



The Hon Dr Anthony Lynham MP  
Minister for Natural Resources, Mines and Energy

Ref CTS 23694/19

10 DEC 2019

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Professor Flavio Menezes  
Chair  
Queensland Competition Authority  
Level 27, 145 Ann Street  
BRISBANE QLD 4000

Dear Professor Menezes

Pursuant to section 90AA of the Electricity Act 1994 (the Act), I have delegated to the Queensland Competition Authority (QCA) my functions under section 90(1) of the Act for the determination of regulated retail electricity prices in regional Queensland for 2020–21. I enclose a copy of the delegation, which includes the terms of reference of the price determination.

The government's uniform tariff policy (UTP) and costs to consumers are important considerations when setting regulated retail electricity prices in regional Queensland. The attached delegation and terms of reference for 2020–21 are generally consistent with the approaches in my delegation and terms of reference for 2019–20, however, there are some important additional considerations. Many of these are associated with managing potential adverse impacts on retail customers of the anticipated changes to network tariffs, including continued advancement of network tariff reform by Queensland's electricity distributors and the Australian Energy Regulator (AER) as well as the commencement of the new 2020-25 distribution regulatory control period.

Network tariff reform is critical to sending the right pricing signals to electricity retailers so that electricity networks are utilised more efficiently, generating savings that flow through to customers in the form of reduced network charges. However, in general, network tariff reform should not create perceptions of differential treatment amongst a class of retail customers based on their geographical location or the type of meter they have. It is important regional customers continue to access price structures that are similar to those accessed by the majority of similar South East Queensland customers, unless they specifically choose an alternate tariff. I am also seeking to ensure all current standard retail tariffs (standard tariffs) are retained in their current form, and where practicable, customers are provided new and additional choice of retail tariffs resulting from the national network tariff reform agenda.

In 2019, the AER set Default Market Offers (DMO) as maximum bill amounts at certain consumption levels in applicable distribution areas in the national electricity market. Under the UTP, the South East Queensland DMO represents the ceiling that should be set for an equivalent notified price. Further, the government notes that standard contracts provide additional value to customers compared to market contracts, for example, through additional protections contained in the terms and conditions of standard contracts.

In order to reflect the intent of the UTP when network tariffs are undergoing significant reform and to maintain existing standard tariff arrangements, I have provided clarity about the scope and application of the UTP. The QCA should also give consideration to including an adjustment in notified prices that appropriately reflects the additional value of the terms and conditions of standard retail contracts. In addition, I consider the standing offer adjustment made by the QCA in previous determinations appropriately reflects this additional value and as such, the QCA should consider including an adjustment of a similar magnitude in notified prices for 2020–21 while ensuring that notified prices do not exceed the equivalent South East Queensland DMO where set.

Under national Power of Choice reforms, all new and replacement meters must be advanced digital meters. Due to my concerns about the cost impact on small customers and the limited realisation of benefits being delivered to customers, on 5 April 2019, I asked the QCA for advice on the benefits of the digital meter roll out in Queensland. As the government remains concerned about the cost of digital meters for small customers and the slow progress toward benefit realisation by the electricity supply industry as identified by the QCA, this delegation again excludes the determination of notified prices for retail metering services for residential and small business customers. I intend to set these charges separately based on the responding advice the QCA provided to me on 13 September 2019.

The government is committed to customers in regional Queensland having more choice in electricity tariffs while maintaining the UTP. With this in mind, the government supports efforts by Ergon retail to develop new tariff structures in regional Queensland. In setting prices for 2020–21, I encourage the QCA to consult closely with retailers operating in regional Queensland, in particular regarding the continuation of existing standard tariffs. These consultations will also be key in the establishment of any new standard tariffs reflecting new network tariffs approved by the AER for the 2020–25 period.

You will note that the government has refined the definition of the UTP to clarify that it applies to the structure of retail tariffs, as well as the price level. This ensures customers are not treated differently because of where they live in Queensland.

