

# Maximising Tasmania's Clean Energy Advantage

## OBJECTIVES

Tasmania's renewable energy supply system is the envy of Australia and is something of which Tasmanians are very proud.

Tasmania is uniquely placed to capitalise on our natural resources, our investment in renewable energy, and our brand and reputation as a world leader in this field.

Realising the true value of the State's investment in clean energy will be best achieved by retaining Hydro Tasmania's subsidiary mainland retail company Momentum and allowing that business to continue growing in a carefully managed way, consistent with the Government's appetite for risk.

In addition, the optimal positioning of Tasmania's electricity retail assets – people and physical – will ensure that the energy portfolio runs efficiently and effectively.

## FEATURES

- Hydro Tasmania will be supported to grow its clean energy retailing business, Momentum, with appropriate ongoing reviews and relevant approvals.
- Merge Aurora's retail services functions with Momentum's functions, once the transition of retail customers to new retailers is complete.
- The proceeds Hydro Tasmania receives from the introduction of a price on carbon will enable a new method for calculating maximum prices for household and small business customers, reducing the price increase on 1 July 2012 by around 7 percentage points, or about \$200 a year for an average customer.

## HYDRO TASMANIA'S BUSINESS MODEL – MOMENTUM

By owning Momentum, Hydro Tasmania is able to capture a premium for its renewable electricity brand and diversify its revenue base, meaning that the business can generate stable returns to Government despite inflow and market price variability, loss of load in Tasmania and the potential behaviour of vertically integrated competitors in the national market.

## SHARING THE PROFITS

It is important to share the benefit of our clean energy advantage with Tasmanian electricity customers. In 2012-13 the Government will commit \$37 million, partly funded by Hydro Tasmania's proceeds from the price on carbon, to change the way the Tasmanian Economic Regulator calculates prices for households and small businesses. This will limit the expected price increase by seven percentage points, or about \$150.

Returns from Hydro Tasmania are forecast to grow into the future, as a result of its business model and the introduction of a price on carbon, and this will allow more money to be spent on priority areas such as health, education and police.

## SUPPORTING MOMENTUM

The Government will merge Aurora's retail services functions with Momentum's functions, once the transition of Aurora's retail customers to new retailers is complete. This will allow the Tasmanian community to obtain maximum benefit from past investments in retail services and retain call centre staff in Tasmania.

A review of Momentum's growth targets and the development of a monitoring regime that sets performance indicators and risk parameters consistent with the Government's risk appetite as a low risk investor will be undertaken.