



Media Release  
13 May 2008

EMBARGO to 2pm, Tuesday 13 May 2008

**PUBLIC BENEFIT ASSESSMENT FOR ELECTRICITY**  
**RETAIL COMPETITION IN TASMANIA**  
**DRAFT REPORT**

Tasmania's independent energy regulator, Andrew Reeves, today released his draft assessment of the public benefits of opening the Tasmanian electricity retail market to full competition.

"At present, only Aurora Energy is allowed to retail electricity to residential and small business customers in Tasmania. Last year, the Treasurer asked me to undertake an assessment of the public benefits of opening the small customer market to other retailers," Mr Reeves said.

The draft assessment found that full competition could extend to Tasmanian customers the benefits and choices available to electricity consumers in mainland states, as well as bring the Tasmanian market into line with other Australian electricity markets.

The assessment also found that opening the small customer market to competition would substantially increase the size of the contestable market in Tasmania, with greater opportunity for new retailers to participate. This could benefit the development of competition for larger customers, who are currently able to choose their electricity retailers.

"We found that the overall societal costs of opening the electricity market to competition were modest, compared to the benefits. These costs generally relate to the IT systems and processes needed to support the market." Mr Reeves said.

"However, while it is certain that there would be costs in extending competition to all customers, the benefits are less certain in the current conditions and will only be realised if there is dynamic competition in the retail market."

Mr Reeves said that “The Tasmanian contestable electricity market is at an early stage of development and there has been little engagement by new retailers to date. Further, the current drought conditions and market structure may hinder the development of competition in the short to medium term. In my view, we don’t yet have the experience in the roll out of competition to be reasonably sure that we will see new retailers active in the small customer end of the market.”

For these reasons, the Regulator’s draft assessment does not endorse full competition from 1 July 2010, as is currently proposed. However, the draft assessment does propose that competition could be extended to small to medium sized businesses, with annual electricity costs of around \$8 000 or more (customers whose annual consumption exceeds 50 MWh), as the costs of doing so would be low and these customers might have better opportunities to benefit.

“The addition of this group to the contestable market would increase the appeal of the Tasmanian market to new retailers. Both medium and larger business could benefit from a more competitive market. Further, a larger competitive market would develop a stronger base from which to extend competition to all customers in the future.” Mr Reeves said.

Tasmania has been progressively introducing competition in the electricity retail market since July 2006, when the largest industrial customers were first able to elect their retailer. The Government reserved the decision to extend competition to the final group of residential and small business customers until after an assessment of the public benefits of doing so had been completed. The Regulator’s report presents a preliminary assessment of the public benefit and impact on stakeholders, together with proposed recommendations on the timing and circumstances for the extension to full retail contestability.

The Regulator has invited submissions on the public benefit assessment, and in particular on the need for price monitoring or other forms of customer protection for the small / medium business sector. Submissions should be received by 6 June 2008. Copies of the draft report are available from the Regulator’s website at [www.energyregulator.tas.gov.au](http://www.energyregulator.tas.gov.au).

For further information contact:  
Andrew Reeves  
Tasmanian Energy Regulator  
Tel: 6233 6323 or 0419 397 956

Copies of the Draft Report and  
consultants reports are available at:  
[www.energyregulator.tas.gov.au](http://www.energyregulator.tas.gov.au)