



FAR NORTH QUEENSLAND ELECTRICITY USERS NETWORK

"Advocating on behalf of peak FNQ industry and social organisations
for affordable and reliable electricity in FNQ"

Submission to the Queensland Competition Authority on Draft 2016-17 Electricity Prices for Regional Queensland

20 April 2016

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DISCLAIMER

"This project was funded by Energy Consumers Australia (www.energyconsumersaustralia.com.au) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

The views expressed in this document do not necessarily reflect the views of the Energy Consumers Australia."

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Queensland Competition Authority: Draft 2016-17 Electricity Prices for Regional Queensland

1.0 OVERVIEW

Since 2006-07 Queensland's electricity prices have risen by 87 percent.

With another 10 percent increase in business power bills proposed for 2016-17, Queensland is on track for another 87 percent increase over the next 10 years. Residential power bills are also rising again.

The Queensland Competition Authority has been determining Queensland's regulated retail electricity prices since 2007 and hence would appear to be the entity responsible for the 87 percent price increase. However, the Queensland Competition Authority can only determine regulated retail electricity prices if it receives a delegation from the Queensland Government.

It is the Queensland Government that is responsible for the 87 percent rise in electricity prices.

The framework specified by the Queensland Government in its delegation to the Queensland Competition Authority is flawed and is the reason for the exorbitant and unsustainable prices.

The Queensland Government states in its delegation to the Queensland Competition Authority that the Queensland Competition Authority must use the Network (N) plus Retail (R) cost build-up methodology when working out the prices, where N (network cost) is treated as a pass-through and R (energy and retail cost) is determined by the Queensland Competition Authority.

The flaw is; if N plus R equals an electricity price which is unaffordable to either households or businesses it is irrelevant to either the Queensland Government or the Queensland Competition Authority as neither are concerned about affordability. There is no mechanism in the existing delegation or framework to consider affordability.

We question if the Queensland Competition Authority has adhered to its own Queensland Competition Authority Act 1997, Division 3 - Investigations about monopoly business activities.

"Section 26 Matters to be considered by the authority for investigation

(1) In conducting an investigation under this division, the authority must have regard to the following matters –

(c) the protection of consumers from abuses of monopoly power

(i) social welfare and equity considerations including community service obligations, the availability of goods and services to consumers and the social impacts of pricing practices

(m) economic and regional development issues, including employment and investment growth

(n) if the monopoly business activity is a government business activity - any directions given by the government to the government agency by which the monopoly business activity is carried on"

The past and proposed hikes in electricity prices are a direct result of the actions of the Queensland Government. We call on the Queensland Government to immediately revoke its delegation to the Queensland Competition Authority and to set regulated retail electricity prices that are affordable. We also call on the Queensland Competition Authority to inform the Queensland Government that it must take into consideration the affordability of electricity as it is relevant in the legislation of both the Queensland Government and the Queensland Competition Authority.

Affordability is achievable by reducing electricity prices by a minimum of 5 percent on current regulated retail prices for all business and residential customers in regional Queensland.

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2.0 REGIONAL QUEENSLAND HOMES HARDEST HIT BY EXORBITANT ELECTRICITY PRICES

The aim of the Uniform Tariff Policy (regulated retail prices) is to provide that, wherever possible, non-market customers of the same class should pay no more for their electricity, regardless of their geographic location in Queensland.

According to data compiled from the Australian Energy Regulator’s Energy Made Easy website, Toowoomba and Bundaberg power bills are cheaper than Brisbane and Gladstone, Mackay, Townsville and Cairns are more expensive than Brisbane for one, two, three and four person households. The reason for the higher power bills is simply household consumption in the majority of the geographic area outside Brisbane is higher (see Table 1). Hence, electricity bills constitute a larger percentage of the household budget in areas outside South East Queensland. This means less money is circulated in regional Queensland which affects regional jobs, the regional economy and investment in regional Queensland.

The reason power bills are high in regional Queensland is the Queensland Government sets the electricity price and reaps the benefit through Ergon Network (the state owned distribution network) and Ergon Retail (the state owned electricity retailer which effectively acts as a monopoly retailer for 97 percent of the geographic area of Queensland).

All the above appears to be in breach of the Queensland Competition Authority Act Section 26 (c), (i), (m) and (n) as stated in the Overview above.

The reason the impact of unsustainable power bills on household budgets is constantly underestimated is largely due to the misrepresentation of a typical annual bill by the Queensland Competition Authority. For example, the Queensland Competition Authority in their Executive Summary states the annual bill for a typical customer on tariff 11 in 2016-17 is \$1,465 which would equate to an annual consumption of 4,613 kWh. As per Table 1 this would place a typical customer in dollar terms as a one person household in Townsville or in consumption terms a two person household in Bundaberg. Neither would be what Queenslanders consider a typical residential annual bill on tariff 11 (the main residential tariff). The difference between regional Queensland and Brisbane is clearly shown in Table 2. The disparity is greater in other areas such as Townsville and Mackay.

Table 1: Comparison of total annual bills (excl GST) for Cairns and Brisbane from 2014-15 to 2016-17 using final and proposed regulated retail prices

Year	Fixed Charge (cents/day)	Metering Charge (cents/day)	TOTAL Fixed Charge (cents/day)	Variable Charge (cents/kWh)	One person household		Two person household		Four person household		QCA Typical 4613 kWh
					Brisbane 3178 kWh	Cairns 3463 kWh	Brisbane 4909 kWh	Cairns 5383 kWh	Brisbane 6971 kWh	Cairns 7897 kWh	
2014-15	83.414	Included in fixed charge	83.414	25.378	\$611	\$683	\$1,550	\$1,671	\$2,074	\$2,309	\$1,475
2015-16	106.728	9.67	116.398	22.238	\$1,132	\$1,195	\$1,517	\$1,622	\$1,975	\$2,181	\$1,451
2016-17	89.55	9.67	99.22	23.910	\$1,122	\$1,190	\$1,536	\$1,649	\$2,029	\$2,250	\$1,465
Percentage increase (black) or decrease (red) from 2015-16 to 2016-17					0.8	0.4	1.2	1.6	2.7	3.2	1.0

Source: Compiled with consumption data from the Australian Energy Regulator’s Energy Made Easy website accessed on 20th April 2016 and prices from the Queensland Competition Authority’s 2014-15 and 2015-16 Final Determinations & 2016-17 Draft Determination. The metering charge for 2016-17 is estimated due to a change in the National Electricity Rules allowing metering competition nationally from December 2017.

