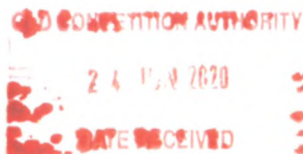




The Hon Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Ref CTS 12123/20

17-JUN-2020



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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 three new controlled load retail standard tariffs to be added to the 2020-21 tariff schedule.

I note the challenges experienced by the Australian Energy Regulator (AER) in making its decisions about the 2020-25 Energex and Ergon Energy distribution regulatory control period and the resulting delays. It is now apparent that the QCA would not be able to create new retail tariffs to apply from 1 July 2020 that are based on the new network tariffs recently approved in the AER's final decisions.

As the QCA has previously identified, the transition to cost-reflective tariffs will impact businesses, which is why the government has enabled a transition period along with specific programs and trials to support those customers. This transition period concludes on 30 June 2021.

The new controlled load network tariffs have been developed in consultation with businesses, including those on obsolete tariffs. They form a key part of Energy Queensland's (EQ) strategy to assist customers' transition to standard business tariffs, and it is important that these are implemented prior to the expiry of obsolete tariffs.

This delegation is limited to the development of three new regulated standard retail tariffs that support the three new network controlled load tariffs approved by the AER by on 5 June 2020, applying from 1 July 2020. The new retail tariffs are to take effect from 1 November 2020, after which they will be reviewed for 2021-22 as part of the usual tariff year process.

The attached delegation and terms of reference are generally consistent with the approaches in my previous delegation and terms of reference for 2020-21. However, I have limited its scope to the development of the three new tariffs and their addition to the Tariff Schedule.

The government's uniform tariff policy (UTP) and costs to consumers are important considerations when setting regulated retail electricity prices in regional Queensland. As such, the government notes that standard contracts continue to provide additional value to small customers compared to market contracts, for example, through additional protections contained in the terms and conditions of standard contracts that cannot be set aside. I consider

that the standing offer adjustment proposed by the QCA in its draft 2020-21 price determination, before any adjustments were made to account for an equivalent Default Market Offer, appropriately reflects this additional value.

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 must be issued in August 2020, with public consultation to follow, and a final determination must be delivered by 16 October 2020. I acknowledge the timeframe for this price setting process is compressed compared to the normal timeframe, but trust the QCA is able to make its decision by the due date considering the limited scope of this delegation.

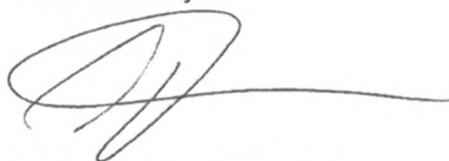
Recognising the significant public consultation already undertaken by both EQ and the AER in developing the new network tariffs and that the structure and access arrangements of the new retail tariffs should mirror those tariffs, I have not included the usual requirement for the QCA to issue an Interim Consultation Paper. This approach will enable the QCA to move quickly to a draft decision, undertake consultation and deliver new retail prices before the end of 2020.

The government is committed to delivering lower electricity bills and ensuring regional customers continue to benefit from the protections provided by the UTP. I consider the anticipated new retail tariffs provide new options for customers that can help them manage their electricity bills.

I will consider possibilities of further new retail tariffs once the AER has finalised its current network decisions, and the QCA has its finalised its current retail electricity price determination – due to be published by 26 June 2020.

My department will consult with the QCA as appropriate on specific wording for inclusion in the new Tariff Schedule. If you have any questions, [REDACTED] Executive Director, Consumer 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

Att: Delegation

DEPARTMENT OF NATURAL RESOURCES, MINES AND ENERGY

Electricity Act 1994

ELECTRICITY (MINISTERIAL – QCA) DELEGATION (NO. 1) 2020

Background

1. On 9 December 2019, The Honourable Anthony Lynham MP, Minister for Natural Resources, Mines and Energy made the Electricity (Ministerial – QCA) Delegation (No. 1) 2019 (the **2019 delegation**) pursuant to which the Minister delegated to the Queensland Competition Authority (**QCA**) the functions of the Minister under section 90(1) of the *Electricity Act 1994* (the **Act**), subject to certain limitations.
2. Pursuant to the 2019 delegation, QCA is expected to publish its final price determination for tariff year 1 July 2020 to 30 June 2021 (the **2020/21 tariff year**), in the form of a tariff schedule (the **2020/21 tariff schedule**), by no later than 26 June 2020.
3. However, the Australian Energy Regulator is expected to approve new network tariffs and prices in June 2020. Accordingly, new controlled load retail tariffs need to be added to the 2020/21 tariff schedule after it is published in the Queensland Government Gazette and the Minister wishes to delegate the Minister's functions under section 90(1) of the Act in relation to those new tariffs to the QCA pursuant to the terms of this delegation.

Power to delegate

4. Under section 90AA(1) of the Act, the Minister may delegate to the QCA all or any of the Minister's functions under section 90(1) of the Act.

