

 <p><b>QUEENSLAND CONSUMERS ASSOCIATION</b></p>	<p><b>A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland</b></p> <p><i>Secretary: Max Howard 33 Dracon Street Regents Park Q 4118</i></p> <p><i>Telephone: 0419 678 395</i></p>
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13 October 2007

**SUBMISSION TO THE QUEENSLAND COMPETITION  
AUTHORITY'S INTERIM CONSULTATION NOTICE ON  
BENCHMARK RETAIL COST INDEX FOR ELECTRICITY  
2008-09**

**BACKGROUND**

The Queensland Consumers Association is the peak body for consumer groups in Queensland and is a member of the Consumers' Federation of Australia, the peak body for all consumer groups in Australia.

The Association's members work in a voluntary capacity and the Association receives no public funding. Consequently, the Association unable to prepare lengthy and detailed submissions.

The Association has a long and continuing interest in the development of the electricity industry and has actively participated in previous QCA and other public consultations on the industry.

Accordingly, the Association welcomes the opportunity to make this brief submission on this consultation.

The Association's contact person on this matter is:  
Ian Jarratt ph 37195475

## **GENERAL COMMENTS**

The Association has concerns about the ability of the prescribed method for the QCA to calculate the rate of change in the BRCI from year to year, to accurately reflecting actual changes in the retail cost of providing electricity in both the short and the long term. This is primarily due to the failure of the methodology to take specific account of, and correct for, forecast errors. However, the Association recognises that that the extent to which this could become a major problem will depend largely on the magnitude and timing of forecast errors since the present methodology has some potential to self correct for forecast errors.

The Association also notes that the Minister's ability to apply to the regulated tariffs a percentage change in the BRCI different to that calculated by the QCA is another potential source of difference between actual changes in electricity costs and those which consumers may be charged.

The Association recognises that the above are policy issues for the government and are not formally part of the QCA's current consultation. However, they are important matters for consumers, industry participants, (especially retailers in the former Energex Retail area) and the government and taxpayers (especially via the government subsidies for the provision by Ergon Energy of regulated tariffs).

However, the Association does consider that QCA should:

- include in the workshop on submissions consideration of whether, and if so in what situations, the current approach to forecast errors can be self correcting, and
- report each year on the extent to which its calculated changes in the BRCI are accurately reflecting actual changes in the cost of supplying electricity in both the short and long term.

## **SPECIFIC COMMENTS**

### *LMRC of Energy*

The Association's position on this vitally important matter in the calculation of year to year changes in the BRCI will be determined later after it has had the opportunity to consider the submissions of other stakeholders and participate in the proposed workshop to discuss submissions.

At this stage, the Association considers that the emphasis in the calculations should be on long run rather than short term considerations. The Association also considers that if the methodology is changed significantly for the 2007-08 calculations, the BRCI for 2006-07 should be recalculated and that this should be done for any further major changes to the methodology.

### *Network costs*

Given that all other calculations associated with the BRCI relate to the NEM, and assuming that no isolate networks are likely to be joined to the NEM in the near future, it seems desirable to remove Mt Isa costs from the BRCI calculations.

*Retail costs and margin*

Although retail costs were estimated by the QCA to be only 8 percent of the BRCI in 2006-07, the Association notes that the forecast percentage change in these costs (15.11%) was very high. The Association considers that the retail cost components should be considered individually not in total.

*Queensland load*

Currently, the Association does not have firm view on whether or not the loads of unregistered embedded generators should be included in the NEM load of Queensland. However, the Association considers embedded generation an important matter in the context of the load calculation and other aspects of the BRCI calculations. The Association's position on these matters will be finalised after consideration of other submissions and participation in the workshop on submissions.

*Total BRCI*

Adjustment of the BRCI for 2008-09 required by a change to the methodology should focus on adjusting accurately the percentage change in the BRCI. An approach could be to calculate the BRCI for each of the three years using both methodologies, calculating the total percentage change between 2006-07 and 2008-09 for each methodology and applying the difference to the percentage change calculated for 2007-08 to 2008-09 using the new methodology.

The current methodology does not require the QCA to correct for errors in the forecasting of the total BRCI. Therefore, the Association sees no need to correct for variations between forecast and actual outcomes in respect of fixed principles. However, the Association considers that the use of fixed principles should be avoided wherever possible

**Cherie Dalley**

*President*

*Queensland Consumers' Association*