



Australia's property industry  
**Creating for Generations**

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4 May 2021

Mr Joe Dimasi  
Office of the Tasmanian Economic Regulator  
GPO Box 770  
HOBART TAS 7001

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

Dear Mr Dimasi,

## **RE: STANDING OFFER PRICE METHODOLOGY REVIEW- DRAFT APPROACH PAPER, APRIL 2021**

Thank you for the opportunity to make a submission to the Tasmanian Economic Regulator regarding the proposed methodology the Regulator intends using in making its determination of regulated retail electricity prices for the next regulatory period commencing on 1 July 2022 at the conclusion of the 2021-22 price investigation.

The methodologies described in the draft paper and proposed by the Regulator on the whole appear to be fair and appropriate, with particular regard to the "cost to serve" approach in relation to the retail margin.

Our members would benefit from further consideration of the passthrough of renewable costs. Currently, retailers can profit from the sale of renewable certificates to contestable customers, and we trust retailers are unable to similarly profit from renewables to standing offer customers.

Currently, Aurora and other energy retailers, through their contract offers to contestable customers, contract fixed future renewable prices for LRET and SRES. This practice allows for pricing speculation and profit. Retailers have 12 months to acquit certificates with the Clean Energy Regulator (CER). This allows retailers to purchase certificates late in the period, at lower prices. Retailers are also able to carry over just under 10% of their certificate obligation into the future, again facilitating the purchase of certificates at ever diminishing prices. This results in increased profitability from contracting the sale of certificates to contestable customers. It is the Property Council's firm view that renewable costs should be passthrough costs and retailers should not be making profit on renewables.

While the above arrangement is not directly available in relation to standing offer arrangements, the Property Council believes there is a need for an audit, if one is not already underway.

The current and proposed methodology allows for adjustments to be made following the actual acquisition and acquittal prices of certificates to the CER, and we believe an audit will ensure customers are paying the actual price of the certificates.

We would expect that retailers would leave the purchase of renewable certificates until the latest possible time, to get the lowest price. It is our understanding that retailers are likely to carryover an allowable shortfall, as a means of benefitting from reducing renewable certificate prices. Our members would like to ensure that these lower prices are fully considered when setting standing offer rates.

Our members would also like to understand whether there is a separation in the retailer's purchase of certificates for contestable customer power and standing-offer power.

The Property Council looks forward to receiving further advice on standing offer methodology in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'RElls', written in a cursive style.

**Rebecca Ellston**  
Executive Director, Tasmania  
Property Council of Australia