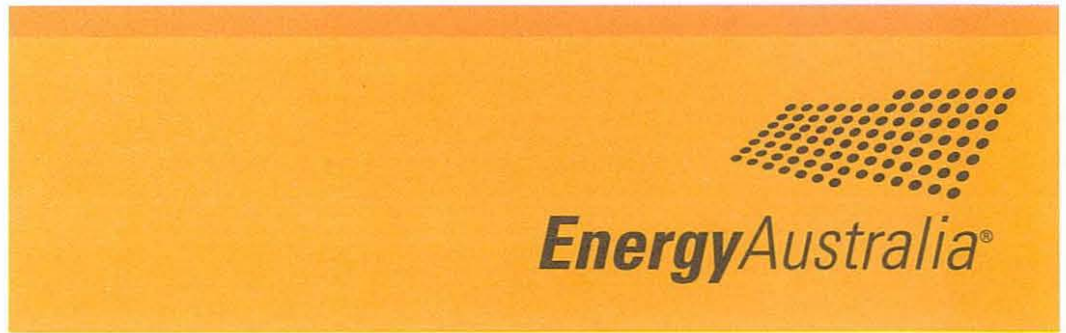


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22 January 2010

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

By E-Mail

**Re: Proposed amendments to the Electricity Industry Code
(requiring prior notice for price changes)**

EnergyAustralia's Position

EnergyAustralia welcomes the opportunity to provide comment on the QCA's Draft Decision on proposed amendments to the Electricity Industry Code (**EIC**) requiring prior notice for price changes (released 10 December 2009).

Having considered the content of the initial consultation paper, and subsequent draft decision on this matter, EnergyAustralia is of the view that the proposed variations to the Electricity Industry Code relating to price variations, are not necessary, will be administratively burdensome and costly to implement, and will deliver little, if any, benefit to the customers it intends protecting. We do, however, agree with the proposed variation to the EIC as put forward by Origin Energy in their submission of 17 July 2009 – i.e. the inclusion of a new provision requiring the retailer to ensure explicit informed consent is provided to the price variation agreements in a market contract (which were introduced into Victoria in January 2009). We further agree with the point made by Origin Energy that the most efficient manner by which to advise customers of price variations is to include this notice on a customer's bill - a long-standing mechanism accepted by customers in most jurisdictions.

Comment on the proposal (should the QCA confirm its Draft Decision)

The proposed notification process, if adopted, will incur significant costs to implement, potentially create a financial disadvantage for second-tier retailers whose prices are pegged against notified tariffs and cause customer confusion.

Sections 4.9.6 and 4.9.7 of the EIC outline the particular items that must be included by a retail entity on each customer bill. In total there are 22 separate requirements for inclusion which must appear on a bill even before the retailer has the benefit of including its own branding and related material. As such, the available "white space" on bills where further information (such as detailed price variation notifications) could be placed, is extremely limited. Any requirement to include such notices will require a restructure of the format of existing bills - a significant IT

cost. The inclusion of additional information onto already cluttered bills has the very real potential to cause customer confusion and seems to be at odds with section 4.9.9 of the EIC which imposes an obligation on retailers to issue bills that customers are easily able to verify against their retail contract. EnergyAustralia does not agree with the Authority's view that the proposed approach involves "minimal notification costs" - this is especially so when considering some of these associated implementation costs.

Additionally, it should be noted that many second-tier retailers in Queensland offer negotiated retail contracts to customers that provide percentage discounts off the notified price. As such, the proposed requirement to issue individual written communications or ads in newspapers 10 business days prior to the price change will place second-tier retailers at a competitive disadvantage to the larger incumbents. Second-tier retailers will be required to wait until notified prices have been gazetted and then undertake the necessary activity to notify customers as soon as possible.

While in normal circumstances notified prices are gazetted at least one month prior to coming into effect, this is not always the case. Truncated gazettal processes, which happen from time to time, will mean that second-tier retailers will not be able to meet the ten business day prior notification without extending the commencement of their rates beyond that of the incumbents. This will cause undue expense both in terms of higher network costs incurred during this period and ensuring that the eventual price rise date (which is out of sync with notified price increases) appears correctly on customer bills. EnergyAustralia recommends that the proposal should be amended to require that notification only take place prior to any change in electricity prices - thus allowing second-tier retailers sufficient time to initiate their communications and to stand on equal footing with incumbent retailers.

For both individual written communications and as one of the requirements in placing a newspaper advertisement, the proposal requires that retailers provide details of how the price change will specifically affect (or has affected) the customer. The proposal provides no guidance as to the detail required to be given to customers. In the instance of individual written communication, which is likely to be a letter, it would be reasonable to include some level of detail as available space would not be as restrictive as is the case with bills. This is not to suggest, however, that there are no space limitations. Additionally, the information that would be included should be general in nature and not tailored to individual customers – any requirement to supply tailored customer information would add significantly to implementation costs.

As mentioned earlier, the limited "white space" on bills would not allow a similar level of detail to be included on how the price change has affected the customer (at least not without considerable cost). As such, EnergyAustralia recommends that the proposal be amended so that retailers are not required to include details of how the price change has affected customers on their next bill. Instead, it is recommended that this information be placed in the newspaper advertisement and that customers be directed to a website for further details. The minimum information to be shown on the ad would be a percentage and dollar increase summary for the following consumption bands – 2 MWh (excluding off-peak hot water), 5 MWh (excluding off-peak hot water), 8.5 MWh (excluding off-peak hot water) and 1.5 MWh of off-peak hot water. This is consistent with the information requirements of section 8.2.2 of the EIC. Information would only be provided in the ad for retailer products which are directly linked to the notified prices. Information for products not linked to the notified prices should be provided on the retailer's website and the advertisement should inform customers of this.

If you have any questions in relation to this submission please contact me on (02) 9269 2485.

Yours sincerely,



Nicholas Convery
Executive Manager Retail Regulation