



16 April 2019

Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Millstead

Energy Queensland submission to the Draft Determination for Regulated Retail Electricity Prices for 2019-20

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) on its Draft Determination for Regulated Retail Electricity Prices for 2019-20 (Draft Determination) on behalf of our retail business Ergon Energy Queensland Pty Ltd (Ergon Energy Retail), and network businesses Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy Network).

Energy Queensland broadly supports the approach adopted by the QCA to determine the Notified Prices for 2019-20. However, we have prepared a number of comments in relation to specific aspects of the Draft Determination. These are presented below.

Network Tariffs

Energy Queensland notes that the network tariffs for Energex and Ergon Energy Network for 2019-20, which were provided to the QCA to inform the Draft Determination, were indicative only and not the approved network tariffs for 2019-20. Energex and Ergon Energy Network have since finalised their network tariffs for 2019-20 (as part of their Annual Pricing Proposals submitted to the Australian Energy Regulator on 31 March 2019) and these have been provided to the QCA to inform the Final Determination for regulated retail electricity prices for 2019-20. Based on Ergon Energy Network's final calculation of the network tariff charges for residential customers, the proposed increase in network tariff rates is now lower than the three per cent presented in the Draft Determination.

Energy Queensland also notes that the QCA's Draft Determination incorporates the adjustments proposed by Energy Queensland to determine the network charges for Tariff 15. Energy Queensland supports the QCA's draft decision to use Ergon Energy Network's tariff structures for Tariff 15 as this approach ensures the network tariff structure is cost-reflective and retains the long run marginal cost price signals of the Lifestyle network tariff.

Wholesale Energy Costs

Energy Queensland considers that ACIL Allen's spot price forecast requires further consideration on the impact of roof top solar photovoltaics (PV) and increasing generation from new utility-scale solar PV on prices in the middle of the day. Energy Queensland agrees with the trade weighted contract pricing methodology used by ACIL Allen in its modelling and we have been able to replicate the results. However, we suggest consideration be given to the following differences which were identified when Energy Queensland attempted to replicate the net hedged price outcome.

During the middle of the day, as spot prices depress due to solar PV generation, retailers may be subject to negative contract-for-difference payments as a consequence of the contract strike price being greater than the spot price. Energy Queensland requests further information on the wholesale energy costs used in the Draft Determination to adequately account for this scenario.

We also note that while there is adequate information provided at the top of the price duration curve (i.e. price volatility), more information is required at the bottom of the curve (i.e. lower prices). Given the increasing incidence and changing timing of low pool prices in the Queensland market, Energy Queensland requests more detail to demonstrate how this development has been captured in determining pricing outcomes.

Energy Queensland considers that the most informative and transparent outcome would be for the QCA to release the ACIL Allen simulated half-hourly load and spot price traces so more granular detail of the process can be considered.

Transitional/Obsolescent tariffs

Energy Queensland is committed to assisting new and existing customers currently billed on obsolete or transitional tariffs to understand the options available to them once these tariffs are no longer available. Ergon Energy Retail has commenced a significant information program to advise customers of the Transitional Tariff program and prepare them for the transition to standard business tariffs. Information will be delivered to customers via billing and other channels to assist customers to understand the nature of the changes. This will be complemented by the new energy analysis functionality in Ergon Energy Retail's My Account customer portal which enables customers to compare different tariffs.

Metering Charges

Energy Queensland notes that the QCA proposes to establish a new metering charge for Standard Asset Customers (SACs) consuming more than 750 megawatt-hours (MWh) per year. This represents a departure from last year's determination where the metering costs were determined based solely on Ergon Energy Network's customer classifications of SAC, Connection Asset Customers, and Individually Calculated Customers. It appears that by using this consumption threshold, the QCA has established a price based on the type of metering used for the customer (type 3) as opposed to a network-determined customer classification.

Although not a significant change and largely consistent with the treatment of similarly metered customers in south-east Queensland, this departure from last year's methodology may lead to some customer confusion where a customer will be on a

retail tariff based on being classified by the network as a SAC Large customer (consuming greater than 100MWh/year), but will have to pay metering charges based on a classification determined by the QCA.

Energy Queensland would welcome the opportunity to discuss these matters further with the QCA.

Should the QCA require additional information in relation to the above comments, or wish to discuss any aspect of this submission, please contact me on (07) 3851 6787 or Peter Wall on (07) 3664 4968.

Yours sincerely



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