

3 March 2008

Chief Executive  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Qld 4001.  
Fax: 07-3222 05999

Dear Mr Hall

Re: Draft Decision. Benchmark Retail Cost Index for Electricity: 2008-09.

The Centre for Credit and Consumer Law (CCCL) is an academic centre, hosted by Griffith University Law School. The Centre for Credit and Consumer Law was established in 2004 to be a source of expertise, and a centre of excellence on credit and consumer law issues. It has the overall objective of promoting the attainment of a fairer, safer, and more efficient marketplace for consumers and, in particular, for low income and vulnerable small end-users. CCCL is able to respond to this Draft Decision, and previous decisions, because of funding made available by the National Consumers Electricity Advocacy Panel which currently funds a position within the Centre.

We are writing in support of the submission presented by the Queensland Consumers Association and their associated recommendations. We provided feedback into this submission and welcome the resources provided by the Advocacy Panel that made this expert submission, with respect to cost components, possible. We believe the recommendations made in the Queensland Consumers Association submission provide improvements to the methodology that are in the long term interests of Queensland consumers.

However, the capacity for improvements within the existing methodology as detailed in the Methodology of Annual Indexation of Notified Prices (*Electricity and Other Legislation Amendment Act 2006*) is limited. As the Queensland Consumer Association submission has flagged; changes in legislation may be required to create the best methodology.

In line with previous submissions from CCCL we reiterate the need for the development of explicit government policy in relation to affordability and transparent regulation. The decisions in relation to the Benchmark Retail Cost Index (BRCI) highlight these points. As we stated in our previous submissions:

- *The challenge in the calculation of the Benchmark Retail Cost Index will be to contribute to a fair, affordable and reasonable price outcome for all small end-users in Queensland, particularly for those who are reliant on the standard contract.<sup>1</sup>*
- *Ultimately we believe that consumer interests should be placed more at the forefront of electricity regulatory/pricing arrangements than currently exists in Queensland. For instance we would seek the promotion of the long-term interests of consumers in regulation. This long-term interest is the central focus of the National Electricity Law objective which seeks to promote efficient investment in, and efficient use of, electricity services for the long-term interests of consumers of electricity with respect to price...<sup>2</sup>*
- *It is of real concern that there is currently no process, regulatory or otherwise, to evaluate the impact of this significant price increases on consumers.<sup>3</sup>*

The above points were synthesised and developed further in an article published in the Courier Mail on the 27<sup>th</sup> February 2007 (see attached article).

The Queensland Consumer Association submission advocates similar measures to those advocated by CCCL including:

- the delivery of ‘...an efficient, equitable, and robust system for adjusting regulated electricity tariffs...’
- ensuring that full retail competition is operating in the best interests of consumers: this includes close monitoring of the impact of regulated tariffs and adjustments.
- making explicit consumer policy in relation to energy matters including targeted assistance measures
- funding energy consumer advocacy in Queensland to enable all small consumer classes to participate in energy debates and respond to submissions at the highest level.

Finally, we wish to note that the main cost-driver in the latest proposed price increase is network costs and, as the Queensland Competition Authority (QCA) points out, these network costs will continue to push the BRCI up in 2009-10. In contrast the QCA has flagged that energy costs are likely to decline from recent high levels with the easing of the drought situation.

In relation to network costs there is significant debate at the state and national level about what is an appropriate level of expenditure to maintain networks. This discussion was

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<sup>1</sup> CCCL Submission to Queensland Competition Authority (2007), Benchmark Retail Cost Index in relation to the regulation of retail electricity prices, 10 April 2007

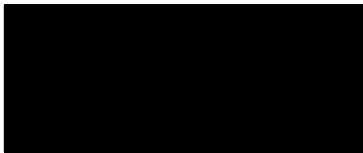
<sup>2</sup> CCCL Submission to Queensland Competition Authority (2007), Re: Interim Consultation Notice Benchmark Retail Cost Index for Electricity: 2008-09, 15 October 2007

<sup>3</sup> CCCL Submission to Queensland Competition Authority (2007), Re: Draft Decision: Benchmark Retail Cost Index (BRCI) for Electricity 2006-07 and 2006-08, 22 May 2007.

presaged by the review in Queensland into Electricity Distribution and Service Delivery in 2004 and more recently by the discussion surrounding augmentation versus demand management principles in respect of the national network.<sup>4</sup>

As network costs form a significant cost component in the BRCI there is now a broader need to anticipate the impacts of these network cost pass-throughs on affordability.

Yours sincerely,



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<sup>4</sup> Department of Natural Resources, Mines and Energy (2004) *Detailed Report of the Independent Panel. Electricity Distribution and Service Delivery for the 21<sup>st</sup> Century*, (Darryl Somerville Chair), Department of Natural Resources, Mines and Energy, Brisbane; Australian Energy Market - Reliability Panel (2007) Annual Electricity Market Performance Review, Final Report and Total Environment Centre (2007) Rule Change Proposal to the AEMC – Demand Management and Transmission Networks.