

DRAFT SECOND READING SPEECH

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Electricity Supply Industry Amendment (Price Cap) Bill 2018

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Madam Speaker

The Government is committed to keeping cost of living increases for Government services as low as possible. Members would be well aware of the impact electricity prices have on the household budgets and the cost of doing business.

Electricity prices have been increasing nationally due to a number of factors including the retirement of low cost coal fired power stations and the increasing prevalence of clean renewable sources. In this evolving environment, the Government is actively working to maximise Tasmania's competitive advantage in renewable energy while ensuring Tasmanian electricity consumers are protected from increasing prices.

Through the Government's Tasmania First Energy policy, the Government is committed to delivering secure and reliable electricity supply and the lowest possible power prices. Our commitment is to have the lowest regulated electricity prices in the country by 2022.

Madam Speaker, while this work is progressing, the Hodgman Liberal Government has committed to keeping cost of living increases at or below the rate of inflation for the next three years. This includes a cap on regulated electricity prices for three years from 2018-19.

This Bill before you today delivers on our commitment to take action on the cost of living and provides for increases in regulated electricity prices for small customers to be capped at the rate of change in the Hobart Consumer Price Index.

Some Members will recall that in this place over twelve months ago legislation was passed to amend the Electricity Supply Industry Act 1995 to enable the Treasurer to determine a wholesale electricity price to be used in determining regulated tariffs thereby protecting residential and small business customers from electricity price volatility.

While our aim, as evidenced by the action we took was to ensure that our regulated electricity tariffs were affordable and reflective of cost of living increases rather than other factors such as those influencing prices in the NEM the amendments made at that time did not apply any restriction to the level of increases that could apply to regulated tariffs. Since that time the Government has made a commitment to restrict regulated electricity price increases to no more than the increase in the consumer price index.

This commitment is enshrined in the Bill before the House today.

Madam Speaker, for the three financial years 2018-19 to 2020-21, increases in regulated electricity tariffs will be capped to no more than the increase in the Hobart CPI. The amendments within the Bill requires that the Tasmanian Economic Regulator must not approve draft standing offer electricity prices submitted to it by Aurora Energy, the State's only regulated offer retailer, unless those prices are no higher than the prices for the previous year indexed by CPI.

The provisions that were introduced last year remain in force. If the Treasurer considers that the market based mechanism which determines the wholesale electricity price in Tasmania is not delivering a price consistent with the actual wholesale cost in the State, the Treasurer may issue

a Wholesale Electricity Price Order, or WEP Order, determining the price to apply. This enables the removal of external price shocks that may occur on the mainland from impacting the Tasmanian wholesale price.

Madam Speaker, the Bill does not change the provisions that were inserted into the Electricity Supply Industry Act last year. The WEP Order process remains the same. If a WEP Order is to come into effect, it must be published in the Gazette by no later than 15 May prior to the increase in tariffs that will apply from the following 1 July.

For 2018-19, a WEP Order has already been made. The wholesale electricity price to apply from 1 July 2018 is \$79.68 per Megawatt hour. The application of this wholesale price has ensured that tariffs for 2018-19 increased by no greater than 2.1 per cent, the increase in the Hobart CPI between the December quarter 2016 and the December quarter 2017.

Under our Lowest Regulated Electricity Prices in the Nation policy, the Government will break away from mainland electricity wholesale contract pricing. This will involve a detailed analysis of options to determine a mechanism which will best meet the Government's objectives.

This body of work will take some time given the need for extensive consultation with key stakeholders and market participants.

As the current retail price determination by the Tasmanian Economic Regulator applies to 2019, and given the changes to the regulatory framework that will be developed, this Bill extends the current retail price determination until 30 June 2021. This means that the Regulator will not be required to undertake a further price investigation and determination process until the new regulatory arrangements come into effect. Such an investigation would provide little value given that this Bill is setting the maximum price increases that can apply over this period.

Madam Speaker, Members may be aware that a two year sunset clause currently applies to the WEP Order provisions that were enacted last year. These provisions are contained in the Electricity Supply Industry Amendment (Pricing) Act 2017 and require an independent review into the operation of the WEP order provisions to be undertaken within 18 months and a report to be tabled in each House of Parliament. Unless Both Houses agree that the provisions are to remain, they would be repealed.

Given the certainty that this Bill provides in regard to regulated electricity prices that will apply over the next three years, these provisions are being extended for a further two years, which will align with the timing for the review of the wholesale regulatory arrangements to be completed. At this time it is likely that new legislation will be brought before the Parliament for consideration.

Madam Speaker, this Bill delivers on the Government's commitment to legislate to cap power prices at CPI for the next three years while we begin the complex task of delinking Tasmanian electricity pricing from the National Electricity Market.

I commend the Bill to the House.