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26th October, 2012
Essential Services Commission of South Australia
GPO Box 2605
ADELAIDE SA 5001

2011-2014 Electricity Standing Contract Price Determination – Wholesale Electricity Cost Investigation

As a major supplier of power generation and transmission equipment, Alstom is concerned with the approach proposed by ECOSA to regulation of retail electricity pricing. In particular, our concern is that moving from an approach based on long run marginal costs to one based on short run costs will impair the ability of companies to invest in generation capacity. The NEM generally does not deliver spot and forward prices capable of recovering both fixed and variable costs of generation. While this may not be a pressing issue at the moment, it can easily become one in the future as current generation capacity is retired and demand for electricity recovers. Such an approach by South Australia could, furthermore, have investment implications beyond the state's borders.

Our more general concern is with the continuation of retail pricing regulation in the state. AEMC has found that competition in the South Australian electricity and gas sectors is sufficient to allow the state to remove retail pricing controls, as Victoria has done. Given the clear commitment made at COAG for all jurisdictions to progress towards competitive market positions, it is disappointing to see South Australia continue with retail price regulation.

As a business-to-business supplier, Alstom supports a competitive market in electricity and urges ECOSA to dispense with price regulation. At the very least, basing such regulation on short run costs will be damaging to future investment in generation capacity in the state and elsewhere within Australia.

A handwritten signature in black ink, appearing to read "Chris Raine".

Chris Raine
CEO
Australian and New Zealand

A handwritten signature in black ink, appearing to read "Gwen Andrews".

Gwen Andrews
VP, Environmental Policies and Global Advocacy
Asia and Oceania