

June 15, 2010

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Review of Electricity Retailer and Distributor Credit Support Arrangements

Sanctuary Energy is a relatively new participant, actively operating in Queensland and New South Wales. Being a new retailer, with a wealth of experience in Australian and overseas energy markets, but without the backing of a State Government purse, Sanctuary Energy provides a unique perspective from the point of view of bringing new participants to compete in the Queensland market.

There are already significant barriers to entry of the Queensland market and Sanctuary Energy strongly encourages removal of the distribution credit support arrangements entirely. Distribution Entities run at a substantial operational profit, backed by the State Government, it is therefore not a company 'at risk' of collapse due to missed payments from a single retailer. The use of credit ratings on new entrants further favours the government owned retailers and puts into place further barriers to competition.

Sanctuary Energy would also take this opportunity to note that retailers are coming under increasing financial pressures due to the large increases in Distribution costs. The risk of non-payment has increased significantly, without additional income to cover these risks. Therefore the notion that a Distribution Entity wants to cover their risk is highly offensive.

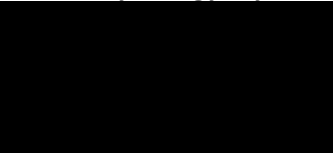
If there is no possible way of removing the credit support requirement, Sanctuary Energy would strongly urge that credit support does not become necessary until a minimum (high MWh/annum) threshold is breached, or as is the case with our customers, if repeated non-payment by the due date.

Please see next page for *Issues for comment* responses in addition to the broad issues raised above.

Please do not hesitate to contact me if you have any questions.

Yours sincerely

Sanctuary Energy Pty Limited



Glenn Jones

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Of the Issues for comment:

Point	Comment																
3.2	Sanctuary Energy agrees with the trigger mechanisms, with the exception of credit rating. This does not provide a level and fair playing field with GOC retailers, and is a further barrier to competition in Queensland.																
3.2	Sanctuary Energy believes that these mechanisms are far too easily activated.																
3.3	<p>Sanctuary Energy agrees that this practice disadvantages small retailers, and would urge other options be explored, for example:</p> <ul style="list-style-type: none"> • Forward Payments to and maintaining a trading margin • More frequent network invoicing, bi-monthly • Payment of large supplies directly to the Distribution Entity where the retailer has agreed a pass-thru contract with the customer (though this is highly unlikely) 																
3.4	<p>The current legislation is applied in a very heavy handed manner.</p> <p>For example:</p> <table border="1" data-bbox="475 1133 1206 1585"> <thead> <tr> <th></th> <th></th> <th>% from Monthly read metering</th> <th>% from Quarterly read metering</th> </tr> </thead> <tbody> <tr> <td>March</td> <td>\$30,000</td> <td>70% (\$21,000)</td> <td>30% (\$9,000)</td> </tr> <tr> <td>April</td> <td>\$30,000</td> <td>90% (\$27,000)</td> <td>10% (\$3,000)</td> </tr> <tr> <td>May</td> <td>\$30,000</td> <td>40% (\$12,000)</td> <td>60% (\$18,000)</td> </tr> </tbody> </table> <p>Under the current legislation the Distributor could and will generally charge \$90,000. However the Distributor will receive payments on the vast majority of the outstanding funds on a monthly basis. As there is no additional risk on the majority of the funds, Distribution Entities should not be able to request a security deposit more than \$57,000 (i.e. the maximum of the monthly, plus the sum of the quarterly).</p>			% from Monthly read metering	% from Quarterly read metering	March	\$30,000	70% (\$21,000)	30% (\$9,000)	April	\$30,000	90% (\$27,000)	10% (\$3,000)	May	\$30,000	40% (\$12,000)	60% (\$18,000)
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