



TRUenergy Pty Ltd
ABN 99 086 014 968
Level 33, 385 Bourke Street
Melbourne Victoria 3000
Tel +61 3 8628 1000
Fax +61 3 8628 1050
enq@truenergy.com.au
www.truenergy.com.au

July 26, 2007

Moston Neck
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Neck

Electricity Distribution: Determination of Prescribed Services – June 2007

The Queensland Competition Authority's (QCA) is proposing to make an amendment to the *Electricity Determination: Determination of Prescribed Services (September 2000)* that would provide the Authority with the option to exclude certain services from the fixed revenue cap form of regulation and apply an alternative and lighter handed form of regulation to these services.

Under the revenue cap form of regulation applied by electricity distributors, revenue raised in any year above (or below) the revenue cap must be returned (recovered from customers) in subsequent years. As a result of this, a distributor is assured of raising revenue equal to the revenue cap over the regulatory period. As non DUOS revenue was included within the revenue cap, any significant change in the amount of revenue received for these services will impact on DUOS prices in order to maintain the revenue cap at its approved level.

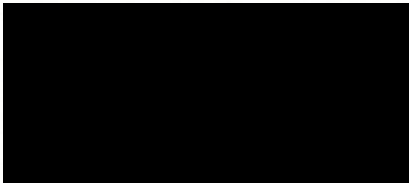
The QCA notes that with the sale of the retail arms of Energex and (much of) Ergon Energy, combined with the introduction of competition in the retail energy market, it is anticipated that there will be a significant increase in the demand of non-DUOS services provided by the distributors and hence non DUOS revenue is expected to rise sharply. Under the current revenue cap, DUOS prices will be held artificially low to balance the unexpectedly higher level of non DUOS revenue.

The QCA believes the increased revenue from non DUOS pricing will keep DUOS artificially low. Accordingly, it has proposed an amendment to the *Electricity Determination: Determination of Prescribed Services (September 2000)* to provide it with the option to exclude certain services from the revenue cap form of regulation and apply an alternative and light handed form of regulation.

TRUenergy's position to this proposal is:

1. Its preference is to continue to regulate the current services included in the revenue cap in a similar manner. These services continue to exhibit monopoly characteristics and should continue to be regulated through the revenue cap.
2. Where the QCA decides to exclude some of these services from the revenue cap form of regulation, then they should be regulated through a light handed form of regulation, perhaps the negotiate/arbitrate form of model.
3. Only where services excluded from the revenue cap form of regulation are made available within a competitive market segment (where at least three service providers are able to supply that service) then only in these circumstances should these services be un-regulated.

Yours Sincerely,



Con Noutso
Manager Regulation (Access)