



Tasmania's changing energy market

Submission to the Joint Select Committee on Energy Matters

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Executive Summary

This submission was developed collaboratively by the Tasmanian Policy Exchange (TPE) and the Tasmanian School of Business and Economics (TSBE). It builds on previous TPE and UTAS contributions to the Joint Select Committee on Energy Matters. The submission focuses on five issues identified in the Committee's Interim Report:

- The structure of Tasmania's energy system.
- Governance of Tasmania's state-owned energy businesses.
- Energy security and resilience, including preparedness for climate-driven shocks.
- The potential of distributed energy and behind-the-meter generation at the household level.
- Energy equity, affordability, and consumer outcomes.

Key Findings

Need for new generation capacity. Tasmania's hydro-dominated, state-owned electricity system and net-zero emissions status set the state apart from mainland jurisdictions, but we remain at considerable risk of failing to keep up with increasing demand. Moreover, and despite our claims to self-sufficiency in renewables, electricity makes up only around 48% of total on-island energy use, leaving Tasmania exposed to global fuel shocks due to its heavy reliance on imported fossil fuels. No major new generation projects have come online since Cattle Hill Wind Farm (2020), and Tasmania has been a net electricity importer in six of the last seven years. All this may be constraining the process of electrification and reducing the attractiveness of Tasmania for investment in new low-emissions industries.

Governance tensions in state-owned businesses. Hydro Tasmania, TasNetworks, and Aurora Energy are all wholly government-owned, creating opportunities to strategically develop Tasmania's energy system in the long-term interests of the state. However, current governance arrangements contain important tensions that can complicate decision-making. The first is between the expectation that state-owned energy businesses deliver dividends to government and the need to invest in infrastructure renewal and system resilience. The second is between Hydro Tasmania's obligation to earn a commercial return and its role in supporting broader economic development objectives. This tension is evident in current debates over electricity supply agreements for major industrial customers, where the goal of maximising commercial returns may conflict with the government's interest in retaining strategic industries that support regional economic activity. This submission supports the Inquiry's recommendation for more transparent and consistent pricing frameworks to improve accountability and clarify how these competing objectives are balanced.

Rising energy security risks from fossil fuel dependence and climate change.

Reliance on hydropower and bushfire-exposed transmission assets create distinct vulnerabilities for Tasmania's energy system. In 2024–25, hydroelectric generation fell to its lowest level in two decades, and recent extreme weather events have caused significant network damage. The state's ongoing reliance on imported fossil fuels also poses a risk to Tasmania's brand, green credentials and energy security. This submission proposes reliability, resilience, recovery capability, and diversification as the key tests of preparedness.

Untapped potential in distributed energy. Several features of Tasmania's electricity system (including widespread smart meter coverage and a distinctive demand profile) make it suitable for greater integration of 'smart' distributed storage and demand/usage management technologies. However, Tasmania has no active Virtual Power Plant operator and the state's highly successful household clean energy and efficiency upgrade finance program (the Energy Saver Loan Scheme) closed without a replacement in 2025. This submission recommends the Government introduce a revised and more targeted loan scheme focused on batteries, home energy management systems, and thermal-shell upgrades given the potential of these technologies to improve affordability for low-income households.

Persistent and unevenly distributed affordability pressures. Tasmania faces persistent energy equity and affordability challenges. New research from TSBE shows that energy affordability is rarely embedded in energy organisations' planning or performance metrics, that vulnerable consumers struggle to access support, and that government responses tend to focus on short-term relief rather than underlying causes such as poor housing energy efficiency. Tasmania's state-owned model, where government is owner, regulator and policymaker, further blurs accountability for affordability outcomes.

Overall, the submission argues that Tasmania's distinctive energy system is a significant asset, but we need a more coordinated and strategic approach to energy policy to realise its potential. At a state level, we need credible analysis of future energy needs for different scenarios and to develop an informed and widely agreed view about how our energy system should create value for the Tasmanian community. More specifically, we need greater transparency in industrial energy pricing, governance settings that better balance commercial and public-value objectives, a more deliberate climate-security strategy, targeted support for household-level distributed energy, and clearer accountability for improving affordability outcomes.

Introduction

The Tasmanian Policy Exchange (TPE) and the Tasmanian School of Business and Economics (TSBE) are pleased to provide this submission to the Joint Select Committee on Energy Matters' Inquiry into Energy Prices and Related Matters. It builds on previous TPE and UTAS contributions to the Committee's work by focusing specifically on key findings and issues raised in the Committee's [Interim Report](#) released in May 2026. Following this introduction, the submission proceeds in six sections:

- **Section 1** examines Tasmania's distinctive market structure.
- **Section 2** assesses the governance of Tasmania's state-owned energy businesses and whether they are delivering maximum public value and enabling productivity-enhancing investment.
- **Section 3** considers the security and resilience of Tasmania's energy system and whether the State is adequately prepared for future shocks, particularly considering the recent fuel-supply crisis and growing climate risk.
- **Section 4** explores the next phase of energy market decentralisation, discussing distributed energy and behind-the-meter generation and how these technologies could enhance affordability in the Tasmanian context.
- **Section 5** looks at energy equity and affordability in the State.

