

26 November 2008

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box H166  
AUSTRALIA SQUARE NSW 1215

Dear Dr Tamblyn,

**RE: Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in South Australia – Second Draft Report**

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to make comment on the AEMC's Review of the Effectiveness of Competition in the Electricity and Gas Retail Markets in South Australia Second Draft Report.

The ERAA is encouraged by the evidence in the report of both the level of vigorous competition among retailers and the high degree of customer awareness about retail competition. Such findings are consistent with the commercial experiences of our members operating in South Australia, and further underline that there is effective competition in the market and that price regulation should be abolished.

More recently, the high degree of competition in South Australia was demonstrated in the 2008 World Energy Market from VaasaETT where it was found to have the second most active market in the world after Victoria.

The ERAA is very aware of the significant cost increases expected as a result of the introduction of the Carbon Pollution Reduction Scheme, the expanded Mandatory Renewable Energy Target and the Residential Energy Efficiency Scheme. The Association is ultimately concerned about how the costs associated with these schemes will be fully passed through to end customers in South Australia if the price of gas and electricity remains regulated. The ERAA is of the view that the only way to truly ensure all costs are passed through to the end customer is by abolishing price regulation.

The Association has been encouraged by the way in which the removal of price caps has been introduced by the Victorian Government and would endorse the same approach being adopted by the South Australian Government. The ERAA is of the view that such an approach balances the need to educate customers about the new market environment, with the retailers' ability to provide innovative customer offerings. Moreover, the introduction of deregulated market in a consistent way to Victoria would help not only minimise costs for retailers operating in both Victoria and South Australia, but also help to encourage regulatory consistency. In moving towards the removal of retail price regulation the ERAA would strongly support the South Australian Government undertaking a trial phase, such as what the Victorian Government did in relation to Small Business tariffs.

Should you require any further information in relation to this matter please feel free to contact me on (02) 9437 6180.

Yours sincerely



Alastair Phillips  
Director Policy/Research  
**Energy Retailers Association of Australia**