

12 September 2017

Mr John Sayers
Program Leader – Revenue Resets
TasNetworks
PO Box 606
MOONAH TAS 7009

Dear John

Aurora Energy Submission to TasNetworks' Directions and Priorities Consultation Paper

Aurora Energy welcomes the opportunity to provide feedback on TasNetworks' Directions and Priorities Consultation Paper ('Consultation Paper') relating to its Transmission and Distribution Determination for the 2019-24 period. As TasNetworks' largest customer, Aurora Energy is retailer for 279,636 Tasmanian residential and business customers. Aurora Energy's core focus is on its customers, creating valued outcomes and providing sustainable returns to the Tasmanian community.

Aurora Energy acknowledges and agrees with TasNetworks' purpose to deliver network services in a way that creates value for Tasmanians¹. Aurora Energy also agrees that Tasmanians' energy needs and expectations are evolving and that all energy service providers must change to meet these needs. Energy affordability continues to be a major issue for Tasmanian households and businesses. Aurora Energy is acutely aware of the impact of electricity prices on Tasmanians, particularly customers who have difficulty paying their bill. Aurora Energy is committed to supporting vulnerable Tasmanians through its Your Energy Support (YES) Program, which helps customers remain connected with energy saving tips and tools, budgeting advice and tailored and flexible payment plans for immediate and long term relief.

The price of electricity will continue to be a challenge for Tasmanians for the foreseeable future. Costs across other parts of the electricity supply chain are increasing, in particular the unprecedented increases and volatility of the cost of wholesale electricity across the National Electricity Market. This directly influences Tasmanian energy prices and in response, the Tasmanian Government acted to cap the average retail electricity price increase for Tasmanian households at 2% for the year commencing 1 July 2017. While not directly related to TasNetworks Consultation Paper, this is important context in which to consider TasNetworks costs, which make up the largest part of Tasmanian electricity prices.

¹ TasNetworks 2017-18 Strategy on a page.

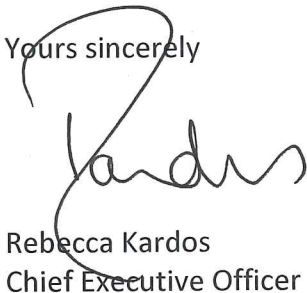
Aurora Energy provides in-principle support for the five major priorities outlined in the Consultation Paper. However, Aurora Energy would like to emphasise the following matters:

- **Lowest sustainable cost:** Consistent with the customer feedback TasNetworks received, Tasmanian customers have made it clear that they “don’t want prices to rise”. Aurora Energy notes that TasNetworks’ proposed regulated revenue is growing by 1.7% per annum above the rate of inflation². Aurora Energy’s view is that TasNetworks should aim to constrain network price increases to inflation, or where prices do increase above this, the reasons for this should be subject to a much higher level of justification with customers.
- **Network tariff reform:** The Consultation Paper notes that TasNetworks continues to “explore how to best implement demand-based prices”. Aurora Energy reiterates that these network prices will have to be reflected in retail prices for customers to receive the intended price signals. While Aurora Energy supports a transition to cost reflective tariffs, Aurora Energy considers that sufficient customer willingness and clear customer benefits for demand-based tariffs would have to be demonstrated before it would support implementation in Tasmania.
- **Investment in distributed energy resources and supporting new renewable energy developments:** Aurora Energy agrees that this investment will play an important role in meeting Tasmania’s energy needs in the future. However, it is Aurora Energy’s view that investment in the network to support DER and larger-scale renewable energy should be subject to rigorous testing of customers’ willingness to pay for those investments. The electricity market continues to evolve at pace, creating a risk that investing too early to support DER technologies will result in stranded or under-utilised network assets. With respect to large scale renewable generation, Aurora Energy suggests that TasNetworks continue to consider from whom the costs of these investments should most appropriately be recovered, as it may not be directly from Tasmanian customers through regulated prices.

As TasNetworks’ largest customer, Aurora Energy looks forward to continuing to proactively engage with TasNetworks through its Transmission and Distribution 2019-24 Determination process, supporting the shared objective of creating value to Tasmanian energy customers.

If you have any queries in relation to this submission, please contact Hayden Moore, Manager Regulatory & Policy on 6237 3119 or via email: hayden.moore@auroraenergy.com.au.

Yours sincerely



Rebecca Kardos
Chief Executive Officer

² Refer Table 1 of the Consultation Paper. This is calculated as an annual increase from the last year of the current determination period.