Further analysis of Tasmania's energy system, electricity pricing in Tasmania, the impacts on consumers, and options and priorities for clean, reliable, and affordable energy can be found in the TPE's [2023 Submission to the Legislative Council Inquiry into Energy Prices in Tasmania](#).

1 An overview of Tasmania's energy system

Tasmania's energy system is fundamentally different to those of the mainland states. This is due to the predominance of hydropower for electricity generation and our limited (for now) connection to the National Electricity Market (NEM). In contrast, mainland energy systems have historically relied heavily on coal and gas for electricity generation, and (in the eastern states) form part of a more extensively interconnected network. Additionally, unlike the rest of the NEM, Tasmania's energy system is dominated by state-owned energy businesses (further discussed in Section 2).

As we have noted in previous submissions and reports, electricity only accounts for around 48% of total on-island energy use with fossil fuels (mostly imported) accounting for a similar proportion. Specifically, our energy needs are met from a wide range of sources (see Figure 1), including:

- Diesel and petrol (39.6% of total consumption)
- Electricity (47.3% of total consumption – 32% hydroelectric and 15.3% from other sources)
- Gas (liquid natural gas and liquid petroleum gas, 7.7% of total consumption)
- Wind generation (7.1% of total consumption)
- Black and brown coal (7% of total consumption)
- Woody biomass (5.5% of total consumption)¹

¹ While some of this is used in manufacturing processes, the large share of woody biomass in Tasmania's energy mix is mostly due to our large number of residential wood heaters.

Fuels and their uses in Tasmania, 2024

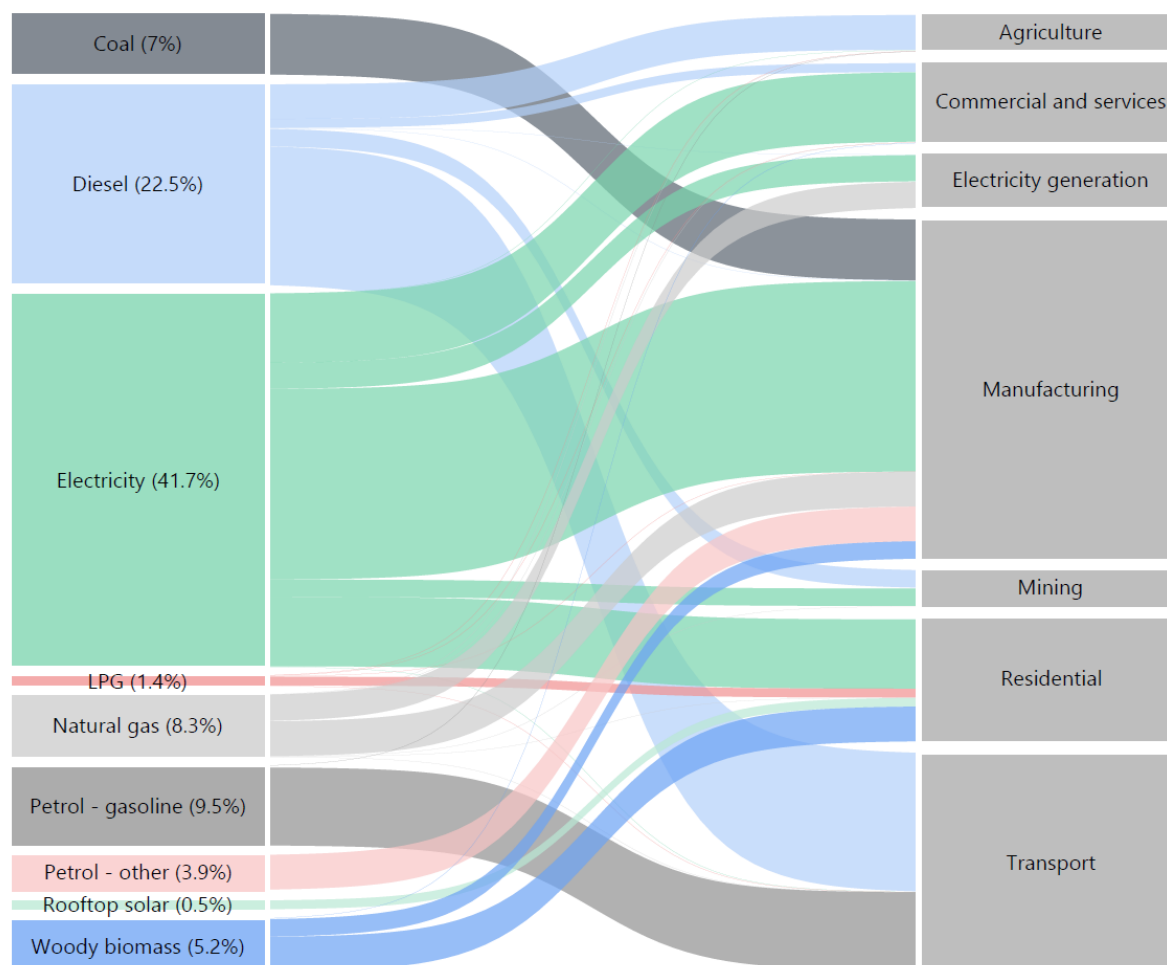


Figure 1: Energy and their uses in Tasmania, 2024. Source: [Australian Energy Statistics](#)

