



## **Consultation Paper**

### **Proposed amendments to the Wholesale Contract Regulatory Instrument, Electricity Wholesale Contract Guideline and Statement of Regulatory Intent**

**October 2016**

Printed October 2016  
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ISBN 978-0-7246-5430-7

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# 1 EXECUTIVE SUMMARY

On 19 August 2016, a Draft Report arising from the Tasmanian Economic Regulator's (Regulator) pricing investigation in relation to its Review of the Wholesale Contract Regulatory Instrument was released for public consultation. Submissions closed on 23 September 2016. Submissions were received from Hydro Tasmania and Aurora Energy and have been published on the Regulator's website.

Following consideration of the issues raised in consultation on the Draft Report, amended drafts of the Wholesale Contract Regulatory Instrument (Instrument), Electricity Wholesale Contract Guideline (Guideline) and Statement of Regulatory Intent (Statement) have been released for public consultation.

The Regulator is seeking comments on the amendments it proposes making to each of these documents. It is intended that this Consultation Paper be read in conjunction with the Regulator's Draft Report on the Review of the Wholesale Contract Regulatory Instrument, available on the Regulator's website: [www.economicregulator.tas.gov.au](http://www.economicregulator.tas.gov.au).



## SUMMARY OF REGULATOR’S PROPOSALS

The Regulator proposes making the following amendments to the Instrument, Guideline and Statement:

Section(s) in this Consultation Paper (where applicable)	Section(s)/Clause(s) of consultation documents	Regulator’s proposal
<b><i>Wholesale Contract Regulatory Instrument</i></b>		
3.1.1	Preamble and clause 1	The Regulator proposes that the new Instrument apply on a financial year basis, commencing on 1 January 2017 and expiring on 30 June 2024 (ie a term of 7.5 years).
3.1.2	Clauses 2.2 (NEW), 27 and 28	The Regulator proposes amending the formulae in clauses 27.2(e) and 27.2(g) to refer to customer load instead of customer numbers. Clause 28 will also be amended to include a definition of Small Customer Load. The Regulator also proposes adding a new sub-clause in clause 2, clause 2.2, to require Authorised Retailers to provide the small customer load data required for the calculations to be made under clause 27.2.
	Clause 2.3	The Regulator proposes amending clause 2.3 to include “dates” in the list of values that the Regulator may change.
	Clause 5	<p>The Regulator proposes that the new Instrument not include the requirement for regulatory approval to be granted where parties wish to use either an existing Schedule or negotiate their own Schedule instead of using the Hydro Tasmania Schedule in the Instrument.</p> <p>The Regulator therefore proposes amending clause 5 to remove the regulatory approval requirement and insert a requirement for retailers to notify the Regulator where they have chosen to use an alternative Schedule to the Hydro Tasmania Schedule.</p>

<b>Wholesale Contract Regulatory Instrument</b>		
	Clause 9.4	The Regulator proposes correcting the reference to AEMO's national forecasting report in clause 9.4 to reflect the correct title (AEMO's <i>National Electricity Forecasting Report</i> ).
	Part 4 Overview	The Regulator proposes removing a redundant clause referring to the planned sale of Aurora Energy's customers, which did not proceed.
	Clause 18	The Regulator proposes updating the years shown in the Note at the end of clause 18.
	Clause 19	The Regulator proposes removing a redundant clause, clause 19(b), which refers to the transition to full retail competition in 2014, and updating the years shown in the Note at the end of clause 19.
	Clause 22	The Regulator proposes allowing Hydro Tasmania to set the Red Light Capacity Conditions and/or the Red Light Energy Conditions to "Red" pending the outcomes of the Regulator's deliberations on its response to supply disruption events.
3.1.3	Clauses 26	<p>The Regulator proposes requiring Hydro Tasmania to offer make-up volumes in the event that Hydro Tasmania instigates a trading halt due to the possession of inside information and does not offer weekly prices.</p> <p>The Regulator proposes effecting this change by amending the title of clause 26 to incorporate this additional requirement for make-up volumes to be calculated in accordance with this clause.</p>
	Schedule 1	The Regulator proposes adding a new table to Schedule 1 stating the projected "Construction Quarter" for the gas-fired peaking plant.
	Various	The Regulator proposes minor changes be made to the Instrument to replace references to 'oil-fired peaking plant' with references to 'gas-fired peaking plant'.
	Various	The Regulator proposes replacing references to 'Aurora distribution' and 'Transend transmission' with references to 'TasNetworks distribution' and 'TasNetworks transmission' respectively.