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Table 2: Consumption & Lowest Offer (Estimated Annual Bill) by Household Size and Postcode

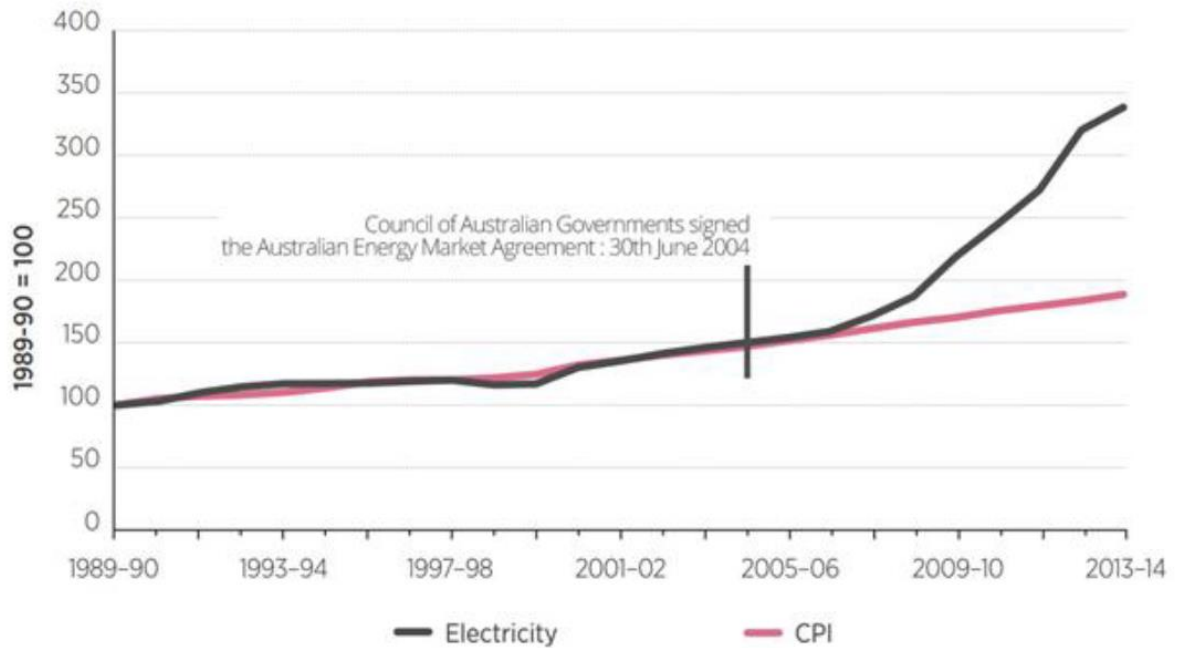
Location & Postcode		Household size							
		1 person		2 person		3 person		4 person	
		kWh/year	kWh/day	kWh/year	kWh/day	kWh/year	kWh/day	kWh/year	kWh/day
Brisbane 4000	Jan 2015 Consumption	3837	10.5	5114	14	6390	17.5	7666	21
	Nov 2015 Consumption	3178	8.7	4909	13.4	5501	15.1	6971	19.1
	Nov 2015 Lowest offer \$/yr	\$1,170		\$1,568		\$1,704		\$2,042	
	Apr 2016 Consumption	3178	8.7	4909		5501		6971	
	Apr 2016 Lowest offer \$/yr	\$1,213		\$1,642		\$1,784		\$2,138	
Toowoomba 4350	Jan 2015 Consumption	3709	10.2	4943	13.5	6178	16.9	7412	20.3
	Nov 2015 Consumption	3114	8.5	4811	13.2	5390	14.7	6831	18.7
	Nov 2015 Lowest offer \$/yr	\$1,190		\$1,605		\$1,747		\$2,099	
	Apr 2016 Consumption	3114		4811		5390		6831	
	Apr 2016 Lowest offer \$/yr	\$1,190		\$1,605		\$1,747		\$2,099	
Bundaberg 4670	Jan 2015 Consumption	3376	9.2	4497	12.3	5620	15.4	6742	18.5
	Nov 2015 Consumption	3053	8.4	4717	12.9	5285	14.4	6698	18.4
	Nov 2015 Lowest offer \$/yr	\$1,175		\$1,582		\$1,721		\$2,067	
	Apr 2016 Consumption	3053		4717		5285		6698	
	Apr 2016 Lowest offer \$/yr	\$1,175		\$1,582		\$1,721		\$2,067	
Gladstone 4680	Jan 2015 Consumption	4093	11.2	5454	14.9	6816	18.7	8177	22.4
	Nov 2015 Consumption	3436	9.4	5307	14.5	5947	16.3	7536	20.6
	Nov 2015 Lowest offer \$/yr	\$1,269		\$1,727		\$1,883		\$2,272	
	Apr 2016 Consumption	3436		5307		5947		7536	
	Apr 2016 Lowest offer \$/yr	\$1,269		\$1,727		\$1,883		\$2,272	
Mackay 4740	Jan 2015 Consumption	4363	12	5815	15.9	7267	19.9	8719	23.9
	Nov 2015 Consumption	3534	9.7	5494	15.1	6270	17.2	8059	22.1
	Nov 2015 Lowest offer \$/yr	\$1,293		\$1,772		\$1,962		\$2,400	
	Apr 2016 Consumption	3534		5494		6270		8059	
	Apr 2016 Lowest offer \$/yr	\$1,293		\$1,772		\$1,962		\$2,400	
Townsville 4810	Jan 2015 Consumption	4870	13.3	6490	17.8	8111	22.2	9370	26.7
	Nov 2015 Consumption	3945	10.8	6131	16.8	6998	19.2	8995	24.6
	Nov 2015 Lowest offer \$/yr	\$1,393		\$1,928		\$2,140		\$2,629	
	Apr 2016 Consumption	3945		6131		6998		8995	
	Apr 2016 Lowest offer \$/yr	\$1,393		\$1,928		\$2,140		\$2,629	
Cairns 4870	Jan 2015 Consumption	4276	11.7	5698	15.6	7121	19.5	8544	23.4
	Nov 2015 Consumption	3463	9.5	5383	14.7	6144	16.8	7897	21.6
	Nov 2015 Lowest offer \$/yr	\$1,276		\$1,745		\$1,931		\$2,360	
	Apr 2016 Consumption	3463		5383		6144		7897	
	Apr 2016 Lowest offer \$/yr	\$1,276		\$1,745		\$1,931		\$2,360	

