



19 October 2023

Inquiry Secretary
Legislative Council
Parliament House
Hobart 7000

Sent via email: epr@parliament.tas.gov.au

To the Legislative Council Government Administration Committee 'A'

Re: Inquiry to inquire into energy prices in Tasmania

1st Energy thanks the Legislative Council Government Administration Committee 'A' (the Committee) for the opportunity to provide a submission on the "Inquiry to inquire into energy prices in Tasmania".

1st Energy is a non-integrated, second-tier electricity and gas retailer for residential and SME customers. Founded in April 2015, 1st Energy operates throughout the eastern states of Australia including New South Wales, Queensland, South Australia, Tasmania, and Victoria. We entered the Tasmanian market in 2019 focussing mainly on mass market consumers and as at October 2023 have approximately 4% of the market share.

The inquiry invites commentary on three areas:

1. Factors that impact energy prices for Tasmanian household and small and medium business customers, with particular reference to energy generation, distribution, and retail costs
2. Opportunities and challenges for the State of Tasmania as owners of power generation and transmission infrastructure; and
3. Any other matters incidental thereto.

We recognise cost-of-living pressures are front and centre for many Australians and consumers are looking for price relief; with energy prices remaining at the forefront of public debate. Both customers, particularly those in vulnerable groups, and retailers are facing significant and increasing financial pressure. The soaring prices and volatility have resulted in several retailer market exits across the National Energy Market (NEM)¹, diminishing overall consumer confidence.

As a small, challenger retailer in the Tasmanian energy market we believe it's important for customers to have a fair price that reflects the true cost of energy as well as promoting and allowing for competition. Maintaining a well-functioning energy market is critical to the sustainability of smaller retailers in the Tasmanian market. We look for certainty in the market and when impactful changes occur, for example how regulatory pricing is determined and key input methodologies into the cost stack model such as wholesale costs, retailer operating costs and cost to serve are changed, retailers need sufficient time to consider and adjust our associated strategies. Retailer wholesale risk strategies may have a two-to-three-year view and transparency, stability, and certainty must be at the forefront of any approach when considering changes to key pricing inputs.

In Tasmanian retailers generally purchase wholesale based on the Hydro Tasmania published non-regulated rate card because this allows for bespoke contracts which align to our customer profile and risk strategies. Since our entry into the market the regulated rate card and the non-regulated rate card have generally been closely aligned allowing for retailers to meet retail pricing and be competitive; if the two move out of alignment then retailer opportunity is likely to be constrained and overall competition will be reduced. The Committee may like to take into consideration how the price is set for the regulated pricing and factor in the regulated and non-regulated rate card.

¹ <https://www.accc.gov.au/media-release/electricity-retailers-under-pressure-as-contract-markets-tighten-and-prices-rise-further>

We believe inefficiencies in the supply of electricity can be tackled by facilitating effective competition between retailers that drives prices down towards efficient costs. Care must be taken to not homogenise the market and stifle competition through price caps or other mechanisms to force artificial outcomes and anticompetitive behaviours. Shrinking the number of options available to consumers doesn't provide them with better options—it limits them. Measures such as the Energy Bill Relief Fund optimise available funds and provide targeted relief to those most vulnerable and we consider this type of support is appropriate to address cost-of-living pressures.

We encourage the Committee to be mindful to not creating unnecessary regulatory burden. We understand governments regulate to protect consumer interests and often in response to community concerns however regulation also brings costs. The energy industry is multifaceted and what is often perceived as simple change involves changing complex IT systems and diverting financial and managerial resources away from productive activities, ultimately reducing a firm's capacity to innovate and maximise operational efficiency.

If you have any questions in relation to our submission, please contact Aneta Graham, Head of Regulatory Affairs and Compliance on (03) 8397 7147 or aneta.graham@1stenergy.com.au.

Yours sincerely



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