	Various, including Part 4 of Schedule 2	The Regulator proposes removing references to the 'appointment of the Economic Regulator' under the <i>Economic Regulator Act 2009</i> with references to the 'establishment of the Economic Regulator under the <i>Electricity Supply Industry Act 1995</i> ' so as the statutory office of the Regulator is referred to rather than the actual person appointed as Regulator.
	Schedule 1	Include the prospective "Construction Quarter" for a gas-fired peaking plant in a new table in Schedule 1 as an additional input that the Regulator is able to set.
<b>Wholesale Contract Guideline</b>		
3.2.1	Section 3.5	The Regulator proposes amending the Guideline to add a new sub-section to Section 3.5 which will allow Hydro Tasmania to not offer weekly prices where Hydro Tasmania considers that it possesses inside information and, as a result, instigates a trading halt.
	Section 4.1	The Regulator proposes amending clause 4.1 of the Guideline to require Hydro Tasmania to: <ul style="list-style-type: none"> <li>- publish current and past 'Forecast current yield' values;</li> <li>- maintain and publish a database of past prices on its website; and</li> <li>- to clearly indicate, on its website, the date that updates have been made to the Wholesale Pricing Model.</li> </ul>
	Various	In addition to the specific changes discussed in this Consultation Paper, a number of other changes have been made to the Guideline to correct minor errors and to improve clarity.
<b>Statement of Regulatory Intent</b>		
3.3.1	Section 3.3	The Regulator proposes: <ul style="list-style-type: none"> <li>(a) removing the current reference, in the Statement, to the Regulator instructing Hydro Tasmania to set all regulated contract prices at \$300/MWh; and</li> <li>(b) adding a section stating that the Regulator will endeavour to ensure that its response to the supply disruption event: <ul style="list-style-type: none"> <li>▪ is transparent and provides regulatory certainty;</li> <li>▪ has benefits to the current Wholesale Regulatory Framework which outweigh the costs of changing the Framework; and</li> <li>▪ does not have a negative impact on the efficiency of the Tasmanian Wholesale Electricity derivatives market.</li> </ul> </li> </ul>

		The Regulator also proposes amending Section 3.3 of the Statement to enable Hydro Tasmania to set traffic lights to red for all quarters in response to a supply disruption event until such time as the Regulator decides on the most appropriate response to that event.
3.3.2	Section 4.2	The Regulator proposes amending section 4.2 of the Statement to incorporate a formal review schedule for the inputs set by the Regulator.
	Various	In addition to the specific changes discussed in this Consultation Paper, a number of other changes have been made to the Statement to correct minor errors and to improve clarity.

Additionally, as explained in Section 3.1.4 of this Consultation Paper, the Regulator proposes not including a ‘fast-track amendment provision’ in the new Instrument.

Chapter 4 of this Consultation Paper sets out the instructions for interested parties wishing to make a submission in response to the Regulator’s proposed amendments to the Instrument, Guideline and Statement.

## 2 BACKGROUND

### 2.1 Wholesale electricity market in Tasmania

In Tasmania, in addition to the derivatives contracts negotiated by National Electricity Market (NEM) participants, authorised retailers operating in the small customer market in Tasmania have access to a set of regulated derivatives contracts provided for in the *Electricity Supply Industry Act 1995* (ESI Act) and approved by the Regulator.

