

17 November 2017

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

Dear Mr Dimasi

### **November 2017 Wholesale Contract Regulatory Instrument Pricing Investigation**

Hydro Tasmania welcomes the opportunity to provide comment on Consultation Paper for the review of the Wholesale Contract Regulatory Instrument Pricing Investigation. Tasmanian regulated cap contracts are determined in reference to Victorian cap contracts. Victorian cap contracts for Q1 2018 have recently increased significantly in price. Tasmanian regulated cap contracts have, however, fallen over this period. The way in which Victorian cap contracts are adjusted to Tasmanian prices through the Tasmanian Wholesale Instrument and Model is leading to very low (and negative) Tasmanian cap prices. For example Tasmanian flat cap contracts for Q1 2018 offered on 31 October were priced at \$0.26 and on 7 November for -\$0.56. Hydro Tasmania believes that these pricing outcomes are unreflective of market outcomes and are inconsistent with the underlying intent of the Instrument.

The Consultation Paper proposes to implement a floor price for regulated cap contracts calculated under the Instrument. Hydro Tasmania agrees with the implementation of this proposal as this will quickly address the issue of offering flat cap contracts lower than the assumed minimum off-peak cap price to ensure the integrity of the wholesale regulatory framework.

Please contact John Cooper ([john.cooper@hydro.com.au](mailto:john.cooper@hydro.com.au) or (03) 6230 5313) if you have any questions or need additional information.

Yours sincerely

A handwritten signature in blue ink that reads "John Cooper".

John Cooper  
Senior Analyst – Regulatory and Policy