JULY 2021, ISSUE 7

EDGE NEWS

Monthly Energy Newsletter

edge UTILITIES

National NAIDOC Week July 2021

NEW FINANCIAL YEAR, NEW GOALS!

Edge acknowledges the Turral and Yuggera peoples as the traditional owners of the land on which our offices sit. We pay respect to elders past, present and future.

Edge performed strongly again in FY21, maintaining steady EBIT during what has undoubtedly been the toughest year in our fourteen year history. For our team, FY21 brought with it so much more than COVID-19. We embraced the COVID curveballs and 'pivoted' with the very best of them. Our team operated safely and securely from home and office locations, smashing business development and client performance targets across the board.

We migrated The Edge Energy Management System (TEEMS), our client portal Edge Live, and our servers to the cloud. We launched a number of internal performance and portfolio management dashboards, and onboarded a second energy hub software for our ASI-Utilidex clients.

We contracted A LOT of load at unsustainably low prices, delivering millions of dollars in savings. We onboarded a number of new clients, across portfolio and account management, and consulting services. We increased our focus on renewables. Whilst continuing to work on a number of large renewable backed PPAs, we also shifted our focus to aggregating smaller C&I for renewables and bringing behind the meter solar sharing to our strata clients.

Our goals for FY22 are simple. To leverage the immense amount of work invested in honing our services, energy management platforms, behind the meter solar sharing products and bringing renewables to smaller C&I consumers. And to further enhance our energy management and performance tools to ensure we are optimising contracting outcomes for clients.

Managing Director and Senior Energy Advisor
Stacey Vacher

WHAT'S INSIDE THIS ISSUE:

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HOW WE POWER LARGE STRATA TOWERS FOR ENOS!

THE STEPS WE TAKE

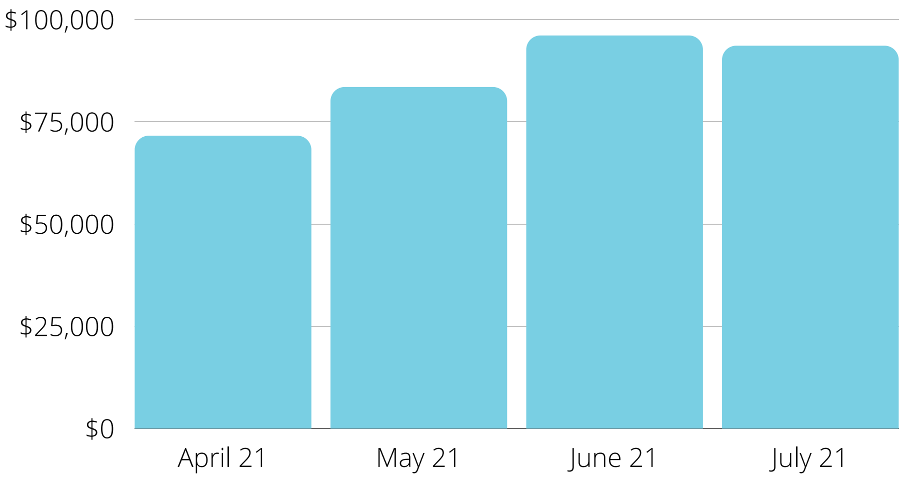
- Letter of Authority sent to ENO for execution
- Energy data and contract information requested from incumbent retailer
- Review, analysis and preparation of information by Edge analyst
- Market engagement prepared and sent to multiple retailers
- Pricing and key terms reviewed / analysed from retailer proposals
- Key terms negotiated with short listed retailer
- Presentation of cost savings & engagement documentation to ENO
- Offer acceptance & contract execution by ENO
- Follow-up with retailer for contract terms change and / or NMI transfer
- Establishment of site in Edge Live energy management portal

Edge Utilities can supply you with access to Edge Live, our online customer energy management portal. A secure login will allow you to easily access any documents or data pertaining to the energy usage and costs, including retail contracts, invoices, meter data, accruals, invoice reconciliation and budget information.

Want to find out more about Edge Live?

edgeLIVE

TIMING IS EVERYTHING! Same building... different timing.
Annual Cost (Energy + Enviros).



