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6 November 2009

Mr. Brian Parmenter
Chairperson
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Email: electricity@qca.org.au

Dear Mr. Parmenter,

Re: Interim Consultation Notice Benchmark Retail Cost Index for Electricity 2010-11

EnergyAustralia welcomes the opportunity to comment on the Queensland Competition Authority (QCA) Interim Consultation Notice on Benchmark Retail Cost Index (BRCI) for Electricity 2010-11. The outcome of the price setting process has a significant impact on the ongoing viability of the Queensland electricity market.

EnergyAustralia understands that in the absence of a delegation to the contrary, the QCA must proceed on the assumption that the 2010 – 2011 notified prices will be determined using the BRCI. EnergyAustralia's comments in this submission should not be read as being supportive of the use of the BRCI as an ongoing process to set prices but rather an acknowledgement of the position the QCA currently finds itself in. The shortcomings of the BRCI process have been well documented and acknowledged by all parties.

Energy Cost

EnergyAustralia reiterates its view that the energy component of the BRCI should be more heavily weighted towards the actual cost of purchasing energy and the risks associated with that. Applying an equal weighting to the LRMC and energy purchase cost does not accurately reflect the costs or the risks borne by retailers. EnergyAustralia believes that the QCA can meet its obligations to take account of the LRMC of energy and the actual cost of purchasing energy by using the LRMC as a floor to the energy costs.

Distribution and Transmission Cost

The distribution and transmission costs used in the calculation of the BRCI should reflect the final decision made by the AER in this respect. The use of any other value potentially leaves retailers even more exposed to the shortcomings of the BRCI around network costs than they would otherwise be.

EnergyAustralia is of the view there should be a full pass through of network costs. This will ensure appropriate cost reflectivity of network charges to customers and prevents situations where retailers have to absorb network increases.

Retail Margin

EnergyAustralia reiterates its view that a 5% retail margin does not adequately reflect the risks or cost levels faced by retailers. It should also be remembered that the actual margin retailers receive falls short of the allowed 5% due to shortcomings in the BRCI.

I trust this submission will assist the QCA in preparing its Draft Decision on the BRCI for 2010-11. Please contact EnergyAustralia's Executive Manager – Energy Pricing, Catherine Marshall on (02) 9269 7256 should you have any questions.

Yours sincerely,

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Mike Bailey
Executive General Manager Retail