The risks posed by our dependence on imported fossil fuels have been highlighted during the ongoing energy crisis resulting from the conflict in the Middle East. In this context, it has become clear that increasing on-island renewable electricity generation to support the electrification of transport and industry would provide significant energy security and affordability benefits, as well as helping Tasmania and Australia to meet climate goals. For more, see #21 ([Fuel on the fire: How the Iran War is affecting Tasmania](#)) and #22 ([Putting out the fire: Supporting Tasmania through the fuel crisis](#)) in the TPE's 'Policy In My Backyard' series.

Tasmania's largest energy user by some margin is the manufacturing sector, with four 'major industrial' users responsible for the bulk of consumption. There is a risk that the [closure of major industrials](#) (Liberty Bell Bay manganese smelter and potentially Bell Bay Aluminium) could, in the absence of alternative load, increase power prices and impact the stability of the electricity grid. The second largest user is the transport sector, which relies almost exclusively on diesel and petrol.

Households rank third, using around 15% of the State's total energy and some 19% of its electricity.

Tasmania's distinctive generation system, import dependence, and patterns of consumption create both risks and opportunities as Australia navigates the green-energy transition.

1.1 Tasmania's low-emissions advantage

The Tasmanian brand is built on our [clean](#), green, sustainable credentials. This [helps distinguish](#) Tasmania and Tasmanian products globally and has the potential to be a significant asset given the intensifying climate crisis. An important part of Tasmania's claim to be a sustainability leader is our net-zero status, which is largely derived from a combination of carbon removed by our forests and the renewable electricity system.

Tasmania has now been net zero for eleven consecutive years and remains the only Australian jurisdiction to achieve this status. However, this headline result masks a concerning trend: Tasmania's absolute emissions have been broadly [static for almost 30 years, while other Australian jurisdictions have achieved substantial reductions over the same period](#). As other states continue to decarbonise, Tasmania's relative emissions advantage is narrowing (see Figure 2), highlighting the need to use renewable electricity and new technologies to reduce our dependence on fossil fuels in transport, agriculture, and manufacturing.

Absolute Emissions (non-LULUCF) per capita, 1990-2024

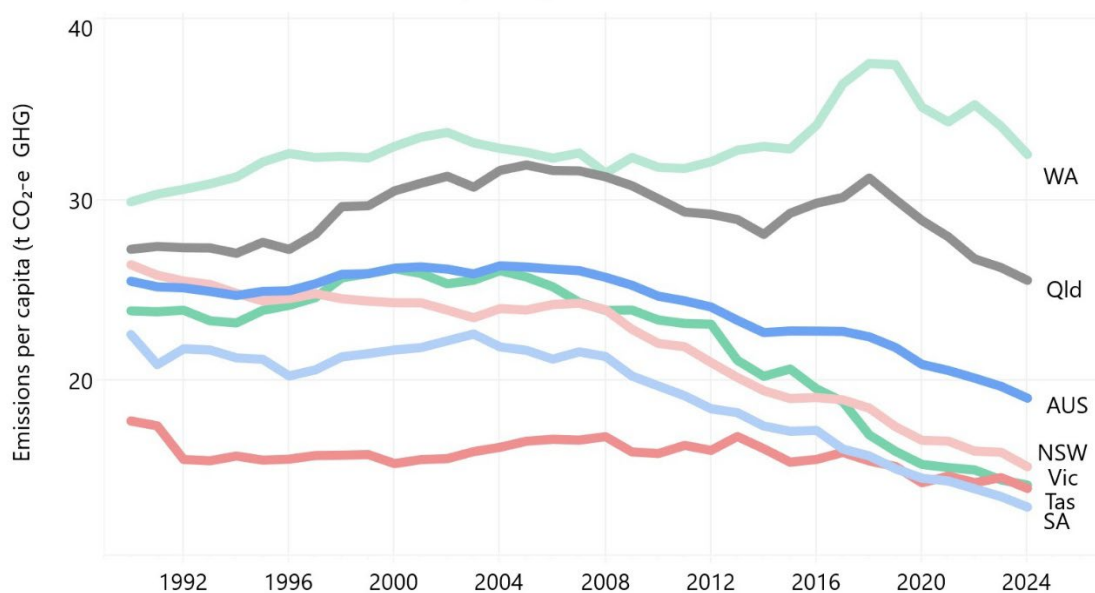


Figure 2: Absolute emissions per capita. Source: [Australian State and Territory Greenhouse Gas Inventory, 2024](#).