Wholesale price regulation (specifically, the requirement for Hydro Tasmania to offer prices for a set of regulated derivative products in addition to existing non-regulated derivative contracts) was introduced in Tasmania on 1 January 2014. Regulation was intended to assist retailers in mitigating against the contracting risks associated with Hydro Tasmania's dominance in the Tasmanian wholesale market and to reduce the risk faced by Tasmanian market participants to a level comparable with that facing retailers in other regions of the NEM. Furthermore, regulation was intended to facilitate the introduction of full retail competition on mainland Tasmania and to provide certainty for retailers entering the Tasmanian electricity market.

The Regulator is responsible for regulating Hydro Tasmania's wholesale contracting activities and approves the types of regulated derivatives contracts offered and the prices at which those contracts are offered and monitors the sale of these contracts. These arrangements are part of the wholesale regulatory framework.

### 2.2 Tasmanian wholesale regulatory framework

The wholesale regulatory framework comprises a range of legislative and regulatory instruments including the:

- the ESI Act;
- *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* (the Pricing Regulations);
- *Wholesale Contract Regulatory Instrument* (the Instrument);
- *Electricity Wholesale Contract Guideline* (Version 1, December 2013) (the Guideline);
- *Statement of Regulatory Intent* (the Statement); and
- Hydro Tasmania's Electricity Generation Licence.

In accordance with the framework, the Regulator is responsible for:

- administering and monitoring the pricing of regulated wholesale derivative contracts;

- investigating and determining future wholesale contract pricing instruments; and
- collecting information from Hydro Tasmania to support the operation of the framework and the development of full retail competition.

## 2.3 Wholesale Contract Regulatory Instrument

The Instrument was made on 29 July 2013, and outlines, in detail, how the requirements set out in Part 3, Division 4A of the ESI Act are to apply in practice. The Instrument was subsequently amended by the Minister for Finance on 6 November 2013 to incorporate changes identified, after the making of the Instrument in July 2013, by the Department of Treasury and Finance. The existing Instrument applies for the period from 1 January 2014 to 31 December 2018.

Part 3, Division 4A of the ESI Act relates to the regulation of wholesale electricity derivative contracts and specifies the ways in which the Regulator is to regulate and monitor Hydro Tasmania's contracting activities in the Tasmanian wholesale electricity market. Section 43G of the ESI Act requires the Regulator to approve:

- the types of derivative contracts that Hydro Tasmania must offer as approved financial risk contracts (eg a load following swap );
- the standard form(s) (terms and conditions) for each approved financial risk contract type;
- the methodology for determining the prices for each approved financial risk contract type;
- the periods for which approved financial risk contracts are to be offered; and
- the volume of approved financial risk contracts that Hydro Tasmania must offer.

The Regulator's decision on each matter is specified in the Instrument, and is referred to as an 'approval'.

The following approvals have been made under the Instrument:

- (a) The following four approved financial risk contracts were approved under section 43G(1)(a) of the ESI Act:
- Baseload Swap Contract;
  - Peak Period Swap Contract;
  - Baseload \$300 Cap Contract; and
  - Load Following Swap Contract.

The first three contracts types are based on the futures contract available on the Australian Stock Exchange Energy market, while Load Following Swap Contracts are an "over the counter" (OTC) product. The contracts are designed to manage the financial risks faced by retailers when retailing electricity to small

customers in Tasmania. With the exception of the Load Following Swap, the Regulator can, under the ESI Act, revoke an approved contract type if it no longer meets the principles in section 43H(1).

As retail prices are linked to the regulated Load Following Swap the approval of a regulated Load Following Swap is mandatory.

Each contract is designed to manage the financial risks faced by retailers when retailing electricity to small customers in Tasmania. This approval is contained in Part Two of the Instrument.

- (b) The following standard forms for each of the approved contracts noted in (a) above were approved under section 43G(1)(b) of the ESI Act:
- International Swaps and Derivatives Association (ISDA) 2002 Master Agreement;
  - the Hydro Tasmania Schedule (for each authorised retailer); and
  - a Confirmation (for each contract type).

