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To: Baxter, Paul
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Paul Baxter
Senior Commissioner
ICRC

In my capacity as Director of SoftLaw Community Projects, I would ask you to consider the following matters when working on the 2009-10 electricity price direction:

1. There is little or no competition in the ACT energy market at the present time. Energy Australia has advised that they are not making offers to new customers, not even adding new services for existing customers and TRUenergy does not appear to be undertaking marketing activities.

In view of this, I suggest that the TFT should be set at as low a price as possible as it is the real price paid by the majority of customers. The idea of setting a higher price to create "headroom" for competition is against the real interests of consumers.

2. The Commission intends to use the same methodology as in previous years - a building block approach. This is desirable for reasons of consistency and comparability. However this approach does have the danger of compounding errors year on year. I suggest that the Commission should look for ways of checking the final result against some external, objective measures such as the profit result of retailers or some other quantitative data supplied to the Commission by licensees.

3. The effects of the major electricity price spike in mid 2007 have now passed through. This price spike caused a major increase in the 2007-08 price and a further price increase in 2008-09. I would contend that the "Energy purchase cost" element should now be significantly reduced for 2009-10.

4. The energy concession is not keeping pace with energy price rises. I suggest that the Commission needs to be far more specific about the need for concession increases when it addresses the social impacts of its Price Determinations.

5. At this stage, it is probably preferable to take a pass-through approach to the Feed in Tariff and the Carbon Pollution Reduction Schemes as the effects of these schemes are difficult to estimate at this stage. What the Commission could do, with some certainty, is to recommend Government action to prevent the financial costs of these schemes from falling on low income households.

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