Despite increasing demand for renewable electricity, the slow pace of new generation development since 2020 threatens both economic development and energy security in Tasmania. While several renewable energy projects have been proposed over the past decade, no new major (i.e., utility scale) generation has come online since the [Cattle Hill Wind Farm](#) in 2020 (although the 288 MW [Northern Midlands Solar Farm](#) may not be far away). Several projects, such as the [Robbins Island Wind Farm](#), are facing significant community backlash while less contentious projects are facing commercial and financial challenges amid rising construction costs and lack of secure, long-term supply contracts. Whether the commissioning of Marinus Link, various Commonwealth incentives, and potential supply agreements with proposed AI data centres will deliver new investment in Tasmanian-based renewable energy projects remains to be seen.

This lack of new generation capacity not only constrains investment and emissions reduction opportunities, but also risks eroding one of Tasmania's key economic advantages: reliable access to renewable electricity. Tasmania is increasingly dependent on imported energy from the NEM² and has been a net importer of electricity in [six of the past seven calendar years](#). This exposes our grid to mainland-based fossil-fuel generation, which raises the state's 'electricity emissions factor', directly affecting the Scope 2 reported emissions of businesses that rely on grid power. Businesses can mitigate this through power purchase agreements (PPAs), large-scale generation certificates (LGCs), and (where necessary) offsets, but doing so adds cost and complexity and erodes part of Tasmania's traditional clean-energy advantage.

² Tasmania typically exports electricity during the wetter winter months (when hydropower storage is replenished more often) and imports it during the drier months of summer (when storage is lower). Export and import levels also fluctuate depending on the time of day. For instance, Tasmania tends to import electricity during the day (when other renewables are cheaper) and export electricity during the evening and overnight. See [Open Electricity](#) (2026).

2 Governance of state-owned electricity businesses

Tasmania's electricity system is almost entirely publicly owned, though its functions are divided among three different government businesses. In 1998, the former Hydro-Electric Commission (HEC) was broken up into:

- **Hydro Tasmania**, which owns and operates the state's hydro-electric generators and the Tamar Valley gas-fired power station (through its subsidiary AETV), and holds offtake agreements or ownership stakes in most of Tasmania's utility-scale wind farms.
- **TasNetworks**, which owns, operates, and maintains Tasmania's electricity transmission and distribution networks, connects new customers and generation projects, invests in network capacity and reliability, and acts as Tasmania's jurisdictional transmission planner within the NEM.
- **Aurora Energy**, which is Tasmania's dominant electricity retailer, purchasing energy in wholesale markets and selling it to households and businesses.

This public ownership model, combined with the size of the state's market, means that the Tasmanian Government has greater capacity to shape the state's energy system than in any of the other NEM jurisdictions.³ Only Queensland still features significant publicly owned generation, transmission, and retail energy businesses, but they are much less dominant than Hydro and Aurora.

³ Western Australia and the Northern Territory also retain dominant state-owned energy businesses across generation, networks and retailing, but their electricity systems operate separately from the National Electricity Market. New South Wales, Victoria, and South Australia have sold or leased major portions of their poles-and-wires businesses to private operators. Victoria and South Australia privatised most of their generation and retail activities while New South Wales sold its retail businesses and generation trading rights in stages starting in 2008.

