

From: david.leitch@ubs.com
Sent: Monday, 14 November 2011 3:54 PM
To: General Electricity Address
Subject: QCA draft methodology paper
Attachments: Legal Disclaimer.txt

Dear QCA,

I write in response to the call for submissions on the draft paper to determine 2012/13 and beyond maximum retail tariffs in Queensland. Regarding the methodology for power prices I would urge the Authority to give more consideration to the ICRC methodology as described in the "Final Technical Paper - The Energy Purchase Cost Component of the TFT 21010 - 2012".

The High Level Principles espoused in that paper,

Simple, transparent and predictable, unbiased and replicable are features that neither the proposed ACIL model or the Frontier Economics Whirlygig model in NSW offer. I would particularly emphasize the simplicity and low cost nature of the ICRC model

I had no trouble in applying the ICRC model in NSW and found that it gave quite close results to those adopted by IPART based on the Frontier Modelling. It was less accurate at predicting the 2012 Qld market based energy component of the BRIC but I cannot see from that which model was at fault.

If there are significant flaws in the ICRC model I would appreciate knowing about them as this is the model we employ to keep an eye on the retail headroom available to the major retailers in NSW, Queensland and Victoria

regards

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