

Energy Policy Statement

December 2009



Tasmania
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Energy Policy Statement

Key Points

The Tasmanian Labor Government:

- confirms its long standing commitment, enshrined in legislation for a decade, to public ownership of the hydro system and the transmission and distribution networks;
- will never shirk from the reform that improves Tasmanians' standard of living;
- is proud of its energy strategy and reaffirms its commitment to the progressive introduction of competition in the generation and retail segments of the Tasmanian energy market;
- has decided to extend retail competition to a further 2 600 small business customers, from 1 January 2011 – and will continue to provide robust consumer protection to these newly contestable customers;
- will not proceed to full retail contestability for domestic customers at this point, but will continually review the costs and benefits of doing so;
- will continue to ensure that residential customers are protected by robust, independent price regulation;
- will permanently index electricity concessions to future price rises, in-line with the Government's announcement to boost to water and sewerage concessions;
- intends to maintain the momentum of reform and has commissioned an expert review in 2008 that has been considering both the structure of the portfolio of electricity businesses and the efficiency and effectiveness of the energy market design in Tasmania;
- expects to consider the findings of that review next year;
- will legislate to require Aurora to provide a feed-in tariff to customers who install small renewable energy systems at their home or business; and
- will provide \$350,000 and work in partnership with the Councils on King and Flinders Islands to help residents of the Islands increase their energy efficiency and reduce their overall energy costs by:
 - making sure that residents on the Islands are able to make the most of Australian Government programs such as the Energy Efficiency Homes Package, Green Loans and Green Start;
 - facilitating the uptake of solar hot water and ceiling insulation through collective purchasing and installation arrangements;
 - providing direct assistance for measures that help Island residents reduce their electricity bills; and
 - mandating a feed-in tariff on the Islands that recognises the benefits of reducing the costs of generation from diesel fuel.

STATEMENT ON ENERGY

by the Hon David Llewellyn MP, Minister for Energy

3 December 2009

A decade of reform

The supply of safe, reliable, affordable energy is one of the basics of modern life. However, the way in which energy is supplied and used is undergoing profound change - locally, nationally and internationally.

This Statement outlines what is happening with energy in Tasmania, and on how the Government's policies for energy will continue to serve the people of Tasmania.

It is appropriate to note just how far we have come over the last decade, and to restate the fundamental objectives of our energy policies. The objectives relate to **quantity, quality and cost**.

- **Quantity** is about having adequate supplies of energy and security of supply, both now and in the future.
- **Quality** is about the reliability of those supplies and levels of service, and having choices of fuel and provider. But it is also about the sustainability of that energy. There is now a worldwide awareness about the potential risks of a continued build up of greenhouse gases in the Earth's atmosphere, and that the world's current approach to energy supply and consumption is unsustainable.
- **Cost** is about the affordability of energy. This is partly about the prices we have to pay. The prices are affected by the efficiency with which the energy is created and supplied. But affordability also depends on how much energy we actually need and how efficiently we use that energy.

In the last decade, Tasmania has taken giant steps in terms of these three objectives.

A decade ago Tasmania had an isolated energy system with no reticulated natural gas and almost total reliance on rainfall into our hydro system. The risk of electricity shortages due to a drought was damaging to confidence in the State's economy.

There were no wind farms in Tasmania. Concerns about climate change were hardly noticed.

There was a new national grid and electricity market on the mainland, but Tasmania was not part of it.

To address these risks, the Government supported the construction of a **gas pipeline** under Bass Strait. It created the framework for foundation customers and it facilitated the rollout of a backbone transmission and distribution gas grid in a very short period of time.

The thermal **power station at Bell Bay was converted** by Hydro Tasmania to run on natural gas instead of oil. The savings in fuel costs at Bell Bay since then have by themselves covered the public contribution to the new gas network.

The **wind farm** at Woolnorth was constructed by Hydro Tasmania and later extended to Studland Bay. When first built, and later when extended, this was Australia's largest wind farm. It is consistently one of the best performing wind farms in the world, with a capacity factor averaging over 40%.