These approved standard forms are generally similar to those offered for the types of contracts used in the derivatives market associated with the NEM and are hierarchical in nature. This approval is contained in Part Two of the Instrument.

The ISDA Master Agreement is a pro-forma high level agreement used to document over the counter (OTC) derivative agreements. It sets out general terms and conditions necessary to properly allocate the risks of the transactions between the parties but does not contain any commercial terms specific to individual transactions. Each time that a transaction is entered into, the terms of the master agreement do not need to be re-negotiated and apply automatically.

The parties add to or modify the terms of the ISDA Master through the use of a Schedule to the ISDA Master Agreement. The Schedule includes, amongst other things, clauses dealing with, credit, termination, the delivery of documents and addresses for the service of notices. The Confirmation sets out details specific to individual transactions entered into under the Schedule.

- (c) Section 43G(1)(c) of the ESI Act refers to the methodology for calculating the price of each of the approved contracts and the approved methodology is contained in an approval in Part Three of the Instrument.
- (d) Sections 43G(1)(d) and (e) of the ESI Act, the forward period was approved over which the approved contracts listed in (a) above are to be offered, and a methodology for determining the minimum volume of those contracts, which Hydro Tasmania must offer. These approvals are contained in Part Four of the Instrument.

In accordance with the ESI Act and the Pricing Regulations, the Regulator is responsible for administering the Instrument and may amend the approvals contained within the Instrument by conducting a pricing investigation.

In making and amending each approval, the Regulator must take into account the following principles, in section 43H of the ESI Act:

- authorised retailers should have a choice of contract types to enter into with Hydro Tasmania;
- the types of contracts and standard form of those contracts should, where reasonably practicable, be of a type used in the NEM; and
- the methodology for determining the prices of Hydro Tasmania's regulated contracts should reflect Victorian contract prices, adjusted to take into account the supply/demand balance in Tasmania.

### **2.3 Supporting Regulatory Arrangements**

The Instrument is supported by a number of supplementary documents.

The Regulator's Wholesale Guideline sets out Hydro Tasmania's responsibilities in relation to regulated electricity wholesale market contracting and also sets out the weekly regulated contract offer process, consistent with the requirements of the Instrument.

The Regulator is responsible for monitoring and reporting on Hydro Tasmania's compliance with the Instrument and the Guideline with compliance enforcement activities specified in the Regulator's *Compliance Enforcement Policy* (Version 2, July 2015).

Furthermore, in accordance with the Regulator's *Regulatory Reporting Guideline* (Version 3, July 2014), regulatory audits of the weekly offer and volume scaling process are conducted on a periodic basis to ensure that those processes comply with the requirements set out in the relevant regulatory document.

The Regulator also released a Statement of Regulatory Intent which outlines the process the Regulator will undertake with regards to:

- Hydro Tasmania failing to correctly apply the approved pricing methodology;
- a supply disruption event; and
- updating the input values in the Wholesale Pricing Model.

### **2.4 Review of the Wholesale Contract Regulatory Instrument**

In December 2015, the Regulator released an Issues Paper to provide context for, and stimulate discussion about, the scope of its proposed pricing investigation in relation to the Review of the Wholesale Contract Regulatory Instrument and called for submissions from interested parties.

Following consideration of the issues raised during consultation, the Regulator announced its intention, to conduct a pricing investigation in relation to the Instrument.

On 19 August 2016, the Regulator released its Draft Report arising from its pricing investigation in relation to the Instrument. The Regulator invited public submissions on the Draft Report and submissions closed on 23 September 2016.

The submissions received have been considered and drafts of each of the Instrument, Guideline and Statement have been released for public comment.

## **3 THE REGULATOR'S PROPOSED AMENDMENTS**

This Chapter outlines the major amendments proposed by the Regulator in its draft Instrument, Guideline and Statement. This Chapter also details where the Economic Regulator intends taking a different approach than that proposed in its Draft Report.

