



18 May 2008

**SUBMISSION ON QCA'S CONSULTATION PAPER DATED 8
MAY 2009 ON THE BENCHMARK RETAIL COST INDEX FOR
ELECTRICITY (BRCI) FOR 2009-10**

BACKGROUND

The Queensland Consumers' Association (the Association) is the peak body for consumer groups in Queensland. The Association's members work in a voluntary capacity. The Association is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups.

The Association made submissions on previous consultations on the BRCI for 2009-10 and welcomes the opportunity to make this submission on issues arising from the 28 April 2010 judgement of the Supreme Court of Queensland regarding the 2008-09 BRCI final decision

COMMENTS

General

The BRCI process and outcomes are vitally important to every Queensland consumer because of the direct and indirect effects on their welfare. The direct effects are mainly via their electricity bills. The indirect effects are via the impacts on the prices of goods and services consumers buy and the competitiveness and viability of the businesses they work for or own.

The regulated tariffs in effect set a ceiling on the prices small consumers are required to pay throughout Queensland. This because in the Ergon area virtually every small consumer pays the regulated tariff and in SE Queensland most small consumers still pay regulated tariffs and market contract tariffs are closely related to regulated tariffs.

The levels of, and annual changes in, regulated electricity tariffs are even more important when, as at present, economic conditions are difficult for many consumers and businesses.

As emphasised in our previous submissions on the process for the 2010-09 BRCI calculations and for the calculations for earlier years, it is essential that the concept be sound, the methodology be robust and stable, and price adjustments and price levels be accurate and equitable between consumers and industry and over time.

As indicated in our previous submissions we are very concerned that the current concept and the methodology are **not** achieving the above objectives.

The reasons for this include: inadequate initial consultations with stakeholders on the concept, methodology and legislative provisions, deficiencies in the legislation, and the legislation's non

specification of critical matters such as the relative importance of long and short run energy costs and the annual green fields approach to the capital cost of long term energy supply.

We are also very concerned about the extent to which the concept and methodology can self correct for forecast errors early enough or at all.

Accordingly, we recommend that the Queensland Government commission a broad, independent review of the BRCI concept and the legislation and of alternative approaches to the adjustment of or setting of regulated electricity prices.

Specific

Given the Supreme Court's decision, the QCA appears to have no alternative but to adopt the approach outlined in sections 2.5 and 3.4 of the Consultation Paper, with any necessary additional modifications required to comply fully with the Court's decision,.

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