

# **Independent Competition and Regulatory Commission (Price Direction for the Supply of Electricity to Franchise Customers) Terms of Reference Determination 2009**

**Disallowable instrument DI2009–196**

Made under the

***Independent Competition and Regulatory Commission Act 1997 (the Act), Section 15 (Nature of industry references) and Section 16 (Terms of industry references)***

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## ***Reference for investigation under Section 15***

Pursuant to subsection 15(1) of the Act, I refer to the Independent Competition and Regulatory Commission (the ‘Commission’) the provision of a price direction for the supply of electricity to franchise customers for the period 1 July 2010 to 30 June 2012 with a review by 30 June 2011.

## ***Terms of reference for investigation under section 16***

Under the Act, section 16(1), I require that the Commission consider the following matters in relation to the conduct of the investigation:

1. The Commission is to review the modelling of retail electricity costs. The Commission's model of costs should take into account the following matters:
  - a. The need for flexibility in modelling energy purchase costs especially with respect to the commencement of the Carbon Pollution Reduction Scheme and the expanded Renewable Energy Targets proposed by the Australian Government and the decision by the Council of Australian Governments that the direct costs incurred by these schemes, when they are implemented, be passed through in full under regulated tariffs.
  - b. The full costs of hedging and other risk management strategies included in the efficient cost of purchasing energy.
  - c. The Australian Energy Market Commission’s Review of Energy Market Frameworks in light of Climate Change Policies.
  - d. Any other matters considered relevant.
2. The Commission’s price direction should examine the balance between encouraging competition in the retail electricity market and the level of the regulated price. Specifically, the Commission should investigate the price

level that would facilitate in vigorous competition and the short-run and long-run costs and benefits of instituting such a price and the need to ensure appropriate consumer protection in the evolving electricity market.

3. The Commission's price direction should allow for the recovery of the efficient costs incurred by ActewAGL Retail with respect to all relevant Australian Government and Territory policies.
4. In undertaking the review, the report should have regard to the requirements of s. 20 of the Act.
5. The Commission must produce its final report in time sufficient to allow ActewAGL Retail to make any necessary changes to its billing system and to provide information on the new tariff to customers.

Simon Corbell MLA  
Attorney-General  
28 August 2009