### **3.1 Summary of proposed amendments to the Wholesale Contract Regulatory Instrument**

#### **3.1.1 Commencement and term of the new Instrument**

In its Draft Report, the Regulator proposed a 3.5 year term for the new Instrument, commencing on 1 January 2019, so that it expires on 30 June 2022 to align with the expected end of the regulatory period for the next standing offer electricity price determination and to align with a financial year basis (the existing Instrument is structured on a calendar year basis).

In its submission, Aurora Energy proposed that the new Instrument have a 6.5 year term, commencing from 1 January 2019 so that it expires on 30 June 2025. Hydro Tasmania's submission stated that the existing Instrument should be revoked on 31 December 2016, as opposed to its current expiry date of 31 December 2018, and then proposed having the new Instrument commence on 1 January 2017, with a term of at least 5.5 years (so the new Instrument expires on 30 June 2025).

The Regulator recognises that Hydro Tasmania's approach would simplify the transition process between the existing and recognises that market participants would prefer that the new Instrument have a longer term than the existing Instrument. The Regulator also acknowledges that if, as in this process, the Regulator seeks to finalise its next investigation two years prior to the expiration of the new Instrument, a 3.5 year term will mean that the next investigation will need to begin 18 months after this investigation has been completed.

The Regulator also notes that no major changes have been proposed to the new Instrument, minimising the risk associated with increasing its term compared to the existing Instrument, while increasing regulatory certainty for market participants. The addition of a formal review schedule for the inputs in Schedule 1 of the Instrument also provides market participants with increased certainty as to when those inputs will change.

The Regulator therefore proposes:

- commencing the new Instrument on 1 January 2017; and
- the new Instrument having a term of 7.5 years, expiring on 30 June 2024.



As has been the approach for this pricing investigation, the Regulator intends completing its next pricing investigation well before the stated expiry date of the new Instrument. Therefore, in practical terms, the new Instrument is likely to be in force for 5.5 years (being a five year period plus an additional six months to align the expiry date of the Instrument with financial rather than calendar years).

### **3.1.2 Scaling Provisions**

In its Draft Report, the Regulator proposed that the new Instrument incorporate scaling provisions which are based on each retailer's proportion of the small customer load thereby ensuring there is sufficient volume of regulated contracts to enable retailers serving the small customer market to hedge their small customer load. At present, scaling is carried out based on the proportion of the number of small customers serviced by each retailer.

In its submission on the Draft Report, Hydro Tasmania expressed its support for the use of load in place of number of customers for scaling purposes, arguing that this change is an intrinsically fairer approach. ERM Power did not provide a submission to the Draft Report, but had previously expressed its support for the Regulator's proposal. Aurora Energy supported no major amendments to, amongst other things, the current scaling provisions.

Having considered the submissions, the Regulator notes that the physical and financial electricity markets are based on the volume of electricity sold (ie load) and so considers a change to scaling provisions which are based on volume to be a fairer approach. The Regulator therefore proposes amending the Instrument to incorporate scaling provisions which are based on each retailer's proportion of the small customer load.

### **3.1.3 Exceptional circumstances event (trading halt instigated due to possession of inside information)**

In its Draft Report, the Regulator proposed requiring Hydro Tasmania to offer make-up volumes in the event that Hydro Tasmania forms the view that it possesses inside information and instigates a trading halt and does not offer weekly prices.

In its submission on the Draft Report, Hydro Tasmania supported the Regulator's approach. Additionally, to address Aurora Energy's concerns relating to losing opportunities to purchase volume for a quarter if a trading halt occurs, Hydro Tasmania proposed that in this circumstance, the same volume would be offered as soon as practicable once the trading halt has been lifted. The prices offered would be updated to reflect the new offer date.

