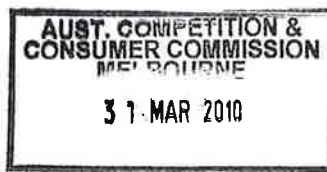




Hon Stephen Robertson MP
Member for Stretton



Queensland
Government

Minister for Natural Resources,
Mines and Energy and
Minister for Trade

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23 MAR 2010

Mr Steve Edwell
Chairman
Australia Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Edwell

The Queensland Government (the Government) welcomes the opportunity to make comments to the Australian Energy Regulator (AER) on its *Queensland Draft Distribution Determination 2010-11 to 2014-15* (the Draft Determination).

The Government acknowledges the role of the AER as the independent economic regulator of the electricity distribution networks of ENERGEX and Ergon Energy, following the transition of regulatory powers from the Queensland Competition Authority in 2009.

Queensland has the fastest growing electricity industry in the National Electricity Market. Over the next ten years, Queensland is expected to see electricity consumption grow at an average annual rate of 3.2 per cent, with peak demand growth forecast to average 3.6 per cent per annum over the same period.

The Government recognises the critical role ENERGEX and Ergon Energy play in maintaining secure and reliable supply of electricity for Queenslanders and the need for distributors to invest appropriately in expanding and maintaining their networks, and to undertake demand management activities, in this environment of growing peak demand and consumption.

The AER's Draft Determination foreshadows significant p-nought adjustments in ENERGEX and Ergon Energy's revenue requirements for 2010-11, with significantly smaller revenue growth in subsequent years.

The Government is concerned at the extent of the potential step change in electricity prices Queensland consumers will face in 2010-11 as a result of the p-nought adjustments, and is deeply concerned about the pressure this would place on household budgets.

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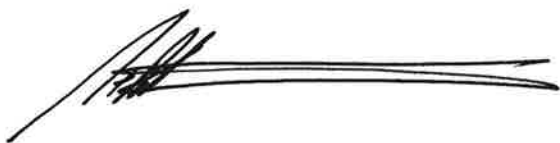
Accordingly, the Government requests that the AER give consideration to applying a revenue smoothing approach to both ENERGEX's and Ergon Energy's revenue requirements for the 2010-15 regulatory period, to minimise the extent of the 2010-11 price shock for end-use customers.

As you would be aware, the National Electricity Rules (the Rules) provide the AER with the ability to balance the needs of regulated businesses to recover the net present value of their unsmoothed revenue requirements over the entire regulatory period with the ability to minimise price shocks to end-use consumers.

The Government believes that smoothing each distributor's revenue requirements across the five-year regulatory period would appropriately balance the needs of all relevant stakeholders. The Government therefore requests that the AER consider adopting this approach when making its Final Determination.

I thank you for your consideration of these comments. Should you have any queries, Ms Kathie Standen, Acting Director, Electricity Policy of the Department of Employment, Economic Development and Innovation, will be pleased to assist you and can be contacted on telephone (07) 3225 8256.

Yours sincerely

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

STEPHEN ROBERTSON MP