



10 February 2011

Mr John Pierce
Electricity Supply Industry Expert Panel
GPO Box 123
Hobart TAS 7001

Dear Mr Pierce

NGF Submission on Statement of Approach

The National Generators Forum (NGF) welcomes the opportunity to respond to the Expert Panel's proposed Statement of Approach in its review of the Tasmanian Electricity Industry.

The NGF directly represents the 22 major power generators in the National Electricity Market. The installed capacity of the members is almost 48,000 MW, with an asset value of more than \$40 billion. Annual sales are over 202,000 GWh, having a value of about \$7 billion. This is about 96% of the total Australian market.

NGF members are publicly and privately owned businesses which generate electricity for sale and trade under the NER, and whose generating capacity is at least 300 MW. The Chief Executives of these businesses form the Board of National Generators Forum Ltd.

The purpose of the NGF is to be the respected market generator industry body recognised for excellence in influencing the development of Australian energy markets. Working Groups for the Market, Environment and Greenhouse carry out research and policy development activities in these spheres.

The NGF supports the development of efficient markets and believes that this is the best way to deliver electricity at the lowest possible costs to consumers. This review is an important opportunity to promote changes which contribute to this vision for the National Electricity Market.

The NGF supports the Statement of Approach as a first step

The NGF is broadly supportive of the Statement of Approach but is disappointed that the Panel is unable to present a definitive timeframe for the review. In general, this submission reinforces some specific points which the Panel have made which we believe are the key to a successful review.

Need to cover the full gamut of issues relevant to the Tasmanian sector

Notably, the NGF believes that it would be informative for the Panel to form a clear view early in the process on the issues that require consideration and possible material improvement.

While the Statement of Approach provides an indication of the range of issues that will be raised during the review, it is not clear whether all matters relevant to the Tasmanian sector will be reviewed.

The NGF supports an extensive review which should include, among other issues, the matters listed below.

- Review the outcomes for contestable customers, including the impacts of the low level of retail competition and consideration of how well the current market arrangements are working.
- The extent to which the Tasmanian region supports and promotes effective competitive outcomes at the wholesale level, and the barriers facing new market entrants.
- The extent to which Tasmanian governance arrangements support successful operation of the market. For a market to be successful, it is important for Governments to set up frameworks and governance arrangements and then to let the market work. In this context, the panel should investigate the effectiveness of the existing Governance regime.
- The presence of Basslink, and its management, creates a number of peculiarities around Tasmania's integration into the National Electricity Market. The issues flowing from this integration, especially Basslink and the availability of Basslink settlement residues should be the subject of considered attention.

A related issue arises from Tasmanian concerns about retail price increases for lower income families. To the extent that this issue arises in the context of the review, we note that it is important to distinguish the need for any support for lower income families to occur outside of the market arrangements.

We also note that the Panel makes reference to demand side issues. These areas have been covered by two stages of a Demand Side Participation review and a third one is planned once the terms of reference are agreed by the Ministerial Council for Energy. The NGF suggests to the Panel that it should exclude explicit consideration of this issue to allow it more time to focus on the Tasmanian specific issues. The area is very complex and it has, to date, been difficult for any significant progress to be made. Furthermore, there seems little



benefit in reviewing this issue outside the pre-existing work plan on demand side participation.

A later reporting date may be required to assure a comprehensive process

The NGF supports the Panel having sufficient time to address the material issues including, but not limited to, those above. Hence, should a later reporting date be required to improve the thoroughness and integrity of the process, the NGF would support such an extension.

If you require any additional information, please do not hesitate to contact me on (02) 6232 7790.

Yours sincerely,

A handwritten signature in blue ink that reads 'M. Roberts'.

Malcolm Roberts
Executive Director