Edge Utilities receives fees for energy brokerage services via retailers.
Edge Utilities maintains consistent fees across all retail counterparties in any given tender / negotiation process.
As an Edge Utilitites customer your engagement documentation will include an Edge Utilities Offer & Acceptance form that clearly outlines the fee your retailer will pay Edge Utilities for your business.

National Customer Code
Energy Brokers, Consultants & Retailers
Proudly supported by the Energy Charter

Want to save on your buildings energy spend?

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WHAT IS CAUSING THE INCREASE IN SPOT & FUTURES MARKET PRICES?

ARTICLE BY ALEX DRISCOLL
SENIOR MANAGER - MARKETS, TRADING AND ADVISORY

A constraint designed to maintain power flow in the Gladstone region, primarily to maintain the continuous current rating on the 132kV feeder bushing at Boyne Smelter, is constraining off hundreds of MWs in Queensland.

Constraints on the interconnectors out of Queensland are also limiting QLD generation. A constraint to avoid voltage instability on the Sapphire to Armidale 330kV transmission line is reducing NSW generation.

Constrained gas supply is also impacting spot prices. BHP's Gippsland Basin joint venture with Exxon in Victoria, is not operating at full capacity due to a processing train at the Longford plant out of service since 28th June. This was due to an unplanned maintenance issue.

The unplanned issue at Longford has also reduced the output from the Bass strait gas fields that feeds the plant. The Iona gas storage facility operated by Lochard Energy is also running low.

The reduced level of generation from coal fired generation, resulting from the loss of Callide power station, the delayed return of Callide C3, and the reduced output of Yallourn in Victoria due to flooding have all added to the extra requirement for gas powered generation in QLD and VIC.

The requirement for extra gas-powered generation has led to higher prices in the gas market, which in turn leads to higher dispatch prices of the gas-powered generation. Higher dispatch prices lead to higher spot prices.

Book a free consult with Alex

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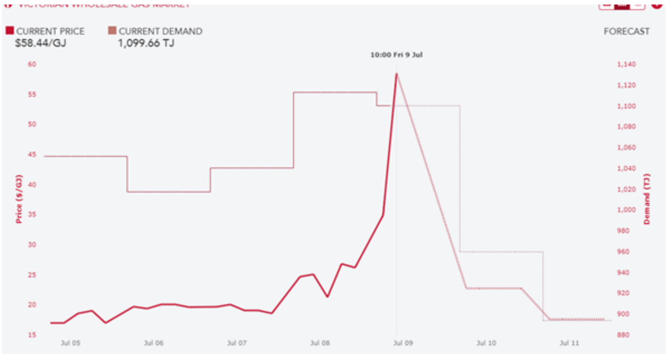
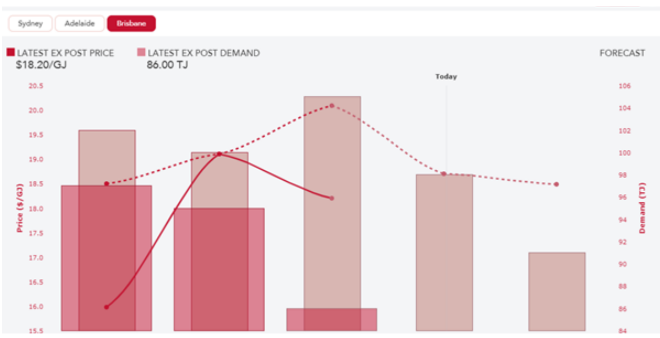
Domestic pressures on gas prices on the Australian wholesale market have been impacted by the overseas gas market demand and prices. As the Australian gas market is export dominated, any changes to overseas prices are reflected domestically. The benchmark Japan Korea Marker (JKM) is linked to the LNG netback price.

Chart 1: Declared Wholesale Gas Market (DWGM)



The JKM is also used as a floor for gas contracts in Australia and with the JKM lifting to $19/GJ this reflects in Australia. Today the Declared Wholesale Gas Market (DWGM) prices in Victoria is $58.44/GJ with a demand of 1,100TJ.

Chart 2: Short Term Trading Market (STTM)



WHAT IS AGGREGATED ELECTRICITY PROCUREMENT & SHOULD YOU DO IT?

Article by Stacey Vacher, Senior Energy Advisor

Sometimes less is more, and sometimes more is more. Sometimes size doesn't matter, and sometimes it does.

Electricity procurement is no different.