Basslink was constructed to connect the Tasmanian and mainland electricity grids, backed by a long term financial agreement with Hydro Tasmania. When built this was the world's longest subsea, high voltage, direct current cable.

Basslink meant that we could maintain electricity adequacy in Tasmania even in the event of drought. Furthermore, it enables Tasmania to supply clean electricity to the mainland, especially during periods of peak demand in the mainland grid.

The Government's decisions turned out to be astute, prudent and timely.

The years after the establishment of the gas network and Basslink witnessed a severe and prolonged drought. However, Basslink and gas generation were able to underpin Tasmanian electricity supplies and Tasmania was able to avoid the need for power rationing.

In addition, Basslink is able to earn money by importing electricity during off peak periods on the mainland, and exporting it back again at higher prices during peak periods.

It also enables better use of the State's hydro system by creating an ability to export electricity during or before periods of heavy rainfall which would otherwise fill up the smaller storages to the point of overspill.

The value of the flexibility that Basslink provides has been demonstrated beyond doubt.

Events in 2008 confirmed that the Government had created the climate for new entrants into the State's energy sector. In 2008, Alinta Energy started to build a **modern combined cycle gas generator** at Bell Bay and this was then taken over by Babcock and Brown Power. Unfortunately the global financial crisis then struck and the proponents ran into difficulties related to financing.

As a Government concerned about the quantity, quality and affordability of energy, we moved swiftly to buy the partially completed project. Under the management of Aurora Energy Tamar Valley, the project has now been delivered ... under budget and almost exactly on schedule.

The new **Tamar Valley Power Station** was opened on 26 October 2009. This is another major milestone for energy in Tasmania.

The new generator adds diversity and strength to the State's power supply. It is a significant step forward from the old Bell Bay Power station, which reached the end of its productive life early in 2009 and has now been decommissioned.

The maintenance of **energy adequacy and security** in Tasmania has therefore been managed very well in very trying times. Our objectives related to energy quantity have been met.

Quality of electricity supply is affected by the level of investment in transmission and distribution networks, and by how well those networks are managed. It also depends on customer service and customer choice.

Robust regulation

Competition between electricity and gas has developed. More and more customers can now choose which fuel suits them best for heating, cooking or industrial purposes.

Just over a decade ago, the old Hydro-Electric Corporation was disaggregated into three companies. Transend Networks was created as a dedicated state owned company to run electricity transmission. Aurora Energy was created as dedicated state owned company to run electricity distribution and retailing.

Both transmission and distribution are natural monopolies. Since they are also essential services, both Transend and Aurora's distribution division are subject to **regulation and oversight** to ensure that they meet appropriate standards for security, quality and service and that they are charging no more than required for a fully efficient operation.

In Tasmania this regulation and oversight role was carried out by the Tasmanian Energy Regulator, now the Tasmanian Economic Regulator.

However, over the last decade Tasmania has been working with other States and the Commonwealth to create a national **Australian Energy Regulator** and a **national framework** for the regulation of both transmission and distribution.

The Australian Energy Regulator has recently made its revenue determination for Transend for the next five years. It will also handle the next price determination for Aurora Distribution.

Good economic regulation requires astute judgements in the trade-off between cost and quality, and between relying on investments of the past and encouraging new investments for the future.

The Tasmanian Government retains a role in setting the **standards** for performance, service, security and reliability. We do not want to see expensive over investment, nor do we want to see an erosion of standards. We want customers to be confident about what they can expect, and to be happy with the standards. We believe that the trade-off between costs and quality requires skilled judgement from the Government on behalf of Tasmanian customers, in consultation with industry, customers and regulators.

On the whole, we are **well satisfied** with the performance of our State owned network companies, as we are with that of Hydro Tasmania. The list of successful developments and improvements is impressive. The record shows continuing or improving standards of reliability and performance and a consistent ethos of creating or adopting best practices in company management and network management.

The Tasmanian Economic Regulator maintains its role of regulating the maximum prices that Aurora Retail can charge non-contestable customers, and it provides a valuable monitoring and oversight role for Tasmanian energy.

