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Queensland Competition Authority
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FRC –Energex Supplementary Cost Pass-through Submission

Thank you for the opportunity to comment upon Energex's supplementary application for recovery of FRC costs.

In TRUenergy's view the application does not adequately address the issues raised in retailer submissions to the original application. We note that, other than an adjustment to labour costs, no other items have been amended as a result of that initial consultation process.

For example, TRUenergy raised concerns that the application included costs related to business separation, a distinct and potentially unrelated process, which should not be considered in the context of FRC costs. Energex responded, in item 2 of Attachment 3, that *"with regard to specific issues raised by TRUenergy, service order capability and energy data management refers only to systems and labour costs from a distribution perspective."*

This response by Energex misses the point. We are not claiming that these costs were not incurred by the distribution business, but rather that their requirement is the result of the retail-distribution split (i.e. the sale process), not the introduction of FRC. These costs would have been incurred whether or not FRC was implemented. The same applies to many of the items in the table including network billing, call centre functions, corporate communications etc.

In addition, despite the \$34.4 million reduction in the application, total costs remain more than 20% higher than the average costs claimed by Victorian distributors. As discussed in our previous submission, we do not believe the claims made by Energex justify this discrepancy. For Queensland a wealth of industry-wide knowledge and understanding on FRC processes was available which, together with the development of a national approach to transactions and protocols, should have delivered efficiencies not available to the Victoria businesses. To the extent that variations to national approaches were allowed in Queensland, it was specifically to accommodate the requirements of the Queensland distributors, further lowering the cost impact of FRC.

TRUenergy recommends that the Authority interrogate the Energex in the context of the observations made above, and the submissions made by TRUenergy and other retailers to the initial application.

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

Yours Sincerely,

Graeme Hamilton
Regulatory Manager