



TRUenergy Australia Pty Ltd
ABN 96 071 611 017
Level 33, 385 Bourke Street
Melbourne Victoria 3000

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Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

electricity@qca.org.au

Draft Decision - Benchmark Retail Cost Index 2008/09

Thank you for the opportunity to provide further comment upon the Authority's *Draft Decision - Benchmark Retail Cost Index 2008/09* following the stakeholder workshop held on 27 March 2008.

As stated at the workshop, the Draft Decision will not achieve the Queensland Government's policy objective of stable retail margins over time, in accordance with section 2(a) of the Minister's delegation to the Authority dated 11 March 2008. This is notwithstanding that the Minister's delegation itself has a significant negative impact on retail margins as a result of the decision to discontinue the smoothing approach to Ergon Energy's AAAR.

In our previous submission we raised concerns that the LRMC estimate was not credible. More recent data has become available to the Authority through the ACIL Tasman *Energy Costs for Electricity Tariffs in 2007/08 and 2008/09* report. TRUenergy has reviewed the report and we consider it to be a much closer representation of market conditions than the amended LRMC findings which CRA presented at the workshop. We also note the greater transparency of the updated ACIL Tasman data than provided in the initial CRA report or the updated CRA findings, the latter which have only been provided verbally.

In this context, we urge the Authority to adopt the updated ACIL Tasman data in the LRMC costing for the Final Decision on the grounds that the data is more current, the calculations more transparent, and the findings more likely to achieve the Queensland Government's policy objective of stable retail margins.

Please contact me on (03) 8628 1122 if you require additional information.

Yours sincerely,

Graeme Hamilton
Regulatory Manager