

The Secretary
Department of Treasury and Finance
GPO Box 147
HOBART TAS 7001

25 May 2004

Dear Mr Challen,

Re: Retail Competition in the Tasmanian Electricity Supply Industry
Information Paper

Thank you for the opportunity to comment on this discussion paper. The Tasmanian Council of Social is the peak council for Tasmanian community sector organisations that serve, support and work for Tasmanians affected by poverty and inequality.

We realise that our constituents, low income and disadvantaged Tasmanians and organisations working with them, may not be directly involved in retail competition until 2010, if at all. However, we appreciate being kept informed of the policy framework and proposed structural arrangements for the introduction of retail contestability in all sectors of the Tasmanian electricity market, since such changes to electricity supply in Tasmania are likely to at least indirectly affect all Tasmanian consumers.

We are pleased to hear that the contestability of residential and small business consumers will be reviewed by the government prior to a final decision being made about proceeding with the introduction of full retail contestability (FRC) for those consumers. Certainly evidence available at this point in time suggests that not all residential consumers have benefited from FRC in other jurisdictions, and that some have experienced price raises in excess of 20% (eg in some areas of South Australia). We look forward to actively participating in the planned review in 2009 but suggest that the government take care to ensure that adequate time is allocated to carry out a review of a major change that could potentially have significant and far-reaching consequences for many Tasmanian electricity consumers.

Our comments on the current information paper are limited due to the fact that the paper is targeted primarily at those to be first involved in contestability; however, there are some general principles outlined in the paper that we would like to comment on. We are also aware that the policy framework and structural arrangements outlined here may not be the same for all sectors of the market.

We welcome the proposed role for the Office of the Tasmanian Energy Regulator's Customer Consultative Committee in assisting the Regulator to monitor the development of the competitive market. It is essential that customers have the opportunity to be involved in over-seeing market policy and practice, and to have an established mechanism through which to provide their input. We also welcome the continuation of the Regulator's role as an independent authority with expanded responsibilities in relation to the introduction of retail contestability and competition in the industry. In our experience, the Tasmanian Regulator has demonstrated a thoughtful and even-handed approach to regulation, as well as a willingness to ensure that complex issues are presented to customer representatives in an accessible manner.

Regarding the question of whether retailers should be required to offer to enter into contracts with customers on standard terms approved by the Regulator, we believe they should be required to do that. To require this of retailers will avoid a situation in which retailers 'cherry-pick' the most potentially profitable customer segment and offer that segment negotiated contracts while not offering other customers any contracts at all. Retail companies that choose to participate in the electricity supply market have responsibilities as well as rights; these responsibilities include making their service available to all customers, even those that cannot be expected to generate easy profits for the companies. This requirement should apply to all contestable customers, not simply those in particular tranches.

In relation to *Deemed Fallback Contracts*, we would like to ensure that such contracts are not in any way disadvantageous when applied to domestic customers. It is likely, and has been demonstrated in other jurisdictions, that a great many domestic customers will 'choose not to choose' when faced with full retail contestability. For this reason, customers who do not actively seek to enter into a new contract with a retailer (incumbent or otherwise) within the 'grace period' should be automatically transferred to a standard customer retail contract rather than to a deemed fallback contract. Our concern is that the latter type of contract may include unfavourable conditions designed to act as an incentive to customers to enter into a negotiated contract. In a fully contestable environment, domestic customers should have a right to minimise their participation in the market by choosing to remain with their incumbent electricity supplier without action or penalty. The system of deemed fallback contracts should therefore not apply to domestic customers, and any fallback contract should be a regulated standard customer retail contract.

We will not comment about deemed fallback contracts in relation to the first three/four customer tranches.

We have no comment to offer on customer-retailer-distributor models, except to support the principles of simplicity, efficiency (that customers need only deal with one party), transparency (that customers are made aware of the costs and conditions of distribution) and equity (the same service at the same cost is offered to all domestic customers).

Thank you once again for the opportunity to comment on these important issues. We hope our comments are useful.

Yours sincerely,

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