

Shane Rattenbury MLA



Member for Kurrajong

Minister for Climate Change and Sustainability

Minister for Justice and Consumer Affairs

Minister for Corrections

Minister for Mental Health

Mr Joe Dimasi

Senior Commissioner

Independent Competition and Regulatory Commission (ICRC)

Level 8, 221 London Circuit

Canberra City ACT 2600

Cc: Mr Andrew Barr MLA

Treasurer

ACT Legislative Assembly

Canberra ACT 2601

Dear Mr Dimasi

I am writing in response to the Independent Competition and Regulatory Commission ('the Commission') Issues Paper of October 2016 regarding the standing offer prices for the supply of electricity to small customers from 1 July 2017. The economic regulation of electricity prices for ACT households is of significant interest to the Canberra community and I welcome the initiation of the consultation process.

I would like to particularly highlight the following matters identified by the issues paper:

Energy Efficiency Improvement Scheme (EEIS) Pass-through Costs

Consistent with ACT Government policy, I support the further uptake of energy efficiency measures in households and small businesses. This is consistent with the ACT Government's objectives to: encourage the efficient use of energy; reduce greenhouse gas emissions associated with stationary energy use in the Territory; reduce household and business energy use and costs; and increase opportunities for low income households to reduce energy use and costs.

The Commission identifies and reports on the efficient costs of complying with the *Energy Efficiency (Cost of Living) improvement Act 2012* (EEIS). As the EEIS is a mandatory obligation placed on electricity retailers, it is critical that energy efficiency activities delivered under the scheme are cost effective. This will ensure that scheme costs passed through to consumers are minimised.

AUSTRALIAN CAPITAL TERRITORY LEGISLATIVE ASSEMBLY

London Circuit, Canberra ACT 2601, Australia
Phone +61 2 6205 0005

GPO Box 1020, Canberra ACT 2601, Australia
Email rattenbury@act.gov.au



The Commission has previously determined that scheme costs are economically efficient on the basis that the sole tier one retailer, ActewAGL Retail, undertakes a competitive tender process to procure its abatement activities. I consider that the Commission's methodology should include further scrutiny of abatement activity costs delivered via competitive tender processes, including those undertaken by ActewAGL Retail and by tier two retailers who may voluntarily choose to participate in the scheme. Further scrutiny will ensure the scheme is being delivered competitively and at least cost to ACT energy consumers.

The Commission's methodology to assess scheme pass through costs also requires it to take account of benchmark scheme costs in other jurisdictions, where available. As you may already be aware, the ACT Government joined with other Australian jurisdictions in late 2015 to report on costs of all Australian energy efficiency obligation schemes. The Commission should draw upon these results to provide a benchmark against which to assess scheme pass through costs in the Territory.

Consideration of a Competition Allowance

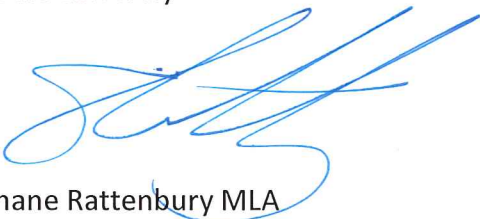
Consistent with past submissions from the Minister for the Environment, I do not consider that the inclusion of a competition allowance would be in the best interests of ACT electricity consumers. Competitive markets are not characterised by the inclusion of such allowances and the ACT electricity market should be allowed to evolve naturally without regulatory distortions.

Recovery of costs associated with Advanced Meters

Consistent with the Commission's current interpretation of the National Electricity Rules, I consider that in a competitive market the costs to install and support advanced meters should be recovered from customers via contractual arrangements, rather than through regulated tariffs.

I thank the Commission for the opportunity to comment on its approach to electricity price regulation. Should you wish to further discuss these matters further please contact Mr Daniel Harding in the Environment, Planning and Sustainable Development Directorate on (02) 6207 7533 or Daniel.harding@act.gov.au.

Yours sincerely



Shane Rattenbury MLA