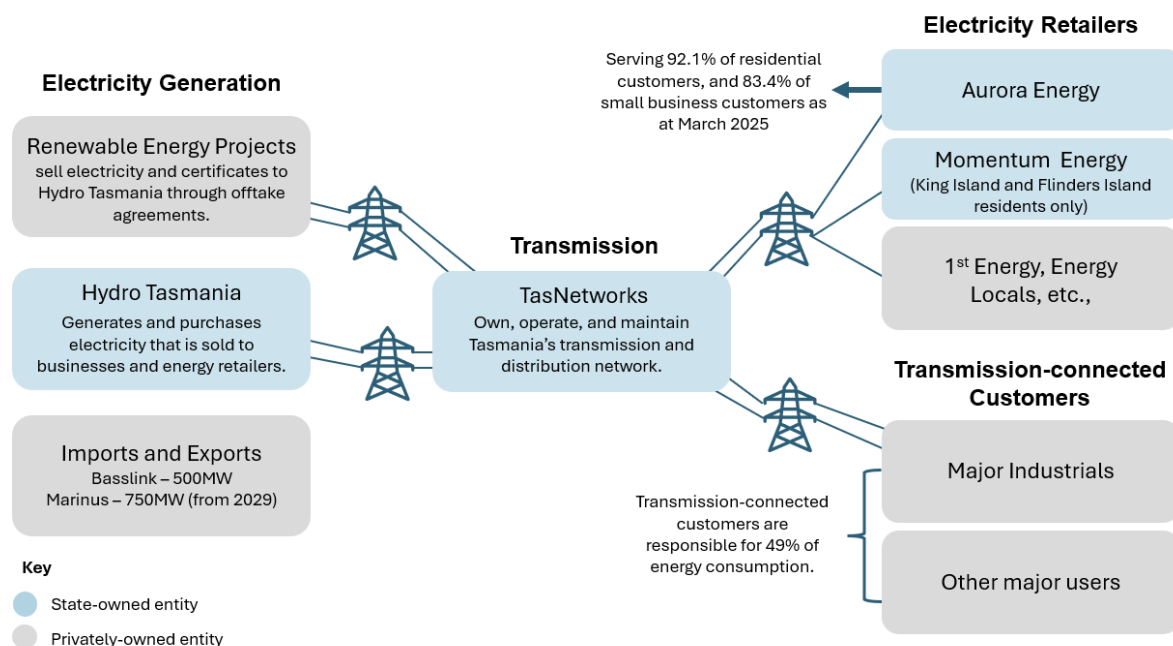


Figure 3: Ownership and governance of key Tasmanian energy businesses. Information sources: [State Revenue Office](#), [Hydro Tasmania](#), and the [Tasmanian Economic Regulator](#).

The dominance of Tasmania's state-owned energy businesses, particularly Hydro Tasmania, creates both governance and competition challenges. For the most part, these are managed through:

- structural separation between generation, networks, and retail;
- rules imposed by the Australian Energy Regulator; and
- independent oversight of wholesale and retail pricing by the Office of the Tasmanian Economic Regulator (OTTER).

However, these arrangements do not mitigate all the State's energy market governance issues, with two in particular worth consideration: the Tasmanian Government's general dividend policy expectations; and transparency around contracting arrangements, including the broad and arguably contradictory nature of Hydro Tasmania's [Ministerial Charter](#).

2.1 Dividend payments and capital investment

Because the Tasmanian Government is the sole shareholder in Hydro Tasmania, Aurora, and TasNetworks, these businesses are required to provide a financial return to the State through dividend payments set out in annual Ministerial Statements of Expectations. The Government's [dividend policy](#) has historically established an expectation that government businesses distribute up to 90% of after-tax profits unless a lower payment can be justified.

For capital-intensive businesses such as Hydro Tasmania, high dividend expectations can limit the ability to use retained earnings for asset maintenance, network upgrades, and capacity expansion. Hydro Tasmania and the Government maintain that dividends represent a legitimate return on the community's investment and that substantial capital works have continued alongside the payments. However, the underlying governance question is whether dividend decisions are sufficiently insulated from the Government's short-term fiscal needs and accurately reflect the business's long-term capital, debt, and energy-security requirements.

2.2 Transparency and contracting for major industrial consumers

According to [TasNetworks](#), transmission-connected customers were responsible for 35% of the network's maximum demand and consumed 49% of total energy delivered through the transmission network in 2024. Most of this usage is attributable to four 'major industrial' (MI) energy users. The four MIs are Liberty Bell Bay (although this has [since closed](#)), Bell Bay Aluminium (the [state's biggest energy consumer](#)), the Boyer Paper Mill, and the Nyrstar Zinc Smelter. These businesses are both major employers and play an important role in Tasmania's electricity system.

The MIs and other transmission-connected businesses can purchase power through wholesale market arrangements or Power Purchase Agreements (PPAs) with Hydro Tasmania. Historically, the MIs had significant leverage when negotiating long-term contracts. Their large and relatively predictable demand helped underpin Tasmania's electricity system, while contractual arrangements meant they played a vital role in stabilising the grid through load shedding when required.

Going forward, however, the introduction of Marinus Link and the emergence of AI data centres mean that Hydro Tasmania has significant alternative commercial opportunities to signing long-term PPAs with the MIs. Evidence of this rebalancing has emerged during the negotiations for a new PPA between Hydro Tasmania and Rio Tinto for electricity supply to Bell Bay Aluminium: some estimates put the gap between what Rio Tinto is prepared to pay and what Hydro Tasmania deems a commercial price at around \$60 million a year.

This creates an important public policy question. Because the State Government owns the electricity generation and distribution system in Tasmania, decisions about industrial electricity pricing can incorporate broader economic and social considerations rather than being based solely on commercial returns. These trade-offs are implicit in the Ministerial Charter, which requires Hydro Tasmania to provide the lowest possible power prices while balancing employment and economic development outcomes with commercial returns.

There is broad support for the Tasmanian Government retaining the ability to use energy supply and pricing as an instrument of economic and community development policy. However, concerns have been raised about whether these decisions are made through sufficiently transparent and consistent processes. While commercial confidentiality may limit the disclosure of specific contract terms, there is a case for adopting clearer evaluation frameworks and disclosing more information to Parliament and the public.

One option would be for Hydro Tasmania to provide all electricity on a commercial basis, with any subsidisation on economic or community benefit grounds provided transparently by the Tasmanian Government. This would improve public accountability, and free up Hydro Tasmania's board to make decisions primarily on commercial grounds. However, determining the value of such support – and associated opportunity costs – is not straightforward, given the uncertainty inherent in forecasting long-term electricity prices in the NEM.

