

Mr Dean Burgess,
Director,
Office of the Tasmanian Economic Regulator,
GPO Box770,
Hobart, Tas 7001

9 April 2014

Dear Mr Burgess,

Draft Guideline on Approval of Standing Offer prices in accordance with the 2013 Standing Offer Determination

Thank you for the opportunity to comment on this draft guideline. We have the following suggestions to make in relation to the draft guideline.

1. Guideline Duration

The current draft guideline addresses only the 2013 determination. It would be preferable to have it as an open ended document which covers any standing offer determination made by OTTER. This would require the draft guideline to be written in more general terms and removing all references to period 2 and 3.

There are significant advantages to this approach which include:

- It gives more certainty to participants so that they know the process to be used by OTTER in future determinations
- If an additional determination is required part way through a year, the revised general approach could be used without any changes to the guideline
- Less regulatory work as the guideline can be used for the next standing offer determination in 2016 and future standing offer determinations without change unless some changes are required

2. **Aurora Energy** – In line with a more generalised approach, Aurora Energy should be replaced with “regulated retailer” or “standing offer retailer”. This would allow for the possibility that there is more than one “regulated retailer” in the future.

3. **Section 2.4 (a)** of the guideline should be replaced with the following:

(a) The regulator will adopt the following methodology in calculating the wholesale electricity price for each period:

(1) taking a time weighted average of weekly regulated Load Following Swap prices as published by Hydro Tasmania for the last 51 weeks from the date at which the calculation for the standing offer determination is made

(2) where there are less than 51 weeks available, observations back to 1 January 2014 should be used

Comments:

- 51 weeks will cover the last 12 months as there is no price produced for “Christmas week”
- Weighting the average by the Absolute Minimum Capacity Volume Offer has no benefit since this value will rarely change and has no relevance to the issue
- This is a generalised form which will work for several years

Please contact me if you have any queries on the above.

Yours sincerely,

A handwritten signature in black ink that reads "D. Bowker." with a horizontal line underneath the name.

David Bowker
Manager Regulatory Affairs