Aurora Energy supported the proposal to require Hydro Tasmania to offer make-up volumes in the event of a trading halt. Aurora Energy stated that should a trading halt occur, Hydro Tasmania should be required to 'make-up' the volume for every period that would have been offered in the weekly prices if a trading halt was not instigated. This would address the potential scenario whereby volumes for the next contract quarter are not available to retailers because the trading halt occurred on the last offer week prior to the start of the next quarter.

The Regulator proposes amending clause 26 of the Instrument (and inserting a new clause in the Guideline – see section 3.2.1 of this Consultation Paper) so that Hydro Tasmania is required to offer make-up volumes in these circumstances.

### **3.1.4 Fast track amendment provision**

In its Draft Report the Regulator proposed inserting a ‘fast track’ amendment clause into the new Instrument which would allow the Regulator to make minor changes to the Instrument (ie changes of a procedural nature or to correct an error for example) after a limited consultation process, without the need for an investigation process.

While stakeholders expressed their support for the proposed inclusion of this provision, after further review the Regulator has concluded that it does not have the necessary legislative power to make future amendments to the Instrument without first conducting a pricing investigation. The Regulator has therefore decided not to include the proposed fast track amendment provision in the draft Instrument.

## **3.2 Summary of proposed amendments to the Electricity Wholesale Contract Guideline**

### **3.2.1 Exceptional circumstances event (trading halt instigated due to possession of inside information)**

In its Draft Report, the Economic Regulator proposed amending the Guideline to allow Hydro Tasmania to instigate a trading halt and not offer weekly prices if Hydro Tasmania considers that it possesses inside information. Hydro Tasmania supported this proposal.

Noting the support of both Aurora Energy and Hydro Tasmania for the requirement on Hydro Tasmania to offer make-up volumes in these instances (see section 3.1.3 of this Consultation Paper), the Regulator therefore proposes inserting a new clause in the Guideline, section 3.5.4, permitting Hydro Tasmania not to offer weekly prices where these circumstances apply.

## **3.3 Summary of proposed amendments to the Statement of Regulatory Intent**

### **3.3.1 Supply Disruption Event**

In its Draft Report, the Regulator proposed:

(a) removing the current reference, in the Statement of Regulatory Intent, to the Regulator instructing Hydro Tasmania to set all regulated contract prices at \$300/MWh; and

(b) adding the following criteria to the Statement:

- (i) Will the Regulator’s proposed response provide regulatory certainty and transparency?

- (ii) Will the benefit of any proposed changes to the current Wholesale Regulatory Framework outweigh the costs to change the Framework?
- (iii) Will the Regulator's proposed response effect the efficiency of the Tasmanian Wholesale Electricity derivatives market?

In its submission to the Draft Report, Hydro Tasmania considered that (b) (ii) and (iii) are difficult to measure and proposed an alternative criterion relating to whether the proposed price reflects the level which would be seen if Tasmania had a competitive wholesale market. However, the Regulator considers that Hydro Tasmania's proposed criterion to be equally difficult to measure. The Regulator therefore intends retaining the three criteria proposed in its Draft Report but rewording those criteria so as they are not posed as questions.

Hydro Tasmania also proposed adding a section which enables Hydro Tasmania to set capacity and energy traffic lights to red for all quarters in response to a supply disruption event until the Regulator decides how to respond to that event<sup>1</sup>. The Regulator agrees with this proposal.

Hydro Tasmania and Aurora Energy both suggested that a specific time limit should be placed on the Regulator to make a decision regarding supply disruption events. The Regulator considered this proposal but decided that it should not constrain itself with a time limit, given the Regulator may be making the decision in a complex environment requiring it to consult with multiple parties. That said, the Regulator proposes giving an undertaking in the Statement, in the interests of providing certainty for stakeholders, that it will make a decision regarding supply disruption events as soon as practicable.

### 3.3.2 Review of Inputs

In its Draft Report, the Regulator proposed reviewing inputs at least annually, with the exception of forecast inflation rate, nominal post tax debt cost and pre-tax real Weighted Average Cost of Capital which were proposed to be reviewed quarterly.

