

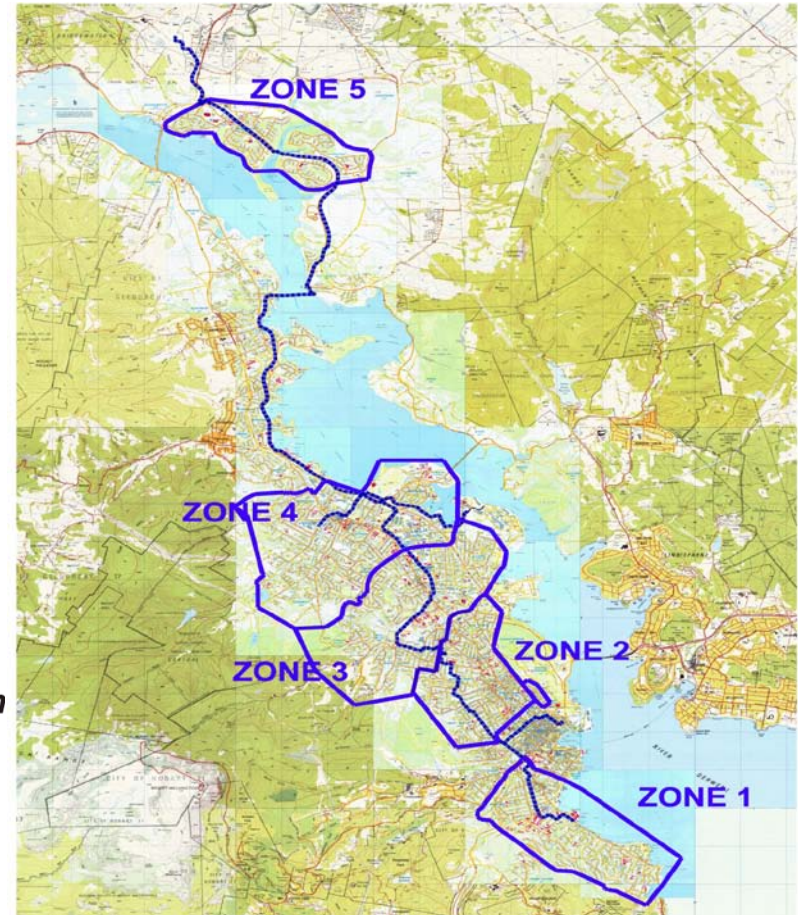
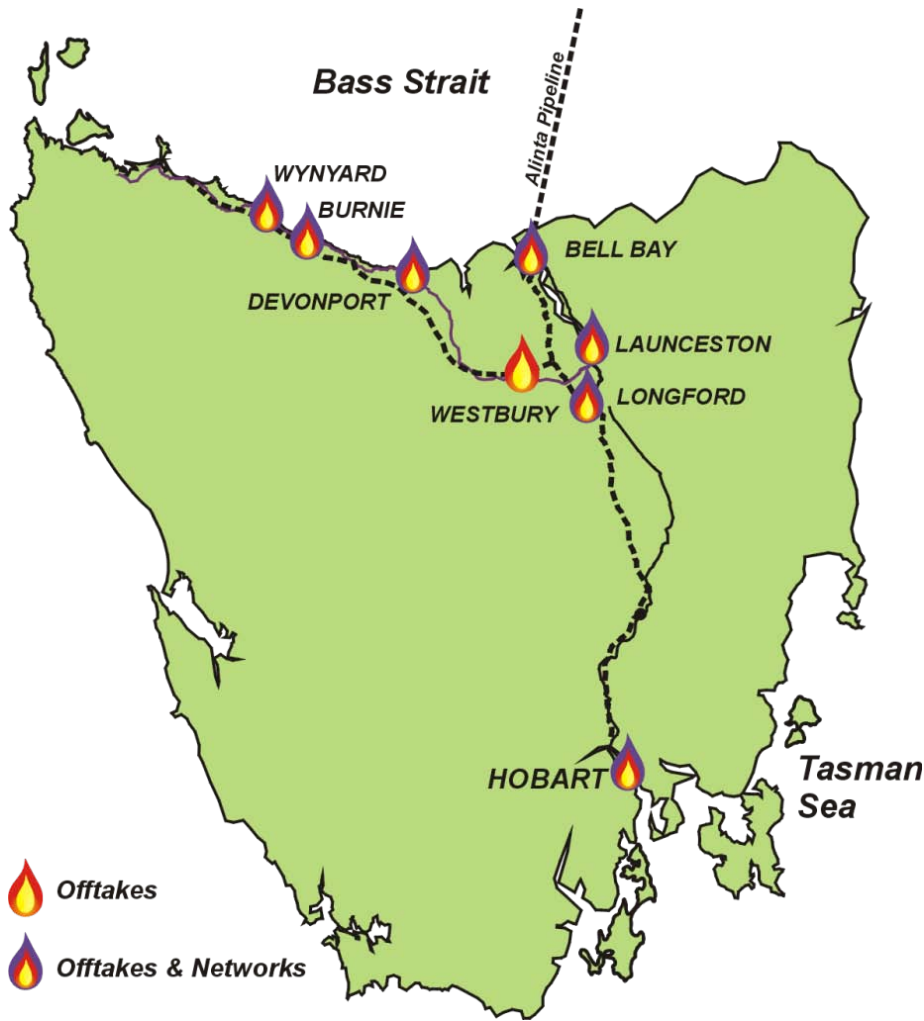
ELECTRICITY SUPPLY INDUSTRY EXPERT PANEL

