

Andrew Reeves  
Tasmanian Energy Regulator  
GPO Box 770  
Hobart Tas 7001

30 January 2006

Dear Andrew

Thank you for the opportunity to comment on *Form of Regulation for the 2007 Determination*, the first of your consultation papers in the current Electricity Distribution Pricing Review process.

As you know, TasCOSS has an interest in electricity issues, and in pricing in particular, due to the essential nature of electricity supply and the need to maintain its affordability for all Tasmanians. In our energy policy and advocacy work, TasCOSS represents, in particular, the interests of low income, disadvantaged and vulnerable energy consumers in Tasmania.

We would like to state at the outset that we appreciate the clarity of language and the care with which definitions and discussion of various options are undertaken in this paper. Although it deals with very complex technical and economic issues, it presents these clearly and provides comprehensible definitions of the various components, issues and options involved in distribution price regulation.

In spite of this, we are unable to offer detailed comment and opinion on the preferred form of distribution price regulation since it is outside our area of expertise. However, we will offer some comments on the preferred *outcomes* of the pricing review in relation to the affordability of and access to electricity in Tasmania for residential consumers.

Given the monopoly ownership status of the electricity distribution network in Tasmania, the essential nature of electricity supply, and the fact that distribution prices comprise a substantial proportion of household electricity bills, it is imperative that distribution prices are regulated and are set and maintained at an affordable level. It is equally important that distribution prices are kept stable and secure over time, and that consumers, especially residential consumers, are protected from price volatility and 'price shocks'.

While government concessions provide necessary assistance with electricity costs for many eligible low income and disadvantaged Tasmanians, it is essential that all residential consumers be protected, not only those who are most obviously vulnerable due to low income and other acknowledged factors. It is impossible to identify all vulnerable consumers since individual circumstances vary so greatly and are subject to change. For instance, people living on apparently adequate incomes may find themselves vulnerable to financial hardship as a result of accident, illness, debt, over-commitment, loss

of employment, relationship breakdown and other events. Therefore, price components of electricity, as an essential service, must be kept at a level that allows for universal access and continuing affordability.

In addition, we see a need for uniform distribution prices for small consumers regardless of their geographic location and the actual economic costs of supply. Small consumers, especially households, should not be required to pay more ongoing distribution costs due to their remoteness from major population centres. This obviously requires a degree of cross-subsidisation of consumer classes – a process that must be undertaken with as much equity and fairness as possible.

TasCOSS believes that consumer protection should be an explicit objective of the distribution pricing regulatory framework and applaud the notion of the Regulator, as a ‘proxy for customers’, contracting with the distributor ‘for the provision of services to a specified standard in exchange for a regulated price’ (*Form of Regulation for the 2007 Determination*, p.12). We strongly support the linking of service standards to price regulation in order to ensure high standards of quality, safety, and reliability for all consumers

We hope that the form of regulation for the 2007 pricing determination is able to provide positive outcomes for consumers, especially in relation to maintaining access to and affordability of a high quality electricity supply that is both safe and reliable.

We look forward to remaining involved in the pricing determination process as it progresses.

Regards

A handwritten signature in black ink, appearing to read 'MR', followed by a horizontal line.

Mat Rowell  
Chief Executive Officer