In its submission on the Draft Report, Hydro Tasmania contended that any participant requesting a review should be required to make a case as to why the parameter needs to be updated.

For the inputs the Regulator proposed updating quarterly, Hydro Tasmania did not consider that there is much value in updating these more often than annually, especially considering the administrative costs and risk of error involved in more frequent updates.

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<sup>1</sup> Capacity traffic lights set volume limits for a particular quarter based on total existing capacity (that is, the physical amount of generation Hydro has available to serve customer load). Energy traffic lights set volume limits for a particular quarter based on energy volumes (that is, the amount of electricity (produced from capacity) customers consume over time). Red Light Capacity and Red Light Energy Conditions mean that Hydro Tasmania is only required to offer, via regulated contracts, a minimum amount of capacity and energy volume, respectively.

Hydro Tasmania also suggested that the annual update should be carried out after the Wholesale Energy Price, a key input to standing offer electricity prices, has been set to avoid price shocks for standing offer customers.

Hydro Tasmania further suggested the updates could be combined with the release of the Australian Energy Market Operator's demand forecast in late June/early July. Hydro Tasmania noted that there is a benefit in combining the annual inputs update with the demand forecast update ie if these changes drive prices in opposite directions, they will cancel each other such that a price rise followed by a price fall will be avoided.

Aurora Energy supported the review frequency for inputs set by the Regulator being specified in the Instrument on the basis that it will provide further certainty for market participants.

Aurora Energy also considered that all inputs should be updated at the same time on an annual basis, to reduce the number of potential step-changes. Aurora Energy also suggested that the Regulator specify the timing of the annual input update and have regard to the potential impact on standing offer prices in considering the timing of the annual update.

After considering Aurora Energy and Hydro Tasmania's submissions, the Regulator proposes updating the forecast inflation rate on a quarterly basis and updating all other inputs annually. The Regulator considered that inflation should be updated on a quarterly basis as this input can be subject to significant short-term variation and the input's values are easily accessible from a publically available third-party source, minimising the risk of a mistake being made in updating the input and ensuring that the outputs from the Wholesale Pricing Model are based on up to date information.

The Regulator also notes that the projected "Construction Quarter" for the gas-fired peaking plant is a defined term in Clause 28 of the Instrument and is an input in the Wholesale Pricing Model (the Construction Quarter was set as '2022' in 2013 when the existing Instrument was made). However, the Construction Quarter does not appear in Schedule 1 of the Instrument as an input that the Regulator is able to change. The Regulator therefore proposes adding this item to Schedule 1 and updating the date on an annual basis.

## 4 RESPONDING TO THE REGULATOR'S PROPOSALS

The Regulator invites written comments on the proposals outlined in this Paper.

Submissions will be considered prior to the finalisation of the proposed Determination and must be received by the close of business on 11 November 2016.

It is normal practice for all submissions to be published on the Regulator's website unless the author of the submission requests confidentiality in relation to the submission (or any part of the submission). Those parts of a submission that are requested to be kept confidential should be submitted as an attachment to that part suitable for publication.

The Regulator will not publish submissions which contain material that the Regulator believes is, or could be, derogatory or defamatory.

If you would like further information on the treatment of confidential submissions, please refer to the Regulator's *Policy on the treatment of confidential submissions* (Version 3, July 2014) which is available on the Regulator's website.

Submissions by email are preferred to assist in publishing submissions on the website.

Submissions and enquiries may be made to:

office@economicregulator.tas.gov.au

or to

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A copy of the draft Instrument, Guideline, Statement and this Paper may also be found on the Regulator's website: [www.economicregulator.tas.gov.au](http://www.economicregulator.tas.gov.au)

## **5 NEXT STEPS**

Following consideration of the issues raised during this consultation process, final versions of the Report, Instrument, Statement and Guideline will be released in early-December 2016. Notification of the making of the section 43G approval will also be released at this time.