



Friday, 13 October 2023

Inquiry into Power Prices in Tasmania
Inquiry Secretary
Legislative Council
Parliament House
Hobart

Via email: epr@parliament.tas.gov.au

Thank you for the opportunity to provide a submission to the Legislative Council's Inquiry into Power Prices in Tasmania.

By way of background, the Tasmanian Chamber of Commerce and Industry is an independent membership organisation that positively leads the Tasmanian business community.

The TCCI is a not-for-profit, member-based organisation, funded by business to provide products and services which contribute to meeting member businesses objectives.

As a member of the Australian Chamber Alliance and the Australian Chamber of Commerce and Industry (ACCI), and the broader Chamber movement across Australia, TCCI provides valuable support to its members through a range of programs and services, and actively advocates their concerns as the 'voice of business' at all levels of government.

The TCCI represents more than 1,500 businesses through its Tasmanian membership base. The TCCI also reaches up to 20,000 businesses through regional chambers with the TCCI Chamber Alliance.

The TCCI membership reflects the breadth of the Tasmanian business community. It includes businesses from every region of our state including major cities, regional towns and remote areas; it includes large businesses employing thousands of people down to micro-businesses; it includes businesses that have been in Tasmania for generations through to new start-ups; it includes public companies, cooperatives, not-for-profits, private companies, and family businesses; and it includes businesses in every industry sector of our economy.

Power prices are having a significant impact on Tasmanian businesses. Each quarter, the TCCI conducts the Tasmanian Survey of Business Expectations (TSBE). Power prices are consistently ranked as one of the most important issues facing Tasmanian businesses. In the most recent survey (for the quarter ending 30 June 2023), power prices were noted as the most significant concern by 34 per cent of respondents, up ten percentage points from the previous survey. We anticipate this concern will continue to rise, based on anecdotal feedback from members.

While the problem is easy to identify, as with many policy challenges there are no silver bullets or simple solutions.

However, the Tasmanian Government is in a very strong position to be able to make tangible changes that will benefit consumers. Consumers, that is Tasmanian taxpayers, are in the unique situation where they own a complete, vertically integrated set of energy businesses. The issue then is clearly the policy settings that the Government applies to these publicly-owned businesses.

Power prices are impacted by the Tasmanian Government's broader energy policy settings, and it is in that context that the TCCI makes this submission.

Broadly, the areas that we believe the Tasmanian Government needs to focus on are: generation and transmission; supply and certainty; and pricing.

Generation/transmission

It is vital that the Tasmanian Government supports continued investment in clean energy in Tasmania. Further investment in both transmission and generation would help put downward pressure on power prices by increasing supply and provide the capacity needed to address load growth in Tasmania.

We are calling on the Tasmanian Government to work with the Australian Government to ensure that Marinus Link is delivered on or ahead of schedule. This one investment has the capacity to unlock our renewable energy potential and provide the foundation for ensuring Tasmanians enjoy substantial benefits.

It's also vital that the North West Transmission Upgrade Project is delivered in a timely fashion to help unlock new renewable generation potential and to provide the enabling infrastructure to make sure we can take full advantage of Marinus Link.

The Tasmanian Government needs to urgently bring online additional renewable generation in Tasmania. Tasmania risks losing its historic competitive advantage in renewable energy if we cannot plan for the development of additional clean and renewable generation in Tasmania. Without additional generation, power prices are likely to increase and given load growth, Tasmania may fall short of not only achieving its goal of generating 200 per cent of its energy needs from renewable sources, but could even fall short of being able to generate 100 per cent of its energy needs from renewable sources.

The planning and approval process for renewable and clean energy generation needs to be simplified and streamlined to restore investor confidence.

Supply/certainty

The most recent Tasmanian Market Watch (week 37: 10 September to 16 September) shows that there is no headroom available in the Tasmanian grid until at least the third quarter of 2024.

We know that there are businesses in Tasmania who would like to further invest in their businesses and increase their power consumption. However, there is simply no capacity. As a consequence, Tasmania is missing out on investment opportunities, which impacts investor and business confidence. This needs to urgently be addressed.

Tasmania's existing major industrials and any new businesses that would like to invest in Tasmania are vital to putting downward pressure on transmission costs, which in turn is an essential component when determining power prices. By helping existing major industrials grow and encouraging new businesses to establish in Tasmania, not only is there a broader economic benefit from the investment itself, the positive impact on transmission costs for all consumers is also important to consider.

There is a recent well-publicised example of a lack of supply and certainty that should act as a sobering warning to Tasmanians. A major industrial wanted to replace a coal-fired boiler with an electric equivalent. However, the Tasmanian Government could not supply enough energy and the project has been postponed indefinitely. Tasmania is not in a position where it can afford to turn away significant investment, especially one that will underpin the future of a major industrial and a major regional employer. This incident has also damaged Tasmania's reputation as an investment location that is supported by renewable energy.

Power pricing

While this submission has discussed how downward pressure can be applied to power prices through investing in generation and transmission assets and ensuring there is capacity for load growth, obviously the Government has the capacity to pull other policy levers to impact prices.

The TCCI supports the Tasmanian Government's commitment to share Hydro dividends with customers, should Hydro return a dividend of greater than \$100 million. The TCCI believes this is an effective mechanism to ensure benefits of Tasmania's historic investment in renewable energy are shared broadly throughout the community.

The TCCI also supports price capping, so long as any price cap does not inhibit the development of new renewable energy generation. We would welcome further analysis of how best to ensure either retail price setting mechanisms can be shielded from external shocks, or that power consumers can be compensated accordingly as part of any cap noting that price caps have previously been applied in Tasmania.

It is worth noting that while external shocks may impact the price of power, these same external shocks have very little impact on the cost of generating the power in Tasmania. Therefore, when the margin between the cost of production in Tasmania and the retail price in Tasmania increases, the Government of the day needs a comprehensive suite of policy options to ensure this is not to the detriment of businesses or the broader community.

The TCCI has been calling on the Tasmanian Government for power price relief for nearly two years on behalf of the Tasmanian business community. To date, the Government's response has been disappointing and we hope that this Inquiry will prompt a definitive response from the Government and also encourage other political parties and potential

candidates to develop comprehensive power price policies ahead of the next Tasmanian election.

The TCCI continues to support a rebate or subsidy arrangement for businesses impacted by rising electricity prices, especially those that have had to negotiate new contracted prices over the past 18 months.

The TCCI would like to thank the Legislative Council for initiating this Inquiry and for considering our submission.

The TCCI would welcome the opportunity to expand on our submission and give evidence at a subsequent hearing should you wish.

Yours sincerely



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Tasmanian Chamber of Commerce and Industry