



20 January 2015

Glenn Bounds
Assistant Director (Price and Service)
Office of the Tasmanian Economic Regulator
GPO Box 770
Hobart 7001

Dear Mr Bounds

RE: Issues Paper – Reviews of the Wholesale Contract Regulatory Instrument

ERM Power Business Energy welcomes the opportunity to respond to the Office of the Tasmanian Economic Regulator’s Issues Paper on the review of the Wholesale Contract Regulatory Instrument (the Instrument).

About ERM Business Energy

ERM Power Retail Pty Ltd, which trades as ERM Business Energy, is a subsidiary of ERM Power Limited, an Australian energy company that operates generation and electricity sales businesses. Since launching in 2007, ERM Business Energy has grown to become the fourth largest electricity retailer by load in Australia, with operations in every state and the Australian Capital Territory. ERM Business Energy is now the second largest electricity retailer to the large business market by load,¹ with increasing success in the small business market.

ERM Business Energy offers electricity retail contracts to both large energy users, and small business consumers in Tasmania.

Our position

As a whole, ERM Business Energy considers that the current regulatory framework for wholesale contracts in Tasmania meets its objectives. Unique Tasmanian market characteristics require a regulatory framework to ensure outcomes reflective of an efficient competitive electricity market. While there can be risks associated with establishing markets based on such regulatory frameworks, in this case the framework is proving to be adequate, given the nuances of the Tasmanian market.

Although the volume (MWh) of derivative contracts available via the Instrument is limited, it does provide for a transparent price mechanism that complements risk management approaches in the Tasmanian market. Wholesale market outcomes do not currently constrain the operation of our business model in Tasmania.

¹ Based on ERM Power analysis of latest published financial information.

We have not observed any market outcomes to justify introducing a more prescriptive regulatory approach. We recommend that the Office of the Tasmanian Economic Regulator does not amend the Instrument in response to this review.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

Jenna Polson

Manager, Regulatory Affairs

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