

18 July 2012

Mr Pat Walsh
Chairperson
Essential Services Commission of South Australia
GPO Box 2605
ADELAIDE SA 5001

Dear Mr Walsh,

Electricity Standing Contract – Wholesale Electricity Cost Investigation

COTA SA welcomes the opportunity to provide comment on the Commission's investigation into the wholesale electricity cost (WEC) as a component of the standing contract price. As you would be aware, COTA SA has consistently raised concerns about the impact of the standing contract price on older South Australians, particularly as this group is recognised as a major segment of the retail energy market that has resisted moving from standing contract arrangements.

For these consumers, the energy market place can represent an environment best avoided. For a variety of reasons, they stick with what they know. As a consequence of this resistance to negotiate for cheaper market pricing on their retail energy costs, this group of older South Australians is effectively carrying a cost burden for the on-going regulatory use of standing contracts as an incentive to enliven a competitive market. Furthermore, after ten years of transition to competition in this field, the resistance of this group to adopt what might be considered a savvy consumer approach to the energy market may highlight a very real limitation to the competition model.

COTA SA is aware that the WEC is a major component of the standing contract determination and should the Commission identify that the forward costs for wholesale electricity are materially lower than that earlier assessed, a review of the standing contract may follow later in the year. This in turn would have a beneficial impact on the energy costs encountered by many South Australians.

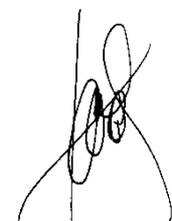
In progressing this possibility, the Commission has sought feedback from stakeholders on current factors influencing the WEC including, what approach should be adopted in setting this component of the standing contract, is the forward market sufficiently liquid to support reliable forecasts and should the WEC component of the standing contract be changed.

In making this submission, COTA SA draws on a number of studies of the current electricity market including the cogent analysis of the impact of the current WEC estimating methods which has been set out in the submission made by SACOSS. As with that submission,

COTA SA takes a similar view to SACOSS in considering that these methods are not likely to further the long term interests of consumers and concludes that the Commission needs to adopt a range of methodologies which have the capacity to assess forward contract prices regardless of liquidity. COTA SA is also of the view that the WEC component of the standing contract is far too significant, and as the current market would seem to suggest, far too variable to be set only once per price path period.

COTA SA looks forward to the Commission's determination on this matter and the possibility to further comment as a part of a consequential price determination review later in the year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Yates', with a large, stylized flourish at the end.

Ian Yates AM
Chief Executive