

1 May 2021

Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority

Via QCA website and via email: charles.millstead@qca.org.au

Dear Mr Millstead

RE: Submission – QCA’s Draft 2021-22 regulated retail electricity prices for regional Queensland

The Queensland Electricity Users Network (QEUN) is a consumer advocate representing small business and residential consumers with a particular emphasis on regional consumers. We advocate for affordable and reliable electricity from a resilient national electricity system where the pace of the transition to a renewable energy future is not at the expense of the economy, jobs or reasonable living standards.

The QEUN appreciates the opportunity to provide the Queensland Competition Authority (QCA) with recommendations that if accepted by the QCA and adopted by the Queensland Government in 2021-22:

- will lower electricity bills to over 720,000 business and residential customers in regional Queensland captive to the Queensland Government owned Ergon Retail and
- be a key driver for a strong economic recovery from COVID19 in regional Queensland.

Prior to COVID19 business and residential customers in regional Queensland were already struggling to pay their electricity bills. The QCA’s Draft 2021-22 regulated retail prices will only increase the struggle for many Ergon Retail customers, particularly those who continue to be impacted by the ongoing closure of the international border and snap intermittent interstate and intrastate border closures.

The following recommendations will lower Ergon Retail prices, provide workable Ergon Retail tariffs, and enable electricity to act as a catalyst to drive a strong economic recovery in regional Queensland.

Recommendations

1. Permanently remove the Jurisdictional Scheme Charge from Ergon Retail regulated tariffs
2. Maintain Ergon Retail obsolete tariffs due to expire on 30 June 2021
3. Cap the wholesale electricity price at \$60/MWh for Ergon Retail regulated tariffs and engage two consultants (or a different consultant to the Australian Energy Regulator’s Default Market Offer) to estimate the total energy cost to be included in Ergon Retail regulated tariffs
4. Permanently remove the nonsensical 5% ‘standing offer adjustment’ and ‘headroom’ charge from all of Ergon Retail’s business and residential regulated retail tariffs
5. Quantify the so called ‘benefits’ of Ergon Retail’s standing offers compared to market contracts
6. Make the Uniform Tariff Policy arrangements transparent by;
 - Reporting on how the Uniform Tariff Policy/Community Service Obligation is defined and calculated and
 - Disclosing annually the distribution of the Community Service Obligation by customer category, region and industry sector & subsector
7. Extend the removal of the Non-Reversion Policy to include customers up to 160 MWh per year

Statistical proof Ergon Retail prices and tariffs are *not* affordable

Residential customers

Any business, including an electricity retail business like Ergon Retail, needs to be cognisant of customer numbers.

Any change in customer numbers and consumption per customer needs to be analysed, especially when the service provided is essential to jobs, the economy and reasonable living standards.

The quarterly retail performance statistics published by the Australian Energy Regulator paints a picture of two economies in Queensland: Southeast Queensland and regional Queensland.

Ergon Retail commands a near monopoly of residential and business customers in regional Queensland. The number of customers and the age & size of customer debt being carried by Ergon Retail is therefore a strong indicator of the level of economic activity and jobs in regional Queensland.

Over the past five years the number of residential customers in Queensland increased by 8%, however Ergon Retail in regional Queensland experienced an increase of 5% in residential customers. Of the 161,371 new residential customers in Queensland less than 20% are in regional Queensland (Table 1). This indicates strong construction of new houses and apartments in Southeast Queensland but not in regional Queensland. The construction industry is the fourth largest employer in Australia, a weak construction industry indicates a struggling job market and a weak economy.

Amid the COVID19 pandemic from Quarter 1 to Quarter 2 2020-21, the number of residential customers in Queensland increased by 6,567, however Ergon Retail attracted 168 new residential customers in regional Queensland (Table 2).

Table 1: Residential customer numbers 2015-16 to 2019-20

Residential Customer Numbers	2015-16	2016-17	2017-18	2018-19	2019-20	Number increase over 5 years	% increase over 5 years
Ergon Retail	596,617	598,848	613,300	617,542	627,523	30,906	5.18%
Queensland	1,896,528	1,932,284	1,980,180	2,015,564	2,057,899	161,371	8.51%

Source: Quarterly retail performance statistics, Australian Energy Regulator

Table 2: Residential customer numbers Quarter 1 and Quarter 2, 2020-21

Residential Customer Numbers	Q1 2020-21	Q2 2020-21	Number increase over 1 Quarter	% increase over 1 Quarter
Ergon Retail	630,888	631,056	168	0.03%
Queensland	2,070,006	2,076,573	6,567	0.32%

Source: Quarterly retail performance statistics, Australian Energy Regulator

There are 54 electricity retailers operating in the National Electricity Market with 40 electricity retailers active in the Queensland residential market.

Ergon Retail is not active in the retail market in Southeast Queensland.

Despite its absence in Southeast Queensland, Ergon Retail at 30.5% dominates the residential retail market in Queensland (Table 3).

Table 3: Share of residential electricity market in Queensland

Retailer	Customer numbers					Market share				
	Q2 2019-20	Q3 2019-20	Q4 2019-20	Q1 2020-21	Q2 2020-21	Q2 2019-20	Q3 2019-20	Q4 2019-20	Q1 2020-21	Q2 2020-21
Ergon Retail	621,607	623,693	627,523	630,888	631,056	30.5%	30.4%	30.5%	30.5%	30.4%
Origin Energy	588,570	586,702	586,792	584,605	581,226	28.8%	28.6%	28.5%	28.2%	28.0%
AGL	333,642	333,528	336,004	338,387	343,708	16.3%	16.3%	16.3%	16.3%	16.6%
Tier 2 Retailers	497,229	504,606	507,580	516,126	520,583	24.4%	24.6%	24.7%	24.9%	25.1%
Total	2,041,048	2,048,529	2,057,899	2,070,006	2,076,573	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Quarterly retail performance statistics, Australian Energy Regulator

Ergon Retail commands a near monopoly of the electricity market in regional Queensland. Its abuse of market power is affecting the job prospects and the reasonable living standards of the people working and living in regional Queensland.

Out of 54 retailers operating in the National Electricity Market (excluding Victoria), Ergon Retail has the highest percentage of residential customers using Centrepay to pay their power bills. A total of 4.72% of Ergon Retail residential customers or 29,769 customers pay their home power bill using Centrepay.

Out of 54 retailers operating in the National Electricity Market (excluding Victoria), Ergon Retail has the fourth highest number of residential customers on a payment plan. Customers enter a payment plan with their electricity retailer to pay off an *existing* electricity debt, this enables them to keep the electricity connected to their home.

In December Quarter 2019-20, the quarter immediately before the COVID19 pandemic was declared, Ergon Retail out of 54 retailers had the second highest number of residential customers disconnected for non-payment ie 2,711 customers or 21% of the total residential disconnections in the National Electricity Market excluding Victoria.

In December Quarter 2019-20, the quarter immediately before the COVID19 pandemic was declared, Ergon Retail referred 5,605 residential customers to an external credit collection agency for debt recovery. Ergon Retail had the fourth highest number of credit collection referrals out of the 54 retailers. A total of 1,997 residential customers or 36% of the credit collection referrals were for a debt of less than \$500.

Queensland Government legislation does not allow residential customers to be disconnected for debts of less than \$300.

Since the Australian Energy Regulator published its Statement of Expectations in March 2020, Ergon Retail unlike some other retailers, has not disconnected a *residential* customer or referred a *residential* customer to an external credit collection agency for debt recovery.

The AER's Statement of Expectations (SoE) is due to expire on 30 June 2021. The AER has indicated there will not be another SoE. This means that from 1st July 2021 all electricity retailers, including Ergon Retail, can choose to disconnect *residential* customers or refer *residential* customers to credit collection agencies for non-payment without reprisal from the Australian Energy Regulator.

Small business customers

The number of small business customers in Queensland fell by 3% over the last five years with Ergon Retail experiencing a fall of 5% in regional Queensland (Table 4). The long-term downward trend is alarming as small business is the engine room of the economy and the largest employer.

Amid the COVID19 pandemic from Quarter 1 to Quarter 2 2020-21, the long-term downward trend was reversed. Queensland experienced an increase of 0.48% whilst Ergon Retail experienced a 0.2% increase in small business customer numbers (Table 5).

The reversal of the downward trend although welcome is somewhat perplexing.

We can understand some small business customers in regional Queensland may have transferred back to Ergon Retail perceiving their electricity supply would be more secure since Ergon Retail is wholly owned by the Queensland Government.

AER retail statistics confirm Ergon Retail has complied with the AER’s Statement of Expectations (SoE). Unlike other some other retailers Ergon Retail has not disconnected *small business* customers or referred *small business* customers to credit collection agencies for non-payment since the AER’s Statement of Expectations was published in March 2020.

Whilst perceived security may explain the recent increase in Ergon Retail small business customers, it does not explain the increase in the overall number of small business customers in Queensland during the COVID19 pandemic.

The AER’s Statement of Expectations (SoE) is due to expire on 30 June 2021. The AER has indicated they will not release another SoE. This means that from 1st July 2021 all electricity retailers, including Ergon Retail, can choose to disconnect *small business* customers or refer *small business* customers to credit collection agencies for non-payment without reprisal from the Australian Energy Regulator.

Table 4: Small business customer numbers 2015-16 to 2019-20

Small Business Customer Numbers	2015-16	2016-17	2017-18	2018-19	2019-20	Number decrease over 5 years	% decrease over 5 years
Ergon Retail	91,580	89,960	88,873	87,657	87,056	-4524	-4.94%
Queensland	202,860	195,824	194,679	193,469	196,813	-6047	-2.98%

Source: Quarterly retail performance statistics, Australian Energy Regulator

Table 5: Small business customer numbers Quarter 1 and Quarter 2, 2020-21

Small Business Customer Numbers	Q1 2020-21	Q2 2020-21	Number increase over 1 Quarter	% increase over 1 Quarter
Ergon Retail	87,585	87,760	175	0.20%
Queensland	197,685	198,639	954	0.48%

Source: Quarterly retail performance statistics, Australian Energy Regulator

It is important the Queensland Government and QCA analyse whether the increase in small business customers during the COVID19 pandemic is correct and if the trend reversal is sustainable.

Small business is the largest employer in Australia and accounted for almost \$418 billion of value added in 2018-19, which represents over 32% of Australia’s total Gross Domestic Product (Table 6 and 7).

Table 6: Employment in Australia by business size

Size	2014-15		2015-16		2016-17		2017-18		2018-19	
	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%
Small	4,739	45	4,731	44	4,768	44	4,940	44	4,718	41
Medium	2,495	24	2,489	23	2,616	24	2,694	24	2,919	25
Large	3,378	32	3,458	32	3,498	32	3,544	32	3,871	34
Total	10,612	101	10,678	99	10,882	100	11,177	100	11,508	100

Source: *Small Business Counts, Australian Small Business and Family Enterprise Ombudsman, December 2020*

Table 7: Contribution to Gross Domestic Product of Australia by business size

Value added by Business size	2014-15	2015-16	2016-17	2017-18	2018-19
	\$m	\$m	\$m	\$m	\$m
Small Business	375,811	378,400	393,219	413,929	417,946
Medium Business	230,601	236,547	250,519	260,971	287,441
Large Business	463,512	468,918	490,991	534,065	583,893
Total	1,069,924	1,083,865	1,134,730	1,208,964	1,289,280

Source: *Small Business Counts, Australian Small Business and Family Enterprise Ombudsman, December 2020*

If the recent increase in small business customer numbers is an aberration and the long-term downward trend returns, this does not auger well for regional jobs or the economy of regional Queensland.

