

15 October 2010

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

Dear Mr Parmenter,

BRCI 2011-12 Interim Consultation Notice

Integral Energy welcomes the opportunity to provide comment in relation to the Authority's Interim Consultation Notice for the Benchmark Retail Cost Index (BRCI) for Electricity: 2011-12 which was released in September 2010.

Integral Energy remains concerned by the apparent delay in implementing the changes to the BRCI methodology recommended to the Government as the result of last year's review of pricing and tariff structures. In the absence of those changes (which Integral Energy supports), Integral Energy generally endorses the Authority's use of the 2010-11 BRCI methodology for the 2011-12 review.

Energy costs

Integral Energy does not consider that the approach to the estimating the cost of energy component for the 2011-12 BRCI should change from that followed previously. Both the market and Long Run Marginal Cost (LRMC) of generation allowance components should be based on estimates of the costs to be faced by retailers during 2011-12.

In relation to the Queensland Gas Scheme and recently revised Federal Renewable Energy Target (RET) scheme, Integral Energy supports the Authority continuing to base its allowances on an assessment of the conditions expected to apply during 2011-12. This is particularly important in relation to the RET as the changes to the scheme will only come into effect from 1 January 2011. The target volume of the small-scale component of the scheme (SRES) is uncapped. However, recent experience in the take-up of small-scale renewable generation suggests that the overall Renewable Power Percentage may well be higher than in previous years. In addition, the changes to the scheme make it likely that the market demand for Large-Scale Renewable Energy Certificates during 2011-12 will also be higher than that seen during the last two years.

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Network costs

Integral Energy does not believe that the approach to estimating network costs for the 2001-12 BRCI should change from that followed previously.

Retail costs

Integral Energy does not consider that the approach to estimating retail costs for the 2001-12 BRCI should change from that followed previously. This includes the allowance for the costs of customer acquisition and retention.

The Authority will need to take into consideration any additional regulatory costs that may have been imposed onto retailers during the 2010-11 period and ensure that these additional costs are recovered in the 2011-12 period. This includes the fee for regulatory services that the Authority has recently sought to impose.

In conclusion, Integral Energy submits that discussion needs to commence as soon as possible regarding changes to the overall BRCI process and the restructuring of the current Notified Price structure. This is essential to ensure that cost reflectivity is introduced into the Queensland market as soon as possible.

Should you require further information or wish to discuss this matter, please contact James Shaw, State Operations Manager Queensland on (07) 3852 8303.

Yours sincerely



Bruce Rowley
General Manager Retail