

## *National Energy Retail Law (Tasmania) Bill 2012*

### Second Reading Speech

I move that the Bill be now read a second time.

Mr Speaker, the Government is presenting new legislation that implements in Tasmania a national regulatory framework that applies to energy retailers to provide customer protection in the energy market.

This Bill will adopt the *National Energy Retail Law (South Australia) Act 2011* and will result in the National Energy Retail Law, with some modifications, becoming law in Tasmania.

This legislation was initiated by the Council of Australian Governments. Equivalent legislation is being introduced in all jurisdictions in the National Electricity Market and is scheduled to commence in these jurisdictions on 1 July 2012.

When the National Energy Retail Law (South Australia) Act was introduced into the South Australian Parliament, a long and detailed explanation was provided in the second reading speech provided to that Parliament. Mr Speaker, to enable this background information to be incorporated into the official record in Tasmania, I seek leave to have this speech incorporated into Hansard.

This legislative package will replace substantial parts of Tasmanian electricity supply industry legislation. A second Bill, which accompanies this Bill, will make the necessary consequential amendments to existing Tasmanian legislation.

Mr Speaker, the two Bills in the House transfer some customer protection regulation from Tasmania's legislation to national legislation but they maintain all the key features of electricity supply industry regulation in Tasmania.

These include almost all of the retail contestability arrangements in Tasmania, price control for non-contestable customers by the Tasmanian Economic Regulator, the Government's concession scheme and the regulation of electricity supply on the Bass Strait Islands.

The Law as it will apply in Tasmania also maintains the key elements of Aurora Energy's current pre-payment meter arrangements, including enabling customers to revert to the standard tariff at no cost within 28 days if there is an increase in the pre-payment meter prices.

Except for the change to retail contestability arrangements, there are no provisions in the National Energy Retail Law, as it is to apply in Tasmania, that alter these existing arrangements.

I would like to emphasise that consideration of broader Tasmanian electricity market and policy issues is distinctly separate to the application of the national scheme in Tasmania.

These matters will be addressed as part of the Government's response to the Electricity Supply Industry Expert Panel's Final Report.

There are two key benefits of the new national scheme.

Firstly, there will be a single national scheme for authorisation of energy retailers, which will replace the separate licensing schemes in each state.

Retailers that operate nationally will no longer need separate licences in each state, and to comply with different regulatory obligations in each state.

This will assist in encouraging national retailers to enter the Tasmanian electricity market and increasing competition for the range of contestable customers in the State, which now extends to medium to small sized businesses such as bakeries and cafés.

This will also facilitate any further changes to contestability arrangements in the State.

Secondly, the new national scheme provides a comprehensive package of robust energy-specific consumer protections, the most significant of which is the statutory requirement for retailers to have an approved customer hardship policy.

Mr Speaker, continued access to energy is a critical issue for customers who use life support equipment. The national scheme contains strong protections for customers with life support equipment in their homes or other premises.

The scheme also includes robust arrangements for the handling of complaints and disputes from small customers by energy retailers and distributors, while retaining the local ombudsman schemes. In Tasmania, this means the Energy Ombudsman will continue to consider and resolve disputes arising from complaints from customers.

During the development of the National Energy Retail Law, there has been a comprehensive and extensive program of national consultation since 2006. Building on that, there has been a program of targeted consultation with the State's electricity businesses and all relevant stakeholder groups, representing businesses and households on the detail of implementation.

In particular, there have been extensive discussions with TasCOSS and other bodies who represent the interests of low income, vulnerable and disadvantaged Tasmanians. TasCOSS in particular has played a strong and active role during the national consultation process, as well as in detailed consideration of implementation at a jurisdictional level.

The scheme also regulates contracts between customers and electricity distribution businesses, which may include model contracts approved by the Australian Energy Regulator, to ensure they are fair and reasonable.

While it is a national scheme, there will be a few jurisdiction-specific variations in the way the scheme will be adopted across Australia to accommodate differences in energy markets across the country.

