



Tasmania

DEPARTMENT of  
ECONOMIC DEVELOPMENT

Mr Peter Stolp  
Joint Working Group Chair  
Office of the Tasmanian Energy Regulator  
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Dear Mr Stolp

Thank you for your letter of 3 November 2006 inviting comment on your draft report about the above matter. I am impressed by the level of analysis that has gone into the study and in particular the use of the GIS mapping tools that have identified and classified the new zones of 'community categories'.

I agree that the use of five population density zones is a useful measure to define the varying electricity infrastructure requirements and service expectations of the Tasmanian community.

It is recognised that there will be continued sensitivity by remote area consumers, who may consider they should receive comparable levels of supply reliability to that obtainable in higher density centres.

Your report correctly emphasises that in order to provide an equitable cost of supply across all areas of the state, there must be trade-offs in reliability. From a technical perspective, it is appreciated that as the density of networks is lower in rural areas, the capital cost to deliver power for each user rises accordingly. We understand that the only way to increase reliability in remote areas would be to 'over-spend' by building a more robust network. If this was done, the disproportionate cost of delivering power to the remote customer would increase even further.

It is noted that in the commentary to the table on page three of the 'Summary of Proposals' it is stated that 'Since all customers on the same tariff pay the same rate irrespective of location, the reliability of supply in such areas [low density rural areas] is less than that in urban areas'. Arguably, rural customers could use this observation to support the claim that they are under-serviced.

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To overcome such objections and to make the pricing versus reliability trade-off more transparent it may be useful if:

- additional quantitative data and analysis could be provided
- consumers could determine the 'real cost' of having an electricity supply in their area.

Clarification is suggested on the following:

- the term 'electrical use density' is used — but it is not defined
- the GIS maps have the scaling of the 'density' as colour codes — actual thresholds are not defined.

It is suggested that:

- graphs plotting 'electrical use density' versus the 'capital value index' referred to in the page three table would be useful
- remote area users could then reconcile the benefits of the low, state-wide tariff against the lower standards of reliability.

The linkages between the cost of providing electricity services in remote areas, available capacity and its reliability are becoming increasingly topical issues. The department is aware that a number of commercial developments in remote parts of the state are under active consideration. The standard of distribution network performance could be an issue.

It is understood that where proponents of such projects find the existing cost and reliability of the network a constraint, the following solutions may be considered:

- off-network power generation using trucked-in (or shipped in) natural gas in the form of LNG or CNG
- distributed generation and co-generation (combined heat and power or CHP) systems.

With these potential developments in mind it may be worthwhile to augment the report with some of the additional back-up data and analysis that is referred to above.

Thank you again for the opportunity to provide feedback on your report.

Yours sincerely



Norm McIlfattrick  
**SECRETARY**

16 November 2006