The QEUN’s April 2021 survey of businesses in the Cairns region found 37% of businesses had a large to very large concern about their ability to pay their electricity bills once JobKeeper ended on 28 March 2021. A total of 25% had a medium concern (Figure 1).

Furthermore 68% of businesses believed the end of JobKeeper would have a large to very large adverse impact on the economy of the Cairns region (Figure 2).

A total of 68% of survey respondents did not have staff on JobKeeper in March 2020.

A total of 52% of survey respondents employed 1 to 4 staff and 35% of respondents 5 to 19 staff.

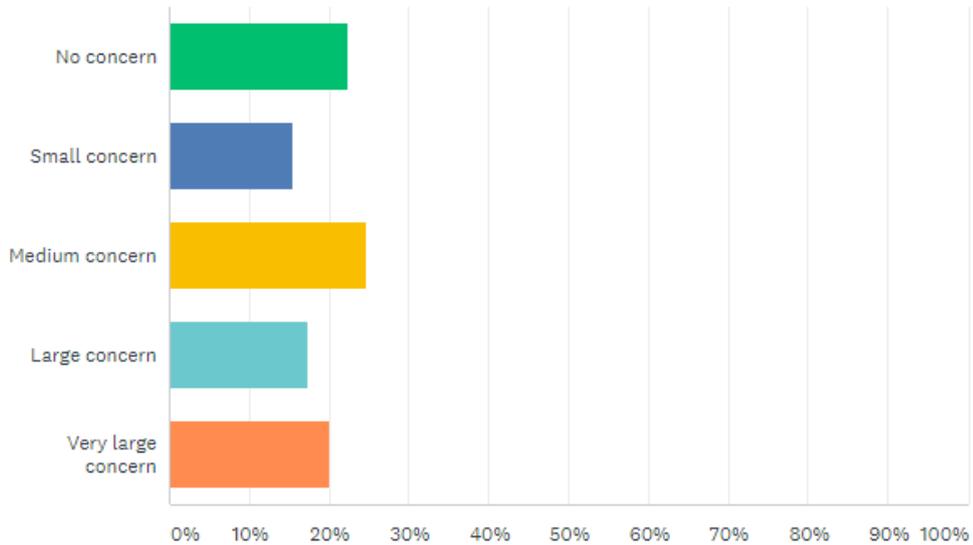
This means the QEUN’s survey primarily reflected the opinions of small businesses in the Cairns region. Small business indicated a large to very large adverse impact on the economy of Cairns due to the end of JobKeeper. Consequently, it is not surprising small businesses would indicate a large to very large concern about their ability to pay their electricity bills.

Critically, 93% of survey respondents were Ergon Retail customers.

Figure 1:

How concerned are you about the ability of your business to pay its electricity bills once JobKeeper ends on 28 March 2021?

Answered: 214 Skipped: 2



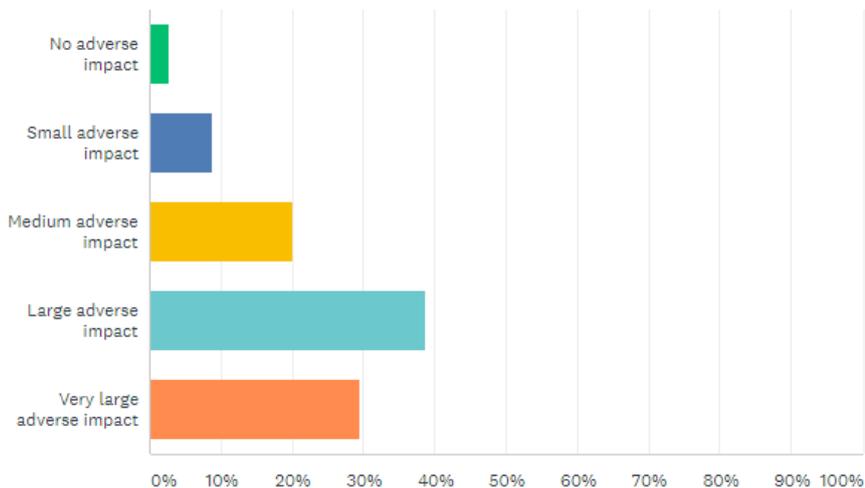
Source:

Survey - End of JobKeeper and impact on business power bills & Cairns regional economy, Queensland Electricity Users Network, April 2021

Figure 2:

How much do you believe the economy of the Cairns region will be impacted by the end of JobKeeper on 28 March 2021?

Answered: 214 Skipped: 2



Source:

Survey - End of JobKeeper and impact on business power bills & Cairns regional economy, Queensland Electricity Users Network, April 2021

The Cairns region is recognised as one of the regions hardest hit by the COVID19 pandemic. However, its ongoing job and economic woes are shared by many other towns and communities in regional Queensland.

Various government support measures have been introduced to support businesses, including the tourism industry which continues to be adversely impacted by the closure of the international border and the snap interstate and intrastate border closures.

Whilst all government assistance is welcome the assistance needs to be put in context. Cairns Holiday Dollars is a Queensland Government program designed to partially offset the loss of the international tourism market. Cairns Holiday Dollars is a \$3 million program. Prior to COVID19 the international tourism market in Cairns was valued at \$1 billion a year or \$3 million *'a day'*.

The Holiday Dollars program has now been extended by the Queensland Government to include Brisbane (\$3 million), Whitsundays (\$1.2 million) and a similar program is being developed for the Gold Coast.

The Federal Government's \$1.2 billion tourism support package of 800,000 half-price airfares to 18 destinations for travel between April and September 2021 includes regional Queensland (Cairns, Townsville, Mackay, Whitsundays) and Southeast Queensland (Gold Coast and Sunshine Coast).

An individual tourism business cannot count on receiving income from tourists arriving on subsidised airfares or spending subsidised tourism attraction vouchers at their business. However, they can count on their power bill arriving from Ergon Retail. Failure to pay an Ergon Retail power bill or enter an acceptable payment plan could result in the tourism business being disconnected. Almost no business can operate without electricity.

Under the Australian Constitution the Queensland Government is responsible for setting the electricity prices and tariffs charged by Ergon Retail.

The Queensland Government therefore has the power to significantly reduce Ergon power bills, providing an economic catalyst for jobs and economic growth in regional Queensland.

As per the QEUN's April 2021 survey of businesses in the Cairns region, over 60% of businesses have at least a medium concern about their ability to pay their power bills.

Businesses in the Cairns region are not alone.

Large business customers

In Queensland, a customer is classified as a large business customer if the annual consumption exceeds 100 MWh (or 100,000 kWh).

Queensland and Ergon Retail both lost around 5% of their large business customers in the past two financial years (Table 8).

Whilst Queensland lost 78 large business customers between Quarter 1 and Quarter 2 2020-21, Ergon Retail lost 191 large business customers (Table 9).

Some regional communities are highly dependent on a single agricultural commodity and a single agricultural processing facility. The loss of an agricultural processing facility has a much greater economic and social cost than Ergon Retail losing a single large business customer.

Ergon Retail power bills may not be the single cause for the closure of a large business, but it could well be the straw that broke the camel's back.

Table 8: Large business customer numbers 2015-16 to 2019-20

Large Business Customer Numbers	2015-16	2016-17	2017-18	2018-19	2019-20	Number decrease over 2 years	% decrease over 2 years
Ergon Retail	-	-	-	4,918	4,645	-273	-5.55%
Queensland	13,499	13,311	12,986	18,700	17,874	-826	-4.42%

Source: Quarterly retail performance statistics, Australian Energy Regulator

Table 9: Large business customer numbers Quarter 1 and Quarter 2, 2020-21

Large Business Customer Numbers	Q1 2020-21	Q2 2020-21	Number decrease over 1 Quarter	% decrease over 1 Quarter
Ergon Retail	4,532	4,341	-191	-4.21%
Queensland	17,988	17,910	-78	-0.43%

Source: Quarterly retail performance statistics, Australian Energy Regulator

It is likely some large business customers in regional Queensland have transferred to another electricity retailer. However, it is also likely some have gone off grid due to exorbitant and unaffordable Ergon Retail power bills.

Agriculture is one business sector tired of battling unworkable tariffs charged by Ergon Retail.

Farmers are voting with their feet choosing to go off grid by installing diesel pumps and standalone power systems. Once a farmer has invested in a diesel pump or standalone power system the farmer has little incentive to return (if ever) to Ergon Retail or to grid/network supplied electricity. Large agricultural processing businesses are also seriously investigating going off grid or significantly reducing their consumption of grid supplied electricity due to ‘unworkable’ tariffs.

Lower demand for grid electricity = higher network charges = higher Ergon power bills

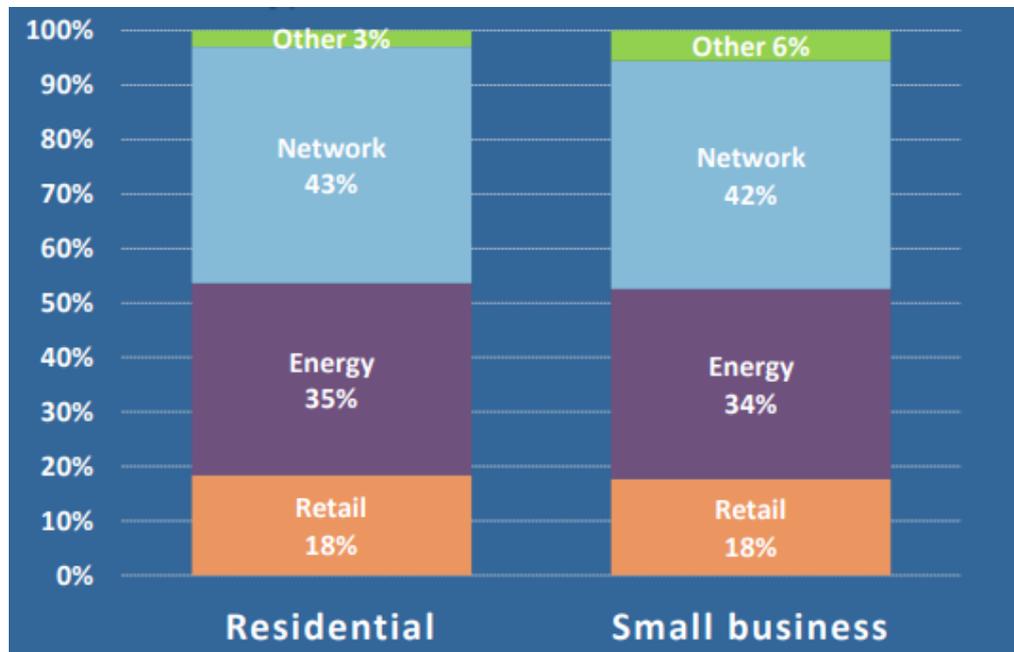
A temporary or permanent reduction in customer demand for grid supplied electricity will increase Ergon Retail power bills and reduce the dividends received by the Queensland Government from Ergon Retail and its wholly owned transmission network (Powerlink) and distribution network (Ergon Network)

Powerlink, together with Ergon Retail and Ergon Network, have injected billions of dollars of revenue into the Queensland Budget. Now the cash cows are becoming liabilities as more demand is driven off the network/grid due to the exorbitant prices charged by Ergon Retail and set/sanctioned by the Queensland Government.

