

Minister for Finance
Minister for Tourism
Minister for Hospitality
Minister for Veterans' Affairs



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Mr Glenn Appleyard
Chairman
Tasmanian Economic Regulator
GPO Box 770
HOBART TAS 7001

Dear Mr Appleyard

Initial Retail Price Determination under Full Retail Competition

As you are aware, the Tasmanian Government is introducing competition into the retailing of electricity for all small customers in Tasmania. To facilitate the development of competition, Aurora Energy's retail customer contract book will also be divested, with the purchasing retailers to be classified as "Regulated Offer Retailers".

The *Electricity Reform (Implementation) Act 2013* has now been enacted and, *inter alia*, amends the *Electricity Supply Industry Act 1995* to require the Tasmanian Economic Regulator to determine the maximum prices that may be charged by Regulated Offer Retailers under standard retail contracts in Tasmania.

Section 40AC of the *Electricity Supply Industry Act 1995* enables me to provide a submission that proposes price controls to be imposed under Section 40AA of the Act, for the first retail price determination that is completed for the competitive market.

I am pleased to provide the enclosed submission pursuant to Section 40AC of the Act.

Section 40AC (1)(c) of the Act requires me to specify the structure and methodology that is to be applied in the determination. The enclosed submission specifies a structure and methodology that is to be applied.

Section 40AC (1)(d) of the Act allows me to specify the cost to serve allowance for the purposes of Section 40AB of the Act. The enclosed submission does not specify a cost to serve as permitted under Section 40AC(1)(d) and so the Regulator has discretion to consider the proposed cost to serve outlined in the submission and approve an allowance as the Regulator sees fit, within the objectives, functions and principles specified in the Act.

Section 40AC(1)(e) of the Act requires me to specify the period for which the determination is to remain in force. The submission specifies that the period is to be from 1 January 2014 until 30 June 2016.

Section 40AC(1)(f) and (g) of the Act allow me to specify the pricing structure that is to apply in the determination period. The pricing structure that is to apply is included in Appendix I of the enclosed submission.

The Act requires that a separate determination is to be made in respect of each Regulated Offer Retailer. The intended composition of the two Regulated Offer Retailer customer bases remains a matter that is commercially sensitive to the divestment process. Treasury will separately advise as to the intended respective customer bases in the near future.

If you have any queries in relation to the submission or require any further information to complete the investigation and make the determination, please do not hesitate to contact Mr Richard Sulikowski in the Department of Treasury and Finance.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'S. Bacon', with a stylized flourish extending to the right.

Scott Bacon MP
Minister for Finance

Encl

12 JUN 2013