



10 February 2010

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear John

As the peak business organisation in this state, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide comment on the Queensland Competition Authority's draft decision on the 2010-11 Benchmark Retail Cost Index (BRCI) for Electricity.

CCIQ strongly opposes any recommendation that increases electricity costs for Queensland businesses by a further 10.69% on the basis that this increase, which follows three consecutive years of energy price increases equivalent to nearly 33 per cent, stands to erode business profitability and compromise Queensland's economic recovery.

Electricity is an essential input into nearly every good or service so its price is a key influence on the competitiveness of Queensland businesses. It is essential that careful consideration be given to the actual outcomes of the QCA's price reviews. Accordingly CCIQ believes a more modest increase in the BRCI would provide a foundation that does not inhibit the State's economic recovery.

Queensland's electricity costs represent a major area where we can either stimulate or suppress ongoing economic growth. As with other 'costs of doing business' CCIQ believes we should champion the need to drive them down and be both nationally and internationally competitive.

Simply accepting the forward cost and expenditure estimates of energy retailers without consideration of the quality, capacity and service improvements actually being delivered does not achieve the intended objectives of the previous electricity market reforms and compromises the competitiveness of the Queensland economy.

As a case in point, a recent CCIQ survey found a high level of dissatisfaction with the State's energy market. Nearly 60% of businesses in Queensland rated the cost and planning for the state's energy infrastructure as inadequate or grossly inadequate. Only 10% of Queensland businesses rated the quality and capacity of the Queensland energy infrastructure as being good or very good.

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This evidence suggests that 'minimum service standards' are not delivering a level of performance that could otherwise be achieved by a formal linkage of increased revenue with increased service performance.

Accordingly CCIQ recommends the flow throughs of additional revenue through the network component of the BRCI be explicitly linked to performance improvements by the electricity distributors and retailers as occurs in other jurisdictions by respective Energy Regulators.

Furthermore the state's relative pricing position compared to other states is also of vital importance to the Queensland business community. Business and community acceptance of price changes is strongly influenced by how we compare to other jurisdictions. CCIQ have repeatedly advocated a mechanism to benchmark and publicly report the competitiveness of Queensland electricity prices against that of other states.

In summary CCIQ recognises the competing considerations QCA is required to take into account as part of this process however our principle is that Queensland electricity prices can not be significantly increased as is currently proposed, especially in the absence of improved performance standards and a firm indication of the effect on our relative competitiveness.

Should you have any questions in relation to the contents of this submission, please contact me on (07) 3842 2279.

Your Sincerely

A handwritten signature in black ink, appearing to read 'Nick Behrens', with a long horizontal flourish extending to the right.

Nick Behrens
General Manager, Policy