

10 March 2010
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Dear Ms Kluth

Sixteenth series review of the Consumer Price Index

Thank you for the opportunity to contribute to the review of the Consumer Price Index (CPI). AEMO is the national electricity and gas market operator and national transmission planner. The objective of the national gas and electricity markets is to promote efficient investment in and operation of Australia's electricity and gas services for the long-term interests of consumers. This includes consideration of the price, quality, safety, reliability and security of energy supply.

A key role of AEMO is to deliver annual planning documents such as the Electricity and Gas Statements of Opportunities and the forthcoming National Transmission Network Development Plan which inform the market, potential investors and policy makers of potential future development scenarios. Reliable energy price data is crucial to AEMO's energy modelling and forecasting which underpins this planning process. Energy prices would similarly be important to others undertaking their own energy planning or energy policy analysis. Claims about the past and future path of energy prices are also made on a regular basis in the national debate about energy market-related matters, including in relation to the impact of potential greenhouse policy initiatives. Such claims could, in some instances be resolved factually if only the data were available.

Australia is one of the few OECD countries that does not publish retail energy prices on a regular and consistent basis. Component indices of the CPI do provide the energy sector with a single source of up-to date national retail energy prices. However, the component *electricity* index is only based on state or territory capital city prices and the component *gas and other household fuels* index (as the name implies) can also incorporate heating fuels other than natural gas. These components of course represent price changes (not levels); whereas energy planners really require price data in levels – e.g. cents per kWh - that comprehensively include all of each state or territory.

AEMO believes that the ABS is in an ideal position to produce more fit-for-purpose retail energy price statistics, perhaps based on a comprehensive survey of energy retailers. We encourage the ABS to establish a separate retail electricity and gas prices publication that

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would ideally include average retail electricity and gas prices for each state and territory, in total and for the residential and non-residential sectors. Such price data would also feed into the calculation of the CPI as a significant component of household expenditure that does not necessarily move congruently with other components.

Should the ABS decide to compile retail energy prices in the future, AEMO would be pleased to discuss the nature of such a compilation and necessary data collection. Please feel free to contact Mr Richard Hickling, Principal Economist on 02 9239 9117, or email richard.hickling@aemo.com.au, for further information.

Yours sincerely



Matt Zema
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