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Mr joe Dimasi

Office of the Tasmanian Economic Regulator

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RE: Standing Offer price methodology review – draft approach paper, April 2021

We would like to comment specifically on the LRET and renewable certificate prices.

The certificate price component of the standing offer should be determined by LGC prices available in the open market leading up to the standing offer determination.

We are concerned that Aurora Energy effectively recommends a certificate price the regulator should use in the standing offer calculation. In the 2020-2021 standing offer determination the regulator noted that Aurora had a high certificate cost.

This may allow/encourage Aurora Energy to enter non-commercial arrangements for certificates in the future and for Aurora Energy's traders to buy certificates from other traders at above market rates or to sell certificates to other traders at below market rates.

Considering the recent investigations into banks and customers paying for poor performance I recommend the regulator sets the certificate price with no consideration of Aurora Energy has a high or low purchasing cost of certificates.

Others may suggest Aurora Energy to purchase of certificates on market late in the year. While this option is open to the traders and management at Aurora Energy it may not be a fair and conservative approach that a regulator should encourage, a fair way is to set the certificate price based on prices available for future contracted certificate prices at the time of the determination by the regulator. If the retailer then chooses to 'play the market' and buy at higher/lower prices later in the year, then their traders may generate profit and the company should pay dividends to the owners. If the retailer or their traders buy at certificates higher prices, then the company should make up those losses – it should not be recovered from standing offer customers.

Metering Charges and the additional cost of advanced meter should be on a cost recovery basis. With a smoothed cost across the client base (not based on meter type) with some allowance for expected new installations and replacements of failed meters for the coming year. A mechanism by the government, regulator or the retailer should be simultaneously introduced to protect the most vulnerable customers via a rebate from some of this additional cost.

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An allowance made in the cost to serve calculation may be the most appropriate way of covering such a rebate cost.

We also encourage the regulator to make an allowance for any future environmental scheme similar to the Victorian VEEC scheme. Should a current or future state government introduce such a levy the standing offer formula will need to include this – the schemes have been very effective in the ACT, NSW and VIC and including an allowance now would be prudent.

Kind Regards

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