The [debate](#) about energy pricing for industrial consumers has come to prominence again in light of the closure of Liberty Bell Bay and the potential closure of Bell Bay Aluminium. [Some](#) argue these closures could deliver a 'windfall gain' for Hydro Tasmania if the surplus energy can be sold for significantly more than the MIs currently pay. However, [others](#) have pointed out that because the MIs help underwrite Tasmania's transmission infrastructure, closures could increase costs for remaining consumers.

The discussion has become further complicated by the prospect of new large-scale electricity demand from AI data centres. On one hand, these new facilities could take any surplus generation resulting from the closure of MIs. Conversely, the Tasmanian Government's recently released [Draft Expectations for Data Centres and AI Infrastructure Developers](#) make it clear that data centre operators will be required to '[pay their way](#)', and bring in additional renewable energy projects to the state to offset their demand.

3 Energy security and system reliability

The Inquiry's Interim Report identified improving Tasmania's energy security as a key priority. Climate change is likely to be one of the most significant long-term challenges to achieving this objective because of Tasmania's reliance on hydropower and the exposure of our electricity network to bushfires, storms, and other extreme weather events. Historical observations indicate that Tasmania has [warmed by around 0.1°C per decade](#) since the 1950s, while Hydro Tasmania has reported a [decline in the long-run yield of the hydro system](#) since around 1970, driven by a combination of lower rainfall and higher evaporation. These trends make inflows and storage levels less predictable, increasing risks to energy security and system reliability.

Tasmania's hydro-dominated electricity system is particularly vulnerable to prolonged dry periods. For example, during the 2024-25 financial year, [hydroelectric generation fell to its lowest level](#) in two decades, contributing to a 57.5 per cent increase in net electricity imports. Looking ahead, modelling suggests [significant variability in future runoff](#), including potential declines of up to 30 per cent in Tasmania's Central Highlands, which contain many of the state's most productive hydroelectric assets. Reduced inflows would lower hydro generation and energy-in-storage reserves, increasing Tasmania's reliance on imports and other sources of firming capacity (such as the gas-fired Tamar Valley Power Station) during periods of system stress. This would likely result in increased wholesale costs.

Climate change is also expected to increase the [frequency and severity](#) of extreme weather events, including intense rainfall, flooding, bushfires, and severe storms. These events can damage generation, transmission, and distribution infrastructure, increasing outage risks, restoration costs, and pressure on system operations. [Recent severe weather events](#), such as the 2024 storms which caused widespread damage to Tasmania's electricity network, have demonstrated this vulnerability.

In combination, these risks strengthen the case for a more resilient and diversified energy system. This will require greater generation diversity (including wind and solar), investment in storage and firming capacity, stronger interconnection with mainland electricity markets, and a more conservative, independently monitored approach to managing [Prudent Storage Levels](#) (PSLs) across Hydro Tasmania's storages.

3.1 Policy design guidelines

The discussion above highlights that Tasmania's energy system faces a range of climate-related risks. These risks cannot be eliminated entirely, but they can be better managed through sound [policy design and system planning](#). In the

context of our electricity grid, energy security policy should therefore be judged by whether it can maintain reliable and affordable supply during periods of system stress. Four considerations are particularly important:

- **Reliability:** Can the system continue to supply households, businesses and critical infrastructure during disruptions?
- **Resilience and flexibility:** Does the system have sufficient storage, firm generation, demand response and operational flexibility to respond to changing conditions?
- **Recovery and governance:** Are responsibilities clear, emergency arrangements established, and restoration processes well tested?
- **Affordability:** Do shocks create significant cost pressures for consumers, and are measures in place to protect vulnerable households and businesses?

These considerations can be used as tests of whether proposed energy policies, infrastructure investments and regulatory reforms strengthen Tasmania's energy security.

3.2 Preparedness for climate-related risks

Applying this framework to Tasmania's energy system requires an assessment of how well existing institutions, infrastructure, and planning arrangements are prepared for a more variable and uncertain climate. Four questions are particularly relevant:

1. Does [planning](#) adequately account for compound events, such as low hydro storages occurring alongside Basslink constraints and periods of high demand?
2. Are investment and risk-management settings designed for a [changing climate](#) characterised by greater variability and more frequent extreme events, rather than historical weather conditions alone?
3. Are sufficient measures in place to reduce exposure to both drought-related supply risks and damage to energy infrastructure from [extreme weather](#)?
4. Over time, can energy supply be diversified through new sources of [generation and interconnection](#) (e.g. Marinus) combined with more distributed generation and storage (see below).

These questions highlight the key dimensions of climate preparedness in Tasmania's energy system that the Inquiry may wish to consider.

