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

Thank you for the opportunity to comment upon the Authority's *Interim Consultation Notice – Benchmark Retail Cost Index for Electricity: 2010-11*.

TRUenergy welcomes the Queensland Government's current review of price setting arrangements for electricity customers on standard contracts. Electricity margins in south-east Queensland have deteriorated significantly since the commencement of full retail contestability, to well below cost reflective levels, and are unlikely to be restored under the current BRCI framework.

Nevertheless, it is not purely the BRCI framework that has contributed to the erosion of retail margins, but also a number of decisions taken by the QCA in its application. An underlying theme has been the reluctance of the QCA to acknowledge the asymmetrical risks of regulating retail pricing, and an unwillingness to adjust settings in response to the level of competitive market activity.

These contributing factors have received detailed commentary in previous TRUenergy submissions. Whilst acknowledging the separate BRCI review process, and in order to address the shortcomings of previous determinations within the existing framework, we again urge the Authority to consider the following recommendations:

- An allowance for the erosion of margins over the previous three determinations
- An energy cost allowance derived from market prices with a long run marginal cost floor, consistent with the approach of IPART in New South Wales
- A CAC allowance based on the observed growth rate of retail transfers in effectively competitive markets, ie 5% for each of the first 5 years of full retail contestability.
- An increase in the retail margin to the top of the acceptable range until the market achieves the level of activity characterised by effectively competitive markets.

Please contact me on (03) 8628 1122 if you require additional information.

Yours sincerely,

Graeme Hamilton
Manager Regulatory Development