



9 April 2018

**SUBMISSION ON QCA DRAFT DETERMINATION FOR
REGULATED ELECTRICITY PRICES 2018-19**

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 brief submission.

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GENERAL COMMENTS

Scope

Our comments relate only to household customers.

Pricing approach

We support basing notified prices for 2018-19 on the cost of supply in south east Queensland (SEQ). However, they should be based only on the cost of **efficient** supply in SEQ.

Although not QCA's responsibility, we also consider that it would be highly beneficial if the UTP policy (which the QCA is required to take account of) was reviewed before the start of the process for setting the regulated prices for 2019-20.

Retail costs

For this determination we support use of the general approach adopted to retail costs for the 2017-18 determination. However, we consider that retail costs should **not** be increased by the CPI change unless there is evidence that costs have actually increased by this amount.

In this regard we note that SEQ retailers are increasingly seeking to reduce costs by encouraging or requiring consumers to have electronic billing and payment and contact with them, as well as to pay by direct debit and to pay monthly.

Further, because of the above and the rapidity of changes in retailing methods and the format of retail offers/plans in SEQ, we consider that the current estimated retail cost allowances should be comprehensively reviewed prior to the start of the 2019-20 tariff setting process.

Standing offer differential

As indicated in our previous submission, we do **not** support using the differential between standing and market offer prices in the SEQ market as the differential to apply to the calculation of regulated standing offer prices outside SEQ for 2018-19.

This is because we have major concerns about the extent to which standing offer prices in SEQ reflect the efficient cost of supply. For example, many SEQ consumers on standing offers are less price-sensitive and more loyal to their existing retailer than are market contract consumers and this is likely to be reflected in high standing offer prices.

Also, since standing offer prices are used by many retailers as the base from which discounts are offered for market contracts, there is an incentive for retailers to set the highest possible standing offer prices in order to be able to advertise high % discounts and other incentives.

We have concerns also about the validity of the assumption that standing offer contracts provide additional value for consumers compared to a market offer contracts.

Because of the above issues, and the increased diversity of the types of market offers in SEQ and the declining proportion of SEQ consumers on standing offers, we also consider that before the start of the 2019-20 determination process there should be a comprehensive review of the current policy of linking the determined regional prices to standing offer prices in SEQ.

However, we recognise that given the Minister's delegation, the QCA will probably have to apply a standing offer differential to the efficient prices estimated for 2018-19. Nevertheless, we note that the Minister's letter asks QCA to "give consideration to maintaining the Standing Offer adjustment at the current level". Given that, and the points we made above and the earlier mentioned need for a review of the UTP, we believe that for this determination any differential applied by QCA should not be greater than that applied for 2017-18 and preferably should be considerably lower.

Presentation of customer impacts

We consider that the bill impacts of the Final Determination should be provided in the final document and in fact sheets, etc. for more customer usage levels than just the "typical consumer".

This is important and necessary because of the great range in customer usage levels and because the regulated prices can have significantly different effects on different levels of usage.

We also consider that the customer usage levels chosen as examples should represent significant numbers of consumers and that the emphasis should be on the annual consumption level, not the possible characteristics of the households. The latter are inevitably very varied and it can be misleading and confusing for consumers with household characteristics that differ substantially different from those of the example household, or households, used to describe their consumption level.