

5 April 2004

Industry Levy
C/- MCE Market Reform
Department of Industry, Tourism and Resources
GPO Box 9839
Canberra ACT 2601

Via email: MCEMarketReform@industry.gov.au

Dear Sir

Application of the Industry Levy to Fund the AER and AEMC

Thank you for the opportunity to comment on the Industry Levy.

The MCE staff have provided a very comprehensive paper on all the possible issues for this levy. Hydro Tasmania believes there are really only two criteria which need to be applied in the decision about how this levy should be collected. These two overarching criteria are:

- Transparency and
- Simplicity

Since this cost must ultimately be borne by the customer, our view is that it should therefore be imposed as close to the customer interface as possible. In then considering the further issues, our two criteria lead us to the following view on how it should be implemented.

Transparency

There are several aspects to transparency. Firstly, the charge should include to the greatest extent possible the total regulatory cost. This would mean, that, for example, the costs of wires businesses revenue resets should be included in the levy and not recovered through allowing the transmission businesses to individually recover their costs through increased Maximum Allowable Revenue.

Secondly, it important in our view that customers are made aware of the costs which they pay individually to enable them to reach a value judgement of whether it is good value for them.

Simplicity

The first issue to address in the charging is the split to determine the total costs for gas and electricity. This will be difficult initially because each market will have different levels of involvement with the AER and AEMC whilst the transition arrangements evolve. We propose that this should be a straight estimate of the budget split before each financial year. If actual costs vary from this, the charges for the following financial year can allow an adjustment to be made.

For simplicity, we believe the total costs should be simply allocated on a \$/MWh for electricity and \$/GJ for gas. We would commend in this context an approach used in the UK where gas customers see energy charges for gas in \$/MWh to allow them to make comparisons. We would certainly encourage an approach over time towards a common energy unit.

On page 5 of the paper, the principles are stated. We are concerned that the third dot point on economic efficiency could lead to some excessively complicated accounting. However, we do support that the initial set up costs should be recovered over a reasonable period as part of the standard charging arrangements.

If you have any queries, please contact David Bowker on 03-62305775

Yours faithfully

GL Willis
Chief Executive Officer