Less customers for network/grid supplied electricity and less electricity consumption per customer will result in less customers paying for the operation and maintenance costs of the \$19 billion transmission and distribution network that supplies regional Queensland. This means higher ‘network’ costs for business and residential customers who remain connected to the grid/network.

According to the QCA the network component of an Ergon power bill is 43% for a residential customer and 42% for a small business customer (Figure 3). No estimate is provided for large business customers.

Figure 3: Components of a typical Ergon Retail power bill in 2021-22



Source:

Information booklet- Regulated retail electricity prices for 2021-22 (applies to customers in regional Queensland) – Draft determination, Queensland Competition Authority, March 2021

A reduction in business customers and business consumption is just one reason for the falling demand for grid/network supplied electricity.

Powerlink has already acknowledged the overall downward trend; the exception being the rising demand at peak demand times.

Powerlink is forecasting an annual decrease of 0.7% in ‘transmission delivered’ over the next 10 years from 47,860 GWh in 2019-20 to 44,413 GWh in 2029-30 (Table 10 and 11).

Under the Australian Energy Market Operator’s Slow Change Scenario, the shutdown of a large industrial load and a sluggish Queensland economy could see the demand for Powerlink’s transmission fall by 26% to 35,373 GWh in 2029-30 (Table 10 and 11).

According to Powerlink’s Transmission Annual Planning Report 2020 “the reduction is due to anticipated increases in the capacity of distribution connected renewable generation and rooftop PV.”

During periods of peak demand (typically 4.00 pm to 8.00 pm weekdays during summer when solar output reduces then stops after sunset) the electricity delivered by Powerlink’s transmission network is forecast to increase at an average rate of 0.7% per annum over the next 10 years from 8,710 GWh in 2019-20 to 9,236 GWh in 2029-30 (Table 12 and 13).

This demonstrates that although Queensland has around 770,000 rooftop solar systems (Table 14), Queensland is heavily reliant on large-scale generators connected to the network to maintain a reliable and affordable supply of electricity to workplaces and homes post sunset.

Table 10: Historical electricity delivered by Powerlink (GWh)

Financial Year	Operational as generated	Operational sent out	Native as generated	Native sent out	Transmission sent out	Transmission delivered	Native	Native plus rooftop PV
2010/11	51,381	47,804	52,429	48,976	46,866	45,240	47,350	47,350
2011/12	51,147	47,724	52,206	48,920	46,980	45,394	47,334	47,334
2012/13	50,711	47,368	52,045	48,702	47,259	45,651	47,090	47,090
2013/14	49,686	46,575	51,029	47,918	46,560	45,145	46,503	46,503
2014/15	51,855	48,402	53,349	50,047	48,332	46,780	48,495	49,952
2015/16	54,238	50,599	55,752	52,223	50,573	49,094	50,744	52,509
2016/17	55,101	51,323	56,674	53,017	51,262	49,880	51,635	53,506
2017/18	54,538	50,198	56,139	51,918	50,172	48,739	50,925	53,406
2018/19	54,861	50,473	56,381	52,118	50,163	48,764	51,240	54,529
2019/20	54,179	50,039	55,776	51,740	49,248	47,860	50,804	54,449

Source: Powerlink Transmission Annual Planning Report 2020

Table 11: Forecast electricity delivered by Powerlink (GWh)

Financial Year	Slow Change	Central	Step Change
2020/21	42,429	45,303	47,034
2021/22	42,915	46,078	47,315
2022/23	43,121	46,382	46,636
2023/24	43,259	46,611	45,819
2024/25	43,494	46,258	44,744
2025/26	43,576	45,811	43,471
2026/27	43,661	45,335	43,624
2027/28	43,504	44,971	43,389
2028/29	43,560	44,707	44,045
2029/30 (1)	35,373	44,413	44,395

Note:

(1) AEMO assumes the shutdown of a large industrial load in the Slow Change scenario in summer 2029/30.

Source: Powerlink Transmission Annual Planning Report 2020

Table 12: Historical summer maximum electricity demand delivered by Powerlink (GWh)

Summer	Operational as generated	Operational sent out	Native as generated	Native sent out	Transmission sent out	Transmission delivered	Native	Native plus rooftop PV	Native corrected to 50% PoE
2010/11	8,826	8,299	8,895	8,374	8,020	7,797	8,152	8,152	8,187
2011/12	8,714	8,236	8,769	8,319	7,983	7,723	8,059	8,059	8,101
2012/13	8,479	8,008	8,691	8,245	7,920	7,588	7,913	7,913	7,952
2013/14	8,374	7,947	8,531	8,114	7,780	7,498	7,831	7,831	7,731
2014/15	8,831	8,398	9,000	8,589	8,311	8,019	8,326	8,512	8,084
2015/16	9,154	8,668	9,272	8,848	8,580	8,271	8,539	8,783	8,369
2016/17	9,412	8,886	9,584	9,062	8,698	8,392	8,756	8,899	8,666
2017/18	9,796	9,262	10,010	9,480	9,133	8,842	9,189	9,594	8,924
2018/19	10,044	9,450	10,216	9,626	9,240	8,951	9,415	9,685	8,930
2019/20	9,853	9,294	10,074	9,515	9,011	8,710	9,268	9,652	9,163

Source: Powerlink Transmission Annual Planning Report 2020

Table 13: Forecast summer maximum electricity demand delivered by Powerlink (GWh)

Summer	Slow Change			Central			Step Change		
	90% PoE	50% PoE	10% PoE	90% PoE	50% PoE	10% PoE	90% PoE	50% PoE	10% PoE
2020/21 (1)	7,139	7,438	7,765	8,018	8,357	8,738	8,305	8,668	9,044
2021/22 (2)	7,436	7,768	8,083	8,280	8,669	9,072	8,403	8,800	9,220
2022/23	7,629	7,935	8,292	8,384	8,756	9,183	8,454	8,819	9,271
2023/24	7,739	8,054	8,407	8,472	8,871	9,302	8,503	8,890	9,339
2024/25	7,797	8,107	8,445	8,540	8,940	9,339	8,616	8,976	9,403
2025/26	7,830	8,175	8,519	8,585	8,995	9,425	8,707	9,090	9,504
2026/27	7,841	8,193	8,546	8,619	9,036	9,444	8,829	9,197	9,604
2027/28	7,859	8,214	8,562	8,651	9,105	9,522	8,957	9,334	9,725
2028/29	7,880	8,249	8,596	8,732	9,186	9,574	9,137	9,490	9,929
2029/30 (3)	6,987	7,311	7,700	8,803	9,236	9,669	9,351	9,688	10,117

Notes:

- (1) Reduction in consumption in the Central and Slow Change scenarios due to forecast COVID-19 impacts in 2020/21.
- (2) Reduction in consumption in the Slow Change scenario due to forecast COVID-19 impacts in 2021/22.
- (3) Shutdown of a large industrial load is assumed in the Slow Change scenario in summer 2029/30.

Source: Powerlink Transmission Annual Planning Report 2020

Table 14: Small-scale (rooftop) solar installations by jurisdiction and by year

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
2001	-	12	6	33	41	-	15	11	118
2002	-	23	8	71	107	1	19	22	251
2003	3	134	10	150	246	9	98	14	664
2004	2	235	22	328	300	17	152	33	1089
2005	4	291	35	339	380	13	254	90	1406
2006	10	216	23	195	413	4	200	54	1115
2007	48	779	26	475	1037	25	828	262	3480
2008	278	2890	88	3087	3456	161	2036	2068	14,064
2009	803	14,008	215	18,283	8569	1452	8429	11,157	62,916
2010	2323	69,988	637	48,697	16,705	1889	35,676	22,293	198,208
2011	6860	80,272	401	95,303	63,553	2475	60,214	51,667	360,745
2012	1522	53,961	513	130,252	41,851	6364	66,204	42,653	343,320
2013	2411	33,998	1024	71,197	29,187	7658	33,332	21,600	200,407
2014	1225	37,210	1026	57,748	15,166	4207	40,061	23,496	180,139
2015	1066	33,478	1197	39,507	12,081	2020	31,354	20,797	141,500
2016	1001	29,497	1745	34,423	12,604	2487	26,740	24,199	132,696
2017	1946	43,252	1950	46,448	16,190	2393	31,358	31,404	174,941
2018	3,206	59,329	2,365	55,087	21,894	2,641	47,216	33,112	224,850
2019	3,797	77,615	3,505	70,709	27,087	2,891	61,734	36,653	283,991
2020	5,433	108,922	3,133	86,912	35,599	3,284	71,798	47,653	362,734
2021	593	13,052	115	10,396	3,324	319	6,013	5,919	39,731
Total	32,531	659,162	18,044	769,640	309,790	40,310	523,731	375,157	2,728,365

Source: Renewable Energy Target, Postcode data for small-scale installations, Clean Energy Regulator website

Transparency needed on renewable energy costs included in Ergon Retail power bills

The massive growth in rooftop solar in Queensland has been primarily driven by the Queensland Government’s Solar Bonus Scheme (SBS). The SBS will pay eligible households a Solar Feed-In Tariff of 44 cent/kWh (equivalent to \$440/MWh) until 2028. The ability for households to sign up to the Solar Bonus Scheme ended in 2013.

ASX wholesale electricity futures prices are currently trading at around \$40/MWh ie about a tenth of the SBS price being charged by the Queensland Government to Ergon Retail customers (Table 15).

The cost of the SBS has been recovered from every Queensland power bill (including every Ergon Retail power bill) since 2008 except for the period 2017-18 to 2019-20 when the cost of the SBS was paid by the Queensland Government. The SBS cost to the Queensland Budget over the 3-year period was \$770 million.

In 2020-21 the cost of the SBS was once again imposed on Ergon Retail power bills increasing the cost of an annual power bill by 3.5%.

The QCA and the Queensland Government have not been transparent in the QCA’s 2021-22 Draft Determination and have not included details of the SBS cost to be included in Ergon Retail tariffs in 2021-22. The SBS cost included in Ergon Retail tariffs needs to be disclosed in QCA’s 2021-22 Final Determination.

The cost of the SBS is paid by all businesses and all households whether or not they have rooftop solar.

Table 15: Wholesale electricity prices on the ASX Futures Market (\$/MWh)

Calendar Year	NSW	VIC	QLD	SA
2022	50.42	36.02	41.85	35.63
2023	54.18	36	41.4	35.55
2024	54.64	34.61	40.5	37.44

Source: Australian Securities Exchange (ASX) Electricity Weekly Market Report, 16 April 2021

The Queensland Government's 700 MW Callide B coal-fired power station is scheduled to close in 2028.

In 2028 over 368,000 rooftop solar systems or nearly half the rooftop solar systems in Queensland will be 15 years old (Table 14).

Solar systems generally have a life span of 20 years but this is dependent on the quality of the solar system and the maintenance program.

Most of the 15-year-old solar systems in 2028 would have been purchased and installed with a significant subsidy from the Federal Government.

Most would have also received the Queensland Government's lucrative SBS Feed-In Tariff of 44 cents/kWh (or \$440/MWh) which also ends in 2028.

The 2020-21 Solar Feed-In tariff paid by Ergon Retail to customers with non-SBS solar systems is 7.861 cents/kWh (or \$78.61/MWh). Whilst this is 20% of the SBS cost of \$440/MWh, it is almost double the cost of electricity supplied by large-scale renewable and fossil fuelled generators connected to the grid/network. The higher wholesale electricity price from SBS and non-SBS rooftop solar is included in all Ergon Retail power bills.

Question: who will pay to replace (or remove) nearly 770,000 rooftop solar systems in Queensland when they reach the end of their life?

