



21 December 2008

SUBMISSION ON QCA DRAFT DECISION 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 a submission on the interim consultation notice and welcomes the opportunity to make this submission on the QCA's draft decision on the BRCI for 2009-10.

The Association also notes and welcomes the recent ability of the Queensland Council of Social Service (QCOSS) to participate in the current BRCI consultations. This is due to the welcome provision of funding by the Queensland government for QCOSS to employ a consumer energy advocate.

COMMENTS

General

The BRCI process and outcomes are vitally important to every Queensland consumer because of 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 own or work for.

And, as noted in the draft decision, 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. Accordingly, the BRCI process must always be as accurate and fair as possible.

Obviously, 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, and the proposed levels of increase are high, for example the potential 13.63% increase foreshadowed in the draft decision.

Specific

1. Possible methodological changes

The Association notes that the draft decision refers to, and seeks comments on, several possible significant changes to the current methodology. Examples include taking explicit account of retail headroom, changing the percentage retail margin, changes to the length of the time series used for the regression approach to costs for the LRMC calculations, and taking account of any Carbon Pollution Reduction Scheme (CPRS).

The Association does not have the resources to provide detailed comments for this consultation on each of the possible methodological changes mentioned in the draft decision.

However, the Association considers that, unless overwhelming evidence is provided that methodological changes are required for the final decision, the methodology for the draft decision should be used also for the final decision.

This is because it is essential that there be adequate consultations with all stakeholders on proposed methodological changes and this is unlikely to be possible before the final decision due by 27 February 2009. Also, any major change in methodology would necessitate recalculation of the 2008-09 BRCI estimate on which there should also be full consultation with all stakeholders.

Furthermore, some of the possible changes in methodology could: have significant impacts on the BRCI's for 2008-09 and 2009-10, have major long-term implications for BRCI calculations, require changes in legislation, and be at variance with the concept of the BRCI calculations being on a whole of state basis.

2. Load data

The Association notes and is concerned about the use of estimates of the total Queensland and the NEM load for 2008 in the calculation of the draft decision. This means that there could be a significant difference between the draft and final decision when the actual 2008 load data is used in the final calculations. The Association hopes that future BRCI draft decisions will not be based on load estimates.

3. Need for a major independent review of the BRCI concept, legislation, etc

The Association repeats its view that a broad open review by the Queensland government is urgently required of the BRCI concept and legislation and alternative approaches to the setting of regulated electricity prices.

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