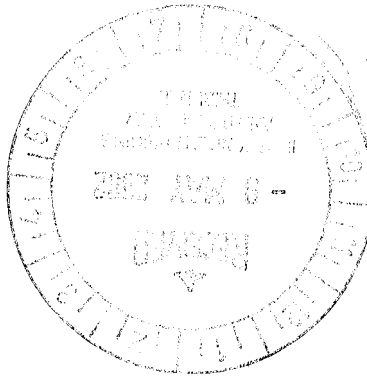


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Dr Tom Parry
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
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NSW 1230

8 May 2002

Dear Tom

We are writing to provide further comments to the Tribunal's Mid-Term Review of the Regulated Electricity Tariff, particularly in light of the discussions on this issue at the forum held by the Tribunal on 3 May 2002.

We want to repeat that PIAC is vehemently opposed to the argument that residential electricity tariffs should rise to create 'headroom' to encourage the development of a competitive market. In particular, Integral Energy was putting this argument at the forum last Friday. We also reject the argument put by TXU and AGL that there should not be any price regulation. This argument will have to be comprehensively refuted during the consultations for the next Tribunal Determination in 2004.

PIAC would like to reiterate that the tariffs offered by NSW incumbent retailers will over time meet the target tariff level as set by the Tribunal in its 2000 Determination, although the target tariffs will in some cases not be met during the period of the 2000 Determination. It was obvious at the forum, the retailer that was having the most trouble meeting the target tariffs was Country Energy. PIAC has some sympathy with their position. However, there is a critical question that needs to be asked and this is whether by relaxing the side constraints now the safety net provisions inherent in the side constraints will be either weakened or abolished and whether this is appropriate? PIAC's view is that we do not want to see the safety net provisions weakened or abolished because of the parlous state of competition, particularly as low-income households in the main, are going to remain with their incumbent suppliers.

We also have some sympathy for greater recovery of off peak hot water tariffs by EnergyAustralia and Australian Inland Energy and Water because it is less of an equity issue.

There is one further comment we would like to make and this is that TXU were advocating for prices to reflect the costs to enter the market by new entrants. We

want to refute this as a basis for setting tariffs in NSW. This would have the effect of creating a large amount of 'headroom' as the costs for new entrants must be substantial.

If you have any queries about the issues raised in this correspondence, please do not hesitate to contact me on 9299-7833.

Yours sincerely
Public Interest Advocacy Centre

Trish Benson

Trish Benson
Senior Policy Officer