



Warwick Anderson  
General Manager, Network Regulation  
Australian Energy Regulator  
[AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

12 August 2011

Dear Mr Anderson

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to comment on Aurora Energy's Regulatory Proposal 2012-2017.

TasCOSS is the peak body for the Tasmanian community services sector. Our membership comprises individuals and organisations active and interested in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and advocates for the interests of low income and disadvantaged Tasmanians to government, regulators, the media, and the public.

TasCOSS has been involved in energy supply and financial hardship issues for most of its 50 years of existence. Maintaining a continuous household energy supply has long been a challenge for low income households in Tasmania due to our cool climate. Tasmania not only has the lowest average household income of all Australian states and territories, but Tasmanians also use more electricity than other Australians and spend a higher percentage of their incomes on household energy. Increasing electricity prices are therefore a significant source of financial stress for many Tasmanian households.

This is the context in which we make this submission. TasCOSS does not have expertise in the economic, regulatory and technical areas involved in electricity distribution determinations and our comments on Aurora Energy's Regulatory Proposal are therefore based on our understanding of the proposed price outcomes for residential customers in the 2012-2017 regulatory period.

TasCOSS welcomes Aurora Energy's stated focus in this proposal on 'meeting customer needs at the lowest sustainable cost' and its acknowledgement that 'the cumulative impact of electricity price increases is a significant issue for Tasmanian households and businesses'. However, we are very concerned that Aurora's

proposal will see distribution prices increase by an estimated 10% in the first year of the determination period – and by 1% in each of the following years.

We are most concerned with the proposed initial spike in distribution prices of 10% in 2012-13. This will present as yet another ‘price shock’ to already stretched household budgets. In order to avoid this, we recommend that the increase – if it is considered to be allowable and necessary by the AER – be smoothed over the determination period.

In the current regulatory period (2007-2012), we understand that Aurora Energy has invested more than \$588 million in infrastructure and other capital assets. This apparently involved consistent overspending (compared to forecasts) in each year of the determination and resulted not only in improved reliability of the distribution system, but also in a significant increase in the total value of Aurora’s distribution assets. This latter factor obviously contributes to the price increases sought in the coming determination period.

While Aurora states that ‘investment in the distribution network is now at an appropriate level so that consolidation can occur’ (Aurora Proposal, p 1), it still proposes a significant increase in prices in 2012-13, followed by smaller increases in subsequent years. TasCOSS considers that ‘consolidation’ might result in fewer and smaller price rises in the coming determination period.

TasCOSS welcomes Aurora Energy’s intention to focus on demand side solutions in particular, to obviate the need to continue to augment expensive networks to meet short term demand peaks. We hope that this results in innovative practices that can provide both short and long term benefits, including price benefits, to Tasmanian households.

TasCOSS looks forward to the release of the draft AER decision in this determination in coming months, and to the opportunity to respond to that decision.

Yours sincerely



Tony Reidy  
**CEO**  
**Tasmanian Council of Social Service**

The TasCOSS Energy Research & Advocacy Project is funded by the Consumer Advocacy Panel ([www.advocacypanel.com.au](http://www.advocacypanel.com.au)) as part of its grants process for consumer advocacy and research projects for the benefit of consumers of electricity and natural gas. The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.