

Integral Energy

First Consultant's Report: Calculation of the Benchmark Retail Cost Index 2009-10

Submission to the Queensland Competition Authority

22 August 2008

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Director, Electricity & Gas
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Gary

Notified Electricity Prices 2009-10 - Consultant's Draft First Report

Integral Energy (Integral) welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) on the report prepared by CRA International (CRA) to provide assistance in calculating the BRCI for 2009-10.

Integral has actively participated in the residential and small business segments since the commencement of full retail competition in Queensland, and has established a significant market share and local presence in a relatively short period of time.

In general comment, the establishment and maintenance of adequate retailer headroom through the BRCI is imperative to the development of a competitive and successful retail market in Queensland.

Integral believes that the QCA should note a number of specific concerns as set out further in this submission.

Should you require any further information or wish to discuss this matter, please contact Steed Leonard, Manager Queensland on (02) 9853 6842.

Yours sincerely,



Bruce Rowley
General Manager, Retail

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Contents

	Page No
Executive Summary	4
1 Introduction	6
2 Approach to the BRCI for 2009-10	8
2.1 Process and Approach.....	8
2.2 Queensland Government Policy Intent	10
3 Cost of Energy	13
3.1 LRMC	13
3.2 Direct Connected Loads.....	14
3.3 Energy Purchasing Costs.....	14
4 Retail Costs and Margins	15
4.1 Customer Acquisition Costs	15
4.2 Government Concessions and Schemes.....	15
5 Network Costs	17

Executive Summary

Integral Energy (Integral) welcomes the opportunity provided by the Queensland Competition Authority (QCA) to offer comments on CRA International's (CRA) First Consultant's Report (Draft Report) on the calculation of the Benchmark Retail Cost Index (BRCI) for 2009-10.

As a general comment, the establishment and maintenance of adequate retailer headroom through the BRCI is imperative to the development of a competitive and successful retail market in Queensland. Integral believes that the erosion of retailer headroom that occurred through the BRCI in 2008-09 has undermined the market's confidence that retail competition in Queensland will be sustainable.

Unless the QCA moves to:

- Reinstatement the headroom that was eroded through the BRCI in 2008-09;
- Move the component elements of the BRCI in 2009-10 to cost reflective levels; and
- Maintain this cost reflectivity together with the required headroom into the future,

the exit of market offers and retailers withdrawing from the Queensland market is likely to occur.

Integral believes that the QCA's approach and the proposed methodology for setting the 2009-10 BRCI only serves to add to these concerns. In particular:

- The compressed timeframes that the QCA has allowed for consultation call into question the robustness of the QCA's analysis of the BRCI's component costs. Integral believes that it is incumbent upon the QCA to ensure that due process is applied in reaching its recommendation on the BRCI for 2009-10. Integral does not believe that the requirement in the Minister's Certificate of Delegation for the QCA to establish the BRCI for 2009-10 by the end of 2008 is justification for the QCA failing to provide interested parties with a reasonable opportunity for analysis and comment or failing to transparently consider and respond to the concerns that are raised in the course of consultation;
- The BRCI and its delegation to the QCA is supported by policy objectives that existing headroom should remain relatively stable and that retailers are not exposed to loss in servicing non-market customers. For the Draft Report to expressly acknowledge that these policy intents have not been taken into account in reaching a recommended BRCI for 2009-10, is an error that must be corrected. Integral believes there must be a demonstration as to how the QCA is satisfied, in the exercise of its delegated authority, that the Government's policy objectives have been met; and
- The QCA must consider methodological changes and regulatory outcomes which more effectively pass-through the impacts of the regulatory processes in order to encourage competition, limit cross-subsidisation and limit undesirable price outcomes. For example:

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- While Integral supports the proposed recognition of future environmental costs in the calculation of the cost of energy, these costs are projected and are based on a range of scenarios regarding their operation. A failure to provide certainty to retailers regarding the recognition and full pass-through of environmental costs in the energy cost component of the BRCI will stifle a retailer's ability to contract with its customers over a reasonable period and impede competition in the Queensland market;
 - The BRCI does not support an even distribution of increases across all network tariff classes. In 2008-09, the component increase in network charges as calculated under the BRCI of 2.02% has been materially disproportionate to the actual increases in the residential network tariffs in Energex's distribution area of around 13%. The effect of this is the removal of headroom for residential customers, further reducing a retailer's ability to compete for the very customers to whom the notified prices are intended to apply;
 - Consideration must be given to the acquisition and retention costs of a retailer with significant market share do not equate to the costs of an incumbent retailer, given further erosion of headroom will result in second tier retailers withdrawing from the Queensland market.

