



Simon Corbell MLA

ATTORNEY-GENERAL
MINISTER FOR THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT
MINISTER FOR POLICE AND EMERGENCY SERVICES
MINISTER FOR WORKPLACE SAFETY AND INDUSTRIAL RELATIONS

COPY

MEMBER FOR MOLONGLO

Mr Malcolm Gray
Senior Commissioner
Independent Competition and Regulatory Commission
Level 8, 221 London Circuit
CANBERRA CITY ACT 2600

cc: Mr Andrew Barr
Treasurer
ACT Legislative Assembly
CANBERRA ACT 2601

Dear Mr Gray

I am writing in response to the Independent Competition and Regulatory Commission's (ICRC) Issues Paper of October 2013 on the process being undertaken to determine retail electricity prices for franchise customers from 1 July 2014. I would like to highlight the following matters in relation to this.

Length of the determination, competition and deregulation

The ACT Government remains committed to retail electricity price deregulation, should effective competition emerge and be sustained in the Territory's retail sector. In this regard, we will continue to monitor the state of competition in the Territory's retail electricity market. The ACT is also one of the few jurisdictions to have implemented almost all of the significant structural reforms to promote efficiency in the market. This includes disinvestment and removal of direct Government control from energy suppliers based in the ACT, and introducing contestability in all segments of the retail market. The ACT was also one of the first jurisdictions to adopt the National Energy Customer Framework.

In this respect, I would like to note that while the ICRC is free to determine the length of the regulatory determination, stakeholders should be aware that this does not impact on the ACT Government's commitment to deregulate pricing during this period, if and when the conditions for doing so are met. It would be helpful if this is made clear in the ICRC decision. This would ensure stakeholders are properly informed of the Government's continuing commitment to promoting competition and removing price regulation.

ACT LEGISLATIVE ASSEMBLY

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Allowance for competition

As noted in the Issues Paper, I do not support the position taken by the Australian Energy Market Commission (AEMC) that retail electricity price regulation should include a financial contribution to support competition, because this impost would be passed onto consumers, without a corresponding benefit.

Previous investigations, including those undertaken by ICRC and AEMC, indicate that the regulated price is not a critical impediment to the development of competition in the ACT. Instead they note the size of the market, high levels of consumer satisfaction with existing services and a well known local brand as impediments. An allowance for competition will not address these issues. The failure of significant competition to develop in the gas retail market, where prices are not regulated, is noteworthy in this regard.

Compliance Costs of the Energy Efficiency Improvement Scheme (EEIS)

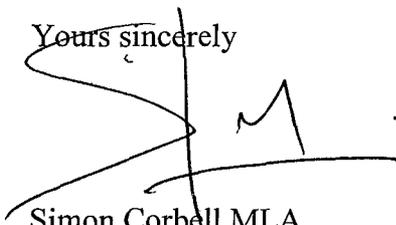
Finally, I would support the ICRC undertaking a retrospective assessment for the first compliance year from 1 January 2013 to 31 December 2013. This is to ensure that compliance costs are subject to appropriate scrutiny and cost pass throughs to consumers are efficient.

The ICRC could also consider and compare the costs incurred by retailers while complying with similar schemes in other Australian jurisdictions, to inform its assessment of efficient compliance costs for ActewAGL Retail. However, I do acknowledge that jurisdictional differences in schemes combined with other regulatory and market differences mean that these costs may not be directly comparable.

The ICRC's assessment of the efficient compliance costs for ActewAGL Retail will be an important input for determining the Energy Savings Contribution for Tier 2 retailers under the scheme. This contribution is designed to limit competition impacts and not disadvantage ActewAGL Retail, while recognising the limited ability of other smaller retailers to implement activities under the scheme.

I would like to take this opportunity to thank the ICRC for undertaking this work. If you have any questions about these matters please contact Mr Sean Das in the Environment and Sustainable Development Directorate on 6207 7462.

Yours sincerely

A handwritten signature in black ink, appearing to be 'S. Corbell', written over a horizontal line.

Simon Corbell MLA
Minister for the Environment and Sustainable Development

26.11.17