



Andrew Reeves
Tasmanian Energy Regulator
Office of the Tasmanian Energy Regulator
GPO Box 770
Hobart Tas 7001

4 July 2008

Dear Andrew

TasCOSS welcomes the opportunity to respond to the *Draft Report on the Public Benefit Assessment for Electricity Retail Competition in Tasmania*. As you know, TasCOSS has a long-standing interest in electricity supply issues due to the essential nature of electricity and the continuing challenge its affordability presents to many low income Tasmanian households.

This issue is also relevant to our members, not-for-profit community service organisations, most in receipt of government funding. Increasing electricity prices have a direct impact on the limited budgets of these organisations which, unlike many small businesses, obviously cannot recover increased costs from their service users or customers.

TasCOSS supports the Draft Report's recommendation not to proceed with the introduction of retail competition to all customers in Tranche 5 in July 2010. TasCOSS supports the continuation of price regulation and the consumer protection regime that currently exists in Tasmania for the customers in this tranche, including all Tasmanian households and many small businesses.

We are uncertain about the further recommendation to extend competition to customers using between 50 and 150MWh per annum (small-to-medium sized businesses). That decision might best be informed by a careful analysis of the experience of competition so far in Tasmania, and particularly of the market contracts (and prices) offered to customers after the 12 month 'grace period' during which customers may stay on a regulated tariff.

Our reasons for supporting your recommendation to not introduce full retail competition (FRC) to Tasmania according to the proposed timetable rest largely with the calculations

in the Draft Report concerning the additional costs likely to be incurred by Tasmanian households under FRC. The Draft Report concludes that,

If FRC is introduced, all small customers would pay an additional \$20 to \$30 per customer per year to facilitate the additional transactions and data exchanges necessary to allow the market to operate. (p 80)

In addition, the Draft Report states that those customers who do not take up a market contract and who remain on the regulated standing offer contract “would pay an additional \$50 to \$75 per customer per year above current tariffs.” (p 80). This totals an additional \$70 to \$105 per customer per year for those customers not taking up a market contract for whatever reason (and we understand that some customers may not be offered market contracts due to a poor credit history or for other reasons).

Such an increase in the cost of electricity is insupportable given the 23.4% increase (to Tasmanian households) resulting from your recent price investigation and being introduced between 2008 and 2009, and in light of likely further price increases as a result of the proposed introduction of a national carbon emissions trading scheme.

The experience with the introduction of FRC in other Australian jurisdictions supports our concerns and has seen price rises for many households, as well as unwelcome high pressure marketing activity by competing retailers.

Furthermore, as the Draft Report states:

The costs which are likely to fall on customers with the introduction of FRC are unavoidable. The benefits are less tangible and will only be realised if there is dynamic competition in the retail market. (p 80)

The introduction of FRC in 2010 under conditions that guarantee cost increases but not benefits is unacceptable to TasCOSS.

TasCOSS accepts the Draft Report’s concern that small customers will not necessarily benefit under FRC in Tasmania in the foreseeable future. The dominance of Hydro Tasmania in electricity generation is obviously a major factor, as are the possible continuing effects of drought conditions on electricity prices in the State.

TasCOSS understands that for retail competition to be effective, and for benefits to be enjoyed by all customers, particular pre-conditions must exist. The Draft Report outlines these in its recommendations (p 81). It is clear that these conditions do not yet exist in Tasmania and are not likely to before 2010.

TasCOSS strongly supports continued price regulation of electricity for small customers, and particularly for residential customers. On the question of whether price regulation

should be maintained for customers using between 50-150MWh per year if retail competition is extended to them, TasCOSS believes that since these customers were originally included in the final customer tranche, it seems fair to apply to them the same criteria for the removal of price regulation that will apply (under FRC) to other customers in that tranche, that is, the maintenance of price regulation until such time as competition is deemed to be effective (by the AEMC).

TasCOSS appreciates the comprehensiveness of this Draft Report and the thorough presentation and discussion of the issues involved in its assessment of the introduction of FRC. It must be recognised that electricity is an essential service, fundamental to individual and community health and well-being, and to the maintenance of reasonable living standards. It is too valuable a resource and too essential a service to leave to the vagaries of an under-developed and uncertain commercial market. We believe that the Draft Report does recognise this and we support it for so doing.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Tom Muller', written in black ink.

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