



9 December 2011

Queensland Competition Authority
GPO Box 2257
Brisbane, QLD, 4001

Dear Sir / Madam

Re: Queensland Competition Authority - Draft Methodology Paper – Regulated Retail Electricity Prices 2012-13

We refer to the Queensland Competition Authority's (QCA) *Draft Methodology Paper: Regulated Retail Electricity Prices 2012-13*, released for public comment on 11 November 2011.

Ai Group is one of the largest national industry bodies in Australia representing employers in manufacturing, construction, automotive, food, transport, information technology, telecommunications, printing, on-hire and other industries. Ai Group and its affiliates represent the interests of more than 60,000 businesses, including thousands of Queensland organisations. As such we are well placed to provide the Queensland Competition Authority with an industry perspective on the discussion paper.

We have concerns about the potential impact on business of current proposals to remove certain existing tariffs (for example Tariff 37), as early as 1 July 2012. Whilst not opposing the removal of tariffs *per se*, we have concerns for some individual enterprises relying on current tariffs for competitiveness during what has been an extremely turbulent period for QLD industry, and particularly for manufacturing.

Many of the businesses impacted are not only large employers, but some of the larger employers in their respective regions. A number of these businesses indicate tariff removal will have significant impacts on viability, potentially impacting QLD regional economies.

Energy costs have risen substantially for most businesses over the past five years. Ai Group research indicates Australian retail electricity prices have increased by an average of 30 per cent between 2006 and 2010, and by some estimates will have risen by at least 100 per cent from 2008 – 2015.

Following feedback from large non-domestic users that will be disadvantaged by the move to market contracts we seek that QCA give consideration to extending the period businesses have to further negotiate future arrangements. Moving to market contracts will be a time consuming, costly and complex process – especially for those companies with no previous experience negotiating energy contracts.

The QCA should be mindful that these businesses will need sufficient time and information to determine suitable new arrangements. Unfortunately it appears many enterprises have been unaware of the QCA's recent consultation around tariff removal thus removing any ability to meaningfully participate in recent consultations. In these circumstances we request that QCA give serious consideration to extended phase outs or other similar transitional arrangements that will provide a longer and gentler transition.

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Whilst Australia is not alone in confronting rising energy costs, the challenge is serious given our historic reliance on cheap energy as a competitive advantage. Whilst it is acknowledged that industry needs to get on the front foot in learning to live with increased energy prices, if individual enterprises are to remain competitive they need to be allowed time to navigate a new and complex system to negotiate market contracts and to increase efficiency. Furthermore, broader government policy needs to maintain a supportive environment for business to maintain overall competitiveness given pressures from energy prices and a strong dollar.

Ai Group looks forward to continuing to work with the QCA around this important issue and would welcome an opportunity in the near future to discuss the transitional arrangements issue. Should you have any further queries regarding this matter please do not hesitate to contact Jemina Dunn, Ai Group's Manager of Policy and Public Affairs (Queensland), on telephone (07) 3244 4767.

Yours sincerely



Matthew Martyn-Jones
Director (Queensland)