



27 September 2023

The Secretary  
Inquiry into Energy Prices in Tasmania  
Legislative Council Sessional Committee Government Administration A  
Parliament of Tasmania  
Parliament House  
Hobart TAS 7000

Via: [epr@parliament.tas.gov.au](mailto:epr@parliament.tas.gov.au)

Dear Secretary

### **TAS GAS SUBMISSION TO INQUIRY INTO ENERGY PRICES IN TASMANIA**

Tas Gas welcomes the opportunity to make a submission to your Committee's Inquiry into Energy Prices in Tasmania.

Tas Gas is Tasmania's leading natural gas company with expertise in gas transmission, distribution, transportation and retailing. With offices in Launceston and Hobart, and operations that span Tasmania and regional Victoria, Tas Gas is driven by its customers' current and future needs with a clear vision to support Australia's transition to a cleaner energy future.

As part of our future energy pathway, Tas Gas is exploring the possibilities that exist with hydrogen, biomethane, other green gases and emerging alternative fuels. We want to work together with our communities so that we can continue to provide safe, reliable and continuous energy sources for our customers.

Gas continues to be essential for many businesses and households and is estimated to directly support \$1 billion in economic output, more than 4,200 direct jobs and 8,550 jobs in total across Tasmania. There are 14,000 residential connections, 1,000 small to medium businesses and close to 70 industrial customers that rely on gas to provide heat for their homes and businesses.

Tas Gas Retail, an entity within the group, uses its expertise in gas markets to procure a secure supply of gas for its customers on long-term supply arrangements. This approach has allowed Tas Gas to shield many of its customers from the instability of high prices that have been witnessed in the East Coast domestic gas market over the past 18 months.

Our strong support for the Tasmanian community and economy was further demonstrated last year when Weston Energy was suspended from trading on the Australian Energy Market by AEMO. This left ~400 customers across Eastern Australia without a retailer, four of those customers were in Tasmania. In all other Eastern States there was a Retailer of Last Resort (ROLR) to provide those customers with continuity of supply.

However, Tasmania does not have a ROLR so Tas Gas Retail proactively contacted these businesses, sourced additional firm supply from the market and offered this to these customers. This was a great result for the four large industrial customers to ensure continuity of supply and price certainty at such an unprecedented time in the market.

The high volatility seen in gas prices has been driven by a range of factors including coal-fired power generator issues, volatility of renewable electricity generation, declining gas reserves and record setting global LNG prices. Some of these issues have also given rise to volatility in wholesale electricity prices, which has similarly impacted retail electricity prices.

Retail electricity prices are appropriately regulated in Tasmania by the Tasmanian Economic Regulator (TER) using a 'building block' approach. Given retail electricity prices are substantially driven by network costs, which are more than 40 per cent of the price, and generation costs, at around 35 per cent of the price, the volatility in the wholesale market has a material impact on retail prices.

Both of these cost inputs are already regulated, with network costs regulated by the Australian Energy Regulator (AER) and generation costs regulated by the TER through wholesale contracts. Further regulation of retail pricing outside of the existing 'building block' approach would give rise to risk that increases in network and generation costs would be fully borne by the retailer with limited or no ability to be recouped through the retail price or would require other forms of compensation for the increased cost of supply.

Retail electricity costs in Tasmania have also been influenced by the currently very limited electricity retail competition in Tasmania, which is largely due to the small number of customers (in the national context) and the unique regulatory environment.

Generally, real or increased competition brings benefits to customers in any market; and in the energy market we know that increased competition can improve service, lower the cost and result in new and innovative products, which all benefit the customer.

Given our 20 years of local expertise, our understanding of energy markets and our great customer service approach, Tas Gas Retail has applied for a license to enter the electricity retail market in Tasmania in 2024.

Our entry to electricity retailing in Tasmania will provide a real and credible choice for households across the State, given that there is today very limited competition. Customers have always been central to the way we work and we are excited about broadening our great service and products to Tasmanians by expanding our offer to electricity.

As Tas Gas Retail has demonstrated in its approach to managing gas supply costs and price impacts on customers, we are well placed to bring benefits and improvements to the Tasmanian electricity retail market.

I am available to provide further information and insights on the Tasmanian energy market from a unique perspective, being a Tasmanian privately-owned company, should that be of assistance to your committee.

Yours sincerely



Phaedra Deckart  
Chief Executive Officer