

FINAL TERMS OF REFERENCE – As amended by the House of Assembly, Thursday 8, July 2010 (Amendment moved by Kim Booth MP)

REVIEW OF THE TASMANIAN ELECTRICITY INDUSTRY

BACKGROUND

Electricity is a utility service that is essential to the Tasmanian community. It is a key influence on the cost of living and significant factor in driving the competitiveness of Tasmanian businesses and industry.

The past decade has seen significant change in the Tasmanian energy industry. There have been many major reforms including the establishment of three Government owned energy businesses, the introduction of alternative energy sources such as gas and wind power and the joining of the National Electricity Market through the Basslink cable.

Electricity prices around Australia have risen considerably in recent years and these price increases have also been experienced in Tasmania. Tasmania's electricity prices are determined by the Economic Regulator and all indications are that prices will continue to rise in the future.

The Government is committed to ensuring that the cost of living impact of electricity prices is kept to a minimum while ensuring that the sustainability and viability of the Tasmanian energy industry is never compromised.

The Government considers that a key point in the ongoing energy reform process has been reached. It is therefore important that an independent assessment of the industry now be undertaken to assess its current status, energy mix, the assumptions that underpin it and to provide guidance for ongoing development.

ESTABLISHMENT OF EXPERT PANEL

The Government will establish an Expert Panel to undertake this assessment.

The Expert Panel shall comprise three independent members with strong expertise in the energy industry.

One member shall be designated Chair of the panel.

Suitable candidates for the Expert Panel will be identified through the established Government Business Board selection process that includes the use of an executive search organisation. The composition of the Expert Panel will be determined and approved by Cabinet.

The Expert Panel will:

- Provide the opportunity for interested parties to make initial submissions;
- Hold public hearings and also have the discretion to hold hearings in camera as deemed appropriate;
- Prepare a draft report that is to be made available for public comment;
- Advise the Government in the event that it considers that it requires additional powers and resources to complete its task;
- Be provided with appropriate secretariat support and able to seek other expert support as required; and
- Have a budget allocation of \$3 million.

TERMS OF REFERENCE

The Expert Panel shall investigate and report on:

1. The current efficiency and effectiveness of the Tasmanian energy industry with particular reference to the existing regulatory framework and the cost and operation of the energy industry elsewhere in Australia.
2. The primary factors that have driven recent increases in non-contestable electricity prices in Tasmania including the impact of major infrastructure development decisions.
3. The competitiveness of non-contestable electricity prices in Tasmania compared with those in other states.
4. The financial position of the state-owned energy businesses: Transend Networks, Hydro Tasmania and Aurora Energy.
5. The impact of interaction between the three state-owned businesses on the effective operation of the Tasmanian energy industry and Tasmanian energy prices.
6. Having regards to trends in electricity prices and market developments at the national level and Tasmanian-specific circumstances, the implications of Tasmania's market and regulatory arrangement for electricity tariffs over the coming years.
7. Actions that would guide and inform the development of a Tasmanian Energy Strategy particularly in relation to the Government's primary objectives of minimising the impact on the cost of living in Tasmania and ensuring Tasmania's long term energy sustainability and security.

8. The advice that was provided to the State Government by the senior management or Directors of Aurora Energy from 1 October 2009 to 16 June 2010 inclusive.
9. Any other matters that the Expert Panel considers are relevant to the above matters.

INFORMATION TO BE PROVIDED TO THE EXPERT PANEL

For the purposes of Term of Reference 8, the Expert Panel may be provided, in confidence, with:

- a copy of the PricewaterhouseCoopers report into the structure of the Tasmanian Electricity Supply Industry; and
- a copy of all correspondence from Aurora Energy to its Shareholder Ministers, including briefing notes, from 1 October 2009 to 16 June 2010.

In relation to Term of Reference 8, Aurora Energy's Directors, Chairman and senior management are to give evidence before the Expert Panel, if required.

KEY DELIVERABLES AND TIMEFRAME

The Expert Panel shall:

- Prepare and publish a draft report that will be available for public comment; and
- Prepare and publish a final report by 31 August 2011.

The Panel may publicly release an Interim Report in relation to Term of Reference 8.

Any Reports released by the Panel shall be tabled in both Houses of Parliament.