National Rules and Regulations covering the supply and sale of energy by distribution and retailing companies, including customer protection measures, are currently well advanced and are expected to be implemented during 2011.

Control of the high voltage electricity supply system now rests with the **Australian Energy Market Operator**. This body has the responsibility of keeping the grid supply in a secure state and within prescribed operating tolerances.

The Australian Energy Market Operator also runs the **National Electricity Market (NEM)**. The National Electricity Market receives competing bids from generators, and organises the cheapest and best way of dispatching these supply bids in order to meet customer demand levels, all day, every day.

The NEM is widely regarded as one of the best examples of a competitive market framework for electricity in the world.

Tasmania has been part of the continuing development of the NEM, working through the Ministerial Council on Energy. We helped set up the Australian Energy Regulator and the Australian Energy Market Commission and more recently the Australian Energy Market Operator.

The new National Energy Customer Framework has just been released for public consultation. It is extremely comprehensive and in particular implements nationally consistent customer protection arrangements.

A lot of effort has gone into these developments, and into the legislative and governance frameworks that support them. It is a record full of important achievements, reforms and advances.

A sustainable electricity industry

In terms of **sustainability** there is no escaping the fact that, apart from last winter, the inflows to our hydro system have been generally below average for many years. This required a greater reliance on gas generation and imports over Basslink, and this has increased the emissions intensity of the electricity that Tasmanians consume.

All the more reason to increase our **production** of clean electricity from renewable energy sources, and to increase the **efficiency** with which we use energy.

Even if the State has abundant rainfall, the fact that we can now export clean electricity over Basslink means that electricity saved in Tasmania becomes exported electricity that can displace coal based electricity on the mainland.

Fortunately we have some excellent opportunities for producing additional renewable energy, and for improving energy efficiency.

Undoubtedly the biggest factor affecting energy policies and planning everywhere is the need to reduce greenhouse gas emissions.

This Government accepts that rapidly increasing concentrations of greenhouse gases in the earth's atmosphere will lead to an increasing long term warming effect with enormously damaging and dangerous consequences. We cannot afford to ignore the warnings.

The prudent thing to do is mitigate the risks and adapt to the likely consequences.

This is a vital issue and perhaps the greatest challenge of our times. The time has come for international cooperation on an unprecedented scale. Tasmanians, and indeed every individual on the planet, must contribute.

Tasmania is **well placed** to play a positive role. Our electricity supply is already predominantly based on renewable resources. We have good prospects for additional renewable energy of various forms. We have good prospects for biosequestration of carbon.

However, **Tasmanian emissions** per head of population, while lower than the Australian average, are higher than the average for Europe, and the average for the world's population as a whole. They are also higher than the levels which scientists tell us the world needs to achieve in order to stabilise greenhouse gas concentrations in the Earth's thin layer atmosphere on which we all so vitally depend.

Tasmania emits about 17 tonnes of CO_{2e} emissions per head of population every year, due largely to emissions from transport, industry, agriculture and energy in approximately equal measures. This is about 8.5 million tonnes in total. Some of this is due to emissions from export oriented industries, but Tasmania also imports a lot of emission intensive products.

Our target for Tasmania is to get overall emissions down below 4.6 million tonnes per annum by 2050, or around half of what it is today, in spite of an increasing population and a growing economy. So the Tasmanian target presents a very real and significant challenge.

The Australian Government's **Carbon Pollution Reduction Scheme** has been topic of much discussion and debate throughout the year. The uncertainty and delay surrounding this measure has not been helpful for investment decisions in energy. Neither has the **Global Financial Crisis**.

On a more positive note the large extension to the Australian Government's **Renewable Energy Targets** scheme is good news for renewable energy projects. Tasmanian consumers contribute financially to this scheme because electricity retailers have to pay for the renewable energy certificates and they then pass the costs on to consumers. It is important for the Tasmanian economy that these contributions go to worthwhile renewable energy projects within Tasmania as far as possible.

The Tasmanian Government has set a legislative target of **reducing Tasmania's overall emissions** of greenhouse gases so that by 2050 they are 40% or less of what they were in 1990.

