

11 July 2013

Mr John Pierce  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235



positive energy

Dear Mr Pierce

**Issues Paper: Advice on Best Practice Retail Price Regulation (ERO0027)**

Energex Limited (Energex) appreciates the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC's) issues paper relating to advice on best practice retail price regulation.

Overall, Energex supports the AEMC's proposed approach to the advice on developing a best practice methodology for setting regulated retail prices for small customers, including the proposed objective and principles. In developing its objective, however, Energex considers that the AEMC should also be guided by Chapter 6 of the National Electricity Rules (NER), particularly as it relates to network price signals and the ability of customers to respond to those signals. In considering the pass through of time of use network charges to regulated retail electricity prices, it is important that the network tariff structure and price signals are preserved in the final retail price and not diluted or negated completely by alternate retail price structures superimposed over the network structures. As price signals are used by Energex to not only recover revenue, but also as a demand management strategy, preserving these signals ensures the intended demand management benefits can be realised.

To successfully preserve these price signals and improve cost-reflectivity in the final regulated retail tariff offering, a time of use energy charge is required to be applied by retailers and included in the 'R'. This would reflect spot prices on the National Electricity Market at the time of consumption and the actual costs incurred in delivering energy at this time.

Should you have any enquiries regarding this report please contact Neil Andersen, Group Manager Revenue Strategy, on (07) 3664 4009.

Yours sincerely

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Customer and Corporate Relations

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