

19 May 2009

Mr Gary Henry
Director, Electricity and Gas
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr. Henry

BENCHMARK RETAIL COST INDEX FOR 2009-10

Integral Energy (Integral) welcomes the opportunity to offer comment on the Queensland Competition Authority's (QCA) *Consultation Paper - Benchmark Retail Cost Index for Electricity: 2009-10* (Consultation Paper), issued on 8 May 2009 and ACIL Tasman's paper *Forecast Load Traces* (ACIL Report), a revised version of which was issued on 15 May 2009.

Integral is the holder of a non-area Retail Authority in Queensland and has actively participated in the residential and small business segment of the Queensland market, since the commencement of FRC on 1 July 2007. Integral also provides customer retail services to market and non-market customers in New South Wales.

Comments in this submission are limited to the issues related the Consultation Paper and accompanying ACIL Report. Rather than restate the concerns raised in response to the QCA's Draft Decision on the BRCI for 2009/10, Integral refers the QCA to the views expressed in its submission to that consultation process (dated 22 November 2008).

In explaining the rationale for extending the timeframe for establishing the BRCI for 2009-10, the Minister for Mines and Energy stated that (Certificate of Delegation dated 5 February 2009):

In the interests of providing as much certainty as possible in the decision making process that the QCA is involved in, I believe it would be appropriate to extend the period available for consultation on the factors underlying the 2009-10 notified prices for as long as is reasonable... The time made available by the later date for the final decision should be used to maximise the consultation process with all stakeholders to ensure that the most reliable and up to date data is used to make your final decision.

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Integral supported the extension of time allowed by the Minister for Mines and Energy, on the basis that this was intended to permit inclusion of the outcome of the application for judicial review and the use of current data, thereby alleviating concerns regarding the heavy reliance on estimations when making Draft and Final Decisions in prior years.

Despite the additional period provided for consultation and the unresolved methodological and data issues that existed at the time that the extension was granted, there is uncertainty amongst industry and other stakeholders as to the QCA's final approach.

This includes:

- A lack of qualitative data supporting the QCA's proposed revised approach to forecasting energy purchase costs (including the impact on unit purchase costs), as a consequence of:
 - the QCA's intention to treat the change in approach as a 'theoretical framework change' for the purposes of 107(1) of the *Electricity Regulation 2006*, thereby necessitating a recalculation of the 2007-08 base data; and
 - the further orders made by the Supreme Court on 14 May 2009, including the requirement to recalculate the 2007-08 benchmark in the course of making the Remade Decision.

Integral supports the new tariff year commencing on 1 July 2009 and considers that these issues must be addressed in parallel so that participants are provided with certainty regarding the notified prices prior to commencement of the tariff year. Any uncertainty regarding future adjustments within the tariff year will have impacts for both participant billing systems and the ability to offer competitive market contracts in Queensland.

- Uncertainty regarding the QCA's response to submissions to the Draft Determination and subsequent changes in the economic environment and regulatory requirements. For example, whether there will be recognition of the increased cost of compliance under the expanded Renewable Energy Target of 12,500 GWhs per annum in 2010.

While the time limitations that have applied to the QCA and its consultants in responding to the recent outcome of the judicial review process are acknowledged, the issues raised by the applicants were discrete. Given this, it is not clear why alternative scenario and data sets were not prepared in anticipation of the Supreme Court's decision, in order to maximise the opportunity for both consultation and comment prior to release of the Final Decision, as envisaged by the Certification of Delegation.

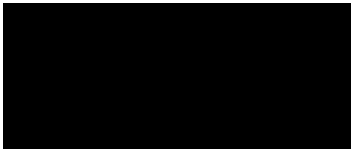
In the absence of meaningful data and an explanation by the QCA of the range of adjustments that are proposed to be made to the BRCI's calculation, it is difficult for interested parties to consider and then respond to the QCA on whether the final approach will achieve the BRCI's stated objectives.

Integral Energy's primary concern remains ensuring that the component elements of the BRCI are moved to cost reflective levels and that no further erosion of headroom occurs. In order to provide a level of comfort that this outcome will be achieved in 2009-10, the QCA must, as a matter of urgency:

- Release a comparative table identifying the anticipated impact of the data and methodological changes that it proposes to make between the Draft and Final Decisions. This should not be limited to those changes resulting from the Court's findings and should include changes as a consequence of consultation on the Draft Decision.
- Convene a teleconference to outline its proposed changes and provide interested parties with an opportunity to query the approach adopted.

Integral would be happy to clarify any aspect of this submission with the QCA or its consultants if required.

Yours sincerely,



Bruce Rowley
General Manager Retail