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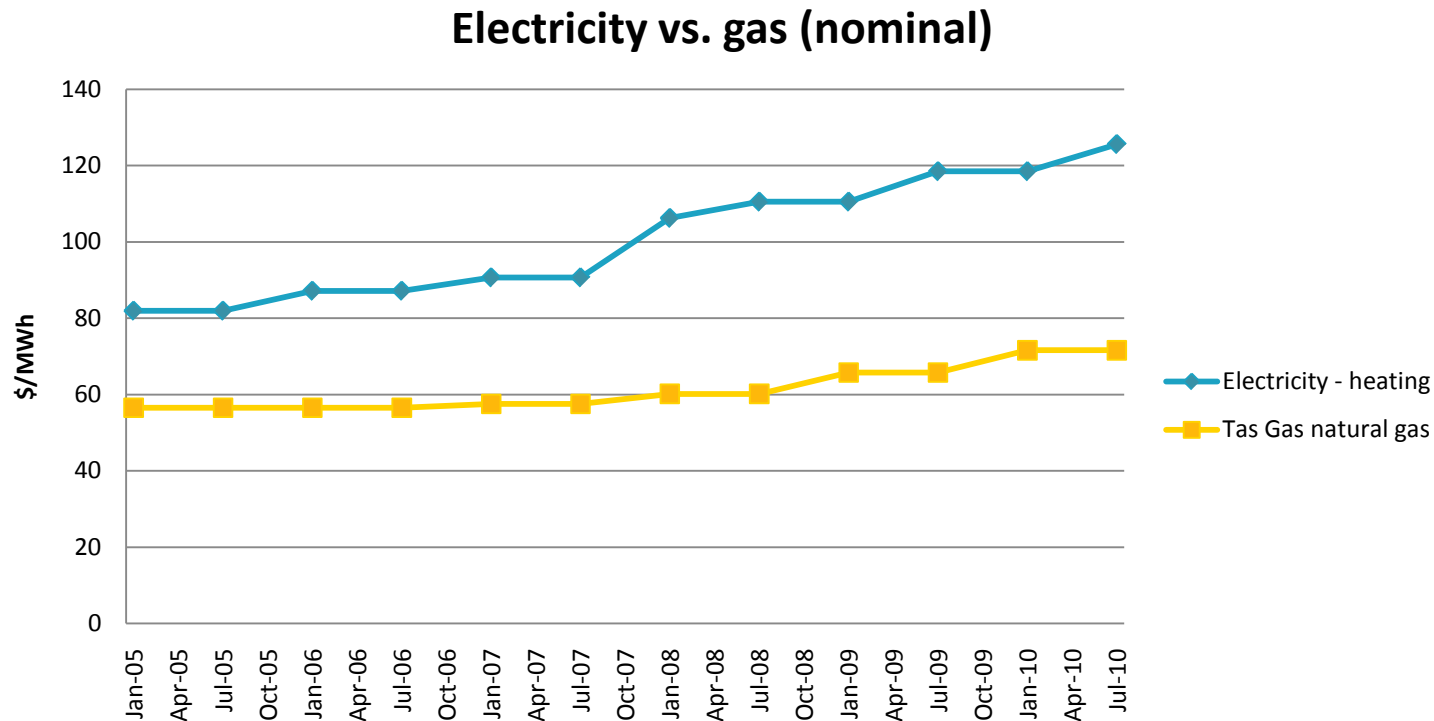
Tas Gas Network



