

## Tasmanian Electricity Supply Industry – Expert Panel Assessment

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Public Forum – 02 February 2012



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## **‘Our challenge is to make energy more affordable.’**

- Alinta Energy is an active investor in the energy retail, wholesale and generation markets across Australia.
- Alinta Energy has approximately 3000MW of generation facilities in Australia (and New Zealand).
- Alinta Energy maintains retail energy customers in Western Australia, South Australia and Victoria and is fast approaching 700,000 customers.
- Alinta Energy has a strong commitment to growth across Australian.
- Alinta Energy maintains an active interest in gas and electricity market developments as it pursues its forward growth strategy.

# Wholesale electricity market

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## Expert Panel observations:

- Wholesale market reform is key to improving choice and creating competitive pressures.
- Current market structures have significant risk implications.
- New entrant generation deterred

## Alinta Energy perspectives:

- Wholesale markets in Tasmanian are inaccessible.
- Hydro Tasmanian controls price outcomes – latent power.
- Contracting over Basslink not viable.
- Willingness of Hydro Tasmania to contract does not remove entry disincentives.
- Hydro Tasmanian ‘willingness to do deal’ not competition primary entry path.
- All roads lead to Hydro Tasmanian and so therefore do reform proposals.

## Reform Options - Wholesale market

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1. Regular auction of standard contracts
  2. Establishing independent trading entities
  3. Combining Victorian and Tasmanian regions
- Alinta Energy initial position – break-up and sale.
  - The Panel has expressed a preference for reform path 2.
  - Alinta Energy endorses this position as a viable path forward.
  - Alinta Energy welcomes further discussion on possible trading entity structures.
  - Burden of proof against change should be high.
  - Alinta Energy does not support reform path 1.
    - inconsistent with NEM more broadly
    - history of Tasmanian auctions – IRRs – not favourable
  - Alinta Energy has reservations about inefficiencies created by reform path 3.

### Expert Panel observations:

- Competition and choice benefits consumers.
- Wholesale reform required to support retail competition.
- Dominant Aurora positions - ERM at margins.
- Regulatory conditions needs to promote market entry – i.e. licensing.
- Aurora ring-fencing between retail and distribution.
- Retail pricing transparency.

### Alinta Energy perspectives

- Identifying contestable customers is in itself difficult to assess – up to 5a?
  - further undermines support for regulatory led reform options
- Tasmania is large enough to justify entry and would not be considered a more costly proposition than other regions.
- Aurora Energy's dominant retail position is a concern.

## Reform – Retail sector

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1. Full retail contestability
2. Scoping study for sale of Aurora Energy's retail business
  - Alinta Energy's initial view – 2 or 3 parcels.
  - Support scoping study.
  - Support introduction of full retail contestability.
    - understand need to address any regulatory concerns first.
  - Need to work through implication of retail pricing regime.
  - Retail pricing needs to be cost-reflective.

- Competitive neutrality – ongoing public ownerships.
  - agree ownership rational requires clarification – policy issue.
- Future of Hydro Tasmania’s business interests outside Tasmania?
- Position of Basslink requires resolution.
  - currently controlled by Hydro Tasmania.
- Address Basslink bidding concerns regarding below -\$1000 bidding.
  - reinstate Ministerial Notice.
  - possible rule change for SNS should be considered.
- Auction process for IRRs needs to be brought into line with ISRS.
  - with reforms should mirror SRAs process.
  - possibly administered by AEMO.