1 Introduction

Integral is the holder of a non-area Retail Authority in Queensland and, whilst a relatively new entrant to the Queensland market, has provided energy services to Australian families and businesses for more than 50 years, including approximately 830,000 market and non-market customers in New South Wales.

Integral has actively participated in the residential and small business segments since the commencement of full retail competition (FRC) in Queensland, demonstrating a commitment to the Queensland market and establishing a significant market share in a relatively short period of time. Establishing a Queensland presence has necessitated the establishment of systems and process for what is essentially a local operation, as well as considerable expenditure by Integral on customer acquisition and retention in an environment where it is competing directly against incumbent retailers who have purchased both their customer base and Queensland service capability. Since the commencement of FRC, Integral has also worked closely with the Department of Mines and Energy in the implementation of a range of Government rebates and concessions including the Home Energy Emergency Assistance Scheme and the Queensland Government Solar Bonus Scheme.

As a second-tier retailer in Queensland that is required to offer the terms and price of the Standard Retail Contract to its small customers, Integral is directly exposed to the ongoing level and stability of headroom of the Notified Prices. Integral considers that maintaining an appropriate level of headroom will be crucial to the continued development of effective retail competition in Queensland.

Integral recognises the difficulties posed by the compressed timeframes for establishing the BRCI for 2009-10 as required by the Minister for Mines and Energy's (Minister) revised Certificate of Delegation. Integral does not believe however that the 'early timetable' should prevent a reasonable opportunity for analysis and comment by interested parties or a full and transparent consideration of the methodological issues and concerns that have been raised by industry participants in response to the Interim Consultation Notice and previous BRCI consultation processes.

In addition to Integral's general concerns regarding the soundness of the methodology and estimations that have been applied in determining a draft BRCI for 2009-10, there are a number of issues that Integral believes require detailed consideration by the QCA and its consultants. These include:

- The lack of due process in relation to the timeframes provided for response to both the Draft Report and to subsequent stages of the BRCI 2009-10 process;
- That the recommended BRCI may be subject to significant change between the consultant's Draft and Final Reports as a consequence of the heavy reliance on estimations in the Draft Report;
- That the Draft Report does not assess whether the BRCI for 2009-10 meets either of the Government's policy intents set out in the Minister's Certificate of Delegation;
- The inclusion of directly connected transmission loads in the calculation of the 'NEM load' for Queensland, which Integral believes is inappropriate;

- That the assumed level of customer churn for 2009-10 should reflect active competition and should not be derived from (or re-adjusted for) historic market activity; and
- That the Draft Report contains no information or discussion on network costs, which comprise 47% of the total assessed costs for retailers. Detailed information regarding the methodology and calculation of the network cost component of the BRCI is required as a matter of urgency so that this issue can be considered and discussed by participants at the QCA's Workshop.

Integral's key concerns are addressed in the following sections:

Section	Purpose	Details
2	Approach to the BRCI for 2009-10	This section outlines Integral's concerns regarding the consultation processes and methodological approach proposed to be applied by the QCA in establishing the BRCI for 2009-10, including the ongoing lack of regard for the Government's policy objectives.
3	Cost of Energy	This section sets out Integral's views on LRMC and energy purchase costs, including the inclusion of directly connected loads and uncertainties regarding the input costs and assumptions applied in the consultant's modelling.
4	Retail Costs and Margins	This section sets out Integral's views on the factors placing upward pressure on retail operating costs and the need to assume an active level of competition in the Queensland market.
5	Network Costs	This section sets out Integral's concerns regarding the lack of data supporting calculation of the network cost component of the BRCI for 2009-10.

2 Approach to the BRCI for 2009-10

2.1 Process and Approach

The timeframes provided by the QCA for comment on the Draft Report, and those foreshadowed to apply to both the Draft Decision and Second Consultant's Report, suggest that there will be neither an adequate opportunity for interested parties to respond, nor for the QCA to undertake any meaningful assessment of the issues raised in the course of consultation.

