

Australian Competition & Consumer Commission

23 Marcus Clarke St

Canberra ACT 2601

email: carbonco-ordination@acc.gov.au

Carbon Tax Removal Substantiation Statement

Blue Star Energy Pty Ltd ABN 77 166 758 569

Blue Star Energy is a licenced retailer of electricity in the Western Australian Wholesale Electricity Market.

In accordance with the requirements of section 60FD of the Competition and Consumer Act 2010 Blue Star provides this Statement of the savings that will be passed on to its customers as a result of the carbon tax repeal.

Background

Blue Star commenced operations in Q1 2014.

Blue Star supplies electricity only to Large Use contestable customers in the Commercial & Industrial Class on the basis of individually negotiated contracts with well-informed customers.

Blue Star does not supply electricity to Small Use Customers (consuming less than 160MWh per year) or any form of mass-market consumer.

Blue Star does not supply customers under any form of regulated or standard contract; all contracts and prices are negotiated.

Blue Star sources electricity exclusively from Western Australia's Wholesale Electricity Market.

Blue Star is not been charged any aspect of its cost-of-supply expressly identified as carbon-related, although energy charges from the WEM implicitly include carbon in an unknown amount.

Cost savings due to repeal of the carbon tax

Blue Star estimates that it will receive cost savings via reductions in the cost of its wholesale energy and ancillary services (including out of merit generation) charges.

Blue Star has no means of verifying the amount of the savings.

Acting as a Reasonable and Person in accordance with the attached Supplementary Information, Blue Star estimates that it will receive a cost saving equivalent to an average \$21.53/MWh (FY 13-14) on the grounds that this is the figure published by the State Government in respect of the regulated tariffs offered by the State Owned Retailer.

Pass-through to customers

Blue Star supplies electricity to well-informed Commercial & Industrial customers under individually negotiated contracts. These contracts provide two broad styles of charge:

1. By reference to the Gazetted Tariffs set and amended from time to time under the Energy Operators (Powers) Act 1979 Western Australia, and applying a discount to these rates, with the discount also applying to the carbon component inherent in the rates;
2. By negotiated fixed rates for energy usage over defined periods;

Acting as a Reasonable and Prudent Person, Blue Star has adjusted its pricing from 1 July 2014 with reference to the State Government's published figure in the following manner:

1. The Gazetted Tariffs which became effective on the 1st July 2014 have been applied in their published "carbon excluded" form;
2. The contracted rates for energy supply have been reduced by the published figure for 2013-14, which was used as the basis for all contractual negotiations.

The application of the above adjustments as a result of the repeal of the carbon tax will result in a reduction of approximately 2.0/ckWh +GST in the amount that would otherwise have been passed through for the supply of electricity to its customers, but for the repeal, for the financial year commenced 1 July 2014.

Blue Star is a new retailer in a growth phase and in the month of July 2014 supplied 815MWh (delivered) of energy at an average cost of 18.9c/kWh. On this basis, the annualised saving is estimated to be 9.6%.

AIDAN JENKINS

MANAGING DIRECTOR

Blue Star Energy Pty Ltd

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