



Tasmanian Council of Social Service Inc.

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# Review of the Tasmanian Wholesale Electricity Market Regulatory Pricing Framework – Options Paper

April 2019



INTEGRITY  
COMPASSION  
INFLUENCE

## About TasCOSS

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TasCOSS is the peak body for the community services sector in Tasmania. Our membership includes individuals and organisations active in the provision of community services to low-income Tasmanians living in vulnerable and disadvantaged circumstances. TasCOSS represents the interests of our members and their clients to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage, and promote the adoption of effective solutions to address these issues.

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# Review of the Tasmanian Wholesale Electricity Market Regulatory Pricing Framework – Options Paper

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## Introduction

The Tasmanian Council of Social Service (TasCOSS) welcomes this opportunity to contribute to the review of the Tasmanian wholesale electricity pricing (WEP) framework.

Energy is an essential service, fundamental to community, family and individual health and well-being, as well as to overall economic activity. Tasmanian households, regardless of their means, must be able to afford to maintain access to an uninterrupted household energy supply. Meeting the costs of household energy supply continues to be a major challenge for low-income households in Tasmania. According to the Australian Bureau of Statistics *Household Expenditure Survey 2015-16* (Cat no 6530.0), 10.2 per cent of Tasmanian households were unable to pay a utility bill on time.

TasCOSS believes providing a secure, reliable energy supply that is affordable for low-income and disadvantaged Tasmanians, must be the centrepiece of all energy policy development.

## Key Issues

The focus of TasCOSS' response to the Options Paper is centred on three issues of significance to Tasmanian residential customers, in particular, low-income, disadvantaged and vulnerable Tasmanians:

- **Lower electricity prices:**  
After housing costs, energy bills have a significant impact on low-income households. While TasCOSS supports the Tasmanian Government's target of having the lowest regulated electricity prices in the nation, we encourage energy policies that put downward pressure on prices and deliver lower electricity costs for low-income Tasmanians. In that context, TasCOSS is more concerned with lower prices than the mechanism that delivers it.
- **Renewable energy generation:**  
Climate change is not just an environmental issue, it is a social justice issue and failing to halt climate change will cause greater poverty and inequality in the future. Tasmania is a leading provider of clean, renewable energy and TasCOSS encourages policies that support further development of and investment in renewable energy generation. TasCOSS supports the Tasmanian Government's target to be 100 per cent renewable energy self-sufficient.
- **Minimise barriers to competition:**  
Effective competition generally delivers benefits to consumers, such as more competitive prices. While TasCOSS does not consider wholesale electricity market competition to be the panacea to lower electricity prices, we are supportive of policies that encourage more efficient

market outcomes and lower prices. Competition may result in positive outcomes for vulnerable customers through new products and lower prices.

## Analysis of Options

From a general policy perspective, TasCOSS considers Option 2 to be the best approach to delivering the Tasmanian Government's *Building Your Future* targets of:

1. Lowest regulated electricity prices in the nation.
2. 100% self-sufficient in renewable generation.

This option simplifies the current ad hoc approach to wholesale electricity pricing and provides some transparency into the wholesale pricing structure in the future for regulated and unregulated customers.

A feature of Option 2 is that it means Tasmania can take advantage of any low-cost power in the national market in the future, but if mainland prices are high, then this mechanism can pass lower costs onto Tasmanian customers through a rebate. Competition in the market is also more likely to be encouraged under this option compared to the other options. While none of the options specifically address or are designed with competition as a key aim, TasCOSS is in favour of those options that do not reduce this opportunity.

The other options (3 to 6) seem to add further complexity to pricing structures which may lead to inefficiencies and unintended consequences which customers end up paying for. One such example is not being able to access low-cost power in Victoria through delinking, unless another system cost mechanism is in place to enable it.

It must also be considered that the issue that led to this WEP review – protecting Tasmanian customers from volatile and sky-rocketing prices on the mainland – is reasonably short-term, in part due to market instability and uncertainty regarding national energy policy. In fact, the Options Paper notes wholesale prices are expected to decline across the NEM over the next two years.

Considering the potential for the above issues to change in the medium-term, putting in place the least-complicated approach to price-setting now will allow for more nimble policy responses and reforms in the future.

## Wholesale Costs

It is noted the Options Paper does not reference wholesale costs or define a methodology for calculating Tasmanian system costs. This analysis would provide for a more informed discussion on wholesale prices and determining what price customers should reasonably expect to pay.

## Recommendation

In the context of the above discussion, TasCOSS supports Option 2(b) for its better ability to address the priority issues we identified: delivering lower prices, supporting further renewable generation and minimising the barriers to competition in the wholesale electricity market.