

Black & White Report



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Outlook**Is Your Grocer Green?****He must have just read his power bill**

Businesses that use more than 250,000 kW.h per year have two choices in Alberta: get a contract or pay the spot price for electricity.

Roughly half of those businesses ride the spot rate, it sucks to be them right now.

Their electricity rates have gone up 370% since January!

**Commercial Default Supply
What you get when you don't ask...**

The Default Supply electricity rate is what you get as a business if you use more than 250,000 kW.h per year and have not signed up for a contract with a retailer. It is provided by the same companies that provide the Regulated Rate Option for residential and small commercial customers.

The base energy cost on Default Supply is the hourly pool price times your hourly or estimated hourly consumption. To this is added additional charges for line losses, trading charges, administrative charges, etc.

The result has been a spectacularly volatile Default Supply rate, slamming Alberta businesses.

Since January 1, 2013, business customers on this rate have gone from paying about 7 cents per kW.h to over 25 cents per kW.h.

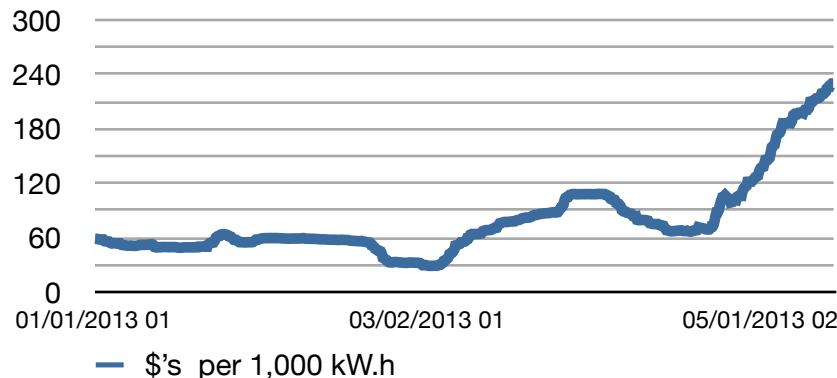
To put that in perspective, for the smallest of these consumers, a \$3,000 monthly electricity bill just became a \$6,600 bill. As the business gets bigger, or more electricity intensive just add zeros. Sorry welders and fab shops.

**Options for Business
Protecting cash flow**

I suspect that a lot of business owners caught in this rate rise have always had bigger fish to fry than to worry about squeezing every penny on electricity. It's become more than a penny ante issue in this market.

Not all commercial options are publicized or easy to access. For more information on your specific situation feel free to contact us at markets@geeinc.ca or 1-855-328-4729.

Alberta Electricity Pool Price 30 day Average



Gray Residential Energy Consumers' Guide for Alberta

Last issue I wrote an article urging people to get off the Regulated Rate Option for electricity and gave the strong advice that they should look up their options, pick a price plan and get on it. That was dumb of me.

It wasn't dumb to tell people to immediately evacuate the RRO like it was on fire. That was good advice.

It was dumb for me to ask people to start digging into electricity and gas rate plans on their own without being more informative.

Discussions with a group of friends provided me with a blinding flash of the obvious, that I could be more helpful to consumers if I could boil down their options and provide them with an educated opinion as to which plans are best.

At Gray Energy Economics Inc., we have considerable experience in assessing retail market offerings and real world experience in dealing with energy retail service issues. We are independent of all government and industry players. We work for customers and customers only.

So, for all the moms and dads, grandmas and grandpas, newlyweds and working stiffs in Alberta, I would like to provide some payback for the experience and education I received while in the public service.

The Consumer Guide will be published monthly using data current on the Utilities Consumer Advocate website as of the day of publication.

Gray Energy Economics Inc. provides services to Alberta business consumers to assist in energy buying, management and planning.

A Pretty Picture of Golden Hour Prices

To really get the Alberta electricity market, you have to understand that it is pretty much bi-polar.

The spot price has been lower than 5 cents per kWh for 72% of the hours since January 1. Call that the "depressive" stage.

When the market goes "manic", the price rockets up towards \$1 per kWh. I have previously dubbed these hours, "Golden Hours".

The frequency of these Golden Hours is essentially what drives the cost to consumers on a monthly basis.