Source: Compiled from data sourced from the Australian Energy Regulator's Energy Made Easy website accessed in January 2015, November 2015 and 20th April 2016

3.0 CHANGES TO THE RETAIL MARKET ARE UNLIKELY TO THE BENEFIT CONSUMERS

The Queensland Government signed the Australian Energy Market Agreement with the Council of Australian Governments in June 2004. Since the agreement electricity prices throughout Australia have risen sharply compared to the Consumer Price Index (see Figure 1).

Figure 1: National retail electricity price index, 1989-90 to 2013-14



Source: Australian Government Energy White Paper, April 2015

The Queensland Government introduced retail competition into South East Queensland in 2007, the same year the Queensland Government delegated its authority to set prices to the Queensland Competition Authority. Prices have risen by 87 percent since 2006-07 raising the question of how consumers are benefiting from retail competition and the setting of regulated retail prices by the Queensland Competition Authority.

From 1st July 2016 consumers in South East Queensland will not have access to regulated retail electricity prices.

The lowest offer for electricity in regional Queensland has remained the same from November 2015 to April 2016 (see Table 1). This is largely attributed to Ergon Retail effectively being the only electricity retailer in regional Queensland and Ergon customers accessing regulated retail prices which are set on an annual basis.

From November 2015 to April 2016 the lowest offer to customers in Brisbane has risen by:

- 3.7 percent or \$43 for one person households
- 4.7 percent or \$74 for two person households
- 4.6 percent or \$80 for three person households
- 4.7 percent or \$96 for four person households

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This is of great concern to approximately 360,000 customers in South East Queensland who must transition from non-market or standard regulated retail contracts to market contracts with one of about 16 retailers operating in South East Queensland by 1st July 2016. There are approximately 733,000 Ergon customers in regional Queensland on non-market contracts. To date the Queensland Government has not introduced full retail competition into regional Queensland therefore Ergon customers are largely captive to the Queensland Government.

Table 3: Electricity contract types by state 2015-16 Quarter 2

Region	Standard retail contracts (customers)	Standard retail contracts (% of customers)	Market retail contracts (customers)	Market retail contracts (% of customers)
ACT	132364	76%	42274	24%
Tas	239425	88%	32469	12%
SA	130259	15%	715978	85%
NSW	948316	28%	2394533	72%
Qld	1090731	52%	1000360	48%

Source: Australian Energy Regulator

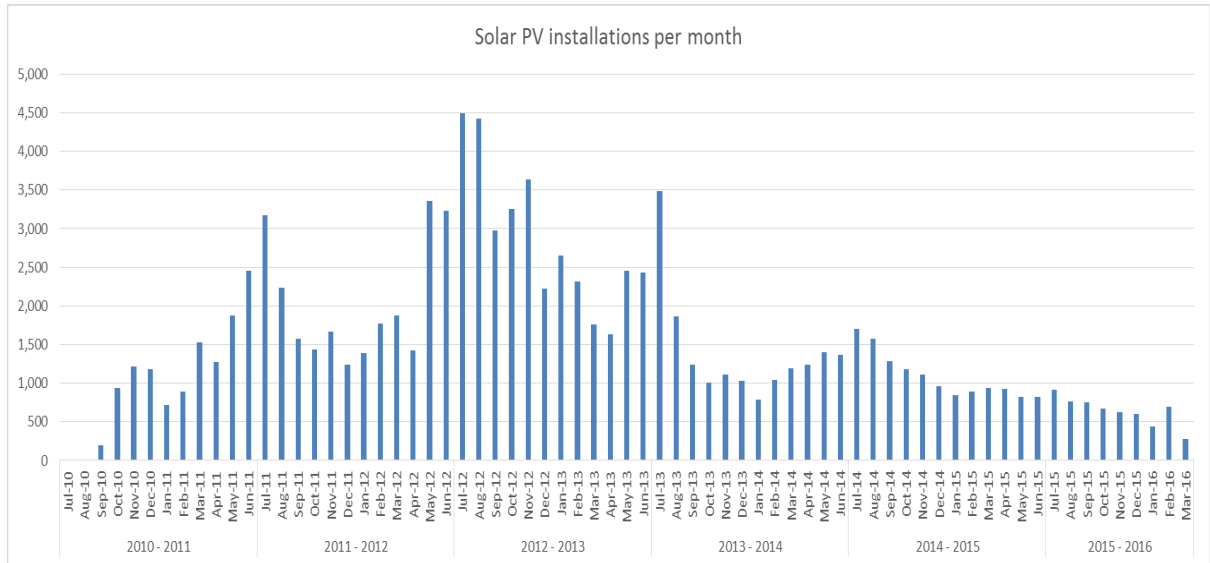
However, the Queensland Government did sign the National Energy Customer Framework which came into effect on 1st July 2015. The NECF allows electricity to be sold by “exempt individual” class retailers using a Solar Power Purchase Agreement. Solar Power Purchase Agreements will revolutionise electricity retailing in Queensland and will result in the Queensland Government’s \$30 billion plus network and generation assets/businesses being the supplier of last resort ie only when the sun is not generating enough energy will consumers need the poles and wires network and the generators attached to the network. The Queensland Government owns 65 percent of the generation in Queensland and Queensland generation is critical to the supply of electricity to southern states as the Queensland network is part of the national grid.

