

Electricity Market Update

New Supply Powers Ontario's Electricity System

The expected addition of 1,900 megawatts (MW) of new and refurbished supply over the next 18 months will reinforce and solidify Ontario's already positive electricity supply situation, said the Independent Electricity System Operator (IESO) in its latest 18-Month Outlook. Most of the new supply projects are currently being commissioned or are under construction, and two-thirds of the new facilities comprise a mix of wind, water, gas and biomass projects. When complete, these new clean-energy projects will supply communities across the province, and will support the province's sustainability goals by displacing more carbon-intensive fuel sources. These new energy supply projects will be complemented by the return to service of two refurbished nuclear units at the Bruce plant in 2011. "Ontario's electricity supply outlook is very strong," said Bruce Campbell, VP of Resource Integration at Ontario's IESO. "The combination of new and renewed generation, coupled with transmission improvements, should result in high levels of reliability over the next 18 months." Over the same period, Ontario's transmission system is expected to reliably serve predicted demand levels. Several transmission reinforcement projects are planned to come in service over the next 18 months to ensure reliable local supply and provide additional transmission capacity for future growth. While the Bank of Canada has declared the recession over, the economic recovery in Ontario is unlikely to stimulate a significant rebound in electricity demand. Over the coming months, industrial energy consumption will continue to be hampered by the high dollar and rationalization within the manufacturing sector. After a drop of 5.7 percent in 2009, overall demand for electricity is expected to rebound slightly in 2010, growing by 0.4 percent. Demand is expected to further increase by 0.8 percent in 2011 as the economic recovery gains momentum within the industrial sectors.

(Source: Canada Newswire Website)



Gas Market Update

Canada Set To Lose Out As Gas Rebounds



Alexander Medvedev, Deputy Chief Executive Officer at Russian gas-export behemoth Gazprom, told a gas conference November 19th that the company expects its shipments to surge 13 percent next year, as an accelerating post-

recession economy fuels a rebound in European demand. If Gazprom's outlook proves accurate, natural gas producers can look forward to a much healthier pricing environment than they have now. Despite a recent modest rise, natural gas prices are still only one-third of their summer 2008 peaks, and are almost 40 percent below their five-year average. But even if Canada's natural gas industry shared Gazprom's optimism about demand, it wouldn't be matching Gazprom's production-growth plans. Canadian gas output has been shrinking fast, and the declines go well beyond the recession's impact. Martin King, Energy Commodities Analyst at FirstEnergy Capital Corp., noted in a recent report that Western Canadian natural gas output began to decline long before the recession hit. It peaked in early 2006, and since has dropped 21 percent. King projects that Western Canadian natural gas output will decline 800 million cubic feet a day in 2010, nearly matching the one billion cubic foot drop he estimates for this year.

The International Energy Agency (IEA), in its massive World Energy Outlook report issued November 10th, pegged Canada as one of only three major natural-gas-producing countries whose output will shrink over the next 20 years. It predicted that Canada's production by 2015 would be 10 percent below 2007 levels. Output would rise modestly to 2020, but would go into decline again between 2020 and 2030, as global demand peaks and begins to recede, largely due to efforts to reduce dependence on fossil fuels. Overall, the IEA projects Canadian production to decline at an average annual rate of 0.6 percent from 2007 to 2030.

(Source: The Globe And Mail Website)

WEEKLY MARKET UPDATE

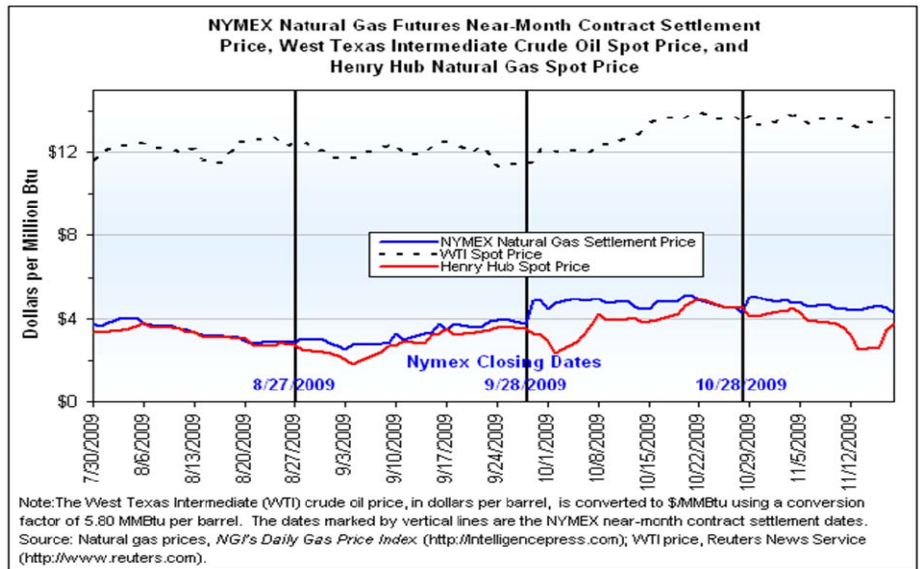
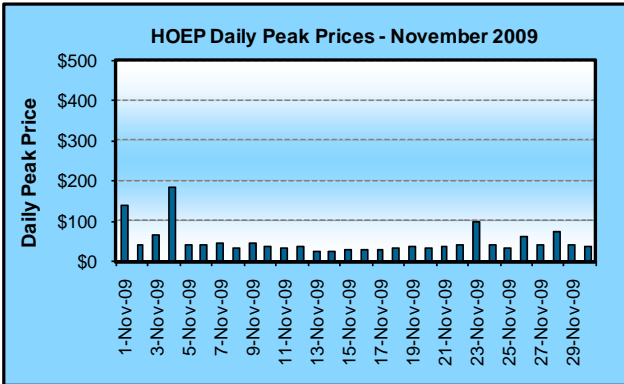
Fuel Type	Total Capacity (MW)	Number of Stations	Change in Capacity (MW)	Change in Stations
Nuclear	11,426	5	0	0
Hydroelectric	7,911	70	85	1
Coal	6,434	4	0	0
Oil/Gas	8,535	27	10	1
Wind	1,064	8	0	0
Biomass/ Landfill Gas	75	5	0	0
Total	35,445	119	95	2

Ontario's existing installed generating capacity. This excludes capacity that is in the commissioning stage. (Source: EIA Website)

Season	Normal Weather Peak (MW)	Extreme Weather Peak (MW)
Winter 2009-2010	22717	23883
Summer 2010	23608	25806
Winter 2010-2011	22447	23527

Year	Normal Weather Energy (TWh)	Percent Growth in Energy
2006 Energy	152.3	-1.9%
2007 Energy	151.6	-0.5%
2008 Energy	148.9	-1.8%
2009 Energy (Forecast)	140.5	-5.7%
2010 Energy (Forecast)	141.1	0.4%
2011 Energy (Forecast)	142.3	0.8%

The chart above illustrates seasonal peaks and annual energy demand over the forecast horizon of the IESO's (Independent Electricity System Operator) recent 18-Month Outlook. (Source: IESO Website)



At the New York Mercantile Exchange (NYMEX), the future contract for December delivery at the Henry Hub settled November 18, 2009. The price of the near-month contract decreased by about 6% during the report week. (Source: EIA Website)



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