Neither the Federal nor Queensland Governments have indicated a subsidy to replace aging solar systems, nor have they indicated a generous Solar Feed-In Tariff to encourage households to invest in the replacement of aging or poorly performing solar systems. Replacing hundreds of thousands of rooftop solar systems is not an overnight exercise, neither is finding thousands of dollars in household budgets to pay for a replacement solar system.

In the absence of investment in new grid connected large-scale generators capable of generating electricity 24/7 all year round, it appears that post 2028 the reliability and affordability of electricity in Queensland could be highly dependent on households, without subsidies, finding the money to replace their solar systems plus additional money to invest in batteries.

Due to the continuing trend of lower wholesale electricity prices in the National Electricity Market, there is little appetite from the private sector to invest in new grid connected large-scale generators without a long-term Power Purchase Agreement (PPA).

Since September 2019 Queensland and South Australia have regularly experienced negative wholesale electricity prices ie as low as the floor price of negative \$1,000/MWh. This continuing trend of negative wholesale prices has scared away potential private investors who are unable to secure a long term PPA.

The Queensland Government has entered numerous PPAs with large-scale wind and solar farms.

However, unlike the ACT Government, the Queensland Government has not provided the public with any details eg electricity price (\$/MWh) or length of the PPA.

The large adverse impact of PPAs on power bills was recently laid bare by Energy Networks Australia (ENA). ENA is the peak industry body for transmission and distribution networks in Australia.

The ENA media release on 6 April 2021 stated:

ENA General Manager Corporate Affairs Tamatha Smith said the looming bill hikes should serve as a cautionary tale for other states going it alone on energy policy.

“Renewables have a critical role to play as we decarbonise our electricity system, but governments have a responsibility to ensure their policies and the contracts they sign to support this do not harm customers,” she said.

“The cost increases looming in the ACT are without a doubt going to have a major impact on households and businesses.

“A change in approach is needed that supports the energy transition without undue costs being borne by customers.”

- *However, when wholesale prices are very low (currently hovering around \$35 per MWh), Evoenergy is legislated to pay the contracted generators and ACT customers do not receive the benefit of the low wholesale prices.*
- *For an average household, the cost of the various ACT 100 per cent renewables policies is currently \$176 per year but is set to rise to \$423 per year on 1 July 2021.*

To put the ENA comments in perspective, in December 2020 the Australian Energy Market Commission estimated the average annual 2020-21 household power bill for the Australian Capital Territory at \$1,917. This means the ACT Government’s 100 percent renewables policy will increase the average ACT household power bill by 13%.

Due to the length of the Power Purchase Agreements with large-scale wind and solar farms the increase in ACT’s power bills will extend for many years, as per the ACT Government’s media release of 8 September 2020:

*This auction delivered significantly lower prices than previous ACT auctions, with an average price below 50 dollars per megawatt hour, about a third lower than prior auctions. Neoen have been granted a **10-year feed-in tariff at \$44.97 per megawatt hour**. GPG have been granted a **14-year feed-in tariff at \$54.48 per megawatt hour**.*

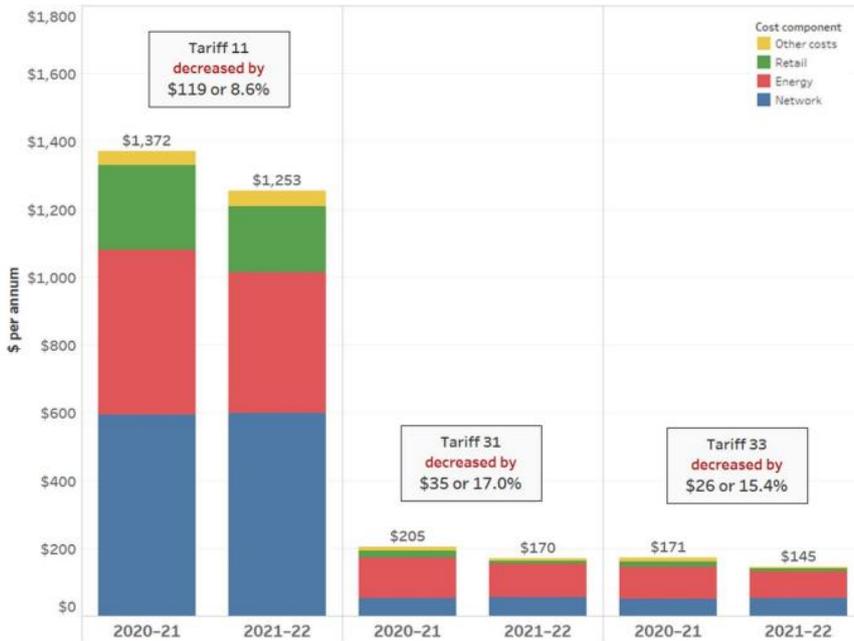
The energy transition cannot continue in Australia or regional Queensland unless business and residential customers can afford to use grid supplied electricity. It is therefore imperative that all state governments are honest and up front about how much their Renewable Energy Targets are currently costing, and will in the future cost, customers dependent on grid supplied electricity.

The cost needs to be clearly identified and correctly labelled as a component of the cost stack of all residential and business power bills.

At present the cost of the Solar Bonus Scheme, a Jurisdictional Scheme Charge regulated and set by the Queensland Government, is not identified, or labelled in QCA’s cost stack for a typical residential or small business power bill (Figure 3, 4 and 5).

The cost of the Solar Bonus Scheme which is an ‘energy’ cost is hidden in ‘network’ costs. This is false and misleading. The cost of the SBS needs to transparent by identifying it as a Jurisdictional Scheme Charge in the cost stack in QCA’s 2021-22 Final Determination of regulated retail prices for regional Queensland.

Figure 4: Bills for typical residential customers, 2020-21 and 2021-22 (including GST)



Note: Amounts are rounded to the closest dollar. Therefore, amounts presented may not add precisely. Percentage changes are based on unrounded amounts.

Source: 2021-22 Draft Determination regulated retail electricity prices for regional Queensland, Queensland Competition Authority, March 2021

Figure 5: Bills for typical small business customers, 2020-21 and 2021-22 (including GST)



Note: Amounts are rounded to the closest dollar. Therefore, amounts presented may not add precisely. Percentage changes are based on unrounded amounts.

Source: 2021-22 Draft Determination regulated retail electricity prices for regional Queensland, Queensland Competition Authority, March 2021

Customer impact is incorrectly estimated

It is interesting to note that as per Figure 4 the QCA regards a ‘typical’ bill for this year (2020-21) for a residential customer on Tariff 11 to be \$1,372 *per year*. A typical bill for a residential customer on a combination of Tariff 11 and off-peak Tariff 31 is estimated at \$1,577 *per year* and a combination of Tariff 11 and off-peak Tariff 33 is \$1,543 *per year*. This equates to between \$343 to \$394 *per quarter*.

Many households in regional Queensland find QCA’s typical power bill for a year is the same as their quarterly or half yearly power bill.

QCA uses the median consumption provided by Ergon Retail to calculate typical residential power bills. The ‘typical’ consumption has been significantly skewed by the inclusion of hundreds of thousands of households with rooftop solar. For 2021-22 the QCA is using a median consumption on Tariff 11 of 4,210 kWh *per year* this compares of 4,061 kWh *per year* in 2020-21 (Table 16 and 17).

Without understanding the real consumption of households in regional Queensland the Queensland Government is failing to understand the true impact of power bills on household budgets. People in regional Queensland are adjusting their essential needs to enable the payment of their Ergon Retail power bill. This is affecting living standards in regional Queensland, especially areas with high air-conditioning needs during summer.

Table 16: Median usage data used to determine customer impacts in 2021-22

Retail tariff	Usage (kWh per year)	Peak usage	Off-peak usage	Demand (kW per month)	Demand threshold (kW per month)
T11	4,210				
T31	1,249				
T33	953				
T20	6,443				
T22A	7,457	16.7%	83.3%		
T44	139,921			70	30
T45	690,163			188	120
T46	1,560,774			488	400

Source: Appendix G, 2021-22 Draft Determination regulated retail electricity prices for regional Queensland, Queensland Competition Authority, March 2021

Table 17: Median usage data used to determine customer impacts in 2020-21

Retail tariff	Usage (kWh per year)	Peak usage	Off-peak usage	Demand (kW per month)	Demand threshold (kW per month)
T11 (only)—median	4,061				
T31—median	1,357				
T33—median	1,025				
T20—median	6,831				
T22A—median	7,457	16.7%	83.3%		
T44—median	184,492			56	30
T45—median	718,376			196	120
T46—median	1,853,889			506	400

Source: Appendix H, 2020-21 Final Determination regulated retail electricity prices for regional Queensland, Queensland Competition Authority, June 2020

The Queensland Government has also failed to correctly understand the impact of Ergon Retail power bills on the viability of businesses in regional Queensland.

Current Ergon Retail prices and tariffs are causing business customers to reduce their consumption from the grid.

The main small business tariff is Tariff 20. Consumption on Tariff 20 has fallen by 6% to 6,443 kWh *per year*. The consumption of a small business on Tariff 20 is now only 984 kWh more than a residential customer on a combination of Tariff 11 and off-peak Tariff 31.

Consumption by large business customers has also fallen with Tariff 44 falling by 24% to 139,921 kWh per year and Tariff 45 and Tariff 46 by 4% and 16% respectively (Table 16 and 17).

The more customers reduce their consumption of grid supplied electricity the higher the costs of operating the grid and the higher the costs borne by customers still dependent on grid supply. This is called the death spiral. The death spiral will accelerate if Ergon Retail prices and tariffs are not reduced. The QCA’s 2021-22 Draft Determination with its 5% reduction for small business and 8.6% reduction for residential customers will not stop the death spiral from continuing.

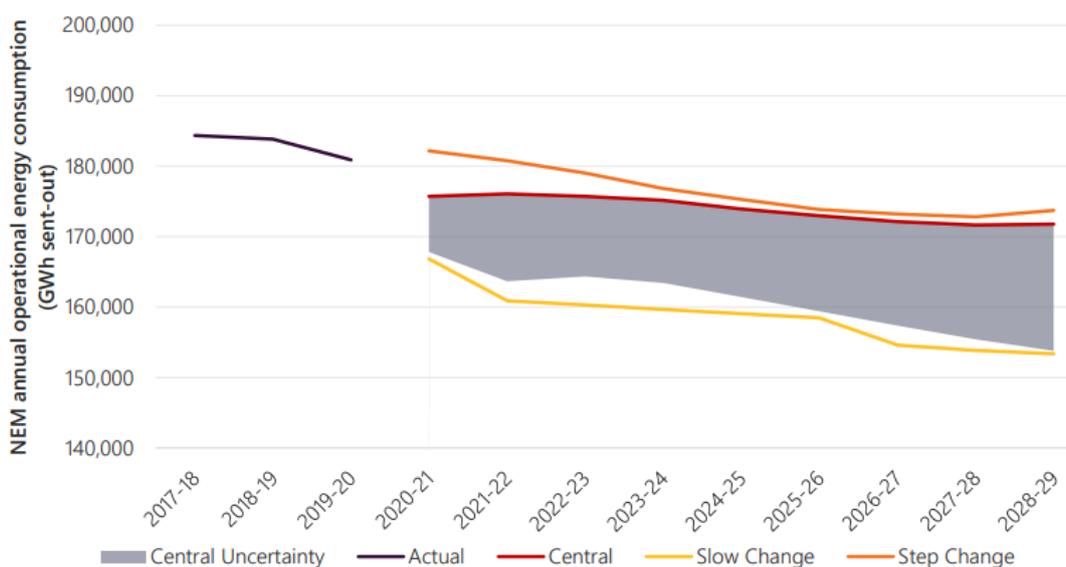
If grid consumption continues to decline, instead of the grid consumption being as per the Australian Energy Market Operator’s Central Scenario, it could move closer to the low grid consumption forecast in the Australian Energy Market Operator’s Slow Change Scenario (Figure 6).