A Solar Power Purchase Agreement is an agreement to host solar PV panels on a consumer’s roof for no up-front cost providing the consumer signs an agreement to pay the company an agreed amount for electricity for around 10 to 20 years. The consumer still has reliable 24 hour 365 day of the year reliability as all consumers signing a Solar Power Purchase Agreement must be connected to the grid via an “authorised” retailer such as Ergon.

There has been a great deal of media regarding the rapid uptake of solar PVs by households in regional Queensland. Since December 2014 less than 1,000 solar PVs have been installed per month in regional Queensland. The peak month for installations was in July 2012 with 4,489 installations, the low is 275 installations in March 2016 (see Figure 2). There are 116, 211 solar PVs installations connected to Ergon’s regional Queensland distribution network.

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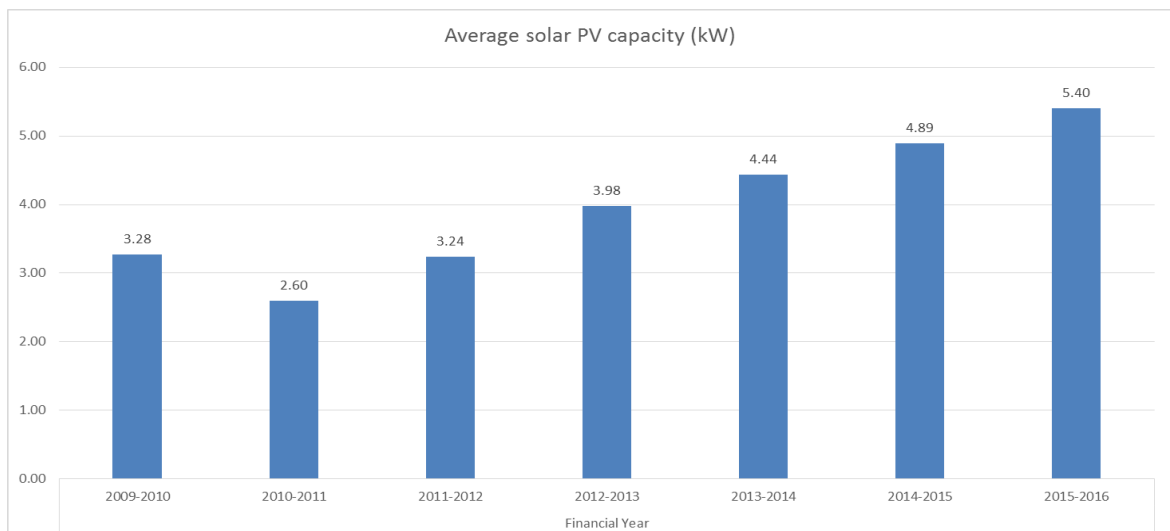
Figure 2: Solar PV installations per month connected to Ergon’s network in regional Queensland



Source: Compiled from data supplied by Ergon

The increased size of solar PVs installed in regional Queensland (see Figure 3) together with an increase in solar PV installations due to Solar Power Purchase Agreements, will reduce consumption from Ergon’s network. The decreased consumption will severely impact on the revenue of Ergon Network. Standard asset customers are approx. 90 percent of Ergon Network’s revenue and are largely residential and small business customers (see Table 4). This puts into question how long the state owned Ergon network will remain viable without increasing fixed charges to maintain their revenue base. The National Electricity Rules stipulate consumers on Solar Power Purchase Agreements must be connected to the grid. Although the Queensland Competition Authority has proposed a reduction in fixed charges in residential bills for 2016-17, it is highly likely that a rapid unplanned uptake of Solar Power Purchase Agreements will again increase fixed charges in an effort to recoup the cost of Ergon’s \$11 billion distribution network.

Figure 3: Average solar PV capacity of installations connected to Ergon’s network in regional Queensland



Source: Compiled from data supplied by Ergon

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Table 4: Ergon's weighted average annual revenue (GST exclusive)

