

8 April 2019



TO - the relevant person

Via email to:

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Dear Sir,

FEEDBACK on Energy Market Consulting Associates Options Paper – Phase 2 Review of the Tasmanian Wholesale Electricity Market Regulatory Pricing Framework

The Tasmanian Minerals and Energy Council (TMEC) represents the interests of Mining, Minerals Processing, Manufacturing and other energy intensive industry sectors in Tasmania.

The membership base of TMEC account for 60% of the electricity consumed in Tasmania and as such there is no equivalent entity in terms of energy concentration in any of the other jurisdictions within Australia. Further to this, no other State in Australia has an export economy so heavily reliant upon and influenced by industry sectors which are intrinsically dependent upon the reliability of energy supply, internationally competitive pricing and overall energy strategies and policy.

TMEC welcomes the opportunity to continue being a party to the consultative stages of this review and congratulates the Government for being willing to explore options to address one of the structural issues which is contributing to unacceptably high electricity pricing.

TMEC must point out from the start of this submission that the tone and detail which was present in the discussions following the release of the EMC Report on 3rd October 2018 appears to have been lost along the way of generating the Stage 2 Consultation Paper, March 2019. The introductory comments in both this paper and the prior paper were quite explicit from the start, this project was about identifying mechanisms which delinked the Tasmanian wholesale price from the Victorian price AND drove a price structure based on Tasmanian system costs. See three sample quotes;

*'A re-elected Majority Hodgman Liberal Government will undertake a NEM Exit to set wholesale contract **prices based on the Tasmanian system costs** which will lower current wholesale contract prices. This will de-link the prices Tasmanian customers get from the volatile Victorian market and enable us to target the lowest prices in the country by 2022 by setting them ourselves.'*

Review of Tasmanian Wholesale Electricity Market Regulatory Pricing Framework Discussion Paper 7 3rd October 2018

3.3 Current issues, opportunities, and policy considerations

In addition to the Government's energy policies, we have identified a number of issues, opportunities, and other policy considerations that must be taken into account in developing reform options. These are outlined below.

1. Price to Tasmanian consumers

*Consumers and the Tasmanian Government consider that electricity prices are unnecessarily high in Tasmania. Wholesale contract prices in Tasmania are currently linked to Victorian prices, and it is argued that consumers are not **directly benefiting from Tasmania's cost of generation**. This review will consider mechanisms to enable*

Tasmanian consumers to more directly benefit from the cost of local generation. This will include both customers on regulated standing offer contracts and customers on market contracts

Review of Tasmanian Wholesale Electricity Market Regulatory Pricing Framework Discussion Paper 7 3rd October 2018

3.2.2 The link to the Tasmanian Government's energy policies

Figure 3: Government energy policy relevant to this review states, "3. Wholesale contract prices reflective of Tasmanian system costs"

Review of the Tasmanian Wholesale Electricity Market Regulatory Pricing Framework Options Paper – March 2019

TMEC has determined the six options contained in the Options Paper, dated March 2019 are largely based around different ways to cap the pricing, which is different to the original intent to have pricing based on the cost of generation or Tasmanian system costs (as per extracts above). Establishing a cap does little for drawing scrutiny and attention to the operating efficiencies of the Generator.

TMEC is also concerned that any analysis of the potential impacts of the potential additional generation and transmission capacity to bolster the NEM has been overlooked in the analysis.

Given a number of the members of TMEC, with large industrial loads have international exposure, be it through their ownership and / or their markets, the global cost curve of delivered wholesale energy is the major financial benchmark which is critical to the ongoing viability and / or the attraction of additional loads to Tasmania. The notion of Tasmania being the lowest priced Australian electricity supplier becomes meaningless if the rest of the Australia's electricity pricing remains unviable for industrial loads. The design, age and condition of the generation assets in Tasmania means Tasmania should be comparable with international jurisdictions which have electricity pricing competitively positioned well within the second quartile of the global wholesale energy cost curve. Pricing policies which drive efficiencies from the operators of Tasmania's generation assets is critical to Tasmania's future economic fortunes. Aspiring for anything less puts the attractiveness of Tasmania and its renewable energy resource into question.

In another example of what assumptions have changed since the first consultation, the original scope and consultation did not state that this reform excludes major industrial loads. TMEC does not support this assumption as existing and future commercial negotiations for industrial loads does have a relationship to the effective underlying wholesale price. It should also be noted that while a small number of TMEC members can negotiate energy contracts directly, the majority of TMEC members interact in the energy market through a retailer. It remains the view of TMEC the options presented in this paper do not provide a pathway to the full potential of what is realistic and possible. TMEC also asserts the political and technical aspects of what the future pricing was to be factored from has been discarded in the progression of papers. Before TMEC would consider altering its position, it invites the authors of the report to demonstrate how the options presented are linked to the cost of generation and therefore responds to the original intent.

Yours sincerely,



Wayne Bould
Chief Executive Officer