The National Energy Retail Law applies to the electricity and gas markets. The Bill adopts the Law for electricity only. In other jurisdictions, the gas industry is a much more mature industry, and is therefore more heavily regulated than in Tasmania.

The Tasmanian Gas Distribution and Retail Codes represent a very light handed regulatory approach and have been appropriate for a market where gas has been more a product of choice than an essential service. They have provided sufficient customer protection for the early stages of the industry's development.

At this stage, it is not evident that the benefits of adopting the wide range of measures in the National Energy Retail Law outweigh the costs for the Tasmanian gas market.

These Codes are under review, which will determine whether the exemption of gas retailing from the national scheme remains appropriate for Tasmania.

The National Energy Retail Law establishes a range of enhanced customer protections for electricity customers defined as “small customers”. The Law itself defines small customers as those that consume less than 100 megawatt hours of electricity per year.

The Bill extends the definition, for Tasmania, to customers that consume under 150 megawatt hours of electricity per year. This comprises all the customers that can continue to purchase electricity on the terms and conditions of Aurora Energy’s tariffs.

As a result, a larger share of small business customers are protected in Tasmania than nationally. This includes the most recent tranche of contestable customers, which represents around 2 500 small and medium sized businesses.

The third area where there is a departure from the national scheme relates to operators of businesses such as caravan parks, some shopping centres and retirement villages who sell electricity to their customers but are not electricity retailers.

Unlike electricity retailers, these operators have not been required to comply with the customer protection measures currently in place. Further consultation with these businesses is required before they are able to meet their responsibilities under the national scheme.

In order to ensure an effective transition to the new arrangements, these operators are not being brought under the scheme at the outset. At this stage, it is intended that they will be brought under the scheme within two years.

To protect the interest of customers of these operators, the Bill cognate with this Bill extends access to the dispute resolution mechanisms of the Ombudsman legislation to these customers, in advance of the commencement of the national arrangements that apply to these operators.

Mr Speaker, the adoption of the national scheme allows some changes to be made to Tasmania’s retail contestability arrangements.

The national scheme can classify customers as large customers and small customers based on their consumption across all their sites. This same approach, known as aggregation, can to be adopted to classify customers regarding retail contestability.

This will allow some business customers, including some irrigators and small businesses that operate on several sites, who are not currently contestable to choose to become contestable and therefore be able to choose their retailer.

These changes can be accommodated without any major or costly changes to Aurora Energy's information technology systems to support these additional contestable customers.

The National Energy Retail Law ensures that key consumer protections are maintained under market retail contracts by requiring retailers to adopt a set of minimum terms and conditions as prescribed by the *National Energy Retail Rules*.

Under the National Energy Retail Law, electricity retailing will be regulated by the Australian Energy Regulator. This does not include any matters that deal with electricity prices or revenues as this will continue to be a jurisdictional responsibility.

The Australian Energy Regulator will have a number of new approval functions which include approving customer hardship policies of retailers.

The Australian Energy Market Commission will be responsible for any changes to the rules that support the National Energy Retail Law, in the same way that it is responsible for the National Electricity Rules that support the operation of the National Electricity Market.

The Commission will be required to have regard to the National Energy Retail Objective in performing its functions, which is to promote the efficient operation and use of energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply.

This represents a very robust and long term customer protection framework for Tasmanian customers.

Mr Speaker, the Bill applies the national scheme in Tasmania by establishing the National Energy Retail Law Tasmania. This Law modifies the national law to preserve the current arrangements, such as the key features the pre-payment meter arrangements and the broad exemption of late payment fees to concession card holders.

Other elements of Tasmania's existing regulatory framework are maintained through the new provisions in Tasmanian's electricity supply industry legislation contained in the cognate Bill.

The Bill also contains savings and transitional provisions to ensure the existing contractual arrangements involving customers and their retailer and distributor are not disrupted.

Mr Speaker, I commend the Bill to the House.