

21 December 2012

Attn: Wana Yang
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Dear Wana,

Thank you for the opportunity to comment on the *Discussion Paper: 2012 Wholesale Electricity Market Report to the Minister for Energy*.

The ERA's annual Wholesale Electricity Market Report is a key piece of independent analysis that CCI strongly supports. As was made clear in the 2011 report (released in 2012), while the evolution of the wholesale electricity market in WA has delivered benefits to consumers, more reform is needed to deliver improved outcomes for consumers through competition.

The ERA is right to focus on the operation of the market, but this should not come without significant focus on the broader environment in which the market operates. CCI is of the view that ongoing restrictions to competition across the electricity supply chain continue to inhibit the realisation of benefits to consumers. Further progress needs to be made in particular to achieve cost-reflective tariffs for households and small business consumers, and to eventually widen retail contestability. Furthermore, genuine competition is unlikely to be fully effective without changes in ownership structures. The ERA's report should analyse the extent to which the market's objectives are being met, including the objective to encourage competition among generators and retailers.

A great deal of attention is currently focused on increasing costs in the electricity supply chain and while market operation costs are an important part of this, there are other significant contributors including networks, fuel and maintenance costs against which market operating costs need to be compared.

In terms of market operation costs, CCI welcomes in particular the ERA's efforts to analyse the costs associated with the reserve capacity mechanism (RCM) and incentives for plant availability and retirement of inefficient plant. On the reserve capacity mechanism (RCM), CCI urges the ERA to be mindful of other work being undertaken by the IMO and the Public Utilities Office. In analysing the costs and benefits of various options for improving the RCM, the ERA must consider those being developed by the IMO's RCM Working Group which is currently not strongly reflected in the discussion paper. It should also appropriately reflect the market objective to avoid discrimination against particular energy options and technologies which CCI supports.

Once again, thank you for the opportunity to comment on the discussion paper. The report provides a vital independent source of analysis that CCI strongly supports. Should you have any further questions please contact Drew Pearman, Senior Policy Adviser (08 9365 7720, drew.pearman@cciwa.com).

Yours sincerely

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