer of their choice².

However, the impact of the drought on electricity prices may be felt for some time. Retailers are unlikely to offer the same, lower prices that may have been available to large customers entering into negotiated retail contracts in the past.

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