In essence, we foresee continued economic and population growth for Tasmania, but with a **decrease in the emissions intensity** of our main sources of greenhouse gases, and an **increase in the amount of clean renewable energy** that Tasmania produces.

We believe that Tasmania has excellent opportunities for **additional renewable energy** and that successful projects will provide economic benefits for Tasmania and well as environmental benefits for the nation.

Our energy vision for Tasmania sees **very large generation capacity from wind and geothermal sources**, together with biomass, potentially generating 1000s more megawatts into the Tasmanian and national grids.

We already produce a large part of the nation's clean renewable electricity. Our powerful hydro system gives us flexibility to use or export electricity produced from intermittent renewable resources when available, and to draw down or not draw down energy from stored water as required. It is much easier for a hydro system to do this than a system based on large coal fired generators.

We welcome the recent work by the Australian Energy Market Commission on **defining zones for new renewables developments** so that the transmission links for these zones can be designed and built on an efficient scale. The earliest possible implementation of this work is critical to the attainment of our potential.

We also welcome the proposal that regions who call upon another region for some of their power requirements should help to pay for the transmission systems that are necessary to deliver such energy to them. We envisage that this will be useful in enabling additional Tasmanian renewable electricity to be delivered to the mainland.

These factors support our vision that Tasmania will grow in stature as Australia's **renewable energy powerhouse**.

With the potential for 1000s more megawatts of renewable energy, the possibility that a **second electricity link to the mainland** may eventually be needed and in the national interest is squarely on the medium term agenda. Tasmania can contribute in a real way to reducing Australia's dependence on fossil fuels and at the same time earn money for our economy.

We have set up the **Tasmanian Renewable Energy Industry Development Board** and appointed the Honourable Peter Rae AO as its chairman.

One of the early tasks for this Board will be to map out a way for Tasmania's **Bass Strait Island** communities to become less reliant on diesel powered generators for their electricity. Electricity from diesel generators is both expensive and high in carbon emissions.

In this regard we note the recent success by Hydro Tasmania in obtaining Australian Government support for projects on King Island under the Renewable Energy Development Program.

The Tasmanian Renewable Energy Industry Development Board will help companies further develop renewable energy opportunities in Tasmania, large or small, centralised or decentralised. This includes

projects based on wind, geothermal, biomass, biofuels, solar thermal, solar photovoltaics and marine energy resources.

A related initiative is to update and clarify the conditions for accessing renewable energy resources on Crown land. The Government is keen to develop improved regulatory arrangements to ensure that the best wind, wave and tidal resources are made available to proponents who are able to maximise the potential of such renewable energy resources.

When considering **public policy measures** in energy, it is important to ensure that the measures are themselves efficient and in the long term public interest. There are many challenges ahead and it is important not to waste time and resources on measures that are ineffective or which merely serve the interests of one group at the expense of others.

The Tasmania Climate Change Office has sponsored a study into the best and most effective opportunities for greenhouse gas abatement in Tasmania. This is the Tasmanian Greenhouse Gas Emissions Reduction Project, commonly referred to as the **Wedges Report**. It will guide our further policies in this area.

Feed-in tariffs

For much of 2009 the Government has been listening to arguments for and against mandating premium **feed-in tariffs** for any electricity fed back into the grid by small, residential based renewable generators, such as rooftop photovoltaic panels.

Small scale solar photovoltaic systems already attract taxpayer funded support from the Australian Government, and also from electricity consumers through the component of their bills that relates to the Renewable Energy Target scheme. Their current treatment under the RET scheme is particularly favourable as small photovoltaic systems receive several times more certificates per unit of electricity than most other types of renewable generators, and the certificates are awarded up-front on the basis of their inferred lifetime performance.

However, the photovoltaic industry has been arguing that electricity consumers or taxpayers should also pay the owners of such systems a **multiple of the full retail price** for any surplus electricity produced from these devices. They have even argued that this premium rate should be paid for all the electricity produced by these systems, even if consumed by the owners themselves.