Integral does not believe that the requirement in the Minister's Certificate of Delegation for the QCA to establish the BRCI for 2009-10 by the end of 2008 is justification for the QCA failing to:

- Provide interested parties with a reasonable opportunity for analysis and comment, at each stage of the consultation process; and
- Consider, and transparently respond to, the data and methodological concerns that have been raised by industry participants in their submissions to the Interim Consultation Notice and to previous BRCI consultation processes.

Further to this, Integral notes that:

- The QCA has yet to provide its consultants with a complete set of the base data required to calculate the BRCI for 2009-10. The status of the Draft Report, its analysis and its numbers, is therefore uncertain. In particular, it is unclear whether the QCA is still to provide this information or whether the numbers derived by CRA (based on estimations and extrapolations) will be relied upon for the purposes of the Draft Decision;
- There are a number of instances where the QCA's consultants are left to deduce the intent of the Minister's Certificate of Delegation. For example, whether the concept of the 'cost of supply' excludes retail operating costs and the meaning of 'at a loss' when considering the impact for a retailer of a customer reverting to notified prices. Integral suggests that, if there are issues of interpretation associated with the Minister's Certificate of Delegation or the policy intent supporting the BRCI, it should be for the QCA to clearly instruct its consultants as to the interpretation that should be applied;
- The QCA's Terms of Reference advises that:¹

It is currently expected that the same framework will be adopted in calculating the BRCI for 2009-10. Given the shortened timeframe for this assessment, it is currently not anticipated that there will be any changes to the method of calculation, and therefore no requirement to recalculate the BRCI for 2008-09.

¹ Appendix A

Integral is of the firm view that the early timetable for establishing the BRCI for 2009-10 should not result in a failure by the QCA or its consultants to duly consider and respond to the concerns of interested parties regarding the BRCI methodology applied in 2008-09. There is a concern that such an approach is tantamount to the QCA 'fixing future principles' for the purposes of section 95(1) of the *Electricity Act 1994* (Electricity Act). As noted in section 2.4 of the Draft Report, the Minister has retained the power to fix principles in the current Certificate of Delegation and as such, the concerns that are raised by interested parties regarding the methodology applied in 2008-09 (and consequently that which has been applied in the Draft Report to 2009-10) must be considered by the QCA, regardless of the early timetable.

For example, while the Draft Report has regard for the public submissions made by stakeholders in response to the Interim Consultation Notice, it is unclear how the QCA intends taking these representations into account, or indeed if it is left to CRA to consider the impacts of those submissions on the BRCI methodology and calculation. Integral suggests that it is the QCA's responsibility to take public submissions and representations into account and that the QCA's Draft Decision will need to expressly address how it has accounted for the submissions received and issues raised at the Workshop, including in its dealings with CRA;

- The extent of any mandate that CRA may have to make changes in methodology or approach is unclear and should be clarified by the QCA. While the Draft Report suggests that there are some issues on which CRA may not exercise discretion when calculating the BRCI for 2009-10 (e.g. the removal of directly connected transmission customers), there are other issues where considerably more discretion appears to be afforded (e.g. the basis upon which load is estimated or the approach on margins). Integral suggests that it is incumbent upon the QCA, as delegated regulator, to clarify how each of these decisions is being determined as between itself and CRA;
- The earlier timetable for establishing the BRCI for 2009-10 results in a greater reliance on estimations and therefore creates increased uncertainty about the quantification of the BRCI components. Given this, the QCA and CRA should identify those values which pose a greater risk of material change from forecast and therefore a greater risk of distortion in the BRCI. For example, changes in Queensland load or the cost of purchasing energy from that forecast is likely to pose an overall greater risk to the accuracy of the BRCI in reflecting changes in costs than inaccuracies in the estimated costs of ancillary services. This will assist in identifying those risks for which additional allowances are required, whether through cost recognition or margin; and
- Integral has serious concerns regarding the way in which the QCA's Final Decision will be made. The Draft Report appears to contain insufficient data upon which a Draft Decision can be based. Section 2.10 of the Draft Report suggests that the QCA will make its Draft Decision on the basis of the estimated and extrapolated information contained in the Draft Report and that CRA's Second Consultant's Report (which will include updated data) will be released after the QCA's Draft Decision.

It would be clear to the QCA that the last opportunity that stakeholders have to provide meaningful comment is the QCA's Draft Decision. While the QCA may give stakeholders the opportunity to comment on CRA's Second Consultant's Report, stakeholders will not have an opportunity to comment on the way in which the QCA has interpreted and applied CRA's Second Consultant's Report in the Final Decision. This is procedurally unfair and potentially open to challenge.

