

FACT SHEET

Electricity Supply Industry Amendment (Pricing) Bill 2017

- The *Electricity Supply Industry Act 1995* (ESI Act) provides the legislative basis for the Tasmanian Economic Regulator (the Regulator) to determine maximum prices that may be charged by a regulated offer electricity retailer in Tasmania. Aurora Energy is the only regulated offer retailer in the State.
- The determination of maximum prices involves a building block approach that includes taking into account generation, transmission, distribution, retail and other expenditure related to the provision of electricity to regulated customers. Over recent months the market based cost of electricity generation also known as the wholesale electricity price (WEP) has increased in Tasmania above and beyond the actual cost of generation due to the State's physical and market linkage to the National Electricity Market (NEM).
- The NEM is undergoing a transition away from older coal fired generation to greater penetration of renewable generation sources. Along with uncertainty in national energy and climate change policy, the transition has resulted in volatility in wholesale energy prices across NEM jurisdictions.
- The current market based WEP used within the determination of maximum prices charged by regulated retailers is an output from the Wholesale Contract Regulatory Instrument (WCRI) that has been in place since 1 January 2014. The WCRI uses Victorian wholesale contract prices as the base for its calculations then adjusts these to take account of Tasmanian supply and demand conditions. This linkage to mainland wholesale electricity prices is allowing mainland volatility to impact Tasmanian prices and impacts the calculated outputs from the WCRI.
- The intent of the proposed legislation is to amend the ESI Act to provide a mechanism whereby the Treasurer can issue a Ministerial Order to declare an alternative Wholesale Electricity Price (WEP) to that calculated under the WCRI.
- This legislative change will allow a more reasonable WEP to be used to calculate maximum electricity costs for 2017-18. This will result in more reasonable electricity pricing for Tasmanian customers compared to expected market based outcomes.
- The legislative change will reduce the cost of electricity for residential and small business customers that access regulated electricity tariffs.
- The legislative amendments will also require that Hydro Tasmania and Aurora Energy contract the regulated electricity load at the price declared within the Ministerial Order. This will ensure that neither business will be detrimentally affected by the issuing of a WEP Order.