Having listened to the arguments, and taken heed of the policy principles for feed-in tariffs recently agreed by the Council of Australian Governments, the Government has decided that it is not fair or sensible to force other people to pay more than a fair and reasonable price for such electricity. It is satisfied that Aurora's Energy's current policy of paying the full retail price for any electricity that is supplied back to the grid is fair and reasonable in the Tasmanian context.

To this end the Government will mandate that a feed-in tariff will be provided in a manner that is consistent with the agreed national principles for feed-in Tariff schemes. It will be a net metering scheme with the tariff to be paid at a fair and reasonable rate. On mainland Tasmania a fair and reasonable rate will be taken to be a rate equivalent to the unit price within the relevant retail tariff.

In the case of King and Flinders Islands, the cost of electricity generation is higher than the unit price within the relevant retail tariff, so the Government will mandate that the rate paid for any excess electricity fed back into the system there is a fair and reasonable rate in line with the costs saved by the supplier. It will ask the Tasmanian Economic Regulator to advise what the rate should be, based on work it has already done.

Furthermore, Tasmania will cooperate with other states for setting clear terms and conditions for the connection of small and medium sized embedded generators to an electricity distribution network. The owners of small and medium sized generators who connect directly to a distribution system will be assured of being treated fairly, openly and consistently. The policies and rules for this are already being progressed as part of the national energy markets reform agenda.

The Government urges Tasmanian consumers to make better use of existing national programs offering rebates for ceiling insulation, and for solar hot water installations, and low interest Green Loans for other energy efficiency measures.

Furthermore, whenever new homes are constructed or major renovations undertaken, we urge owners and builders to design and build for the highest practical standards of energy efficiency. A five star minimum rating for the thermal efficiency of a building will become mandatory early in 2010.

In order to obtain the maximum benefits it is important that the building occupants use energy efficient appliances and adopt energy efficient habits. We will continue to cooperate with the national work on improving **Minimum Energy Performance Standards** for appliances.

Helping households and small business to understand their energy use and energy efficiency opportunities and to actually take up those opportunities is a challenge. The Government is looking at a range of methods to assist Tasmanians in this regard, including requiring helpful information to be printed on residential electricity bills and producing a guide to the energy efficiency of housing.

Increasing efficiency and decreasing emissions are also important goals in the **transport sector**. The Tasmanian Government will encourage the use of biofuels and alternatives fuels in Tasmania, particularly if these have an element of local production.

We welcome the development of a facility at Westbury for producing **liquefied natural gas** for use as a transport fuel.

We note the success of our State owned energy companies in reducing the costs and emissions from their fleets of work vehicles and urge other fleet owners to do the same.

King and Flinders Islands

Whilst the majority of Tasmanians that most of the electricity we consume comes from renewable sources, the same cannot currently be said on the Bass Strait Islands where **diesel remains the primary fuel source**. This is detrimental to the environment and expensive.

Two ways people can reduce their energy costs and their carbon footprint is to install solar hot water systems and insulate their houses. The Federal Government recognises this and provides rebates under the Energy Efficient Homes package. But even with the Commonwealth's support, the islanders find the cost of shipping and limited access to qualified tradesmen prohibitive to the installation of solar hot water systems.

The Government **has developed a plan to tackle this problem**. The Government will provide \$350,000 and work in partnership with the Councils on King and Flinders Islands to help residents of the Islands increase their energy efficiency and reduce their overall energy costs by:

- making sure that residents on the Islands are able to make the most of Australian Government programs such as the Energy Efficiency Homes Package, Green Loans and Green Start;
- facilitating the uptake of solar hot water and ceiling insulation through collective purchasing and installation arrangements;
- providing direct assistance for measures that help Island residents reduce their electricity bills; and
- mandating a feed-in tariff on the Islands that recognises the benefits of reducing the costs of generation from diesel fuel.

The Government has also made a decision on **electricity pricing for the Bass Strait Islands for 2010**.

Until the Tasmanian Renewable Energy Industry Development Board has reported back to the Government on better energy solutions for the Islands, the Government has decided that electricity prices on the Islands will increase at the same rate as the increase in the Consumer Price Index.

This is the same way prices have been set in previous years.

Rising Costs

The recent history of **electricity** prices is a concern around Australia. Costs have risen quite sharply in every state, including Tasmania.