Powers delegated

5. Subject to the limitations and requirements listed in paragraph 6, I delegate the functions of the Minister under section 90(1) of the Act to the QCA for the 2020/21 tariff year.
6. The functions of the Minister specified in paragraph 5 above must only be exercised for the purpose of:
 - (a) developing three new controlled load retail standard tariffs (together, the **new tariffs**) to be included in the 2020/21 tariff schedule based on new network tariffs in Ergon Energy Corporation Limited's (**EECL**) and Energex's approved 2020-25 Tariff Structure Statements that include:
 - (i) a primary load control tariff for small business customers;
 - (ii) a primary load control tariff for large business customers; and
 - (iii) a secondary load control tariff for large business customers;
 - (b) deciding the prices, or the methodology for fixing the prices, for the new tariffs that a retail entity may charge its Standard Contract Customers in Queensland (other than Standard Contract Customers in the Energex distribution area) for the new tariffs; and

(c) adding the new tariffs to the 2020/21 tariff schedule pursuant to section 90(3)(c) of the Act.

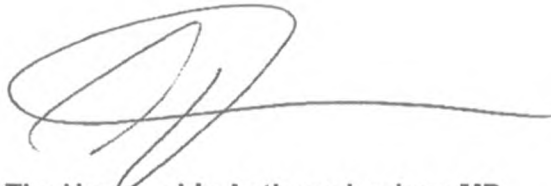
7. The new tariffs must take effect on 1 November 2020, and will remain in force until the end of the 2020/21 tariff year.
8. Pursuant to section 90(5)(a)(iii) of the Act, in exercising the functions specified in paragraphs 5 and 6 above, the QCA must have regard to the terms of reference in the schedule.

Revocation

9. Unless earlier revoked in writing, this delegation ceases upon publication of the amended 2020/21 tariff schedule which includes the new tariffs in the Queensland Government Gazette.
10. For the avoidance of doubt, this delegation is in addition to, and does not revoke, vary or otherwise affect, the 2019 delegation.

This delegation is made by **The Honourable Anthony Lynham MP**, Minister for Natural Resources, Mines and Energy:

Signed:



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

Dated: 17th June 2020

SCHEDULE
Terms of Reference
Sections 90(5)(a)(iii) and 90AA of the Act

These Terms of Reference apply to the price determination for the new tariffs.

Period for which the price determinations will apply (section 90AA(3)(a) of the Act)

1. The price determination for the new tariffs takes effect from 1 November 2020 and remains in force until the end of the 2020/21 tariff year.

Policies, principles and other matters the QCA must consider when working out the notified prices and making the price determinations (sections 90(5)(a)(iii), 90AA(3)(c) and 90AA(3)(d) of the Act)

2. The policies, principles and other matters that the QCA is required by this delegation to consider are:
 - (a) Uniform Tariff Policy — the Government's Uniform Tariff Policy, which provides that, wherever possible, customers of the same class should pay no more for their electricity, and should pay for their electricity via similar price structures, regardless of their geographic location. However, as residential and small business customers paying notified prices are on standard retail contracts, the Government is of the view that the QCA must consider incorporating into notified prices, an appropriate value reflecting the more favourable terms and conditions of standard retail contracts compared to market contracts. Should the application of this value result in a bill that exceeds an equivalent Default Market Offer as set by the Australian Energy Regulator for southeast Queensland (**DMO**), that value should be discounted so that the resulting bill does not exceed the equivalent DMO. For the avoidance of doubt, if the appropriate value is discounted to zero and the resulting bill is still greater than the equivalent DMO, no further discount should be applied;
 - (b) Framework – use of the Network (N) plus Retail (R) cost build-up methodology when working out the notified prices and making the price determination, where N (network cost) is treated as a pass-through and R (energy and retail cost) is determined by the QCA;
 - (c) When determining the N components for each new tariff:
 - (i) For the small business retail tariff - basing the network cost component on the price level of the relevant Energex network charges to be levied by Energex, but utilising the relevant EECL tariff structure;
 - (ii) For the two large business retail tariffs for customers who consume 100MWh or more per annum - basing the network cost component on the relevant EECL network charges to be levied by EECL.

Consultation Requirements (section 90AA(3)(e) of the Act)

Consultation Timetable

3. The QCA must publish a consultation timetable within one week of the date of this delegation, which can be revised at the discretion of the QCA, detailing any proposed additional public papers and workshops that the QCA considers would assist the consultation process.

Workshops and Additional Consultation

4. As part of the consultation process and in consideration of public consultation already undertaken in developing the relevant network tariffs, the QCA must consider the merits of additional public consultation (workshops and papers) on identified key issues.

Draft Price Determination

5. The QCA must investigate and publish its draft price determination on the new tariffs, with each tariff to be presented as bundled prices appropriate to the retail tariff structure.
6. The QCA must publish a written notice inviting submissions about the draft price determination. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the draft price determination.
7. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

Final Price Determination

8. The QCA must investigate and publish its final price determination on the new tariffs, with each tariff to be presented as bundled prices appropriate to the retail tariff structure, and gazette the retail tariffs.

Time frame for QCA to make and publish reports (section 90AA(3)(b) of the Act)

9. The QCA must make its reports available to the public and, at a minimum, publicly release the papers and price determinations listed in paragraphs **Error! Reference source not found.** to 8 of the terms of reference.
10. The QCA must publish the draft price determination for the new tariffs by no later than 31 August 2020.
11. The QCA must publish the full 2020/21 tariff schedule, amended to include the new tariffs, in the Queensland Government gazette no later than 16 October 2020.

(SCHEDULE ENDS)