4 Moving towards a distributed energy system

Tasmania's energy system is distinctive in several ways. Most importantly, as noted above, Tasmania can already meet more or less all its electricity needs from renewable generation. This means the primary case for supporting behind-the-meter renewable generation and distributed storage capacity on the mainland – displacing or reducing reliance upon fossil fuels – does not apply in the same way here. Nevertheless, increasing our behind-the-meter generation and storage capacity could drastically reduce household exposure to retail electricity price fluctuations, provide valuable backup capacity during periods of system stress, smooth domestic peak demand, and strengthen energy security by making the system less dependent on a small number of large generation assets.

Unfortunately, to date, our progress as a state in realising this opportunity has been mixed. Household uptake of solar and battery storage has historically lagged the national average rate (partly explained by historically lower retail electricity prices and weaker rooftop solar economics); there is no retail virtual power plant (VPP) program currently available to Tasmanian customers; and the state's main household finance mechanism for solar, battery and efficiency upgrades (the Energy Saver Loan Scheme) closed in September 2025 without a replacement.

Nevertheless, Tasmania already has in place many of the key energy system and infrastructure pre-conditions for a much more active household-level storage and generation landscape. With a more strategic policy for incentivising storage, renewable generation, and 'smart' demand management behind the meter, Tasmania could become a national leader. This would also address a key recommendation of the Committee's [Interim Report](#), which noted that Tasmania should work closely with the Commonwealth to increase energy efficiency, rooftop solar, and battery storage across Tasmania, including in rental properties and low-income households.

4.1 Virtual Power Plants

A VPP combines large numbers of distributed energy resources – such as household batteries, electric vehicles, and rooftop solar systems – into a single 'power plant' that can be controlled remotely. The aggregated resources can be coordinated to export electricity during periods of high demand, absorb excess generation when supply is abundant, and provide system services such as frequency control. VPPs have been used across Australia to increase grid stability, lower energy costs for participants, and provide social benefits for lower-income households when used in public or social housing. Several local governments on the mainland have successfully supported the establishment, administration, and operation of VPP projects.

Tasmania has already established much of the enabling infrastructure needed to support greater grid-scale coordination of smaller distributed energy storage. According to Aurora, around 93% of Tasmanian households now have a smart meter installed, and TasNetworks offers a residential consumer-energy-resources tariff (TAS97) that rewards consumption during off-peak and super-off-peak periods. Together with high levels of rooftop solar adoption and growing uptake of home batteries, there is a strong foundation for coordinated distributed energy storage in the state. Despite this, Tasmania has no active VPP operator.

Hydro Tasmania, via its wholly owned subsidiary Momentum Energy, already operates a VPP platform on the mainland. Through the Hydro Tasmania Community Batteries Project, Momentum is coordinating the deployment of 39 behind-the-meter community batteries across Queensland, New South Wales, Victoria and South Australia. Once commissioned, the batteries will be aggregated to trade electricity and frequency-control services in the NEM, while also providing local network support. The \$32.5 million project, supported by an \$11.37 million grant from ARENA, is intended to refine Hydro's own VPP technology, increase revenue available to participating battery owners, and test virtual sharing of surplus solar energy among participating organisations and local businesses.

Rules designed to protect the structural separation of generation and the retail market mean that Hydro and Momentum are not permitted to act as electricity retailers in mainland Tasmania (though Momentum does so on the Bass Strait Islands). This creates a notable paradox: a Tasmanian Government-owned business is developing sophisticated VPP capability across mainland Australia, while Tasmanian households currently have no access to a comparable VPP offering. One potential solution would be for Hydro Tasmania to provide aggregation and platform services through partnerships with existing retailers, allowing Tasmanian consumers to participate in a VPP without requiring Hydro or Momentum to directly retail electricity. This approach could provide a low-cost pathway to improving grid flexibility, increasing battery utilisation, and greater energy security.

4.2 Smart household energy management and controlled loads

The potential impact and returns of Tasmanian VPP uptake could be drastically improved by supporting adoption of Home Energy Management Systems (HEMS). While VPPs offer an opportunity to increase distributed storage and grow participation among low-income homeowners or renters, HEMS enable a broader approach to demand management that coordinates home batteries with hot water, space heating, and vehicle charging.

A HEMS is a combination of software and control equipment that monitors and coordinates a household's energy resources. The HEMS communicates with

compatible appliances and generation devices such as the solar inverter, battery, hot-water cylinder, heat pump, and EV charger, and may also use consumption data supplied by a smart meter. It can automatically shift consumption, storage, and exports to the grid in response to electricity prices and network conditions, helping to reduce bills and [‘shave’ peak demand](#) periods across the electricity grid.

HEMS technology remains at an early stage of market development and previous [ARENA trial projects](#) have noted challenges with interoperability of devices and cooperation of Distributed Network Service Providers (DNSPs). However, Tasmania's electricity demand profile differs from most mainland jurisdictions, with winter peaks driven by electric space heating and hot water systems. This makes demand management particularly valuable, as HEMS can automatically shift large heating and hot water loads away from peak periods without reducing consumer comfort. Therefore, the potential system-wide benefits of HEMS may be greater in Tasmania than in other parts of the NEM.