This would have major consequences for regional jobs and the economy of regional Queensland.

Customers need to be incentivised to remain on the grid, particularly business customers who represent about 70% of the demand for grid supplied electricity (Figure 7 and 8).

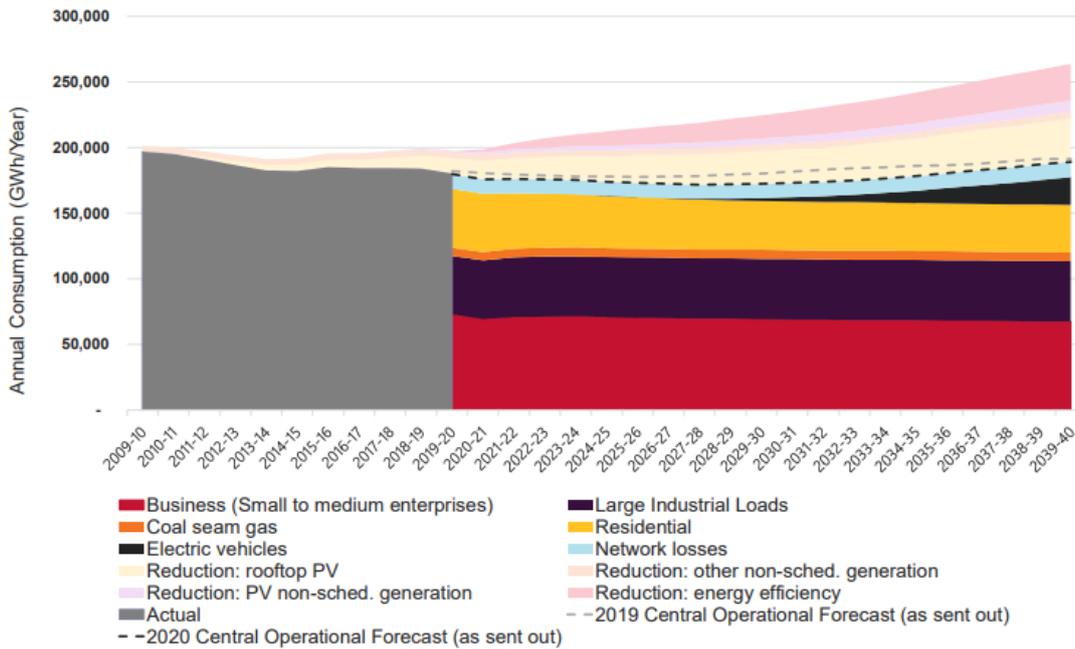
This will require the Queensland Government to drop Ergon Retail prices for both business and residential customers by more than 10% in 2021-22.

Figure 6: Uncertainty in National Electricity Market (NEM) operational consumption



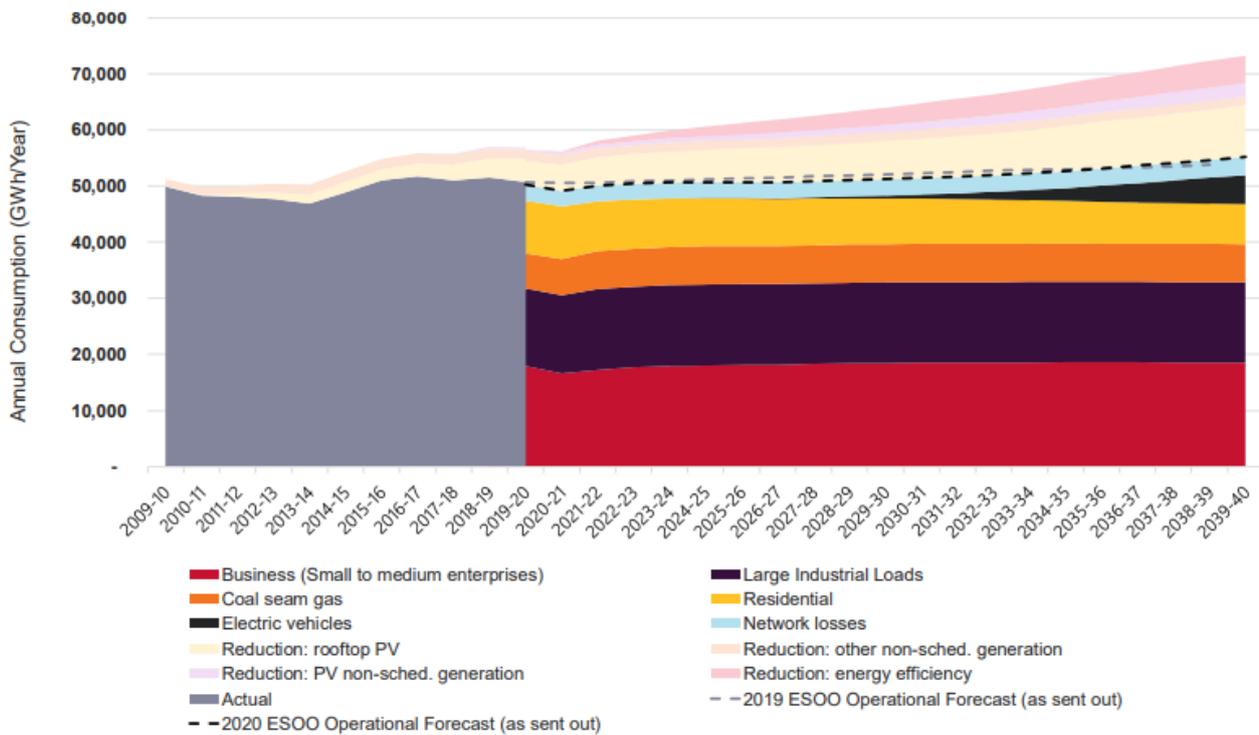
Source: 2020 Electricity Statement of Opportunities, Australian Energy Market Operator, August 2020

Figure 7: NEM electricity consumption, actual & forecast, 2009-10 to 2039-40, Central Scenario



Source: 2020 Electricity Statement of Opportunities, Australian Energy Market Operator, August 2020

Figure 8: Queensland electricity consumption, actual & forecast, 2009-10 to 2039-40, Central Scenario



Source: 2020 Electricity Statement of Opportunities, Australian Energy Market Operator, August 2020

Business confidence is low

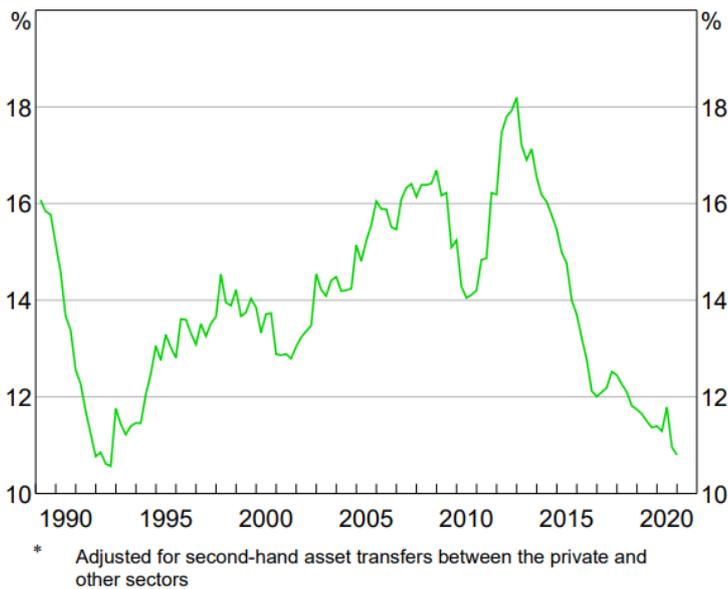
A durable recovery from COVID19 requires business confidence.

Business confidence is not easily measured.

One of the best indicators of business confidence is business investment.

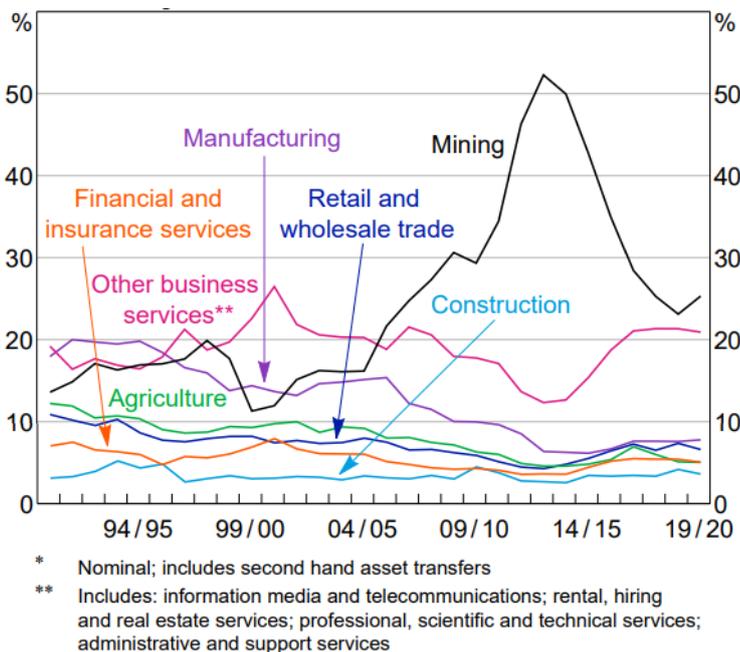
According to the Reserve Bank of Australia business investment in April 2021 continued its steep decline, with the mining industry being the only industry sector to show an upward trend (Figure 9 and 10).

Figure 9: Business investment* - share of nominal Gross Domestic Product



Source: The Australian Economy & Financial Markets Chart Pack, Reserve Bank of Australia, April 2021

Figure 10: Industry share of business investment*



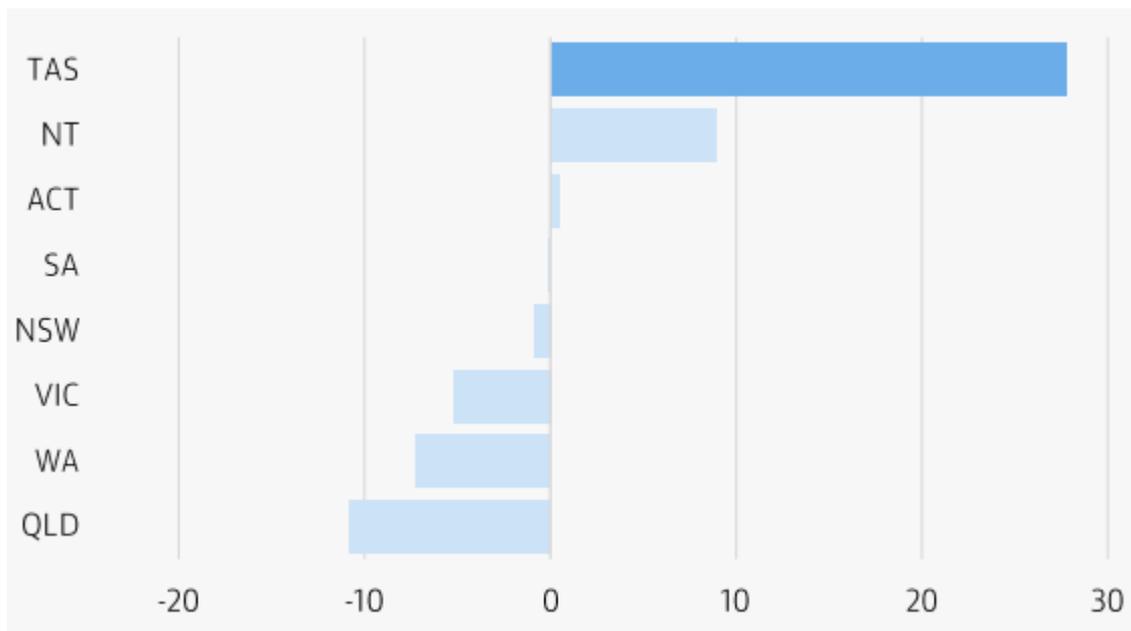
Source: The Australian Economy & Financial Markets Chart Pack, Reserve Bank of Australia, April 2021

The Commonwealth Bank’s April 2021 State of the States Performance Report shows Queensland has the lowest equipment investment in Australia (Figure 11).