The chart below shows this effect nicely. The frequency of Golden Hours in April and May of 2013 has driven the 30 day average pool price for Default Supply commercial customers up over 25 cents per kWh.

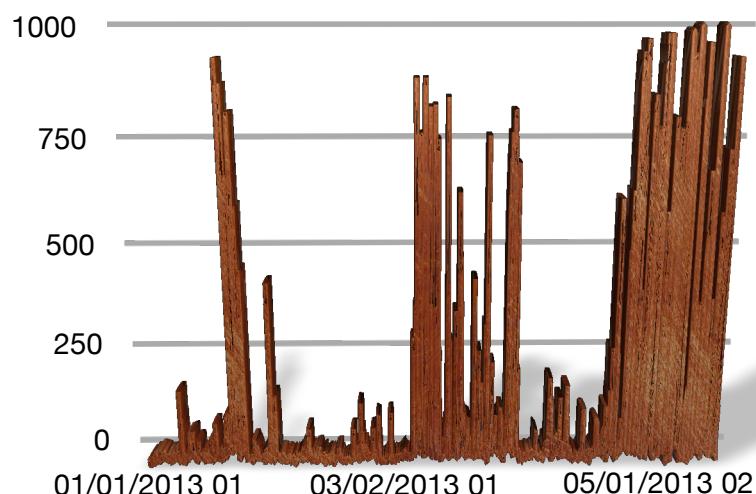
So, you may ask, how does this happen?

In the Alberta Market, power producers have to offer all of their power into the Pool every day. However, they can split their plant output into 7 chunks and offer it at 7 different prices, up to the \$1/kWh maximum price.

The Market Operator (AESO) ranks these offers from lowest to highest to create the daily offer curve of available generation by price.

The last offer used each hour sets the price for the whole market. So if the Market Operator had to call on a generator that was offered at 10 cents per kWh, everybody pays 10 cents that hour. Of course if the last offer used is \$1 per kWh., well then everything's Golden.

There seems to be about 1,500 MW of generation offers that cluster their offers in the Golden range. As load continues to grow in Alberta and as the existing fleet of plants creak towards retirement, look for more pictures that look like the one below.



— Alberta Electricity Pool Price \$ per 1,000 kWh

Energy Markets Outlook

7 x 24 Base Load Forward Electricity Prices—Alberta

Term	MTD Average (\$/MWh)	YTD High (\$/MWh)	YTD Low (\$/MWh)
Q3 13	\$69.53	\$75.33	\$60.75
Q4 13	\$58.26	\$60.25	\$55.00
CAL 14	\$51.20	\$52.50	\$48.00
CAL 15	\$48.25	\$49.50	\$47.00
CAL 16	\$50.80	\$52.25	\$50.00
CAL 17	\$54.60	\$55.00	\$52.00
CAL 18	\$55.60	\$56.25	\$54.25

NGX Natural Gas Prices

Term	MTD Average (\$/GJ)	YTD High (\$/GJ)	YTD Low (\$/GJ)
Q3 13	\$3.34	\$3.55	\$2.76
Q4 13	\$3.46	\$3.74	\$2.99
CAL 14	\$3.61	\$3.70	\$3.33
CAL 15	\$3.66	\$3.82	\$3.61
CAL 16	\$3.71	\$3.98	\$3.70
CAL 17	\$3.89	\$4.24	\$3.88
CAL 18	\$4.06	\$4.67	\$4.39

Note: The above prices do not reflect any bid/ask spread associated with real time procurement transactions.

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Electricity Forward Market

Businesses on the Default Supply Rate have just received their highest bills ever. Don't let your profits fly out the socket.

Sellers are looking for large buyers that are able to commit to forward purchases.

Contact markets@geeinc.ca for more information.

Natural Gas Forward Market

Gas prices have been leveling out between prompt and forward years. The market is still contango, but near term prices have risen dramatically.

There is still a significant premium on fixed vs. market, but locking in may make sense at historically low gas prices.



Energy Economics Inc.

Gray Energy Economics Inc provides expert advice and advocacy services for Alberta commercial gas and electricity consumers.

- Energy Management
- Energy Procurement Advice
- Bill Review
- Customer Advocacy

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