Integral also notes that any further revision of the Minister's Certificate of Delegation would only serve to exacerbate these timing issues and impede the ability of interested parties to effectively respond.

2.2 Queensland Government Policy Intent

The Minister is responsible under section 90 of the Electricity Act for deciding the prices, or the methodology for fixing the prices, that a retail entity may charge its non-market customers for the provision of customer retail services.

The Minister has chosen, pursuant to section 90(3) of the Electricity Act, to delegate a number of aspects of his price setting power to the QCA through a Certificate of Delegation. In making this delegation, the Minister has set out a range of issues to which the QCA is to have regard when it exercises these powers and functions on the Minister's behalf.

As noted on page 11 of the Draft Report, the Minister's Certificate of Delegation requires the QCA to consider two Government policy intents when exercising its powers and functions, being:

- That existing headroom as at 11 March 2008 remains relatively stable (although not necessarily the same from year to year); and
- That the policy of enabling small market customers to revert to notified prices should not result in a retail entity providing customer retail services to non-market customers at a loss.

Integral believes that there is a fundamental reason why these policy intents were included in the Minister's original Certificate of Delegation and were again restated (with minor modification) in the revised Certificate of Delegation - namely that, if these policy intents were not met, the process of price setting will have eroded retailer profitability, thereby failing the ultimate litmus test of any price escalation formula, being that changes in prices should reflect changes in costs.

Rather than making these policy objectives the guide for establishing the BRCI each year, the Draft Report instead discounts them. While it debates whether the Certificate of Delegation is referring to 'gross' or 'net' margin, and considers to whom the 'test' should apply, it fundamentally fails to examine whether the outcomes of the Draft Report meet the Government's policy requirements.

Specifically, in relation to the first policy objective, the Draft Report maintains that this cannot be taken into account when calculating the BRCI for 2009-10 on the basis that it cannot be analysed with the required level of precision so as to produce a number or range against which the BRCI outcomes can be compared. As a consequence, the Government's policy intent is ignored and the Draft Report concludes, "...we concur that there has been no attempt to meet this policy intent of the Queensland Government".²

In relation to the Government's second policy intent, the Draft Report notes that "it is difficult to see how the extent that the second policy intent is met could ever be evaluated robustly on a prospective basis",³ and then after considering how this could be undertaken concludes that "it is not currently within our terms of reference to undertake an analysis of this nature".⁴

For the QCA to request, and for CRA to provide, a Draft Report which does not apply the conditions of the delegated functions and powers, and moreover to note explicitly that they have not been taken into account, is an error that must be corrected.

Integral does not suggest that the QCA should undertake an assessment of headroom and 'cost to serve' on a retailer-by-retailer basis, but believes there should be some demonstration as to how the QCA is satisfied, in the exercise of its delegated authority, that the Government's policy objectives have been met for the 'efficient entity' that is contemplated for the purposes of the BRCI calculation.

At a minimum, Integral considers that these policy intents should form 'objectives' against which the BRCI methodology is tested - i.e. the QCA and its consultants should be required to demonstrate that the methodology is consistent with the principles enunciated by Government. This would be of particular value:

- In those circumstances where the QCA or its consultants have raised, or are considering, methodology or calculation 'options' (i.e. choices in approach); and
- In providing a pragmatic means of testing the BRCI recommendations and of balancing concerns regarding the assumptions, inputs and data supporting the detailed modelling of the cost components.

An assessment of the alternatives against the policy objectives would provide a justified and defensible basis for the option chosen and is necessary to:

- Meet the requirements of the Minister's Certificate of Delegation;
- Mitigate the risk of step-change adjustments in future years in circumstances where the existing methodologies and simplifying assumptions fail to achieve their stated purpose or result in a material deviation between forecast and actual costs; and

² Page 16

³ Page 17

⁴ Page 18

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- Secure the market's confidence that competition in Queensland will be sustainable. A failure to reinstate the headroom that was eroded in residential tariffs in Energex's distribution area for 2008-09 and move the component elements of the BRCI to cost reflective levels together with the required headroom, is likely to impact on:
 - the future viability of retailers, particularly with respect to their Queensland operations;
 - the level of retail competition in the Queensland market; and
 - the ability to attract new investment in Queensland.

3 Cost of Energy

Integral provides the following comments with respect to the calculation of energy costs.