There are several reasons for these increases, including higher demand levels, higher network costs, increasing quality standards, the need to replace ageing assets, and some underpricing in the past.

Electricity prices stem primarily from energy generation costs, transmission and distribution costs and retailing costs.

Energy prices are set in a large and effective, competitive Australian market – the NEM – and comprise around 45% of the cost of getting electricity to residential and small business consumers

Transmission and distribution costs together account for a further 45% of that total. These components of the supply chain are closely regulated.

The costs of maintaining and extending electricity networks have increased for various reasons. For example, the price of steel has been high due to worldwide supply and demand pressures, partly driven by the rapid economic growth in Asia that has been so important to Australia's prosperity, the expansion of the network to cater for significant growth in customer connections, increased maximum demand from consumers through greater use of electrical appliances and increased reliability standards.

Retailing in Tasmania is partly competitive and partly regulated. It comprises around 10 per cent of the cost of electricity for residential and small business consumers

Overall, the evidence suggests the supply chain is efficient. Tasmanian prices remain competitive with those on the mainland, and Australia prices remain low by international comparison.

Nevertheless, customers should take warning that **the outlook for energy prices in future is for further increases**. Peak demands continue to grow, putting pressure on supply. Costs will increase because fossil fuel based generators will no longer be able to discharge greenhouse gases into the atmosphere for free. Also because large parts of the electricity supply industry in Australia are going to have to undertake a fundamental transition towards greater sustainability and new sources of supply.

In light of the potential impact of future price rises, **the Government will permanently index electricity concessions to changes in prices** so that low-income Tasmanians are better protected.

The size of the concession will increase at the same rate that electricity bills increase over time. No matter what the size of the annual percentage increase, the concession will increase by the same percentage to protect low-income Tasmanians.

The best, quickest and cheapest ways to offset the effect of rising energy prices, and to reduce carbon emissions, are to reduce the amount of energy that is wasted, and to reduce the amount of energy consumed through increasing overall **energy efficiency** in terms of units of output per unit of energy input.

Saving energy saves money and reduces our carbon emissions.

The Tasmanian Government and government officials have been working through the Council of Australian Governments and the Ministerial Council on Energy, to develop a **national strategy on energy efficiency**. It makes sense for a smaller state like Tasmania to make appropriate use of national programs as far as possible.

Energy reform - the next steps

Having provided the background and context, **it is appropriate to look forward.**

Our fundamental policies are working and remain unchanged.

Our **vision** is that Tasmania will continue to have sufficient and diverse supplies of energy, provided securely, safely and reliably, and as sustainably and efficiently as possible, with a net surplus of clean energy that can be exported to the mainland or used for sustainable industries in Tasmania.

We will promote efficient outcomes through **good legislative and regulatory frameworks** which promote competition and market based outcomes where possible, and through light-handed but effective regulation where necessary.

We will continue to focus on reducing any market failures or other barriers to efficient and effective outcomes. In general we will prefer the use of incentives and assistance rather than restrictions and penalties.

We will continue to play a positive role in the continuation of the **national market reforms** and market developments for Australian electricity and gas.

Having set up the legislative and regulatory frameworks for energy in Tasmania and nationally, restructured the Tasmanian public owned energy enterprises and opened the door to new entrants, we will leave the appropriate companies and authorities to get on with the job, intervening only as required.

We will keep the hydro system and core transmission and distribution networks for electricity in **public ownership**.

We will continue to be open and welcoming to **new entrants and competition**, and the development of additional new sources of energy.

In the electricity generation and retailing sectors, we will remove barriers to new entrants and encourage competition. However, we cannot force new entrants to set up business in Tasmania in what is, after all, a relatively small market.

Competition within the electricity generation sector in Tasmania has developed in a way that was perhaps not envisaged when the reforms began in earnest over a decade ago. Rather than competition between private and publically owned electricity generators, what we have seen and supported is a growth in competition between two public owned electricity generators, namely Hydro Tasmania and Aurora Energy Tamar Valley.