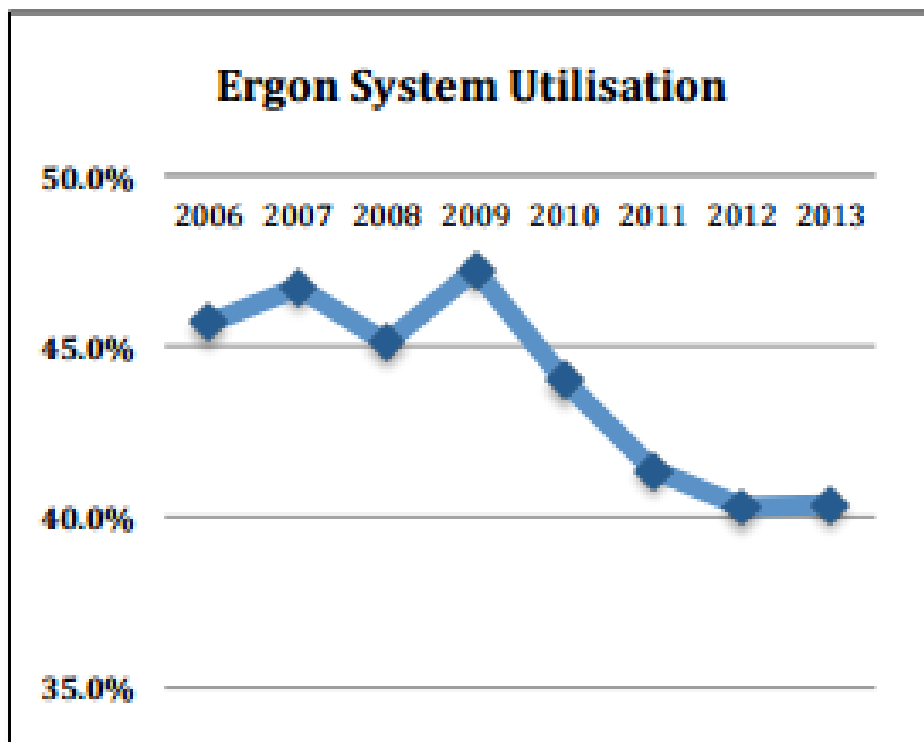
Weighted average revenue (GST exclusive) \$				
Tariff Class	2013/14	%	2014/15	%
Individually Calculated Customer (Pre 30 June 2010) – East	44,270,700		48,240,871	
Individually Calculated Customer (Pre 30 June 2010) – West	15,511,040		18,041,871	
Individually Calculated Customer (Pre 30 June 2010) – Mount Isa	0		0	
Individually Calculated Customer (Post 30 June 2010) – East	1,047,655		1,289,757	
Individually Calculated Customer (Post 30 June 2010) – West	0		0	
Individually Calculated Customer (Post 30 June 2010) – Mount Isa	0		0	
Sub total	60,829,395	3.78%	67,572,499	3.68%
Connection Asset Customers (Pre 30 June 2010) – East	82,146,869		94,942,500	
Connection Asset Customers (Pre 30 June 2010) – West	11,441,634		13,797,156	
Connection Asset Customers (Pre 30 June 2010) – Mount Isa	0		0	
Connection Asset Customers (Post 30 June 2010) – East	4,876,636		5,651,283	
Connection Asset Customers (Post 30 June 2010) – West	866,628		1,005,700	
Connection Asset Customers (Post 30 June 2010) – Mount Isa	0		0	
Sub total	99,331,767	6.18%	115,396,639	6.28%
Embedded Generation (Pre 30 June 2010) – East	3,580,389		4,071,633	
Embedded Generation (Pre 30 June 2010) – West	310,152		360,741	
Embedded Generation (Pre 30 June 2010) – Mount Isa	0		0	
Embedded Generation (Post 30 June 2010) – East	16,494		19,810	
Embedded Generation (Post 30 June 2010) – West	0		0	
Embedded Generation (Post 30 June 2010) – Mount Isa	0		0	
Sub total	3,907,035	0.24%	4,452,184	0.24%
Standard Asset Customer – Large (>100 MWh p.a.) – East	310,116,943		354,170,263	
Standard Asset Customer – Large (>100 MWh p.a.) – West	81,279,897		90,257,050	
Standard Asset Customer – Large (>100 MWh p.a.) – Mount Isa	4,990,591		5,490,010	
Standard Asset Customer – Small (<100 MWh p.a.) – East	790,684,818		914,514,252	
Standard Asset Customer – Small (<100 MWh p.a.) – West	221,097,418		252,077,832	
Standard Asset Customer – Small (<100 MWh p.a.) – Mount Isa	13,163,973		14,799,536	
Standard Asset Customer – Unmetered – East	19,033,098		16,936,247	
Standard Asset Customer – Unmetered – West	2,783,367		2,250,645	
Standard Asset Customer – Unmetered – Mount Isa	319,229		351,957	
Sub total	1,443,469,334	89.79%	1,650,847,792	89.80%
Total	1,607,537,531	100.00%	1,838,269,114	100.00%

Source: Compiled from Ergon 2014-15 Pricing Proposal – Version 1.1 – AER approved

Any action which increases regional electricity prices through higher fixed or consumption charges will further incentivise consumers to take up Solar Power Purchase Agreements and reduce annual consumption from Ergon's network. Some consumers, particularly those with their own solar PV systems, will be sufficiently incentivised to abandon the Ergon network by investing in batteries. This will only add to the falling utilisation of Ergon Network (see Figure 4). Ergon Network already suffers from one of the lowest utilisation levels in Australia (see Figure 5).

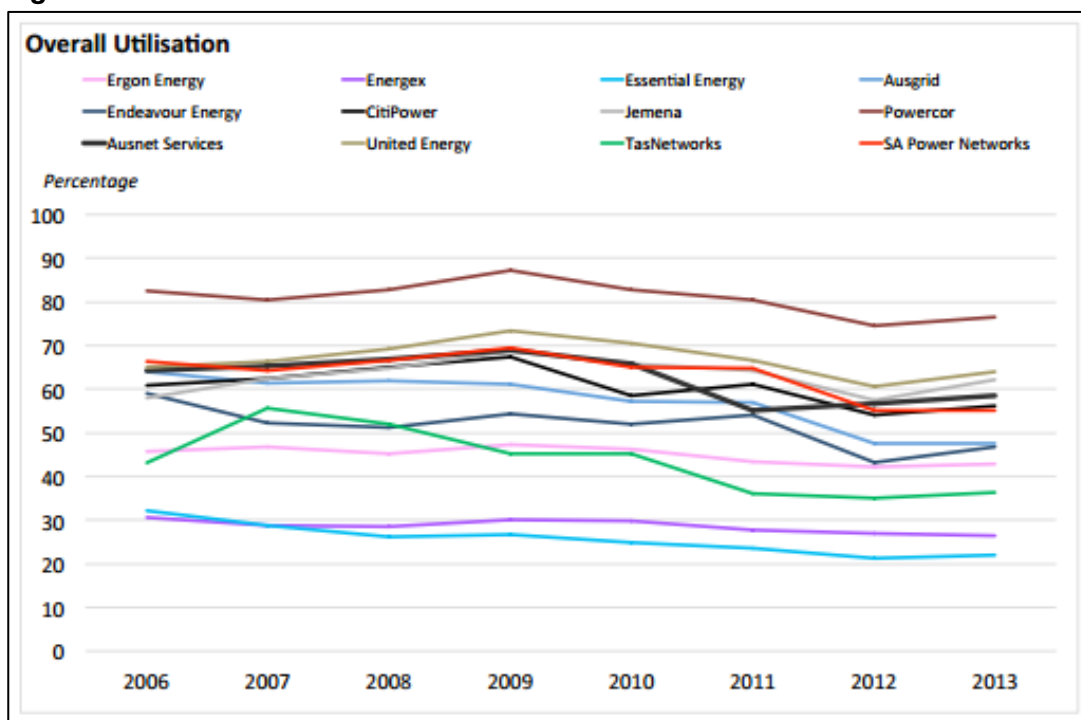
There will be winners and losers in the transition to renewable energy. Some consumers due to physical constraints & current renewable energy technology are not able to generate enough electricity for their household or business. This will have a profound impact on the economy, jobs and the standard of living of regional Queenslanders. The impact of unaffordable electricity is already biting as around 15,000 households in Queensland are unable to pay their normal 90 day electricity bill (see Table 5). This number will increase with higher consumption and higher power bills from last summer.

