

3 July 2015

Working together for a shared future

Mr Sebastian Roberts
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001
Via email (QLDelectricity2015@aer.gov.au)

Dear Mr Roberts

QRC letter of support for the submission from The Alliance of Electricity Consumers

As the peak industry body of the Queensland minerals and energy sector, the Queensland Resources Council (QRC) would like to lend our support to the work of The Alliance of Electricity Consumers (the Alliance) in coordinating an informative submission on behalf of all Queensland consumers on the AER's preliminary decision on Ergon Energy's regulatory determination for the period 2015-2020

While QRC is not a member of the Alliance, there are a number of similarities between the submissions from QRC and the Alliance. We believe that in many cases, the more detailed analysis conducted by the Alliance help to quantify and substantiate the more general concerns that the resource sector has raised in QRC's submission. In particular, QRC suggests that the Alliance's submission presents a compelling case for the AER to revisit the revenue allowance for Energex and Ergon Energy based on an efficient business as identified by the benchmarking consultants engaged by the AER.

Further, QRC supports the view in the Alliance's submission that the Ergon Energy's regulated asset base (RAB) is excessively high and the weighted average cost of capital (WACC) does not reflect the actual financing costs for the businesses. Both submissions from QRC and the Alliance question the irregularities in Ergon Energy's forecast electricity consumption and recommends further investigation into their optimistic demand forecasting, particularly for industrial customers.

The QRC understands the National Electricity Rules limit the AER's ability to proactively remove all inefficient costs from Energex and Ergon Energy's Regulatory Proposals but there is still significant room for further scrutiny within the parameters of the current determination.

We commend the detailed analysis in the Alliance submission to the AER's further consideration. QRC specifically supports recommendations 1-3 and 5-7 in their submission.

For any further information please feel free to contact QRC's Andrew Barger, (07) 3316 2502 or andrewb@qrc.org.au

Yours sincerely



Michael Roche
Chief Executive