

14 December 2012

Mr Gary Henry
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Henry

Regulated Retail Electricity Prices 2013-14: Transitional Issues

Thank you for the opportunity to comment on transitional issues that the Queensland Competition Authority (QCA) is considering under its review of regulated retail electricity prices.

Simply Energy is one of the largest second-tier retailers in Victoria and South Australia. In 2012, Simply Energy expanded its market presence by entering the NSW and Queensland electricity markets. We are a member of the Energy Retailers' Association of Australia (ERAA) and support the submissions that the ERAA will be making in response to the QCA's review. Simply Energy would like the QCA to consider the submission made by the ERAA as a part of Simply Energy's submission.

We wish to comment on the transitional arrangements for Tariff 11.

Should there be a transition to cost reflective charges for Tariff 11 or should Tariff 11 prices be made cost reflective from 2013-14?

Simply Energy would prefer to see cost-reflectivity restored to Tariff 11 from the beginning of 2013-14. The regulated price is effectively a competing offer in the marketplace and, if set too low, undermines the incentive a customer has to shop around for a better deal. It is difficult for a new retailer like Simply Energy to compete against a tariff that is held below cost-reflectivity because customers are effectively receiving the benefit of switching without them having to actually change retailers. This severely damages competition and may actually encourage customers to shift from a market offer back to the standing offer.

If some form of transitioning is preferred, how might this best be achieved and who should this particular approach be adopted?

If some transitional period is preferred, Simply Energy would prefer to see a large initial adjustment followed by smaller ones in later years. This would have the benefit of returning Tariff 11 to full cost-reflectivity sooner and thus our ability to compete with the regulated price. This can only be beneficial for restoring competition to the Queensland market.

What other issues should the QCA consider regarding the transition to cost reflective charges for Tariff 11?

Simply Energy would recommend that the QCA give some thought to implementing the 'opt-in' model recently proposed by the Independent Pricing and Regulatory Tribunal (IPART) in their recently commenced review of the regulated retail price. In Simply Energy's view, the 'opt-in' model would create an incentive for the significant number of customers who remain on the regulated price to enter the competitive market and find themselves a better deal.



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Please contact me on (03) 8807 1132 if you wish to discuss this submission with me further.

Yours sincerely

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