Figure 4: Ergon system utilisation



Source: Hugh Grant, member of AER Consumer Challenge Panel, Submission to AER, 3 Sep 2015.

Figure 5: Network utilisation



Source: Regulatory Information Notices, CME Analysis

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Table 5: Customers in Queensland on a Hardship Program

<u>Period</u>	<u>Participating in a hardship program (#)</u>	<u>% in a hardship program in Ergon area</u>	<u>Av. Debt on entry into a hardship program (\$)</u>	<u>Av. Length of time a customer remained in a hardship program (days)</u>
Jun Quarter 2015	15003		n/a	n/a
- Ergon only	5515	36.76%	301	127
Mar Quarter 2015	14438		n/a	n/a
- Ergon only	5087	35.23%	365	154
Dec Quarter 2014	12757		n/a	n/a
- Ergon only	3603	28.24%	390	174
Sept Quarter 2014	11422		n/a	n/a
- Ergon only	3242	28.38%	726	190
June Quarter 2014	9402		n/a	n/a
- Ergon only	3209	34.13%	388	196
Mar Quarter 2014	8633		n/a	n/a
- Ergon only	2938	34.03%	311	230
Dec Quarter 2013	7104		n/a	n/a
- Ergon only	2461	34.64%	389	264
Sept Quarter 2013	8497		n/a	n/a
- Ergon only	2998	35.28%	648	236
Dec Quarter 2012	8950		n/a	n/a
- Ergon only	5184	57.92%	768	292
Sept Quarter 2012	8653		n/a	n/a
- Ergon only	5293	61.17%	731	250
Dec Quarter 2011	7512		n/a	n/a
- Ergon only	4580	60.97%	645	247
Sept Quarter 2011	7309		n/a	n/a
- Ergon only	4454	60.94%	696	181
Dec Quarter 2010	5311		n/a	n/a
- Ergon only	2659	50.07%	633	191
Sept Quarter 2010	4932		n/a	n/a
- Ergon only	2367	47.99%	663	163

Source: Queensland Competition Authority.

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Table 6: Total Queensland Disconnections and Percentage of Pension/ Concession Card Holders Disconnected due to non-payment

Period	Business Customer		Residential Customer				Total Customers		% Business Customers Disconnected (using Distributor data)	% Pension/ Concession Card Holders (using Retailer data)
	Retailer data	Distributor data	Retailer data			Distributor data	Retailer data	Distributor data		
			Pension/ Concession Card Holder	Others	Total					
Jun Qtr 2015	461	630	1773	5886	7659	7586	8120	8216	7.67%	23.15%
- Ergon only	141	141	762	2847	3609	3606	3750	3747	3.76%	21.11%
Mar Qtr 2015	540	720	1830	6545	8375	8420	8915	9140	7.88%	21.85%
- Ergon only	199	199	832	2949	3781	3781	3980	3980	5.00%	22.00%
Dec Qtr 2014	436	581	1502	5072	6574	6525	7010	7106	8.18%	22.85%
- Ergon only	142	142	698	1911	2609	2609	2751	2751	5.16%	26.75%
Sept Qtr 2014	622	758	1404	5680	7084	7301	7706	8059	9.41%	19.82%
- Ergon only	180	180	752	2243	2995	2995	3175	3175	5.67%	23.69%
June Qtr 2014	549	647	1351	5409	6760	6953	7309	7600	8.51%	19.99%
- Ergon only	162	162	891	2590	3481	3481	3643	3643	4.65%	25.60%
Mar Qtr 2014	508	551	1210	5408	6618	6713	7126	7264	7.59%	18.28%
- Ergon only	106	106	733	2227	2960	2960	3066	3066	3.46%	24.76%
Dec Qtr 2014	436	581	1502	5072	6574	6525	7010	7106	8.18%	22.85%
Dec Qtr 2013	495	446	1378	4300	5678	6048	6173	6494	6.87%	24.27%
Dec Qtr 2012	355	373	1071	3888	4959	4976	5314	5349	6.97%	21.60%
Dec Qtr 2011	320	356	959	4452	5411	5527	5731	5883	6.05%	17.72%
Dec Qtr 2010	357	360	881	4052	4933	4986	5290	5346	6.73%	17.86%

Source: Queensland Competition Authority.

