

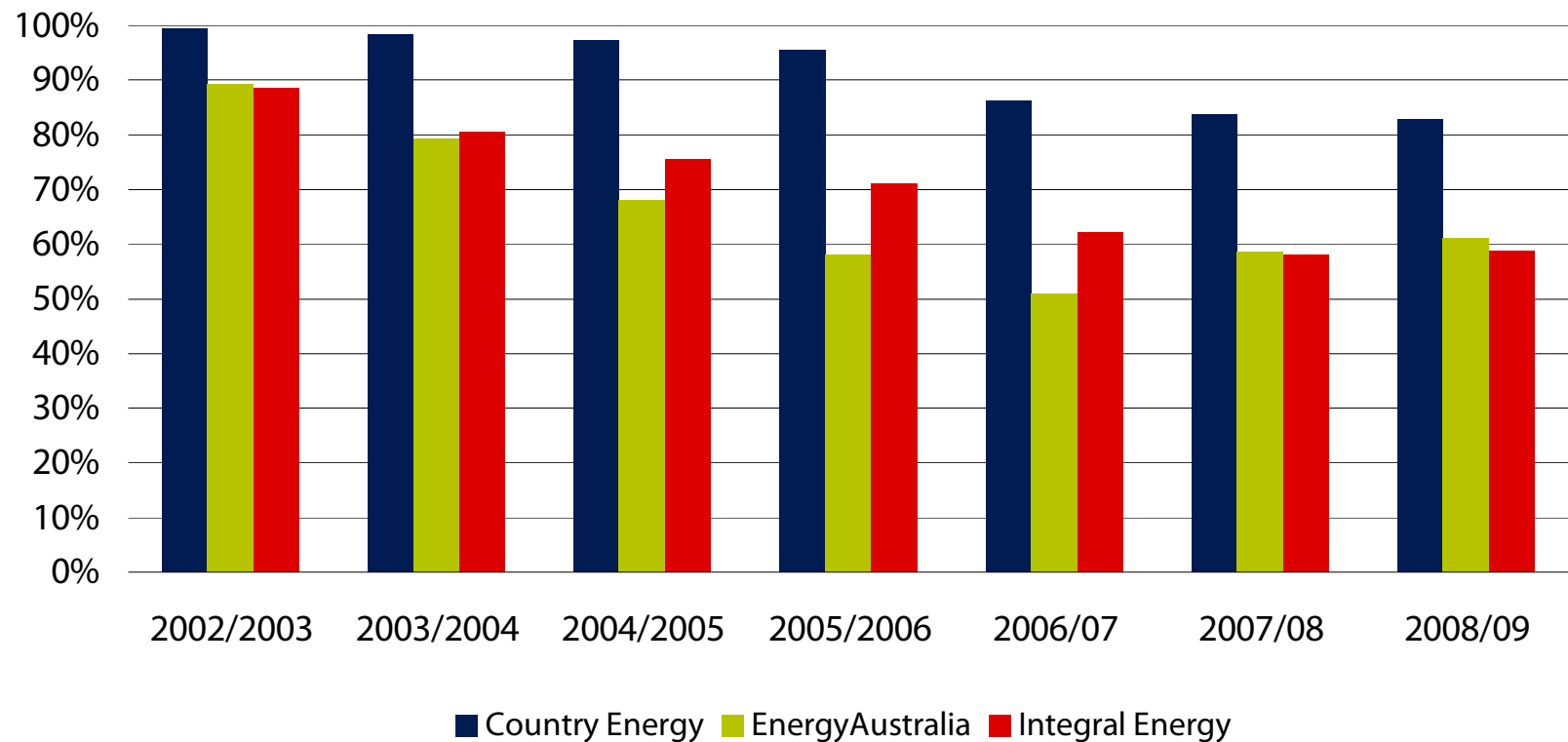
# Roundtable session

Review of regulated retail tariffs and charges for  
electricity 2010 to 2013

August 2009

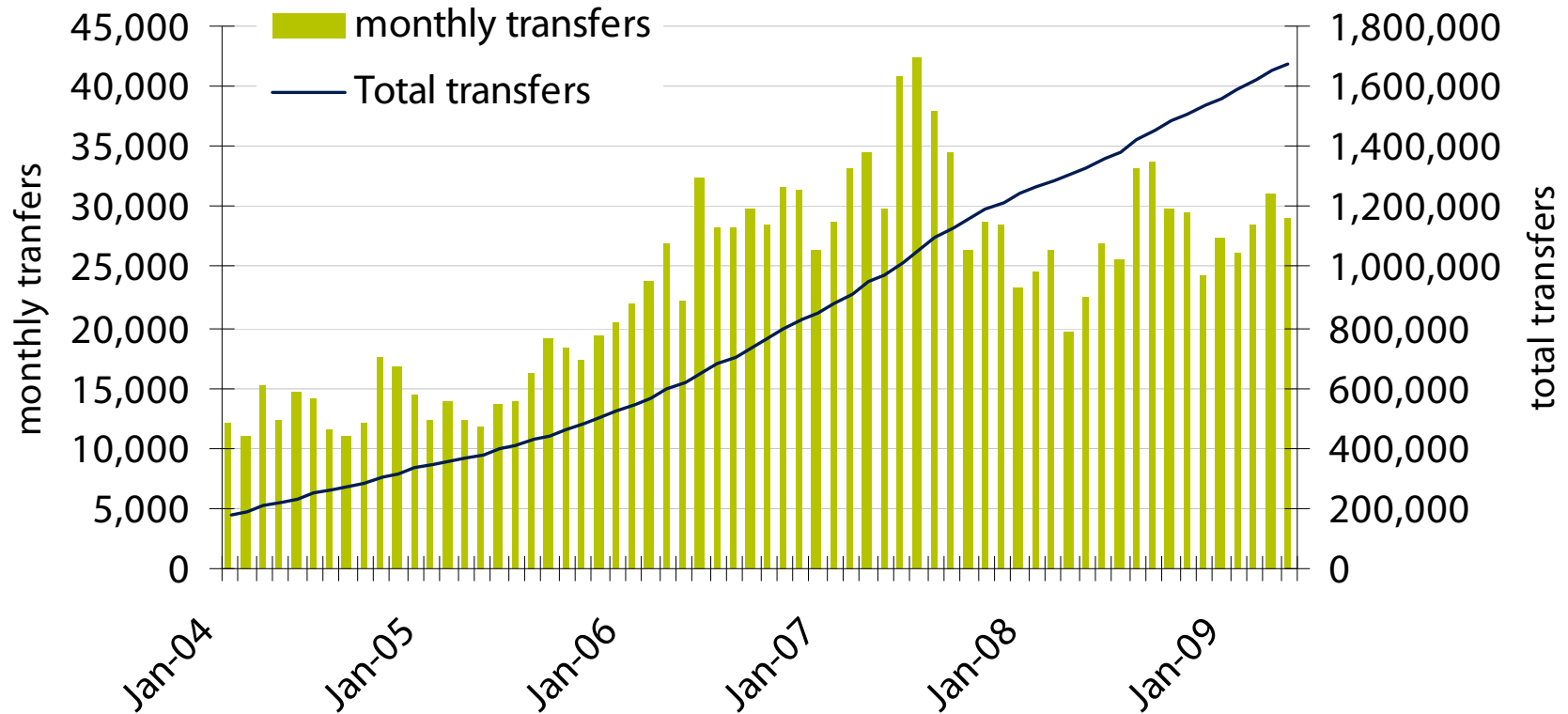
# Competitiveness of the retail market

- ▼ Percentage of customers on regulated tariffs, by supply area



# Competitiveness of the retail market

## ▼ NSW customer switching activity between retailers



# Form of regulation

- ▼ Weighted average price cap
- ▼ Additional price limits
- ▼ Threshold test for Country Energy
- ▼ Cost pass through mechanism
- ▼ Price change date

# IPART proposes to estimate two broad categories of retail costs.

- ▼ Retail operating costs (ROC):
  - ▼ efficient costs in performing the retail functions required to serve a small customer base.
- ▼ Customer acquisition and retention costs (CARC):
  - ▼ primarily marketing costs involved with both acquiring new customers and retaining existing customers. They also can include the costs of transferring customers.

# How does IPART propose to estimate ROC and CARC?

- ▼ Bottom-up cost approach:
  - ▼ ROC and CARC estimates are built up from the separate component of these costs.
- ▼ Benchmarking approach:
  - ▼ ROC and CARC estimates based on allowances for electricity retail costs from regulatory decisions in other jurisdictions and other relevant information.

# How does IPART propose to define ROC?

- ▼ IPART proposes to exclude all marketing costs from ROC, and include them in CARC to minimise double counting and improve the transparency of these cost allowances
  - ▼ ie, CARC now includes customer retention costs
- ▼ IPART will seek further understanding of the composition of marketing costs to transfer them across to CARC
  - ▼ ie, the objectives of this spending

# How does IPART propose to define CARC?

- ▼ CARC will need to reflect the greater diversity of a Standard Retailer's customer base:
  - ▼ acquire new customers on either a standard or negotiated contract
  - ▼ transfer existing customers between standard and negotiated contracts
- ▼ IPART proposes to split CARC into:
  - ▼ Direct acquisition and retention costs (DARC)
  - ▼ Transfer process costs (TPC)
- ▼ IPART's preliminary thinking on CARC for each customer segment is presented in the
  - ▼ Draft Methodology Paper (Table 4.1, page 43)



Independent Pricing and Regulatory Tribunal

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