



QLD COMPETITION AUTHORITY

Energy Retailers Association
of Australia Limited

25 February 2010

01 MAR 2010

DATE RECEIVED

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

Re: Benchmark Retail Cost Index (BRCI) – 2010-11

Dear Mr Parmenter

The board of the Energy Retailers Association of Australia (ERAA) met last week and asked me to formally write to the Minister for Energy, Stephen Robertson, and the Queensland Competition Authority (QCA) to register our collective concern over the Queensland Government's latest comments on the draft BRCI for 2010-11.

As you are aware energy retailers, along with all other stakeholders, were finalizing their submissions on the draft BRCI for 2010-11 when the Minister's release challenging the assumptions used by the QCA in determining the draft figure of 13.83% was issued.

My member companies particularly noted that the release dated 12 February, 2010 publicly took issue with the energy purchase and retail component of the BRCI (including customer acquisition costs which are important to competition), and made no mention of the network component of retail tariffs, which of course is the amount retailers have to pay to Queensland Government owned distributors Energex and Ergon. Moreover as the QCA themselves observed, it is the network component that is the largest contributor to the latest proposed increase in the BRCI. Furthermore the network component is also the largest share of the price Queenslanders pay for electricity.

We are fully aware, and support the fact that network tariffs are separately determined by the Australian Energy Regulator (AER). The AER has been making network determinations that will drive up retail prices right across the country. Indeed in NSW the recent draft price determination by IPART allowing for retail price increases of up to 62% over three years was significantly influenced by AER network decisions.

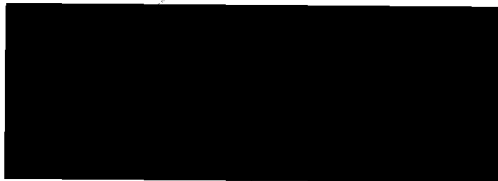
Given the Queensland Government respects these independent determinations of the AER on network prices, we simply asked that it show similar respect for the independent determinations of the QCA on retail prices. For anything which impacts

on the perception of the independence of price regulation will ultimately deter retailers from entering the Queensland market and competing for customers.

The ERAA indicated to the Government that we understand their concerns about energy affordability but believe this should rightly be addressed through targeted on-budget government assistance programs. Any attempt to suppress prices in the name of affordability would ultimately cost Queenslanders in other ways, through taxpayer subsidies to government owned energy companies, as is the case in Western Australia, or through reduced reliability.

The board of the ERAA wanted you to be aware that we had written to the Government on this important matter as we believe it is critical to investment confidence in the energy sector in Queensland.

Yours faithfully



Cameron O'Reilly
Executive Director