



EnergyAustralia

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The Research Director
State Development, Infrastructure and Industry Committee
Parliament House
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Dear Sir/Madam

Electricity Competition and Protection Legislation Amendment Bill 2014

EnergyAustralia appreciates the opportunity to comment on the Electricity Competition and Protection Amendment Bill 2014.

EnergyAustralia is one of Australia's largest energy companies, providing gas and electricity to over 2.7 million residential and business customers. EnergyAustralia owns and operates a multi-billion dollar portfolio of energy generation and storage facilities across Australia including coal, gas and wind assets with control of over 5,500 MW of generation in the National Electricity Market.

We anticipate that the significant reforms which will arise as a result of the passage of the Bill will bring considerable benefits to Queensland consumers.

We consider that there are two main elements to the reform package namely the introduction of the National Energy Customer Framework (NECF) and a move towards a price monitoring regime in South East Queensland. Both of these elements will further develop competition in the energy market and we are pleased that the two reforms will be delivered concurrently.

The transition to NECF will allow retailers who are not currently licensed to retail in the Queensland energy market to enter by virtue of their national authorization. This will provide consumers with additional choice and place pressure on retailers to deliver better service and innovative products at an efficient price. It will also enable those retailers who are currently operating across jurisdictions to gain efficiencies by eliminating a number of differences in the regulatory frameworks between states. Although the advantages of a national framework will not be fully realized until Victoria adopts NECF, Queensland's move towards consistency with the other jurisdictions will assist in this process.

NECF not only ensures that customers receive adequate protections above those prescribed by the Australian Consumer Law, but also that protection is consistent for consumers across Australia. This will ensure that consumers have rights which are objectively regarded as fair and appropriate and provide industry with a degree of certainty about the regulatory arrangements in Queensland as the regime is enforced by the national regulator, the

Australian Energy Regulator (AER). Most retailers currently operating, or looking to operate in Queensland are familiar with NECF and the AER's requirements with regard to compliance and reporting. In light of this, the potential for any transitional issues is low and the immediate impact on consumers is negligible.

We are aware that the Queensland Government is committed to working with industry to ensure that consumers are suitably engaged and have sufficient information about the reforms. We believe that the more engaged consumers are, the more they will benefit from the reforms, however, we consider that those consumers who choose not to engage will still benefit as competitive pressure prompts retailers to improve the way they interact with consumers.

While the adoption of NECF provides a significant incentive for new retailers to enter the market, EnergyAustralia believes that it is the transition to a price monitoring regime in South East Queensland which will play a large part in ensuring that optimal customer outcomes occur as a result of increased competitive pressure.

Retail price deregulation is a long term reform goal of the National Electricity Market (NEM) and one that EnergyAustralia supports. A deregulated market will facilitate a wider range of products and services for customers and keep downward pressure on prices through increased levels of competition. It will also remove a significant regulatory risk and encourage new entrants and existing participants to make long term investments in the market.

In general, a market with price regulation introduces a key regulatory risk to retailers. Even if regulated margins are reasonable in any one year, there is always the risk that a regulator may set the tariff below efficient levels the next year. This risk alone will stifle innovation and investment even where margins are otherwise adequate. The move to a price monitoring regime will remove the risk that retailers will be required to offer prices which are not reflective of their costs and allow for innovation to occur.

EnergyAustralia believes that the reforms outlined in the Electricity Competition and Protection Legislation Amendment Bill 2014 are in the best interest of Queensland consumers. The Department of Energy and Water Supply has brought together industry and consumer groups to provide input into the development of the Bill and delivered a legislative package which will deliver a range of benefits and drive competition.

If you wish to discuss any aspect of this submission, please contact on joe.kremzer@energyaustralia.com.au or via telephone on (03)8628 1731.

Regards



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