

10 April 2007



Chief Executive  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

electricity@qca.org.au

Dear Mr Hall

### **Submission on the Calculation of Benchmark Retail Cost Index (BRCI)**

ENERGEX Limited (ENERGEX) appreciates the opportunity provided by the Queensland Competition Authority (the Authority) to comment on the calculation of the 2007-08 Benchmark Retail Cost Index (BRCI).

In providing a response, ENERGEX has focused on the issues that are directly relevant to its activities and expertise as an Electricity Distribution Network Service Provider (DNSP). In particular, ENERGEX has focused the submission on the network cost component and comments regarding Queensland load.

**Are there any issues that the Authority should consider in measuring either distribution or transmission costs? For example, how should adjustments for under and over-recovery be treated? Should pass-through amounts be re-smoothed or included in the same year that the pass-through amount was incorporated into prices?**

ENERGEX believes that any adjustments for over and under recovery should be included in the network cost component. Further, in assessing pass through amounts, the cost as incurred by the network should be incorporated into the network cost component of the BRCI.

**Are there any implications stemming from the required treatment of Ergon Energy's AARR for Energex?**

ENERGEX is not aware of any implications of the smoothing of Ergon's AARR on ENERGEX.

**In the absence of a Final Decision by the AER regarding Powerlink's 2007-08 revenue requirement, what would be a reasonable approach to estimating this cost?**

In regard to the transmission cost for 2007-08, ENERGEX suggests that the Authority refer to the AER's Draft Decision regarding Powerlink's 2007-08 revenue requirements. This issue is only relevant to the 2007-08 period due to the timing of Powerlink's revenue review.

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**Are there any issues the Authority should consider in calculating Queensland load? For example, how should embedded generators be treated in calculating the NEM load?**

Currently, the contributions from embedded generators into the NEM load are minimal. As it is difficult to accurately forecast the output of these embedded generators, ENERGEX proposes that they be excluded from the determination of the Queensland load. Their inclusion could be reviewed at a later stage when embedded generators become materially significant.

As a general comment, ENERGEX's application for FRC costs is based on expected churn rates on current retail tariffs. Hence, ENERGEX is keen to understand the potential impact of the BRCI calculation on market churn.

ENERGEX looks forward to participating in the subsequent workshop and responding to the Authority's draft decision. In the meantime should the Authority have any queries please do not hesitate to contact either Sue Lee, Regulatory Affairs Manager Distribution on 3407 4386 or myself on 3407 4161.

Yours sincerely

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Group Manager Regulatory Affairs