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17 November 2009

Mr. Brian Parmenter
Chairperson
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Email: electricity@qca.org.au

Dear Mr. Parmenter,

Re: Draft Report on Review of Electricity Pricing and Tariff Structures – Stage 2

EnergyAustralia welcomes the opportunity to comment on the Queensland Competition Authority (QCA) Draft Report on the Review of Electricity Pricing and Tariff Structures – Stage 2.

EnergyAustralia agrees with the findings in the QCA's Draft Report. In particular, we are pleased to see the QCA recognises one of the more significant factors contributing to the lack of cost reflectivity is that the current regulated tariffs are structured in a way that does not reflect the mix of fixed and variable costs. EnergyAustralia also supports that as a starting point for reform all regulated tariffs should include fixed and variable charges that reflect the structure of costs faced by retailers and that tariffs with a minimum monthly charge should be replaced with a fixed charge.

The view put forward by the QCA for improving the existing tariff structure, namely, removing obsolete tariffs, combining tariffs with similar consumption patterns and/or underlying costs, encouraging large customers to move to market based contracts by removing their access to regulated tariffs on notified prices and ensuring the fixed and variable components of the retail tariffs reflect the structure of costs faced by retailers, is also supported by EnergyAustralia. In particular removing the large customer access to regulated tariffs is a positive step towards tariff reform.

EnergyAustralia does have questions regarding the calculation of retail costs in the MMA report. EnergyAustralia believes that the estimated retail costs understate the actual retail costs, particularly in the area of customer acquisition costs. If actual acquisition costs were used, the retail margins would be lower than those indicated in the MMA report and the percentage of customers whose consumption falls into that band would increase. This does not fundamentally change the outcome of the MMA report.

I trust this submission will assist the QCA in preparing its report to the Minister. Please contact EnergyAustralia's Executive Manager – Energy Pricing, Catherine Marshall on (02) 9269 7256 should you have any questions.

Yours sincerely,



Mike Bailey
Executive General Manager Retail