3.1 LRMC

Integral notes that industry participants have raised a range of factors that are placing an upward pressure on LRMC, including increases in capital and fuel costs, throughout the 2008-09 BRCI process and again in responses to the Interim Consultation Notice.

Integral remains concerned that:

- The use of trended data creates a lag in cost recognition. The outcome from this approach is particularly punitive in the current environment where capital costs have risen markedly in a relatively short period of time;
- It is unclear to what extent updated input data will be recognised in the Draft Decision and Final Consultant's Report. CRA have indicated such information may be integrated into the trend analysis framework⁵ however the process for this occurring is unclear; and
- The input values for the weighted average cost of capital (WACC) in Table 15 of the Draft Report are not reflective of the current costs of debt and equity in the market, and therefore do not provide sufficient attention to their rising costs.

In particular:

- Integral considers that the QCA should instruct CRA to revise the assumed risk free rate of 5.7%. Integral notes that the current risk free rate is around 6.43% and believes that the QCA should seek expert advice on this issue to ensure that an appropriate rate is set given the July 2009 QTC rates as of 22 August 2008.

While Integral fully supports the proposed recognition of future environmental costs in the calculation of the cost of energy, in particular, the inclusion of the impacts on LRMC of a new RET and a 20% emissions trading scheme, these costs are projected and are based on a range of scenarios regarding their operation. A failure to provide certainty to retailers regarding the recognition and full pass-through of environmental costs in the energy cost component of the BRCI will stifle a retailer's ability to contract with its customers over a reasonable period and impede competition in the Queensland market.

⁵ Page 36

3.2 Direct Connected Loads

In estimating LRMC:

- Section 92(3) of the Electricity Act requires the QCA to take into account “the most efficient combination of generating plant to supply all of the NEM load of the State for relevant tariff year”; and
- Section 105(c) of the *Electricity Regulation 2006* (Electricity Regulation) requires that LRMC should be calculated “to meet the demand profile (called the NEM load shape) formed over each half hour of the electricity trading period of the State for the previous calendar year”.

Consistent with the BRCI for 2008-09, it is proposed in the Draft Report that directly connected transmission loads remain included in the calculation of the ‘NEM load of the State’ and ‘NEM load shape’ for Queensland.

The inclusion of large directly connected transmission loads will naturally dampen the load profile, thereby masking the inherent peakiness of the small customer load profile in Queensland and diluting the energy purchasing decisions that are required by retailers in response. The removal of these customers from the calculation of the NEM load is a clearly defensible interpretation for the purposes of the legislation and in fact, is the only interpretation that would be consistent with the policy objectives contained in the Certificate of Delegation. This would not constitute a change in methodology and as such, would not require a recalculation of the base-year.

In circumstances where the QCA maintains that the legislation precludes it from excluding directly connected loads, the additional risk that is not captured as consequence of their inclusion should be explicitly recognised in the calculation of the energy purchasing component of the cost of energy. This should be recognised either through an increased allowance for energy purchasing costs or a higher weighting of energy purchasing costs as against LRMC.

3.3 Energy Purchasing Costs

Insufficient time has been permitted by the QCA to allow participants to undertake any reasonable level of analysis of the allowance for energy purchasing costs, recognising the CRA rely heavily on internal modelling and a range of data sources to derive this figure.

Although some price data was made available with the Draft Report or subsequently released on the QCA’s website, the provision of one week and four days respectively for the consideration of this information prior to the close of comments is a fundamental failure of the consultation process.

4 Retail Costs and Margins

While Integral broadly supports the benchmarking approach that has been applied to the identification of retail operating costs, it raises concerns with the following aspects of the calculation of retail costs.

4.1 Customer Acquisition Costs

Integral believes that customer acquisition and retention costs are currently understated because second-tier retailers must invest considerably against incumbent retailers to win and retain market share. That is, the acquisition and retention costs of a retailer with significant market share do not equate to the costs of an incumbent retailer. An incumbent retailer's costs are lower - for example, it already has the customer's information and is thereby in a stronger position to retain the customer or move the customer to a market contact.

Integral also considers that the assumed level of customer churn for 2009-10 should reflect active competition and should not be derived from (or re-adjusted for) historic market activity, particularly given that the level of market activity is influenced by the level of headroom in the notified prices that is permitted through the BRCI.

