

Energy for the Future –

Overview

The Government is reforming the State's electricity industry to put downward pressure on prices in the short, medium and long term, provide choice of electricity retailer to all customers, maximise Tasmania's clean energy advantage, and improve the efficiency of the industry.

The reform package will deliver better outcomes in:

- Lower increases in future electricity prices;
- greater consumer choice;
- improved energy security;
- strong reliability of the electricity supply network in Tasmania;
- reduced risk to taxpayers;
- sustainable State-owned businesses;
- more efficient and focussed State-owned businesses; and
- the creation and maintenance of value from the renewable energy assets that the Tasmanian community owns.

OBJECTIVES

The Government has adopted four objectives for electricity policy in Tasmania, which the reform package will meet:

1. Lowest sustainable electricity bills.
2. Long-term safe, secure and reliable supplies of electricity.
3. Maximise the value of Tasmania's low carbon advantage and the brand benefits of clean Tasmanian electricity.
4. Financially viable state-owned electricity businesses that run efficiently and effectively and maximise the overall economic benefit to Tasmania.

KEY FEATURES

The key features of the reform package are:

- Full retail competition will be introduced from 1 January 2014.
- The Government will sell and transfer Aurora's retail customers in blocks to new, competing private sector retailers, from the start of FRC on 1 January 2014.
- Aurora's distribution system and Transend's transmission network will be integrated to form a single combined network business. The businesses will be merged from 1 July 2014.
- Independent regulation of Hydro Tasmania's wholesale market activities by the Tasmanian Economic Regulator from 1 July 2013.

SUPPORTING FEATURES

To support the rollout of full retail competition and allow the networks to be integrated, the following actions will be taken:

- Hydro Tasmania will retain its mainland retail business Momentum, subject to relevant approvals and ongoing shareholder oversight.
- Aurora's retail services functions will be merged with Momentum's functions, once the transition of retail customers to new retailers is complete.
- An independent assessment of the Tamar Valley Power Station assets will be obtained and unless a sale value of the assets, or parts of the assets, exceeds the value under state ownership, those assets will be transferred to Hydro Tasmania.

IMMEDIATE ACTIONS

There are a number of significant factors which, in the absence of any immediate action by the Government or the electricity businesses, would have resulted in electricity prices increasing substantially from 1 July 2012.

To provide price relief to customers from 1 July 2012:

- The Government has changed the way the Tasmanian Economic Regulator calculates prices for households and small businesses. This will reduce the price increase on 1 July 2012 by seven per cent on average, at an annual cost to the Government of \$37 million. This will be funded by higher returns from Hydro Tasmania arising partly from the introduction of the carbon price.
- Aurora has asked the Australian Energy Regulator to smooth the under-recovery of its distribution services revenues from previous years, which will reduce the price increase on 1 July 2012 by almost two per cent on average. This will provide price relief to households and small and medium businesses.
- Transend has elected not to increase revenues by the extent allowed by the Australian Energy Regulator and will only increase revenues by less than the increase in the Consumer Price Index. This will reduce the price increase on 1 July 2012 by more than three per cent on average for households and small and medium businesses. This will also be important for some major industrial customers that have expressed concerns over sharply rising network costs in recent years.

TIMING

The key milestones of the reform package are:

Date	Milestone
1 July 2012	Reduce the wholesale component of prices for non-contestable customers, funded from the proceeds made by Hydro Tasmania arising from the introduction of the carbon price.
1 January 2013	Confirm transfer of TVPS to Hydro Tasmania, or commence sale process.
1 January 2013	Determine optimum method for sale of customer base and commence divestment process.
1 July 2013	Commence regulating Hydro Tasmania's wholesale contracts.
Before 1 January 2014	Complete transfer of customers to new retailers, supported by Aurora retail services on a transitional basis.
1 January 2014	Commence full retail competition.
1 January 2014	Commence price regulation of standing offer contracts.
1 July 2014	Merge Aurora's retail services functions with Momentum's functions; new private retailers responsible for servicing their own customers.
1 July 2014	Aurora distribution and Transend commence operating as a fully integrated business.