

Responses by Launceston Chamber of Commerce to Tasmanian Energy Strategy Discussion Paper September 2014

Question 1 - What enhancements could be made to regulatory frameworks to ensure the right incentives for businesses and consumers are in place?

- In regard to transmission prices, a review of methodology to determine future electricity demand may be required. The regulatory framework around transmission prices is understood to be based on the required investment in transmission assets set on previous forecasts of future demand. These forecasts have been overstated in the past which has left us with a significant over investment in transmission assets and charges. Consideration should be given on how this forecasting of future demand is considered in the future.

Question 2 - Given both the State and Commonwealth Government are committed to reducing red and green tape, and that the electricity market is highly regulated and complex, what opportunities are there to reduce or remove regulation?

- The Chamber is not close enough to the internal regulatory and risk environments of the energy businesses to make comment on this question.

Question 3 - Is retail competition important because of price, choice or for other reasons?

- It provides customers with some comfort that competitive tensions exist and they have a choice, and market-driven prices are available.

Question 4 - What enhancements or additional information could increase the reporting transparency of the Government's electricity businesses and contribute to improved efficiency?

- It is unlikely that more reporting will deliver additional efficiencies – it could be quite the reverse (unnecessary resources taken up for this purpose). The Chamber's view is that government-owned corporations should be required to operate as commercial businesses abiding by ASX guidelines, national benchmarks and normal business practice.
- Any expectations by government of a non-commercial nature need to be specified and reported accordingly.

Question 5 - Do energy intensive and trade exposed businesses require greater future price certainty to maintain and/or grow their operations?

- The Chamber understands that energy intensive customers do have the option for long contracts for the energy component of the pricing which provide price certainty.
- The Chamber would encourage that there be a similar long contract available for 'smoothed' distribution and transmission charges for energy intensive businesses.

Question 6 - Would you consider accepting slightly lower levels of reliability if this resulted in materially lower prices?

- The Chamber would anticipate there may be some customers that would accept lower levels of reliability for price offsets. These customers may include large and small energy-intensive businesses. However, this would need to be investigated and negotiated as part of any businesses contractual arrangement.
- The Chamber does not expect that the residential market would be receptive to this arrangement. There is already a perception in the community that they are paying too much for their power and expect high levels of reliability, including during storm events.

Question 7 - Would a review of tariff structures be desirable, in terms of minimising total network costs and allocating costs fairly?

- Many businesses that serve the public do not have the flexibility to change the time of their use of electricity, which is generally during normal business hours. There may be options for intensive energy users to use off-peak power – but this most likely is already occurring with 24 hour shifts etc.
- The Chamber would not support a review of tariff structures if it means that business would be required to accept more of the cost burden. This gets back to the cost/benefit analysis of major industrials and businesses. We need to attract more business to Tasmania and keeping energy costs within an Australian average – or even below the Australian average would be preferable, but perhaps not realistic.
- The Chamber understands that the cost of transmission and distribution contributes about 60% of the average consumers' electricity bill. Although it makes sense to consider 'smart meters' which would send a 'price signal' and allow business to improve their energy efficiency and timing of usage, it would need to be balanced with the cost/benefit of rolling out this technology.

Question 8 - What approach, including non-regulatory ones, should Government consider for improving the thermal efficiency of our buildings?

- Increasing insulation in homes by some market incentive would be a good measure. This could also be rolled out to older commercial buildings such that any program must show a benefit greater than its cost.

Question 9 - What approach to energy efficiency should Government use to help improve productivity for small to medium businesses, and to reduce energy bills for households?

- Changing behaviour is obviously a key issue and providing cheap energy audits would be a good measure to help business reduce their energy usage.
- Smart metering should also be considered once they become more cost effective. This may allow businesses to structure their more energy intensive activities during work hours where the best outcome can be achieved.

Question 10 - What role should Government play in attempting to retain and increase load growth in Tasmania and how should it do it?

- The Chamber is working with a Federal Government agency to commence a Manufacturing Mapping Project to identify the manufacturing/engineering/services capabilities that exist, and what other complimentary industries could be attracted to Northern Tasmania in the future. We would hope this information will inform the Office of the Coordinator General of potential new businesses - many of which are likely to require some of the energy load.
- In the Chamber's view the Government has the following roles:
 1. Retain the current businesses (within reason) that are high energy users in Tasmania.
 2. Expansion of the current businesses and incentivise them to invest in new technologies, new markets, new products, etc.
 3. Attracting new businesses that are likely to value the low carbon Tasmanian energy, provide jobs, and contribute to the broadening of the economic base of the State. Some urgency needs to be placed on this role to help mitigate any likelihood of at least one large industrial withdrawing from Tasmania in the future.

Question 11 - What further potential is there to develop renewable energy in Tasmania, including wind energy, given there is no unmet Tasmanian demand requiring additional generation for the foreseeable future?

- This is a frustration as there is more potential to develop the renewable energy sector in Australia (and especially in Tasmania) which is a high technology industry - but without a price on carbon or an RET the cost is too high to compete with current brown and black coal energy producers.
- Therefore attracting a global business that places value on renewable energy (as in our response previously) would be important as they would be willing to pay the higher cost for the supply of this energy source.
- Other options on how we 'export' our current renewable and low carbon energy could be considered. **Perhaps the Tasmanian Brand could be extended to include a more obvious element of 'products produced using renewable energy or low carbon energy' to place higher value on our products especially those exported to European and American markets – where there is a high level of importance placed on renewable energy.**
- A second inter-connector across the Bass Strait needs to be considered on a cost/benefit basis also taking into account the future needs for an additional optic cable connection requirements across to mainland Australia.

Question 12 - Is there a further facilitation role for Government in gas roll-out, or should Government focus its efforts on examining the costs and benefits of improving minimum protections for gas customers?

- It is unclear to most how long the gas demand will stay at the proposed high prices. If this is a short to medium term issue then longer term plans should be to encourage more business and householders to convert, as new gas fields enter the market.

- If gas prices remain high for the medium to longer term, there may be opportunities for incentives to explore the value of gas in Tasmania based on a cost/benefit analysis.

Question 13 - What are considered to be the key opportunities, and the key issues, associated with possible energy futures?

- The opportunities have been discussed elsewhere in the submission at length.

Question 14 - What could be some outcomes for the Tasmanian Energy Strategy, and what actions can government, or energy providers and consumers take to achieve them? How could success/performance be measured?

- In the Chamber's view we could be attracting global industries that have an interest in utilising mainly low carbon energy as part of their production or operations. Many European and American companies that service their home market place a higher value on use of low carbon energy.
- The Chamber would recommend that an outcome of the Strategy is providing consumers with transparent information that takes into account all the elements of their electricity bill so they do not have an unreal expectation that their bills will go down because the carbon tax is removed (as an example).