A decision by the QCA to assume a level of active competitive would be consistent with the Government's and market's expectation regarding the development of competition and the Government's policy intent as expressed in the Minister's Certificate of Delegation. Further to this:

- It is difficult to see how, even if historic switch and churn numbers can be derived with any level of accuracy, this can reasonably be applied (or extrapolated) to determine the level of switching and churn in 2009-10. Integral supports CRA adopting a more pragmatic and consistent approach;
- It is inappropriate for the Draft Report to suggest that retailer concerns regarding the impact of a lack of headroom on competition in the Queensland market, as expressed in submissions to the Interim Consultation Notice and prior BRCI consultation processes, could be used to support a decline in the number of customer switches and transfers to which allowances are applied; and
- The proposed period of amortisation (i.e. an assumed retention period of six years for small business customers and eight years for residential customers) is inconsistent with active competition. In a competitive market acquisition costs are expensed in the first year and customers, on average, are retained on fixed contracts for an average of 2.5 years.

4.2 Government Concessions and Schemes

As noted in submissions to the Interim Consultation Notice, a number of concessional and community schemes have recently been introduced by the Queensland Government, in particular, the Home Energy Emergency Assistance Scheme and the Queensland Government Solar Bonus Scheme.

While Integral will continue to work closely with the Department of Mines and Energy in the effective ongoing administration of these schemes, it wishes to note that:

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- No administration fee is payable with respect to these schemes and accordingly, the costs of implementation and administration directly impact the level of retail operating costs; and
 - The continued introduction of concession schemes and rebate programs to support the policy objectives of Government do, in combination, have a material impact on retailer costs and margins.

The combined impact of these schemes and programs should therefore be recognised in the benchmarking of retail operating costs.

5 Network Costs

Stakeholders and the QCA are aware that the BRCI 2010-11 will contain a Po factor consequent to the submission of Ergon Energy and ENERGEX's regulatory proposals to the Australian Energy Regulator. This BRCI decision process is therefore the 'calm before the storm', given that in 2010-11 all distribution infrastructure installed by the Queensland distributors between 2005 and 2010, over and above that approved in the 2005 Revenue Caps, will enter the regulatory asset base for the first time.

This means that, all other things being equal, the BRCI for 2010-11 will be materially larger than the BRCI for 2009-10. It is critical therefore that the network costs captured in the BRCI for 2009-10 be as closely aligned to true network costs as possible as there will already be significant upward pressure on the BRCI for 2010-11 and any under-costing of network costs for 2009-10 will only make this worse.

Integral has two main issues with the network cost component of the BRCI for 2009-10:

- Firstly, there is a complete absence of information regarding the network cost calculation in the Draft Report. Network costs comprise 47% of total BRCI costs (\$2.3 billion of the total \$4.8 billion). The methodology and data supporting the calculation of network costs is required to allow interested parties to assess their reasonableness and to ensure that costs, for example pass-throughs, have not been inappropriately 'held back' until 2010-11.

In particular, Integral requests clarification in relation to:

- The use and basis of estimations (NUOS and TUOS), including as a consequence of the earlier timetable;
- The manner in which any revenue adjustments 'paid for' by retailers in 2008-09 tariffs, but not incorporated in the BRCI for 2008-09, will be recognised in the BRCI for 2009-10; and
- The manner in which the differences between forecast and actual network costs for 2009-10 can be managed in the movement from one regulatory control period to the next, given the risks associated with the increased reliance on estimations.

Given the tight timeframes for consultation, Integral considers that the QCA should make the methodology for calculating network costs information available for discussion at the industry Workshop.

- Secondly, the current BRCI methodology does not support an even distribution of increases across all network tariff classes. Using 2008-09 as an example, the component increase in network charges as calculated under the BRCI of 2.02% has been materially disproportionate to the actual increases in the residential network tariffs in Energex's distribution area of around 13%.

The effect of this is the removal of headroom for residential customers, further reducing a retailer's ability to compete for the very customers to whom the notified prices are intended to apply and undermining the litmus test for a sustainable outcome that is contained in the Certificate of Delegation – that is, that headroom should be maintained.

In order to provide a BRCI recommendation that is in line with the Certificate of Delegation, the QCA must consider methodological changes and regulatory outcomes which more effectively pass-through the impacts of the retail tariff determination process in order to limit cross-subsidisation, undesirable price outcomes and the potential provision of customer retail services to non-market customers with less headroom or at a loss.