



26 October 2014

**SUBMISSION ON QCA INTERIM CONSULTATION PAPER ON
REGULATED RETAIL ELECTRICITY PRICES FOR 2015-16**

BACKGROUND

The Queensland Consumers' Association (the Association) is a non-profit organisation which exists to advance the interests of Queensland consumers. The Association's members work in a voluntary capacity and specialise in particular policy areas, including energy. The Association is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups and is represented on the Queensland Competition Authority's Consumer Consultative Committee and the Energy and Water Queensland Ombudsman's Advisory Council. The Association is also a member of the Queensland Council of Social Service's Essential Services Consultative Group.

The Association welcomes the opportunity to make this submission.

The contact person for this submission is: Ian Jarratt, email ijarratt@australiainmail.com

GENERAL COMMENTS

This submission only addresses issues that have a direct impact on residential customers.

We strongly believe that the 2015-16 determination of retail prices in regional Queensland should continue with the basic approaches taken in previous determinations when the prices applied to entire state.

We take this position because major changes made now would be unable to take account of significant changes/developments on many matters that may/will occur in the next few years including:

- The Uniform Tariff Policy (UTP)
- Payment of Community Service Obligations
- Retail competition in the Ergon area
- Changes to Energex and Ergon tariff structures
- New AER distribution pricing approval processes
- Future AEMC distribution pricing principles
- Metering changes
- Retail tariffs reviews
- Implementation of NECF
- Review of govt concession arrangements
- The structure and prices of the retail standing offers, controlled load and TOU tariffs to be set by retailers in the Energex area from 1 July 2015.

Regarding the UTP, which is crucially important to consumers especially those in regional Queensland, we note that the Minister's letter of 1 September 2014 indicated that the QCA's advice to him could be publicly released and that there might be benefit in releasing it

concurrently with this Paper. This was not done and we hope that the advice will be released very soon so that it can be used during the next phase of this consultation process.

SPECIFIC COMMENTS

Our responses to the questions in the paper are below.

Legislative Requirements and Pricing Approaches

Q2.1(a) For residential and small business customers, should we:

(i) maintain the 2014 - 15 approach, which is to base notified prices on south east Queensland costs? Why or why not?

(ii) keep notified prices at south east Queensland levels, but use Ergon Distribution's tariff structures for some or all tariffs? Why or why not?

We favour option (i) because the lower distribution costs in the Energex will result in it best meeting the objective of the current UTP and the Minister's delegation objective of regional retail prices not being higher than standing offer prices set by retailers in the Energex area.

It also increases the possibility that the tariff structures and costs faced by similar type customers for controlled load and TOU retail tariffs in Ergon an Energex's areas will be similar.

Network Costs

3.1(a) Should we continue to use Energex's tariff structures as the basis for retail tariffs for residential and small business customers?

(b) Alternatively, should we use Ergon Distribution's tariff structures for some or all retail tariffs for residential and small business customers?

(c) Are there any other issues we should consider?

For the same reasons as with Q2.1 we favour option (i) and the use of Energex's tariff structures for **all** tariffs i.e. standing offer, controlled load and TOU.

Energy and Retail Costs

4.1(a) Is there any new information available to suggest alternative approaches to those used in the 2014 - 15 determination might be more appropriate?

(b) What improvements could be made to the current approaches?

(c) Any there any other issues we should consider when estimating energy costs?

No comment.

4.2(a) Are there any compelling reasons why the benchmarking approach should not be used to estimate retail costs in 2015 - 16?

(b) What matters should we consider when deciding whether to include an allowance for CARC?

(c) Are there any other issues we should consider when estimating retail costs?

As indicated in previous submissions, we consider that there should be no allowance for CARC.

Other Issues

5.1(a) Should headroom continue to be included in notified prices for residential and small business customers? Why or why not?

(b) Should headroom continue to be included in notified prices for large business customers? If so, at what level? If not, why not?

(c) What other issues should we consider in relation to competition and headroom?

As indicated in previous submissions, we consider that there should be no allowance for headroom and that the allowed retail margin of 5% of all costs is too high

5.2 We seek stakeholders' views on whether a cost pass - through mechanism should be included when setting notified prices for 2015–16.

We consider there should be provision for changes, up and down, to be made to the regulated prices during 2015-16.

5.3 We seek stakeholders' views on whether tariffs 13 and 41 should be removed from the tariff schedule

To ensure that the UTP operates fairly across the state, these tariffs should be retained.

5.4(a) What issues should we take into account when deciding whether to complete the rebalancing of tariff 11 using the approach established in the 2013 - 14 determination?

We consider that only the planned increase in the daily charge for tariff 11 should be included in the 2015-16 determination.

5.5(a) Is there any new information that suggests the overall approach we propose to take for transitional and obsolete tariffs is no longer appropriate?

(b) What other issues should we should consider (please provide supporting evidence where possible)?

No comment.