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### **Draft Decision: Benchmark Retail Cost Index for Electricity 2010-11**

Australian Power & Gas (APG) welcomes the opportunity to provide comment on the Queensland Competition Authority (QCA) draft decision on the Benchmark Retail Cost Index (BRCI) for electricity 2010-11. We have restricted our comments to what we see as the high level objectives of the review.

As the QCA would be aware, following recent ASX announcements, APG has signalled its intent to re-enter the retail energy market in Queensland. Our re-entry in part has been premised on the encouraging developments that we have seen through the BRCI review process with its focus on moving to more cost reflective pricing. Ultimately we hold the strong view that price regulation should be removed, allowing market forces to set appropriate pricing which will further develop competition in the retail energy market and provide benefit for consumers. However we are pleased to see the recognition that current pricing is not reflective of the true costs of supplying customers, and that the QCA is looking to address this issue through the BRCI review process.

While the Queensland market continues to operate under a regulated price regime, it is imperative that regulated prices for the supply of electricity are set at cost reflective levels. Regulated prices must allow retailers to fully recover their operating costs, account for wholesale risk whilst also containing sufficient headroom to encourage competition. An appropriate retail margin is a key requirement to ensure the ongoing viability of a competitive energy market in Queensland and that of the retailers operating in it.



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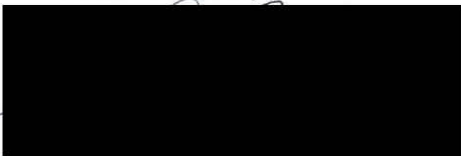
Non-incumbent retailers will only be able to operate successfully in Queensland if these simple principles are met and maintained. Adherence to such principles will result in the further development of competition resulting in benefits to customers through competition, competitive pricing and innovative product offerings.

In the absence of the removal of price regulation retailers must have confidence in the review process and that there is transparency and consistency in the methodology used in price setting. A lack of stability in the realm of price setting like that seen previously will only serve to undermine retailer's confidence in the market.

A key element to achieving confidence in the BRCI review process is to ensure that the QCA, under the "Certificate of Delegation" issued by the Minister is afforded autonomy and independence in its review and determination of the BRCI. Previous experience has shown there to be a willingness on the part of Government to intervene in the QCA's mandate. This cannot continue if retailers are to have confidence in the review process.

Should you wish to discuss our submission please contact Shaun Ruddy, Manager Regulatory & Compliance on (02) 8908 2714 or via email, [sruddy@auspg.com.au](mailto:sruddy@auspg.com.au)

Yours Sincerely



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