4.3 Coordinating finance and household support

The Tasmanian Government's Energy Saver Loan Scheme (ESLS) supported some \$62 million of investment in green energy, efficiency, and thermal shell upgrades for Tasmanian households. Given the program's popularity, it is likely that reopening the scheme for a second funding round would deliver significant further investment.

The objective of any successor scheme should be to encourage investments that deliver both private and public benefits through lower bills, reduced peak demand, greater energy security, and improved utilisation of renewable generation. Technologies and upgrades that will deliver the best system-level outcomes for the state include: VPP-compatible batteries; HEMS devices and HEMS compatible appliances; and thermal-shell upgrades. By ensuring that eligibility is tailored to the products and upgrades that best meet the state's energy-system needs, an updated and more strategic ESLS could ensure that public investment delivers both savings for households and valuable grid services.

5 Energy equity, affordability, and consumer outcomes

Despite Tasmania's substantial renewable energy resources and publicly owned electricity assets, energy affordability remains a significant challenge for many households. While wholesale and retail price pressures have moderated in recent years, many Tasmanians continue to experience energy hardship due to a combination of low incomes, poor housing quality, and high energy needs.

Energy equity and affordability remain pressing challenges in Tasmania. In a [previous submission](#) to the Legislative Council Inquiry into Energy Prices in Tasmania, the TPE made the following key points:⁴

- The State Government's Annual Electricity Concession has not kept up with rising prices. When introduced in 2017, it covered 24.2% of an average bill but as of 2023 this had fallen to 23.3%. Additionally, over the same period, the average annual electricity bill for 'time-of-use' tariff customers increased by approximately \$200.
- Electricity concessions and rebates all run at a fixed rate, whatever the circumstances of the receiving household, raising considerable equity concerns.
- Tasmanians are doing it tougher than most other states in terms of energy debt. There was a 21% increase in debt from 2018 to 2022, and over the [past year](#) there has been a 13.7% increase in the number of residential customers repaying a debt to an energy retailer. The average debt amount had decreased slightly though, from \$750 to \$699 as of 30 June 2026.

While retail prices have stabilised since our 2023 submission, there are still significant price pressures on lower-income households. [TasCOSS](#) has highlighted that while the regulated prices of electricity in other NEM-connected states have declined (except South Australia), Tasmanian prices rose by 4.23% from July 2026. This price increase is predominantly due to changes in network costs.

A forthcoming TSBE study of stakeholder accountability for energy poverty in Tasmania builds on the TPE's analysis. The study involved 22 interviews with stakeholders from energy organisations, government, and advocacy groups directly working with vulnerable households affected by energy poverty. The study produced findings across three main themes, summarised in the table below.

⁴ Note that statistics have been updated where possible.

Theme	Findings
Governance	Energy affordability is not typically embedded in energy organisation planning, governance, and performance metrics. This is despite stakeholders recognising energy affordability as an important social issue.
	Tasmania's predominantly state-owned energy system creates unique challenges. Because the government plays several roles (including owner, regulator, and policymaker), responsibility for energy affordability is spread across government agencies, regulators, energy businesses, and community organisations. This can make it difficult to identify who is ultimately responsible for affordability outcomes.
Access to support	Consumers find it challenging to identify and access support. Various hardship and support programs are available, but some households either do not know about them or do not understand how to access them. Information is often provided in ways that are not effective at reaching vulnerable consumers, and many customers learn about available support through advocacy organisations, community services, or direct contact with energy retailers.
	The burden of finding and accessing support often falls on consumers and community organisations. This is particularly challenging for vulnerable consumers, who may lack the confidence, knowledge, resources, or capacity to seek assistance. Advocacy and community organisations are vital for helping these consumers communicate with energy businesses and access support.
Structural drivers	Energy affordability affects households differently. Financial pressure from energy costs depends on factors such as income, housing quality, energy efficiency, health needs, and household circumstances. This finding is aligned with national-level data, which shows that the lowest income households spend five times more on energy (as a percentage of their income) than the highest income households.
	State Government energy affordability policy remains heavily oriented towards rebates, concessions, and hardship assistance. While these interventions are important, they do little to address structural drivers of energy inequity, such as poor housing thermal performance, inefficient appliances, and limited access to distributed energy technologies.

These findings suggest a few directions for future government policy. First, affordability could be recognised as an explicit objective within the governance, reporting and performance frameworks of Tasmania's energy institutions. This would provide clarity around roles and responsibilities regarding energy affordability in the Tasmanian system. Second, the system for accessing concessions, hardship support, and efficiency programs should be simplified to make it easier for customers experiencing affordability challenges to find, understand, and access support. Third, future affordability policy should place greater emphasis on structural solutions, including thermal-shell upgrades, appliance electrification, energy efficiency improvements, and access to distributed energy resources, rather than relying predominantly on bill relief measures. Further to this, support should be carefully targeted towards those who need it most, reducing the financial burden for government.