Customers often do not nominate a tariff when they seek to establish an electricity account. To expedite account establishment in the interest of customers, Ergon retail generally assigns Tariff 11 for residential and Tariff 20 for small business customers as default tariffs when this occurs, reflecting current underlying network tariff assignment. However, it is likely that default network tariff assignment practices will change from 1 July 2020. Further clarification is provided to assist the QCA in its application of the UTP and maintain existing retail tariff assignment practices to avoid potential risks of adverse and unintended outcomes for customers in the first year of new network tariffs. The QCA should consider nominating Tariff 11 to be a default residential tariff and Tariff 20 a default small business tariff, to apply when a customer does not nominate a tariff when they seek to establish an electricity account. This default designation should not limit customers from selecting alternative tariffs they are eligible for if they choose to do so.

I note that timing of decisions made by the AER as part of its Queensland distribution determinations for the 2020–25 regulatory control period may present challenges to the QCA's usual regulated retail price determination timeframe. Some flexibility is provided in this delegation in terms of both timing and price setting methodology to manage this risk.

Recognising that some customers accessing obsolete legacy tariffs would face challenges adjusting to standard business tariffs, I extended the phase-out dates by one year to 1 July 2021. As these obsolete tariffs are not based on the actual costs of supplying electricity, the expiry date should be maintained and all customers on these tariffs will need to switch to a standard business tariff before 1 July 2021. I understand Ergon distribution is proposing to the AER new tariffs more suited to the needs of these customers, who will continue to be supported through the UTP.

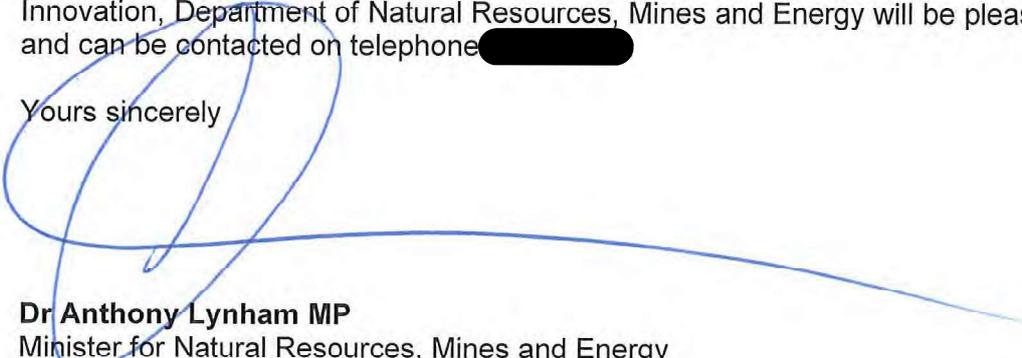
Ergon distribution has also proposed to the AER to reassign some Connection Asset Customers (CAC) to Individually Calculated Customers (ICC) in 2020-21 when they have been identified as an outlier to their costs to serve. This has the potential to significantly lower the network charges for some of these customers. The government considers it important that any potential reduction in network charges be passed through to customers via notified prices. However, to ensure existing ICC customers are no worse off, the QCA should also maintain Tariff 53.

Public consultation is a vital part of the QCA's process for determining retail electricity prices. In this regard, the terms of reference requires that the draft determination should be issued in February 2020, but not later than the end of March 2020, with public consultation to follow, and a final determination should be delivered by 31 May 2020, but not later than 26 June 2020.

The government is committed to delivering lower electricity bills. My department will consult with the QCA on specific wording for the 2020-21 gazette, ensuring regional customers continue to benefit from the electricity cost protection provided by the UTP.

If you have any questions, [REDACTED] Executive Director, Consumer Strategy and Innovation, Department of Natural Resources, Mines and Energy will be pleased to assist you and can be contacted on telephone [REDACTED]

Yours sincerely



**Dr Anthony Lynham MP**  
Minister for Natural Resources, Mines and Energy

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