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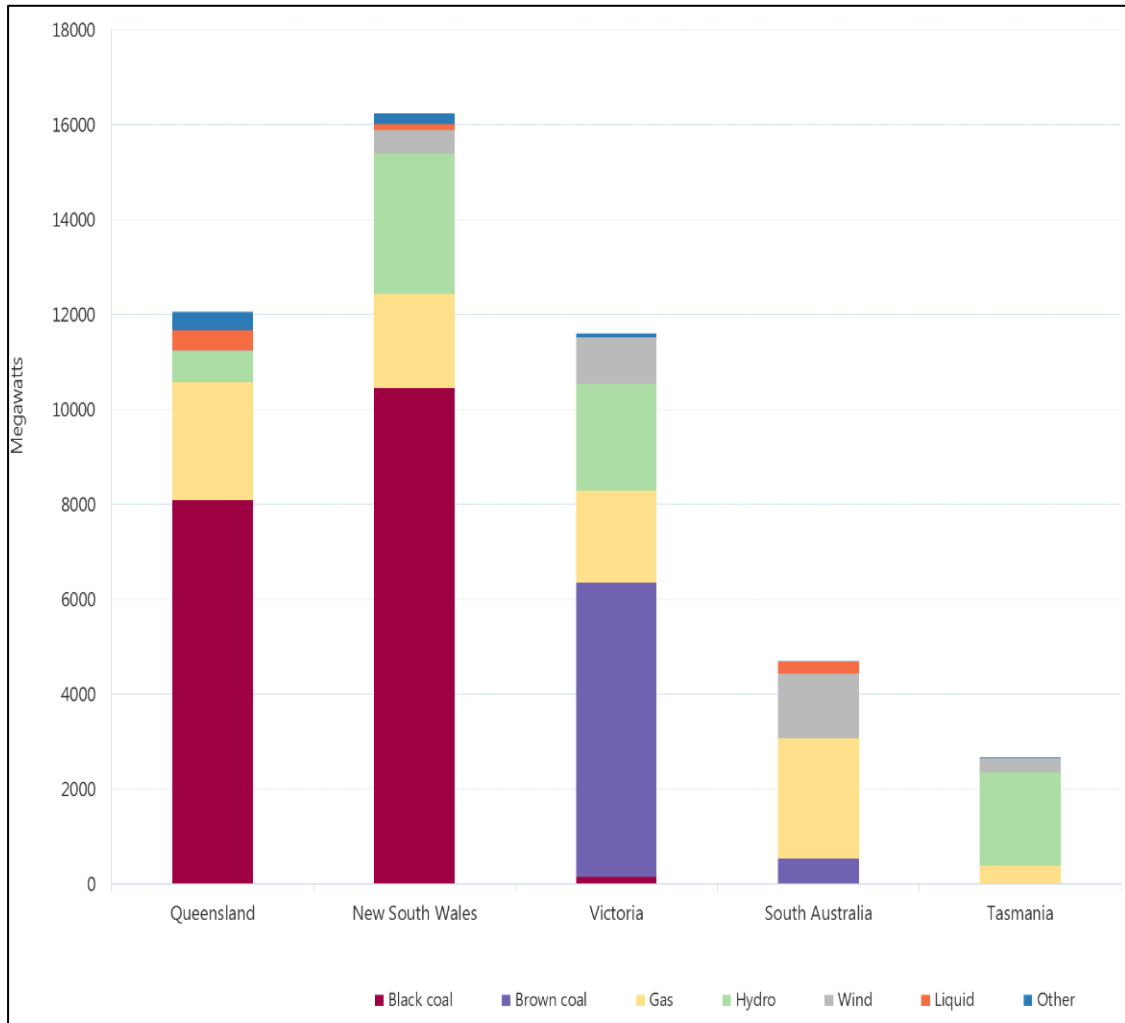
4.0 CHANGING THE GENERATION MIX WILL INCREASE POWER BILLS

The Queensland Competition Authority attributes part of the rise in electricity prices to the higher wholesale generation cost which is rising due to more renewable energy in the generation mix.

Queensland is historically and currently, highly reliant on low cost electricity from black coal generation (see Figure 6). More renewable generation will adversely affect the wholesale price of electricity and affect the viability of state owned coal generators by reducing the demand for coal generation during daylight hours. More investment in renewable technology is required to ensure renewable energy is price competitive with coal and provides 24 hour 365 days of the year reliability. It is critical that businesses and residents captive to the grid can access affordable and reliable electricity despite a changing generation mix.

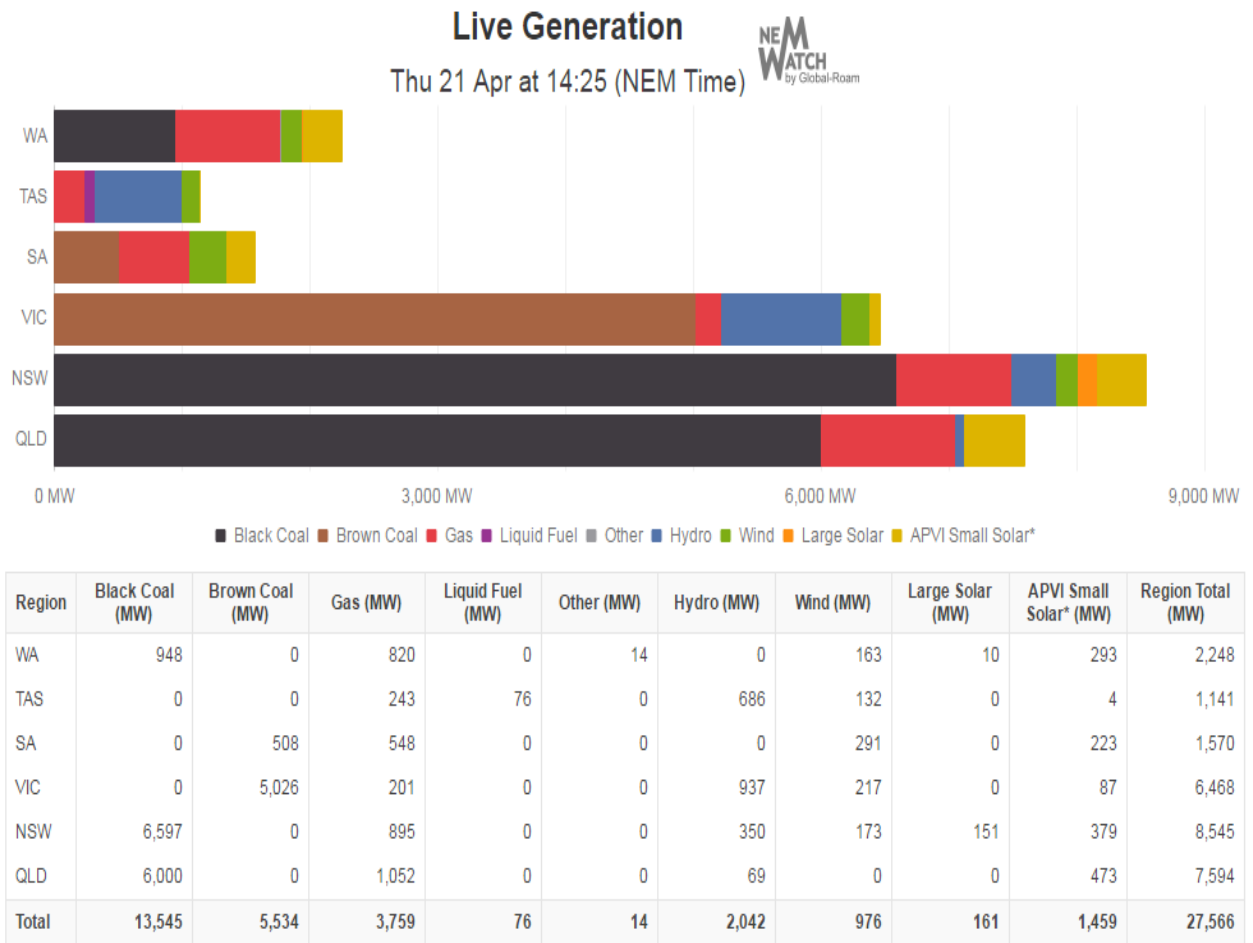
The current generation mix and its contribution to the supply in the national grid (National Electricity Market) at 2.25 pm on an autumn day is shown in Figure 7. It would be interesting to show the same graph at 2.25 am.

