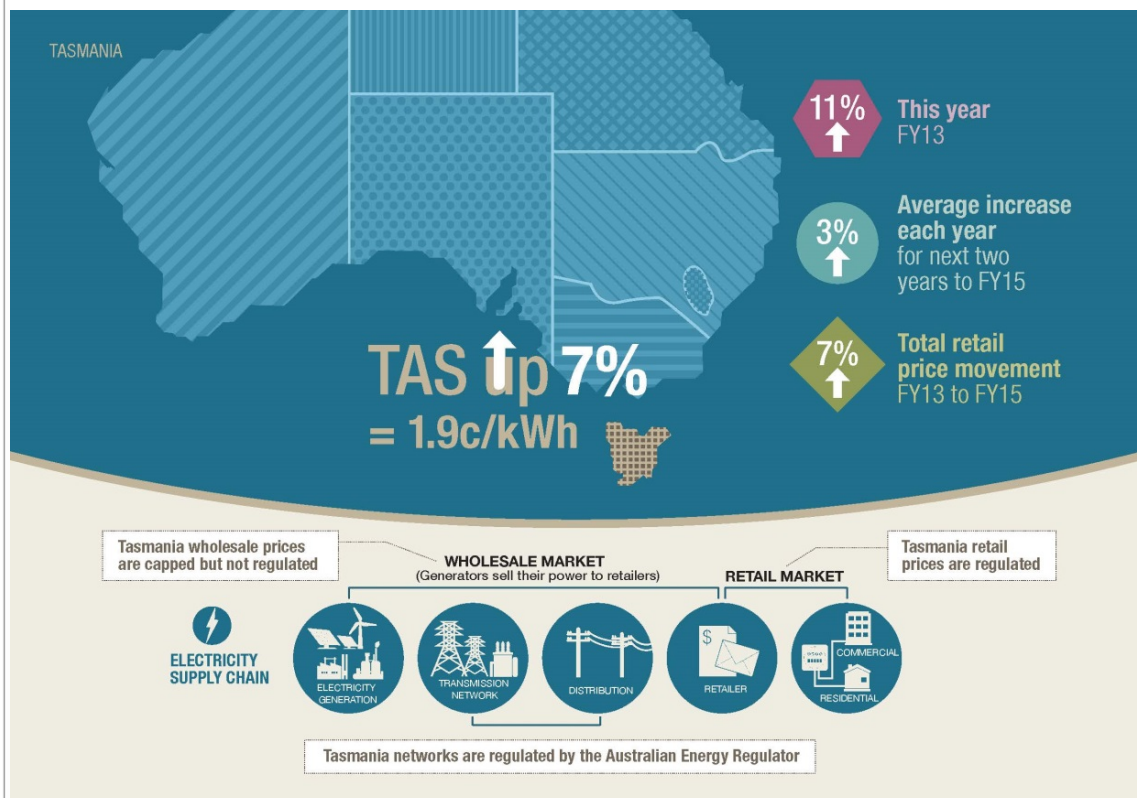


Tasmania: Electricity price trends to FY15

The AEMC Electricity Price Trends Report: 1 July 2012 to 30 June 2015 was published on 22 March 2013. Estimates indicate that prices in Tasmania are moderating from the current financial year (FY) 2013. The distribution network and wholesale energy components are the main drivers of change.



Recent Tasmanian market developments

In May 2012, Tasmania's Government announced plans to restructure all aspects of its electricity market including introduction of full retail competition by 1 January 2014. The wholesale energy market will be reformed to facilitate independent regulation of Hydro Tasmania's market activities. Price regulation will remain for customers who don't enter a market contract.

What this market looks like

Regulation

Retail price regulation is conducted by the Office of the Tasmanian Energy Regulator (OTTER). The current retail determination sets out the regulators decision on prices until 2012-2013.

Transend provides transmission network services. Distribution services are provided by Aurora. In May 2012 the Tasmanian Government announced that the transmission and distribution networks will be integrated. The Australian Energy Regulator (AER) regulates networks in Tasmania. The next regulatory control period for Aurora commences on 1 July 2013. The current regulatory determination for Transend expires on 30 June 2014.

This report is not a forecast of actual prices. It is a guide to pricing trends and identifies the components that are driving those trends.

Customer consumption

The representative residential customer in Tasmania uses 7,841 kWh of electricity annually.

Tasmanian analysis

Wholesale component

Wholesale energy costs are expected to increase by 2% from FY12 to FY13 due to the introduction of the carbon price being offset by changes made by OTTER to the methodology it uses to determine wholesale energy cost for retailers. The AEMC estimates that on average Tasmania's wholesale costs will increase by 3% each year from FY13 to FY15.

Network components

Two-thirds of the residential price increases in Tasmania over the three years to FY15 are expected to be driven by network costs. Distribution prices increased by 15% from FY12 to FY13 and transmission prices increased by 21% for the same period. These prices are expected to moderate to average rises of 7% for transmission and 2% for distribution each year from FY13 to FY15.

Transmission revenue allowances set by the regulator for the current determination period (2009 to 2014) were based on expectations of system needs for replacement and maintenance of ageing assets and requirements to meet increased reliability standards.

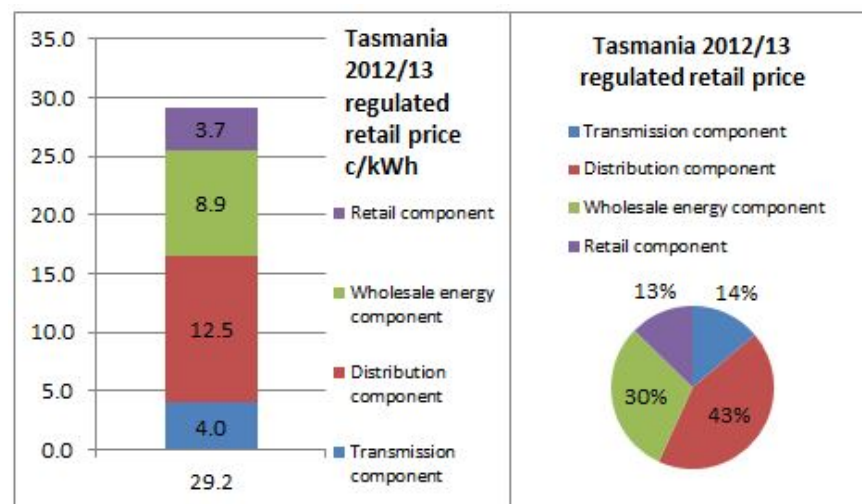
The change in distribution prices for FY14 and FY15 reflects the reduction in price increases allowed by the AER in the distribution regulatory determination.

The network components (including feed-in tariffs) together make up around 57% of the total regulated retail price for Tasmania in FY13. Transend will be subject to a new regulatory determination from 1 July 2014. Transmission network price trends may change as a result.

Retail component

The retail component price increased by 15% from FY12 to FY13 reflecting the increase in the Commonwealth's Large-scale Renewable Energy Target. It is estimated that average annual price increases in the retail component price may be 4% on average per year.

Breakdown of Tasmania's representative household price for FY13



About the AEMC Electricity Price Trends Report

The AEMC Electricity Price Trends Report identifies the factors driving residential electricity prices, and outlines reasons why they may rise or fall over three years to FY15. It is not a forecast of actual prices, but a guide to pricing trends based on current knowledge and assumptions. The report is prepared annually at the request of the Standing Council on Energy and Resources (SCER).

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