

Structure of licence fees - 1 July 2017 to 30 June 2020

Outcomes of consultation on the draft structure of licence fees

In its submission, the Director of Gas Safety supported the proposal that the Regulator continues to recover the costs incurred by the Director's office in administering the *Gas Act 2000* and the *Gas Pipelines Act 2000*. No matters of concern on the draft structure of licence fees were raised by the Director of Gas Safety.

The Hydro Electric Corporation (Hydro) indicated that it did not support the Regulator's proposal to move to a fully variable licence fee structure for generation licensees, rather, that it supported the current fixed and variable approach. Hydro did not consider that a fully variable model would treat all licensed generators fairly. Hydro was of the view that all generators should contribute some level of fees as the Regulator works on issues which affect the entire industry, and from which all generator licensees benefit. (The draft structure as circulated for public consultation would have resulted in some smaller generators paying no licence fee.)

The Regulator gave consideration to the matters raised by Hydro, and agreed that all licensees should contribute to costs associated with the regulation of the generation sector. The licence fee calculation for application to generators from 1 July 2017 was subsequently revised, with the Regulator deciding that annual licence fees for generators will comprise a fixed component of \$5 000.

In addition to the fixed fee component, generators with installed capacity of greater than or equal to 30MW will pay a variable component, where the balance of expenditure on the generation sector is apportioned on the basis of the most recently available financial year data of megawatt hours generated for those generators.

Whilst the final licence fee amounts for those larger generators will be dependent on the generation output across licensees in any given financial year, the Regulator considers that this method for the calculation of generation licence fees is consistent with the principles of the TEC. The method is simple and transparent and ensures that all generation industry participants contribute to the ongoing costs of regulating the Tasmanian electricity supply industry.