Responsible boards and senior management of corporations take a strategic view of the future and regularly review their options. This applies equally well to Governments and State owned energy businesses.

In its role as shareholder owner, the Tasmanian Government decided that it would be sensible to look simultaneously at the big picture presented by the three state owned electricity entities.

Accordingly, in mid 2008 the Government commissioned an **expert study** into the relative roles of the three owned energy companies to look at what, if anything, the Government could do to improve their overall added value of the State owned energy businesses, and what if anything, could be done to improve the efficiency and effectiveness of energy markets in Tasmania for the benefit of both customers and the public.

This strategic look ahead is supported by input from Hydro Tasmania, Transend Networks and Aurora Energy.

The work is ongoing and is expected to be completed next year.

Retail contestability

The Government has made substantial progress in opening up the electricity retail market in Tasmania to new entrants and competition. This has been done in annual tranches, starting with the group of largest customers in 2006. We are now up to Tranche 4, consisting of customers who consume between 150MWh and 750MWh of electricity in a year.

Currently, around 1 800 larger businesses in Tasmania are able to choose their electricity retailer and the electricity services that suits their needs.

The Government remains committed to extending these opportunities to more Tasmanians, including smaller businesses. I announce today that the Government will lower the threshold that entitles Tasmanian businesses to choose their electricity supplier and give another 2 600 businesses freedom of choice in their electricity supply.

This will mean that all Tasmanian businesses with electricity consumption above 50 megawatt hours a year, or who pay above around \$10 000 a year, will be able to choose their electricity retailer.

The extra businesses include most bakeries, take-away food outlets, some larger restaurants and vehicle repair businesses and medium-sized offices. It is expected that this will commence on 1 January 2011, when nationally consistent customer protection arrangements are introduced.

The group of customers consuming over 50MWh in a year will be able to accept offers from alternative electricity retailers. However, they will also still be entitled to access tariffs offered by Aurora Energy and regulated by the Tasmanian Economic Regulator.

This Government is committed to ongoing reform in the electricity market and to providing Tasmanian businesses with opportunities to increase their competitiveness and reduce unnecessary regulation. This sends an important message to the electricity supply industry that the Government is serious about creating and fostering a competitive market in Tasmania.

The opportunities created by increasing the number of market customers will make the market more attractive for retailers. This extension of competition will be in the long term interests of consumers and the industry as a whole. The Government will continue to assess the potential for the further extension of competition to the smallest customers on an ongoing basis.

To summarise and conclude....

- The Government confirms its long standing commitment, enshrined in legislation for a decade, to public ownership of the hydro system and the transmission and distribution networks
- Energy in Tasmania is secure, reliable and competitively priced and is expected to remain so.
- The Government will permanently index electricity concessions to future price rises so that low-income Tasmanians are better protected.
- The Government's vision, policy and decisions for energy have proven to be sound. The key arrangements and directions remain in place, subject to continuous oversight and refinement.
- The successful completion of the Tamar Valley Power Station is a notable milestone for the Tasmanian energy industry.
- An expert study is underway into the future relative roles of Tasmania's State owned energy businesses, looking for opportunities to increase overall value and improve the electricity market in Tasmania. This will be completed in 2010.
- We have decided that the best interests of smaller electricity consumers will be served by splitting Tranche 5 into two groups and giving the larger customers the option to choose their retailer. All Tranche 5 customers will continue to have the pricing protection afforded by the independent Tasmanian Economic Regulator.
- The Tasmanian Government is taking a strong lead on the need to recognise and act in response to on the risks from climate change. It will do this in a measured and sensible way for best effect, guided by the studies it has commissioned and other expert advice.
- The Government will mandate that electricity fed back to the distribution grid by small renewable systems will be paid at a fair and reasonable rate. On mainland Tasmania a fair and reasonable rate will be a rate equivalent to the unit price within the relevant retail tariff.
- The Government vision is that Tasmania will grow in stature as Australia's renewable energy powerhouse, with economic benefits for the State and environmental benefits for the whole nation. Helping renewable energy projects, both large and small, will be a core task for the new Tasmanian Renewable Industry Development Board.



Tasmania
Explore the possibilities