



**Pricing investigation relating to certain provisions in  
the Wholesale Contract Regulatory Instrument**

**Consultation Paper**

**June 2019**

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## INVITATION TO MAKE SUBMISSIONS

It is the Economic Regulator's policy to publish all submissions on the Office of the Tasmanian Economic Regulator's (OTTER) website unless the author of the submission requests confidentiality in relation to the submission (or any part of the submission). Those parts of a submission that are requested to be confidential should be submitted as an attachment to that part suitable for publication.

The Economic Regulator will not publish submissions which contain material that the Economic Regulator believes is, or could be, derogatory or defamatory.

Submissions should be received by close of business on 27 June 2019.

To facilitate the publication of submission on OTTER's website, submissions by email are preferred. Submissions and enquires may be made to:

[office@economicregulator.tas.gov.au](mailto:office@economicregulator.tas.gov.au)

or to

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A copy of this Consultation Paper is also available on the Economic Regulator's website: [www.economicregulator.tas.gov.au](http://www.economicregulator.tas.gov.au).

Following consideration of submissions, the Economic Regulator will publish a final investigation report on its website.



# 1 BACKGROUND

The Economic Regulator is responsible for the regulation of some of Hydro Tasmania's wholesale contract activities under the *Electricity Supply Industry Act 1995* (ESI Act).

Under section 43G of the ESI Act, the Economic Regulator is required to approve the type of financial risk contract that Hydro Tasmania must offer, the standard form of these contracts and the methodology for determining the prices and volumes of contracts that must be offered. These approvals have been effected by the Economic Regulator making a *Wholesale Contract Regulatory Instrument* (the Instrument).

Hydro Tasmania is required under section 43I of the ESI Act to offer approved financial risk contracts (approved contracts) to authorised retailers selling electricity in Tasmania, and to enter into contracts with these retailers. There is no requirement for authorised retailers to accept these contracts and there are no restrictions on Hydro Tasmania offering different financial risk or other contracts to authorised retailers.

## **Change to National Electricity Rules**

The Instrument makes reference to "30 minutes" in the definition of 'Calculation Period' in clause 28.1 and in the 'Confirmations' for each approved contract (as set out in Schedules 3 to 6 to the Instrument).

On 28 November 2017, the AEMC amended the National Electricity Rules by changing the settlement period for the electricity spot price in the National Electricity Market (NEM) from 30 minutes to five minutes. The change will take effect from 1 July 2021 and therefore will apply from the third quarter of 2021.

The Instrument also requires Hydro Tasmania to offer prices for approved contracts each week for eight future quarters. Therefore, from 1 July 2019, Hydro Tasmania will be required to offer prices for approved contracts for the third quarter in 2021.

Consequently, under the current Instrument, Hydro Tasmania may be required to enter into one or more approved contracts from 1 July 2019 that refer to a time period for the 'Calculation Periods' and 'Confirmations' that will be inconsistent with the National Electricity Rules from 1 July 2021.

## Scope and Objective of the investigation

The Economic Regulator does not have the ability to amend the approvals made under section 43G(1) of the ESI Act. However, under section 43G(4) the Economic Regulator has the ability to revoke an approval made under section 43G(1) and make a new approval. Regulation 21 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* (the Pricing Regulations) requires the Economic Regulator to conduct a pricing investigation prior to revoking or making an approval.

The objective of the pricing investigation is to provide information to the Regulator to determine whether to revoke the existing Instrument, and whether to make a new Instrument that reflects the spot market settlement arrangements in the NEM both before and after 1 July 2021.

The investigation will not consider any other potential changes to the current Instrument, except where there may be consequential changes arising from the changed spot market settlement arrangements.

## Proposed action

The Economic Regulator proposes revoking the existing Instrument and making a new Instrument that contains all provisions in the existing Instrument except that:

- the definition of 'Calculation Period' in clause 28.1 is removed; and
- in each of Schedules 3 to 6 of the new Instrument there is a revised definition inserted for 'Calculation Periods' under **Transaction Details** as shown below (additional text is shown in red):

Calculation Periods: (For Contract Quarters up to and including the second quarter, 2021).	Each consecutive period of 30 minutes, the first period commencing at 0000 on the Effective Date and the last commencing at 2330 on the Termination Date.
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Calculation Periods: (For Contract Quarters from the third quarter 2021)	Each consecutive period of 5 minutes, the first period commencing at 0000 on the Effective Date and the last commencing at 2355 on the Termination Date.
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- in Schedule 5 there is a revised definition inserted for 'Peak Calculation Period' under **Definitions** as shown below in red:

<b>Peak Calculation Period.</b> (For Contract Quarters up to and including the second quarter, 2021).	Each consecutive period of 30 minutes, the first period commencing at 7.00am and the last commencing at 9.30pm, on each Business Day.
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Peak Calculation Period. (For Contract Quarters from the third quarter 2021)	Each consecutive period of 5 minutes, the first period commencing at 7.00am and the last commencing at 9.55pm, on each Business Day.
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### **Matters to be addressed in submissions**

The Regulator invites comments on the proposal to revoke the current Instrument and to make a new Instrument as proposed above.

### **Next steps**

Following consideration of submissions made in response to this Consultation Paper, the Economic Regulator will publish a final investigation report on 1 July 2019 together with the new Instrument that will take effect from the date of publication.