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Minister for Manufacturing,
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Dr Pat Walsh
Chairperson
Essential Services Commission of South Australia
GPO Box 2605
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Dear Dr Walsh

Thank you for the opportunity to make a submission to the Essential Services Commission of South Australia's Electricity Standing Contract Wholesale Cost Investigation.

The Government remains committed to facilitating a competitive retail energy market whilst continuing to ensure there are sufficient protections for customers who remain on the regulated standing contract. I believe it is essential that price rises are fully justified and provide sufficient certainty to enable electricity customers to make informed choices.

With this in mind, I support the Commission's investigation of alternative methodologies for estimating the wholesale electricity cost, particularly in light of Commission's view that developments in the contract market suggest the forward cost of wholesale electricity may now be materially lower than that assumed at the time of the price determination.

I encourage the Commission to examine the recent investigations by other jurisdictions on the methodologies for determining the cost of energy. I am advised that the Queensland Competition Authority recently engaged ACIL Tasman to review methodologies for estimating the cost of energy in Queensland. Importantly, the Commission must determine the methodology that best reflects the wholesale electricity costs that should apply in the South Australian market.

I believe a key focus of the methodology should reflect what is in the best interests for South Australian electricity consumers.

Finally, should the Commission find that the wholesale cost of electricity is lower than the final determination made by ESCOSA in setting the current price path, this reduction in the wholesale cost should be passed through to consumers on the standing contract.

Should you wish to discuss these issues please contact Ms Rebecca Knights, Director, Energy Markets and Programs Division of the Department for Manufacturing, Innovation, Trade, Resources and Energy on telephone 8204 1715.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Tom Koutsantonis". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Hon Tom Koutsantonis MP
Minister for Mineral Resources and Energy

13 July 2012