

[REDACTED]

From: Leigh Murray [REDACTED]
Sent: Monday, 16 October 2017 12:10 PM
To: Retail Electricity Inquiry
Subject: [REDACTED] Retail Electricity Pricing Enquiry Preliminary Report

Dear Sir or Madam,

Thank you for your report. It is a document I have been looking to see for some time.

From my cursory inspection i note there are some items which I would like to see in the document.

1] The actual cost of electricity generation - your report refers frequently to wholesale costs which is based on supply / demand considerations [and the ability of those "demanding" to pay - which ultimately comes back to the consumer]. As you have suggested the concentration of the industry enables strategic decisions to maximise profits and I believe there is a significant difference between actual generation costs and wholesale costs. I think this information needs to be public and if it is not available in Australia then overseas comparisons will give rise to appropriate questions.

2] I envisage many of the network costs include a write off of capital items - do we know the basis for these write offs - ie what amounts are being written off, over what term are they written off, at what rate, on what basis. The next question is how appropriate is the methodology of the write off.

In relation to network costs the write off would include acquisition costs from various governments - is it really appropriate for them to amortise acquisition costs based on capitalised income at the organisations chosen rate? Is the value really appropriate? Is the rate appropriate?

There would also be a significant component of items which are non-cash write offs of capital items in other parts of the electricity cost stack. These items too need to be explored to ensure their appropriateness.

3] Whether there is a tendency to gross up costs by adding a margin to each cost in the stack or chain - ie the retail price is based on "wholesale costs plus a margin" then "wholesale cost [including margin] plus network cost plus a margin [on the whole cost]" then "wholesale cost [including margin] plus network cost [including margin] plus environmental levy plus a margin [on the whole cost]" etc..

4] Other matters that i think need to be explored are the costs of developing different energy generation capacities over an extended term taking into consideration the different life span of each type of technology and the different abilities of each technique to generate the electricity that is needed to meet our requirements.

I think we also need to ascertain if there are areas for financial benefits that arise from operators using greener technologies - one example is to lock in a higher "consumer price" expectation now when the cost of the technology is clearly reducing. How do we ensure future profits are passed on to consumers or is it intended to allow operators to lock in higher profits for future taxation.

5] I would like to see the facts of the cost to develop and the ongoing cost on a kwh basis of each energy source so consumers can see what the real cash costs are for each source so they can compare them to their electricity bills.

Thank you again for your report. If you would like to investigate the above and include in your final report it would be appreciated.

Regards,

Leigh Murray