The poor level of equipment investment demonstrates many businesses in Queensland have low confidence in their future.

Figure 11:

Investment in new plant & equipment, percent change December quarter 2020-21 on decade average



Source: State of the States – State & Territory Economic Performance Report, CommSec, April 2021

One way to restore business confidence, grow regional jobs and grow the economy of regional Queensland (and consequently maintain and potentially increase the demand for grid supplied electricity) is to ensure business and residential customers can afford to pay their Ergon Retail power bills.

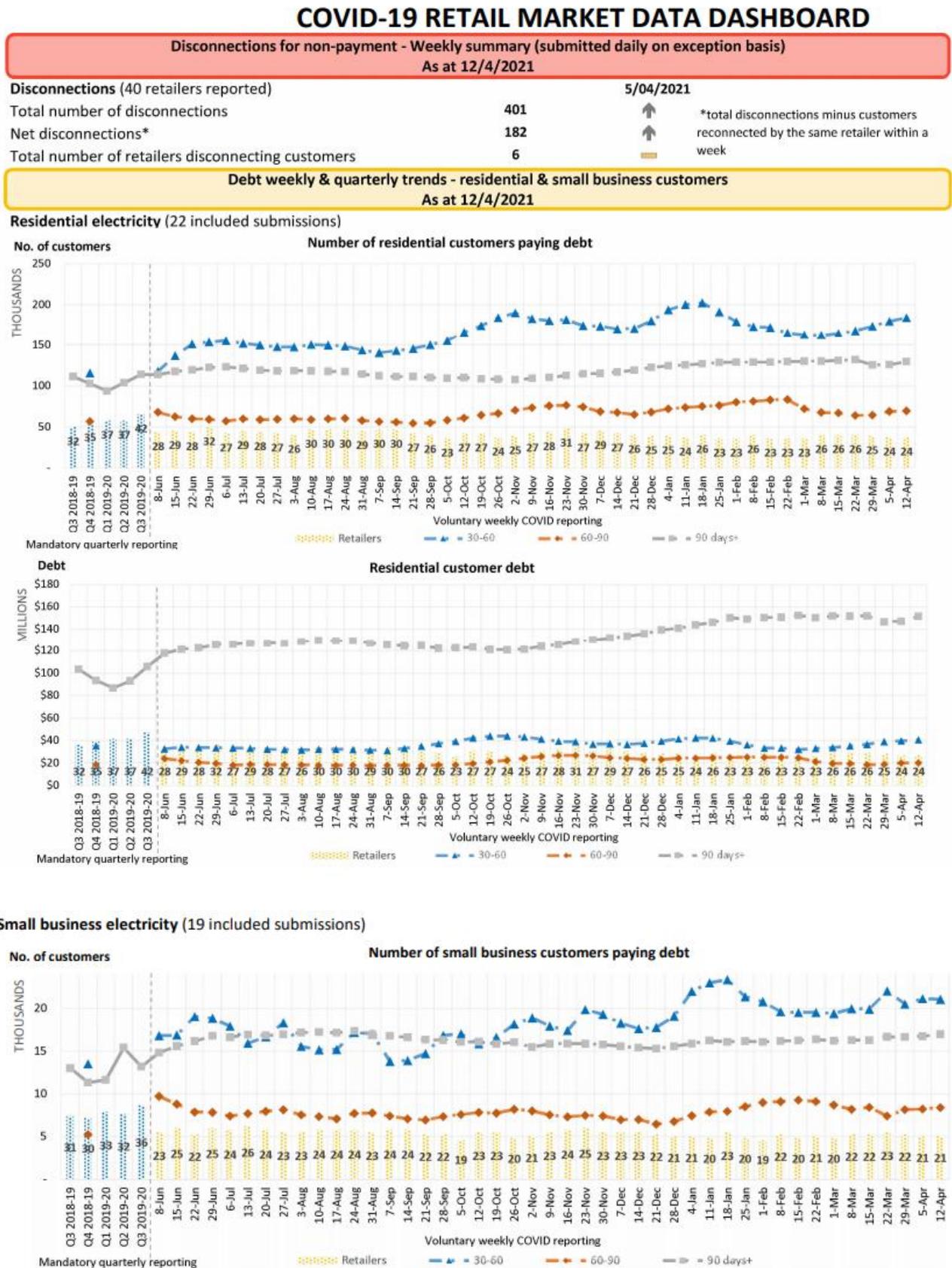
Power bill stress was growing in regional Queensland prior to the COVID19 pandemic.

The true extent of the current power bill stress is to some degree being masked by the AER’s Statement of Expectations. The AER’s SoE has acted as a ‘moratorium’ on electricity disconnections and referrals to credit collection agencies.

Ergon Retail is one retailer who has fully complied with the AER’s SoE, consequently no Ergon Retail customers have been disconnected or referred to credit collection agencies for non-payment since March 2020. This means the zero disconnection and credit referral statistics reported by Ergon Retail to the AER on a quarterly basis do not reflect the power bill stress being experienced by Ergon Retail customers.

Some insight is provided by retailers voluntarily reporting weekly to the AER’s COVID19 Retail Market Dashboard. The main drawback is the AER’s COVID19 dashboard is a national snapshot and not all retailers are providing weekly data eg out of 54 retailers in the National Electricity Market only 40 retailers are reporting disconnection data and about 20 retailers are reporting other data such as the age of debts (Figure 12).

Figure 12: AER COVID19 Retail Market Data Dashboard as at 12 April 2021



Source: COVID19 Retail Market Data Dashboard – 12/4/2021, Australian Energy Regulator website

Power bill stress will escalate in various industry sectors and various geographic locations once the AER's Statement of Expectations expires on 30 June 2021.

It is therefore critical the Queensland Government and the QCA take into consideration the capacity of various industry sectors, and their geographic location, when setting the prices and tariffs which will appear on Ergon Retail power bills from 1st July 2021.

Recommendations that will lower Ergon Retail power bills & drive a strong COVID19 recovery

Each year the Queensland Electricity Users Network participates in QCA's consultation process on regulated retail prices for regional Queensland.

The once-a-year QCA meeting usually lasts one to two hours.

Each year at the end of the once-a-year meeting QCA states they look forward to receiving submissions.

Each year the Queensland Electricity Users Network provides a submission to the QCA.

To date we are yet to see any evidence that the Queensland Competition Authority or the Queensland Government has adopted any of the QEUN's recommendations.

However, there is clear evidence from retail statistics and surveys that Ergon Retail prices and tariffs are causing considerable power bill stress to a wide range of business and residential customers across regional Queensland.

Should the Queensland Government and QCA continue to ignore the recommendations of a wide range of consumer advocates, the impact on regional jobs and the regional Queensland economy will be devastating and long lasting.

Recommendation 1

Permanently remove the Jurisdictional Scheme Charge from Ergon Retail regulated tariffs

Reason for Recommendation 1

The Jurisdictional Scheme Charge (JSC) is a 'jurisdictional levy'. It is effectively a state tax set by the Queensland Government to recover the costs of the Queensland Government's Solar Bonus Scheme.

The inclusion of the JSC increases every business and residential power bill in regional Queensland and Southeast Queensland.

We take issue with the statement in the QCA's Draft 2021-22 Determination which states:

*"Network costs comprise the costs of transporting electricity through transmission and distribution networks, **as well as jurisdictional scheme charges, all of which are regulated (and approved) by the AER.**"*

The AER do not 'regulate' Jurisdictional Scheme Charges for the Queensland Government or any other state government.

The name says it all, a JSC is a 'Jurisdictional' Scheme Charge.

A JSC is a cost pass through set by a state government and passed through to customers.

In 2020-21 the JSC increased a typical Ergon Retail residential power bill by \$41.86 or 3.4% (based on a consumption of 4,061 kWh per year) (Table 18).

In 2020-21, the JSC increased a typical Ergon Retail small business power bill by \$71.85 or 3.5% (based on a consumption of 6,831 kWh per year) (Table 19).

Table 18: Cost structure of Tariff 11 in 2020-21

Tariff 11 - FINAL 2020-21	Median Consumption 4,061 kWh	Fixed cents/day	Variable cents/kWh	Total	%
Energy	4061		10.514	\$426.97	35.2
Network	4061	50.000	7.452	\$485.13	39.9
Jurisdictional Scheme Charge - Solar Bonus Scheme	4061	1.100	0.932	\$41.86	3.4
Retail	4061	37.578	2.130	\$223.66	18.4
Standing offer adjustment	4061	1.997	0.467	\$26.25	2.2
Small-scale Renewable Energy Scheme	4061		0.262	\$10.62	0.9
		90.6750	21.7565	\$1,214.50	100.0
		90.676	21.756		
Fixed component	\$330.96	27			
Variable component	\$883.53	73			
Typical residential 2020-21 - no GST	\$1,214.50				
Typical residential 2020-21 - with GST	\$1,335.94				
		down \$84 or \$1,336	5.9%	Final 2020-21	

Source: Compiled by Queensland Electricity Users Network using QCA 2020-21 Final Determination of regulated retail electricity prices for regional Queensland

Table 19: Cost structure of Tariff 20 in 2020-21

Tariff 20 - FINAL 2020-21	Median Consumption 6,831 kWh	Fixed cents/day	Variable cents/kWh	Total	%
Energy	6831		10.514	\$718.21	34.9
Network	6831	67.8	7.906	\$787.53	38.3
Jurisdictional Scheme Charge - Solar Bonus Scheme	6831	1.1	0.993	\$71.85	3.5
Retail	6831	53.258	2.485	\$364.14	17.7
Standing offer adjustment	6831	6.108	1.095	\$97.09	4.7
Small-scale Renewable Energy Scheme	6831		0.2651	\$18.11	0.9
		128.266	23.258	\$2,056.93	100.0
Fixed component	\$468.17	23			
Variable component	\$1,588.76	77			
Typical small business 2020-21 - no GST	\$2,056.93				
Typical small business 2020-21 - with GST	\$2,262.62				
		down \$75 or \$2,263	3.2%	Final 2020-21	

Source: Compiled by Queensland Electricity Users Network using QCA 2020-21 Final Determination of regulated retail electricity prices for regional Queensland

For 2021-22 it is impossible to understand the impact of the JSC on Ergon Retail tariffs as the Queensland Government has failed to provide the QCA with the relevant fixed and variable charges needed to calculate the JSC for each Ergon Retail tariff.

