

Ref:PE:JC:C184134

1 March 2006

Mr Ian Primrose
Chief Executive Officer
Independent Competition and Regulatory Commission
PO Box 975
Civic Square ACT 2608

Dear Mr Primrose

Draft Decision – Retail Prices for Non-contestable Electricity Customers

Country Energy commends the Commission on its draft decision in relation to the regulation of retail prices in the ACT. The proposal to abolish the transitional franchise tariff (TFT) arrangements is a timely and prudent response to the evolving market dynamic in that state.

Country Energy acknowledges the need for appropriate interim measures to allow time for the amendment of the Utilities Act to address the issue of standard contracts following the end of the current price determination on 30 June 2006. Such measures are outlined in the transitional arrangements under section 4.6 *Proposed implementation regime*.

The measures defined in this section are appropriate and would deliver a cost effective transition to a regime which allows for the full withdrawal of the TFT arrangements from 1 July 2007.

Country Energy also agrees with the rationale that the proposed implementation regime would accommodate concurrent timeframes for changes to the Utilities Act required during 2006 in preparation for the transfer of electricity distribution and retail regulation responsibilities to the Australian Energy Regulator by 1 January 2007.

With the ultimate abolition of the TFT arrangements, there is an obvious need to provide for an appropriate alternative to a negotiated contract. However, in ensuring that the Utilities Act is amended to see that the most vulnerable customers have access to 'safety net' arrangements under certain circumstances, there should be an awareness that these arrangements be sufficiently limited so as to not restrict the incentives on consumers to seek out competitive market offers.

Country Energy notes that the Commission has outlined the circumstances under which any deemed contract applies to include customers:

- who have not agreed to a negotiated customer contract prior to the date from which a price direction ceases to apply;
- whose existing negotiated customer contract has expired without them agreeing to a new one;
- who have moved into a premises and commenced consuming electricity without first agreeing to a negotiated customer contract with the retailer; or
- who have otherwise been disconnected from supply.

While it is accepted that the above circumstances are essential in given appropriate protections to both customer and retailer, there should also be explicit provision that the deemed contract arrangement be a finite arrangement, as is currently the case in other jurisdictions. This would ensure that the existence of such provisions does not lower the rate of potential transfers between retailers, and ultimately threaten the viability of the competitive market.

On the whole, the Commission's draft decision is supported by Country Energy and we would consider that, with appropriate consideration of the arrangements relating to the application of deemed contracts, the outcomes for market competitiveness and ultimately ACT consumers will be strongly positive.

Should you have any questions in relation to the comments made above, please contact Patrick Edwards, Manager Compliance and Retail Regulation, on 02 6589 8418.

Yours sincerely

Natalie Banicevic
General Manager Regulatory Affairs