Figure 6: Registered capacity in regions by fuel source



Source: AER wholesale statistics, data current as of 1st January 2016

Figure 7: Generation mix in the National Electricity Market at 2.25 pm in autumn



Source: Renew Economy website home page, 21st April 2016

Another important consideration when setting prices that affect the generation mix is to keep in mind the investment and economic life of existing generators.

In August 2015, the Australian Energy Market Operator in its Electricity Statement of Opportunities estimated that under a low and medium demand scenario Queensland will not require any more generation until 2024-25.

Despite surplus generation for the next 10 years, there is 4,430 MW of ‘proposed’ generation (mostly open cycle gas turbine and wind) and 44 MW of ‘committed’ generation (all solar) planned for Queensland. Only 925 MW is withdrawn, mostly coal and gas.

There is no reference by the Australian Energy Market Operator (the entity responsible for ensuring there is adequate electricity supply in the national grid) to the generation of solar energy from around 400,000 rooftop solar PVs currently installed in Queensland or to the potential generation of solar from one million rooftop solar PVs promoted by the Queensland Government.

Government policies affect wholesale generation prices which in turn affects power bills.

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4.0 TIME-OF-USE TARIFFS NEED TO INCENTIVISE ENERGY EFFICIENCY

The Queensland Government needs to ensure tariffs reward consumers for being energy efficient. For example, the Queensland Competition Authority does not have enough data for time of use tariffs and has opted to increase the Seasonal Time of Use Tariff for small business customers in regional Queensland by 13.6 percent. For regional businesses that cannot shift their load during summer peak demand times of 10.00 am to 8.00 pm, this is a most unwelcome cost impost to their business.

The imminent rollout of advanced meters will herald the age of charging according to the time of consumption rather than the total amount of electricity consumed. The proposed increase in time of use tariffs does not incentivise consumers to invest in energy efficient measures such as off peak tariffs for hot water systems and pool pumps.

Electricity prices need to give signals. The signals given by rising time of use tariffs is not to adopt time of use tariffs. If consumers do not adopt time of use tariffs there is no point in rolling out advanced metering. The Victorian experience shows that the \$2 billion mandatory roll out of advanced meters since 2009 may result in no overall benefit to consumers and instead a possible cost of \$319 million.

5.0 SUMMARY

The decisions of the Queensland Government and the Queensland Competition Authority have driven electricity prices for both businesses and residents to unsustainable levels over the past 10 years.

To achieve affordable electricity, either the Queensland Government or the Queensland Competition Authority, must reduce electricity prices by a minimum of 5 percent on current regulated retail prices for all business and residential customers in regional Queensland.

Failure to reduce regional electricity prices by at least 5 percent will jeopardise Queensland's ability to transition smoothly to a renewable energy future. The economy of regional Queensland will falter, valuable regional jobs will be lost and the standard of living will fall.

All classes of customers are vulnerable. The statistics state around 80 percent of consumers disconnected due to non-payment are working individuals and working families. Regional Queensland needs a reduction in electricity prices in 2016-17.

Appendix 1

The following is a list of organisations involved in the FNQ Electricity Users Network:

1. Cairns Regional Council
2. Tablelands Regional Council
3. Cook Shire Council
4. Far North Queensland Regional Organisation of Councils
5. Advance Cairns
6. Tourism Tropical North Queensland
7. Regional Development Australia FNQ & Torres Strait
8. Cairns Chamber of Commerce
9. Mareeba Chamber of Commerce
10. Atherton Tablelands Chamber of Commerce
11. Innisfail District Chamber of Commerce, Industry and Tourism
12. Urban Development Institute of Australia (Cairns branch)
13. Consolidated Tin Mines Ltd
14. Canegrowers - Tablelands
15. North Queensland Miners Association
16. Australians in Retirement (Cairns branch)
17. Queensland Dairyfarmers Organisation (Northern Division)
18. Mareeba District Fruit and Vegetable Growers Association
19. Mareeba Shire Council