Customers of Ergon Retail have the right to know the JSC being charged in their power bills.

In 2020-21 the Queensland Government was up front and honest about the JSC, this allowed the QCA to specify the JSC in each retail tariff of the QCA's Draft 2020-21 Determination (Table 20).

Table 20: 2020-21 Draft jurisdictional scheme charges for small customers (GST exclusive)

<i>Tariff class</i>	<i>Retail tariff</i>	<i>Fixed (c/day)</i>	<i>Usage (c/kWh)</i>
Residential	11, 12A, 14	1.100	0.920
Small business	20, 22A, 14, 41	1.100	1.010
Controlled load	31, 33	-	0.790
Unmetered	91	-	0.664
Large business	44, 45, 46 ,50	51.600	0.067
Very large business	51A—51D, 53	1052.300	0.051

Source: Appendix D, 2020-21 Draft Determination regulated retail electricity prices for regional Queensland, Queensland Competition Authority, March 2020

Almost all the JSC is dedicated to covering the cost of the Queensland Government's Solar Bonus Scheme.

The Queensland Productivity Commission estimated the total cost of the SBS from its commencement in 2008 to its close in 2028 at \$4.1 billion, with \$2.8 billion to be recovered between 2016-17 and 2027-28. For the three-year period from 2017-18 to 2019-20 the SBS cost of \$770 million was paid for by the Queensland Government.

Our concern is the Queensland Government's lack of transparency on the JSC for 2021-22 is a sign the Queensland Government is considering a proposal to recoup, through Ergon Retail power bills in 2021-22, some of the \$770 million previously paid by the Queensland Government.

This is possible as the speed and manner in which the SBS cost is recovered is at the sole discretion of the Queensland Government.

To reduce Ergon Retail power bills the JSC must be permanently removed from all Ergon Retail tariffs.

Recommendation 2

Maintain Ergon Retail obsolete tariffs due to expire on 30 June 2021

Reason for Recommendation 2

The Queensland Government and QCA have not previously advised consumer advocates of the number of business customers on obsolete tariffs.

Consumer advocates falsely believed there were very few businesses and farmers still on obsolete tariffs.

Consumer advocates were shocked to learn that as of November 2020 a total of 21,897 Ergon Retail business and farming customers remained on obsolete tariffs due to expire on 30 June 2021 (Table 21).

To put this in context, 24% of Ergon Retail’s 92,101 business customers are on a tariff that will expire in two months.

Table 21: Number of Ergon Retail business customers on obsolete tariffs as of November 2020

Obsolete Tariff (phase-out 1 July 2021)	Total Number of NMIs ¹
Tariff 20 (large)	790
Tariff 21	10,505
Tariff 22 (large)	519
Tariff 37	128
Tariff 62	4,955
Tariff 65	2,083
Tariff 66	2,917

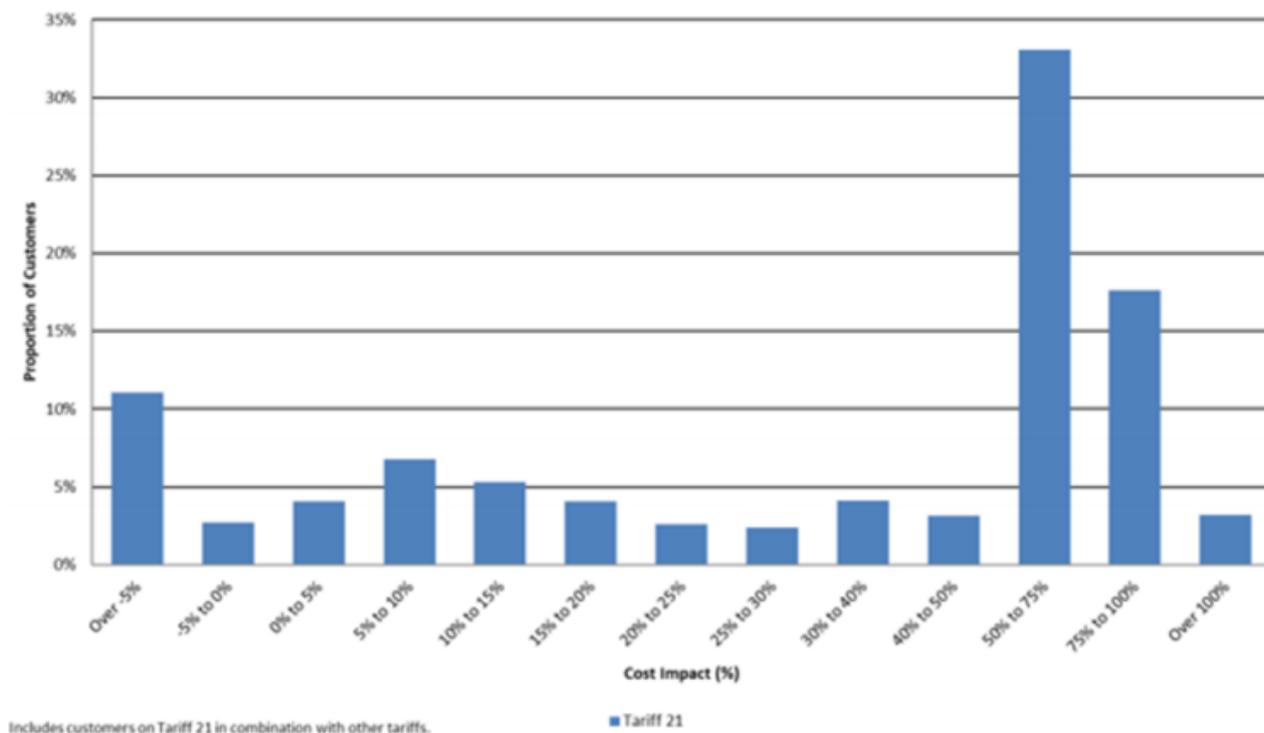
Source: QEUN communication with Energy Queensland

A recent meeting between Energy Queensland and the agricultural industry confirmed the number of customers on obsolete tariffs remained largely unchanged from November 2020.

Approximately half of the customers on obsolete tariffs are on tariffs that supply irrigated farmers ie Tariff 62, 65 and 66. The other half are largely on Tariff 21.

In 2020-21 the QCA stated that about 50% of business customers on Tariff 21 would experience at least a 50% to 75% increase in their power bill when moved to Tariff 20 (Figure 13).

Figure 13: Change in electricity bills for small business customers on Tariff 21 moving to Tariff 20 in 2020-21



Source: Appendix G, 2020-21 Final Determination regulated retail electricity prices for regional Queensland, Queensland Competition Authority, June 2020

The QCA in its Draft 2021-22 Determination did not provide an analysis of the customer impact of businesses moving from Tariff 21 to Tariff 20.

It is our understanding that business customers who do not actively move off Tariff 21 to another tariff will be moved by Ergon Retail to Tariff 20 when Tariff 21 expires on 30 June 2021.

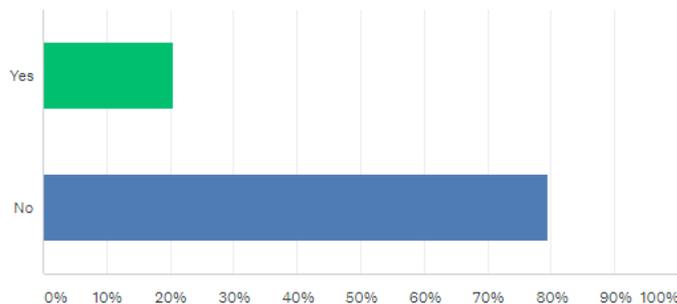
We are aware of the adverse impact on many farmers when obsolete irrigation tariffs expire, particularly farmers classified as large business customers ie over 100 MWh per year. However, consumer advocates have no idea of what types of businesses could experience a 50% to 75% increase in their power bills when forced to move from Tariff 21 to Tariff 20 on 1st July 2021.

An April 2021 QEUN survey of over 200 businesses in the Cairns region found that 80% of the survey respondents did not know if they were on an obsolete tariff (Figure 14). Of greater concern is 83% of those respondents identifying as being on an obsolete tariff said they had not spoken to Ergon Retail about alternative tariff options (Figure 15).

Figure 14:

Are you aware if any of the tariffs listed on your Ergon electricity bills will be obsolete (cease to exist) from 1st July 2021?

Answered: 215 Skipped: 0

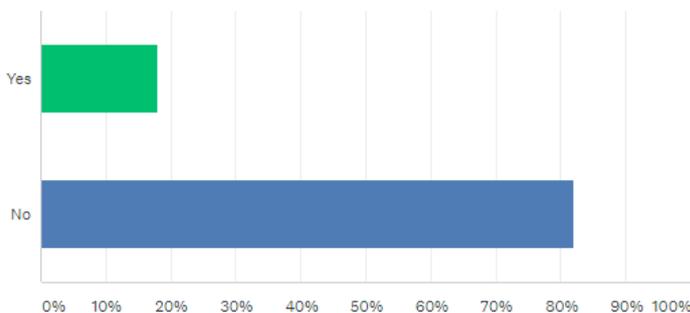


Source: Survey - End of JobKeeper and impact on business power bills & Cairns regional economy, Queensland Electricity Users Network, April 2021

Figure 15:

If you are on a tariff that will be obsolete as of 1st July 2021 have you spoken with Ergon Retail about alternative tariff options for your business?

Answered: 201 Skipped: 14



Source: Survey - End of JobKeeper and impact on business power bills & Cairns regional economy, Queensland Electricity Users Network, April 2021

It is highly recommended Ergon Retail provide a report to the Queensland Government and QCA that:

- identifies the types of businesses on Tariff 21
- the customer impact of tariff alternatives for all customers on obsolete tariffs
- a monthly update of the number of customers on each obsolete tariff

It is further recommended that obsolete retail tariffs due to expire on 30 June 2021 be maintained until such time as the number of business customers on obsolete tariffs is below 500.

Recommendation 3

Cap the wholesale electricity price at \$60/MWh for Ergon Retail regulated retail tariffs and engage two consultants (or a different consultant to the Australian Energy Regulator's Default Market Offer) to estimate the total energy cost to be included in Ergon Retail regulated tariffs

Reason for Recommendation 3

The Queensland Government has increasingly become reliant on revenue received from its wholly owned generation assets to prop up the Queensland Budget.

The revenue received from its generation assets increased from \$284 million in 2015-16 to peak at \$1,076 million in 2018-19, a rise of \$792 million in 3 years (Table 22).

During this 3-year period, the Queensland average annual wholesale electricity price in the National Electricity Market (NEM) increased from \$74.41/MWh to \$80.29/MWh, a rise of \$5.88/MWh (Table 23)

During this 3-year period, the wholesale electricity price charged to Ergon Retail customers in regional Queensland increased from \$63.73/MWh to \$99.10/MWh, a massive rise of \$35.37/MWh (Table 23).

The Queensland Government is the largest supplier of wholesale electricity in Queensland, owning about two-thirds of the generation capacity. During the 3-year period its two generation companies, CS Energy and Stanwell Corporation, each held about one-third of the generation capacity in Queensland.

When Ergon Retail customers were being charged \$99.10/MWh in 2018-19, CS Energy was reporting to the Queensland Government an average annual wholesale price of \$86.77/MWh (Table 23).

During the 3-year period from 2015-16 to 2018-19, and from 2018-19 onwards, there is surplus generation capacity in Queensland. The Queensland Government's excessive profits were largely attained by charging excessive wholesale electricity prices to regional Queensland customers captive to Ergon Retail.

