



Minister for Main Roads, Road Safety and Ports
Minister for Energy and Water Supply

Our Reference: CTS 10127/16

- 3 MAY 2016

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Professor Roy Green
Chair
Queensland Competition Authority
Level 27
145 Ann Street
BRISBANE QLD 4000

Dear Professor Green *Roy,*

Re: Draft Determination for 2016–17 Regulated Retail Electricity Prices

I refer to the Draft Determination by the Queensland Competition Authority (QCA) for regulated retail electricity prices in 2016–17.

The Government is pleased to see that our decision to direct Energex and Ergon Energy to accept the Final Determination from the Australian Energy Regulator has flowed through to the end prices for customers in regional Queensland. This is particularly evident in the outcomes for residential customers, who based on your draft findings, will see a second year of stable prices after increases of 43 per cent over the three years to 2014–15.

The purpose of this submission is to highlight the Government's concerns with outcomes for business customers, in particular small business customers, who would face price increases in the range of 9 to 14 per cent based on the Draft Determination.

The Government understands that changes in the energy cost component are the primary reason for this increase to business customers, driven by outcomes in competitive markets. However, for small business customers nearly half the increase they will face is a result of changes to the retail cost component.

I understand that the QCA has a requirement to ensure that the prices faced by customers reflect the actual costs of supply and in this regard I commend the work of the QCA in updating the way that retail costs are passed through to customers. Certainly, this has provided a clear benefit to residential customers and particularly those with lower consumption levels.

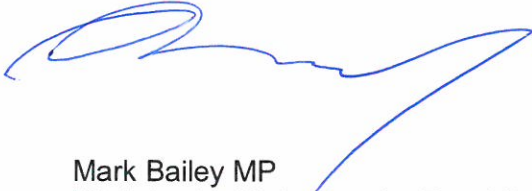
However, the changes to the calculation of retail costs for small business customers represents a step change and will result in a significant price increase at a time when they could reasonably have expected a more stable outcome.

I am aware that in similar circumstances, the QCA previously considered it important to transition the re-balancing of fixed and variable components of Tariff 11 to minimise the price shock to

some customers. On this basis I request that you consider a similar approach for transitioning the move to higher overall retail costs for small business customers.

Should you require further information on this matter, please contact Mr Benn Barr, Deputy Director-General, Energy on (07) 3199 4977.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Mark Bailey', with a long, sweeping tail that extends downwards and to the right.

Mark Bailey MP
**Minister for Main Roads, Road Safety and Ports and
Minister for Energy, Biofuels and Water Supply**