

Wholesale Market Reform

The Government's wholesale market reform model will support the development of FRC in Tasmania with significantly lower risk, cost and complexity than the Panel's recommended option.

This model will also allow Hydro Tasmania to capitalise on Tasmania's clean energy advantage in the National Electricity Market, by continuing to get the maximum value out of Tasmania's past investments in renewable electricity generation.

FEATURES

- Hydro Tasmania's wholesale market activities will be independently regulated by the Tasmanian Economic Regulator from 1 July 2013.
- Detailed design of the wholesale regulatory model will take place during the next nine months as part of implementation of the broader package of reforms.

WHAT IS WHOLESALE MARKET REFORM?

Hydro Tasmania sells wholesale electricity to retailers under short, medium and long term contracts. Retailers need to know with certainty that they will be able to buy these contracts, there will be transparency of price, and they will be treated equally, before they will sell to Tasmanian customers under FRC.

The independent Regulator will regulate the standard range of electricity contracts that Hydro Tasmania sells to other electricity market participants, including the prices and contract premiums that Hydro Tasmania can charge for these products.

This will give new retailers confidence that Hydro Tasmania cannot use its unique market position to charge prices to other market participants that are above and beyond reasonable commercial prices

WHY IS THE GOVERNMENT DOING THIS?

No other NEM jurisdiction is quite like Tasmania in terms of the reliance on hydrological inflows for the generation of electricity. Similarly, in no other NEM jurisdiction is a single company responsible for most generation output, have control of interconnector flows and is the dominant counterparty for wholesale contracts.

Hydro Tasmania's market position presents a number of potential risks to retailers, which are unique to the Tasmanian region of the NEM. While there is no evidence to date which shows Hydro Tasmania has used this unique market position to its advantage, it is possible that it may create a perception that wholesale market risk is higher in Tasmania than in other NEM regions, which may deter the entry of some private sector retailers into the Tasmanian market.

To ensure that FRC is effective in Tasmania, the Government believes that some form of wholesale market reform is necessary to provide confidence to larger retailers that the risks in Tasmania are no different to other states.