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11 October 2010

Mr Gary Henry
Queensland Competition Authority
GPO 2257
Brisbane QLD 4001

Dear Mr Henry

RE: Interim Consultation Notice – Benchmark Retail Cost Index for Electricity 2011-2012

TRUenergy welcomes the opportunity to provide the following comments to the Benchmark Retail Cost Index (BRCI) for Electricity 2011-2012 Interim Consultation Notice.

In responding to the Interim Consultation Notice TRUenergy would emphasise that the overriding objective of the determination should be to ensure that the recent increases in competition are maintained in the South East Queensland region. In order to do this effectively TRUenergy would emphasise the need to set regulated tariffs at a point which encourages the entry of more second tier retailers into the market.

As a part of the consultation process TRUenergy would also support the Queensland Competition Authority (QCA) convening a public forum after the release of the Draft Decision to provide all stakeholders the opportunity to ask questions about the different aspects of the determination. While such forums are useful in improving stakeholders understanding of the Authority's position, equally, they may assist in helping the QCA to gauge stakeholder's views.

Wholesale Electricity Costs

TRUenergy is of the view that one of the biggest issues for the Authority in setting the 2011-12 BRCI will be incorporating the new enhanced Renewable Energy Target; in particular the inclusion of the Small-scale Renewable Energy Scheme (SRES) component. While this scheme has yet to formally commence, TRUenergy would urge the Authority to begin working on modelling what the potential costs to retailers of the scheme will be. In doing this TRUenergy would note that the BRCI 2010-11 did not include any allowance for the costs of the SRES from 1 January 2011 to 30 June 2011. TRUenergy believes that as these costs were not factored into the last price path there should be a catch-up for the SRES costs in the 2011-12 BRCI decision.

In commenting on the LRMC for 2011-12 TRUenergy would like to highlight that there are a number of factors which will influence wholesale electricity costs, including the potential introduction of a carbon price and the impact of LNG projects on the availability and price of long term fuel supplies. These factors will have a significant impact on fuel and plant mix in the state.

Network costs

Another factor which could have a significant influence on the 2011-12 BRCI is the Australian Competition Tribunal's review of the Queensland distribution determination. TRUenergy would note that if there is a significant adjustment as a result of this determination, these costs will need to be factored into the QCA's determination.

Retail costs

In commenting on the approach for the determination of retail costs TRUenergy reiterates its view that previous determinations have not sufficiently allowed for all the costs retailers face to both service and acquire customers. TRUenergy emphasises that any modelling of retailer's costs should be based on those incurred by a second tier retailer, given that the objective of the BRCI is to facilitate competition in the Queensland market. This is especially important for second tier retailers who will inevitably incur higher retail acquisition and retention costs given they rely on more expensive sales channels.

Should you wish to discuss the issues raised in this submission please feel free to give me a call on (03) 8628 1185

Yours sincerely

Alastair Phillips
Regulatory Manager
TRUenergy