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Historical price trends

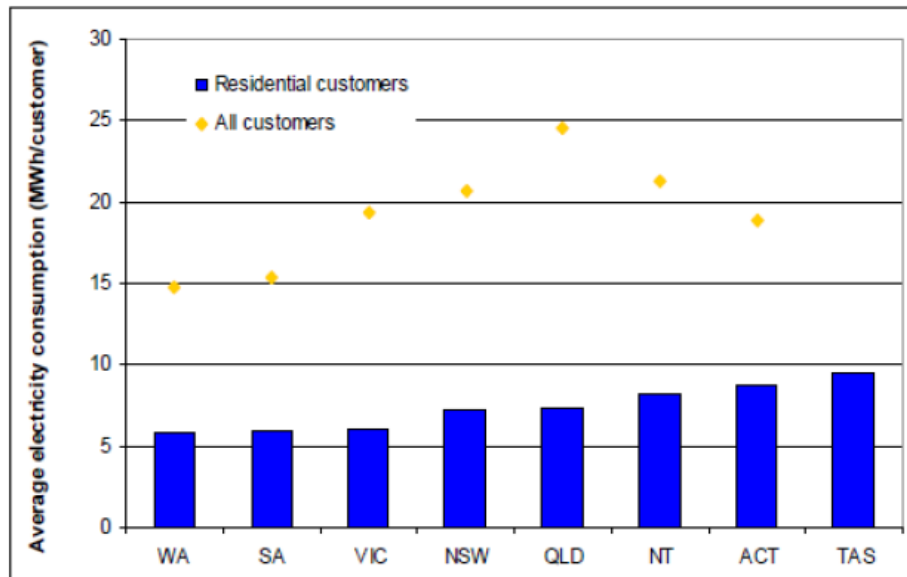
- The delivered price of gas in Tasmania is substantially lower than electricity on a like for like basis (heating)



Impact of gas immaturity in Tasmania

- Electricity consumption per customer in Tasmania is relatively high

Figure 4 Average electricity consumption, Australia, 2004–05



Source: ESAA 2006.

Tasmania is vulnerable to fuel poverty

- Lower than average household incomes make Tasmanian households more vulnerable to fuel poverty (high level of reliance on pensions)

ABS household survey data 2004/05 - Energy expenditure								
<i>Non-equivalised</i>	TAS	NSW	Vic	Qld	SA	WA	ACT	Australia
Mean weekly income \$	897.0	1,212.0	1,134.0	1,036.0	1,033.0	1,098.0	1,399.0	1,128.0
Electricity, gas, oil and wood \$	27.9	21.8	28.3	17.8	28.4	22.5	31.7	23.6
Energy (non-transport) as per cent of weekly expenditure	3.1%	1.8%	2.5%	1.7%	2.8%	2.0%	2.3%	2.1%

Barriers and opportunities

- There are currently barriers that are preventing greater utilisation of gas
- The economics of co-generation are especially favourable in Tasmania
- Greater use of gas provides an opportunity to avoid expensive electricity network extensions
- These opportunities may not crystallise under the current regulatory regime
- This may result in higher than necessary electricity prices

Suggested matters for consideration by the Panel

What are the implications of “high gas” and “low gas” scenarios for:

- Overall electricity prices in Tasmania, especially for low income customers?
- The reliability of electricity networks?
- The extent of required new network and other electricity CAPEX?
- The financial impact for the State-owned entities and hence the overall State balance sheet?
- Overall greenhouse gas emissions abatement costs?

Potential Tasmanian Government interventions

The Panel may like to consider recommending some of the following interventions (subject to Tasmania's membership of national gas and electricity markets):

- Development of an overarching energy industry policy, integrating development of the gas sector
- Creation of a more explicit energy coordination function to implement the energy industry policy
- Incentives (beyond the NER) for Tasmanian electricity businesses to examine non-network solutions