Many of Edge2020's large commercial and industrial (C&I) clients use a lot of energy. Hundreds of gigawatt hours per annum, and average demands well in excess of 20MW.

When clients of this size and larger go to market they need to be careful to avoid liquidity premiums (from lack of depth in the forward contract market). However, mostly they enjoy the benefits of the following:

- lower retail margins
- greater product flexibility
- increased flexibility in contract terms & conditions
- higher touch account management services

Smaller customers suffer most from high retail margins. Whilst this could be due to a number of reasons, including load profile and / or credit risk, there is no doubt that lack of buying power contributes significantly to higher retail premiums on smaller large customers.

By way of example, a large C&I customer may face a 1-2% margin, whilst it is not uncommon to see smaller C&I customers with margins well in excess of 10%.

Aggregating customers to engage the market as one diversified portfolio can deliver a far superior outcome in terms of the overall energy pricing. Aggregated portfolios can achieve much lower retail margins than each stand alone customer within the portfolio.

Through aggregation, Edge can potentially negotiate greater flexibility in key retail terms. Including but not limited to load variation, site roll-in / roll-out, and payment terms.

Edge can also utilise the buying power of an aggregated portfolio to negotiate lower metering charges.

In summary, joining an aggregated portfolio can save you money and improve your contract terms. Just make sure you aggregate through an expert that ensures any potential adverse impacts to your stand alone customer offering are far outweighed by the benefits.

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Quarter 2 Electricity Prices Finalised

Data by Rob Yang, Manager Pricing & Analytics

Q2 Spot Price

Average Q2 Spot Price				
CAL Year	QLD	NSW	VIC	SA
2016	$74.42	$76.75	$64.19	$81.01
2017	$85.83	$93.62	$104.92	$115.93
2018	$69.69	$84.30	$82.49	$97.50
2019	$75.45	$82.92	$97.32	$91.39
2020	$33.93	$43.45	$40.57	$40.31
2021	$127.83	$111.18	$70.11	$69.87

Q2 2021 Average Price Movement	QLD	NSW	VIC	SA
vs. Q2 2020 Average	277%	156%	73%	73%
vs. 5 Yr Q2 Average	88%	46%	-10%	-18%

Q2 Operational Demand

Average Q2 Demand				
CAL Year	QLD	NSW	VIC	SA
2016	6,189	7,916	5,143	1,337
2017	5,920	8,000	4,995	1,371
2018	6,109	8,062	5,104	1,322
2019	6,043	7,942	4,965	1,302
2020	5,834	7,737	4,930	1,334
2021	5,937	7,942	5,015	1,298

Q2 2021 Average Demand Movement	QLD	NSW	VIC	SA
vs. Q2 2020 Average	2%	3%	2%	-3%
vs. 5 Yr Q2 Average	-1%	0%	0%	-3%

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WANT TO STAY INFORMED? FOLLOW US ON:

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Make a change to net zero

Article by Stacey Vacher, Senior Energy Advisor

The world is changing. You only have to look out the window to see the impacts of this. No matter how you think it is occurring or who you think is contributing to it, climate change is real.

Over the last decade it has been more evident that Australia is being impacted by climate change. We have seen higher temperatures, worsening droughts and recently parts of Australia have been impacted by the worst floods in a decade. Australia has always been affected by extremes in the weather, but science shows the impact and regularity is increasing.

At Edge part of our role is to advise our clients on how to best manage risk. This is not always financial risk as most people would assume but, indirectly climate risk. This is the biggest risk many companies are facing, and this directly relates to financial risk.

Investors are pushing companies to align their operations towards emission reduction targets and the use of sustainable practices. Many companies across Australia are pledging to purchase renewable energy or reduce emissions to "net zero" under mandated timelines. However, many do not have a clear strategy to reach this target.

Edge has and is currently assisting our clients with the development of low carbon business models.

When investors are weighing up the performance of a company, they are now allocating more weighting to how the company manages sustainability.

Edge works with a range of clients including, some of the largest mining and utility companies worldwide and over the last couple of years we have assisted many of them with the purchase of renewable energy and the offsetting of their carbon emissions.

The procurement of renewable energy is just one way in which Edge is assisting our clients. We have developed sophisticated mechanisms to provide the client with access to renewable energy, environmental certificates and emission offsets while managing the price risk and uncertainty in the energy market.

Are you ready to make the change?

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