The Queensland Government is keen to promote Queensland has the cheapest wholesale electricity prices in the National Electricity Market, this is true for the period 2017-18 to 2019-20 (Table 24).

However, the trend of being the cheapest or second cheapest in the NEM ended in November 2020.

From November last year there has been a change.

Instead of being the cheapest, Queensland has progressed to being the most expensive wholesale electricity price in 3 out of 4 months this year. South Australia experienced a one-day supply problem which spiked the price for that day to \$1,335/MWh. Without this unexpected price spike in South Australia, Queensland would be the most expensive average monthly wholesale price in the NEM in 4 out of 4 months this year (Table 25).

Should the 2021 trend continue Queensland is likely to lose its mantle of being the cheapest wholesale electricity prices in the National Electricity Market

Table 22: Generation revenue received by Queensland Government, actual and projections

Queensland Government owned generation assets	2015-16			2016-17			2017-18			2018-19			2019-20		2020-21	2021-22	2022-23	2023-24
	Budget	Estimated Actual	ACTUAL	Budget	ACTUAL	Budget	Projection	Projection	Projection									
Earnings before interest and tax	320	372	382	482	892	1,241	1,070	1,230	1,194	1,009	1,422	1,384	830	-469	572	509	397	539
Dividends Tax Equivalent Payments	125	160	175	216	378	383	463	645	620	535	657	615	519	305	278	222	169	247
Competitive Neutrality Fee Payments	84	66	86	91	152	190	154	249	321	236	421	444	234	232	163	136	130	160
REVENUE RECEIVED by Queensland Government from Queensland Government owned generation assets	239	252	284	328	551	594	639	914	961	788	1095	1,076	770	553	456	372	311	419
Borrowings	1,914	1,879	2,262	1,700	3,681	2,593	1,580	1,864	1,761	1,602	1,941	1,984	1,831	2,655	1,845	1,761	1,723	1,742

Note: 2014-15 and 2016-17 EBIT includes Stanwell coal revenue sharing arrangements

Source: Compiled by QEUN from Queensland Budget Papers

Table 23: Queensland Government generation revenue & Queensland wholesale electricity prices

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
ACTUAL Revenue received by Queensland Government from Queensland Government owned generation assets (\$ millions)	\$284	\$594	\$961	\$1,076	\$553	*\$456	**\$372
Average Queensland wholesale price traded in National Electricity Market (\$/MWh)	\$74.41	\$93.12	\$72.87	\$80.29	\$53.41	***\$41.17	n/a
Wholesale price charged to Ergon Retail customers (\$/MWh)	\$63.73	\$75.32	\$103.11	\$99.10	\$89.16	\$80.90	****\$68.06
CS Energy average wholesale price (\$/MWh)			\$74.17	\$86.77	\$67.37		

* Revenue budget not actual revenue received

** Revenue projection not actual revenue received

*** Year-to-date average Queensland wholesale electricity price traded in National Electricity Market - 26 April 2021

****QCA Draft determination of wholesale price to be charged to Ergon Retail customers in 2021-22

Source: Compiled by QEUN from Queensland Budget Papers, AEMO Data dashboard, CS Energy Annual Reports

Table 24: Lowest average annual wholesale electricity prices in National Electricity Market

Wholesale electricity prices (\$/MWh)	2015-16	2016-17	2017-18	2018-19	2019-20	*YTD 2020-21
New South Wales	76.74	81.22	82.27	88.56	71.95	49.50
Queensland	74.41	93.12	72.87	80.29	53.41	41.17
South Australia	81.00	108.66	98.10	109.80	62.04	37.32
Tasmania	117.49	75.40	86.98	90.01	55.05	41.50
Victoria	64.17	66.58	92.33	109.81	73.74	38.38

* Year-to-date 2020-21 as of 27 April 2021

Source: Compiled by QEUN from Australian Energy Market Operator Data Dashboard

Table 25: Highest average monthly wholesale electricity prices in National Electricity Market

Wholesale electricity prices (\$/MWh)	2020-21									MTD 27 April
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	
New South Wales	47.98	49.86	40.99	57.87	62.49	71.38	38.84	35.13	38.97	53.14
Queensland	38.23	30.45	27.36	35.22	45.35	54.46	40.35	41.69	45.81	54.24
South Australia	59.33	45.57	15.21	32.97	36.72	16.78	28.70	22.49	*68.77	49.61
Tasmania	56.60	55.75	37.52	41.51	59.37	36.86	37.81	31.99	30.78	23.73
Victoria	63.60	53.70	34.65	44.79	44.07	23.79	22.82	21.85	30.36	46.80

* Average daily price for South Australia spiked on 12 March 2021 to \$1,335/MWh significantly increasing the average monthly March price for South Australia

Source: Compiled by QEUN from Australian Energy Market Operator Data Dashboard

Regardless of whether or not Queensland has the cheapest wholesale electricity prices in the National Electricity Market, the benefit of lower Queensland wholesale electricity prices is not flowing through to Ergon Retail customers in regional Queensland.

This is because the Queensland Government, despite being aware of the cost of generation (through its ownership of two thirds of Queensland’s generation capacity; CS Energy, Stanwell Corporation and now CleanCo), chooses to engage only one consultant to estimate the wholesale electricity price charged to Ergon Retail customers.

In an era of great uncertainty in the National Electricity Market and sustained power bill stress in regional Queensland, it would be prudent for the Queensland Government to:

- engage two consultants to estimate the wholesale electricity price and
- to consider the two consultant’s reports when setting a wholesale electricity price for Ergon Retail customers; a wholesale electricity price which would relieve power bill stress and allow Queensland Government owned generators to maintain a safe and viable operation

The influence of the Federal Government on prices charged by Ergon Retail

It is somewhat ironic that the Federal Government can inadvertently determine, or at least largely influence, the wholesale and retail electricity prices charged by a Queensland Government owned company such as Ergon Retail.

The influence is due to the relationship between the QCA’s determination of regulated retail prices for regional Queensland and the Australian Energy Regulator’s Default Market Offer (DMO).

The DMO was introduced by the Federal Government in 2019-20 to protect ‘disengaged’ residential and business customers in the de-regulated retail markets of NSW, South Australia and Southeast Queensland. Currently the DMO protects over 200,000 residential and business customers in Southeast Queensland.

The role of the DMO is to:

- **act as a cap on the retail prices** levied on disengaged consumers
- be used to set a reference bill amount **which all discounts must be calculated from**

The DMO is set on an annual basis by the Australian Energy Regulator and must be published by 30 April.

The regulated retail electricity prices for regional Queensland are usually set by the Queensland Competition Authority after receiving a Ministerial Delegation from the Queensland Government. Regulated retail prices are usually set at the end of May but must be as per the timeline stipulated in the Ministerial Delegation. In 2021-22 QCA must publish the final regulated retail prices no later than 11 June 2021.

There is one critical difference between the AER’s DMO and QCA’s regulated retail prices for regional Queensland.

DMO customers in Southeast Queensland are not ‘captive’ to the near monopoly of Ergon Retail.

DMO customers can choose to ‘engage’ in the de-regulated retail market and accept a retail offer from one of the 40 retailers operating in Southeast Queensland.

Ergon Retail customers can choose another retailer, but the other retailers do not receive the Community Service Obligation (CSO) paid by the Queensland Government.

The only retailer to receive the CSO payment is the Queensland Government owned Ergon Retail.

The CSO payment ranges from \$462 million to \$603 million (Table 26).

Table 26: Community Service Obligation payments by Queensland Government to Ergon Retail

	2015-16 Actual (\$ million)	2016-17 Actual (\$ million)	2017-18 Actual (\$ million)	2018-19 Actual (\$ million)	2019-20 Actual (\$ million)	2020-21 Budget (\$ million)	2021-22 Projection (\$ million)	2022-23 Projection (\$ million)	2023-24 Projection (\$ million)
Community Service Obligation	541	603	478	462	498	454	502	505	490

Source: Compiled by QEUN from Queensland Budget Papers

The Uniform Tariff Policy, and the associated CSO payment, is supposed to ensure that wherever possible, customers of the same class should pay no more for their electricity, regardless of their geographic location in Queensland.

The CSO basically offsets the difference between the operating costs of the Queensland Government owned distribution network (Energex) in Southeast Queensland and the Queensland Government owned distribution network (Ergon Network) in regional Queensland.

The Ergon Network covers 97% of the geographic area of Queensland and therefore has higher operating costs compared to Energex which only covers the 3% of Southeast Queensland.

However, after the network costs have been 'equalised' by the CSO payment to Ergon Retail, customers in regional Queensland still pay hundreds of dollars more for electricity than residential and business customers in Southeast Queensland.

The reason for the much higher power bills in regional Queensland stems from the DMO acting as a reference bill for Southeast Queensland, it is a cap from which all discounts are calculated.

This means that if Southeast Queensland and regional Queensland have the same wholesale electricity price then customers in Southeast Queensland can effectively negotiate a 'discount' on their wholesale electricity price by accepting a retail offer from one of the 40 retailers actively competing in the de-regulated Southeast Queensland retail market.

A high wholesale electricity price set by the AER's DMO is detrimental to regional Queensland customers as they cannot reasonably access another retailer as the only retailer to receive the CSO payment in regional Queensland is Ergon Retail.

The lack of a CSO payment to other retailers allows Ergon Retail to retain its near monopoly of residential and small business customers in regional Queensland.

The AER's Energy Made Easy website lists two other retailers providing retail offers in to residential customers in regional Queensland; LPE and Bright Spark Power. In 'regional' Queensland Ergon Retail has 631,056 residential customers whilst in 'Queensland' LPE has 25,352 customers and Bright Spark Power has 34 customers.

The AER's Energy Made Easy website also lists 4 retailers providing retail offers to small business customers in regional Queensland. In 'regional' Queensland Ergon Retail has 87,760 small business customers whilst in 'Queensland' LPE has 6,356 customers, Bright Spark Power has 9 customers and Next Business Energy has 1,400 customers.

This is evidence residential and small business customers in regional Queensland cannot realistically receive an offer from another retailer thus cannot in effect negotiate a 'discounted' wholesale electricity price.

The AER and the QCA use the same consultant to estimate the total energy cost (TEC). Approximately 75% of the TEC is the wholesale electricity price (Table 27).

It is not prudent to allow one consultant to determine the TEC and wholesale electricity price for over 200,000 DMO customers in Southeast Queensland and over 720,000 Ergon Retail customers in regional Queensland.

Since total energy costs represent 35% of a retail price/power bill, we recommend the QCA/Queensland Government engage two consultants or a different consultant to the Australian Energy Regulator's Default Market Offer to estimate the TEC to be included in regulated retail prices for regional Queensland.

Table 27:

Comparison of Wholesale and Total Energy Costs for QCA’s regulated retail prices for regional Queensland & Australian Energy Regulator Default Market Offer (DMO) for Southeast Qld

2021-22	Wholesale Electricity Cost (\$/MWh)	Renewable Energy Costs (\$/MWh)	Other Costs (\$/MWh)	Total Transmission & Distribution Loss Factor	Network Losses (\$/MWh)	Total Energy Cost (\$/MWh)
QCA <i>DRAFT</i> PRICES for business & residential customers in regional Queensland	\$68.06	\$13.71	\$2.62	1.060	\$5.06	\$89.45
AER FINAL DMO3 for business and residential customers in Southeast Queensland	\$67.01	\$16.75	\$2.57	\$1.064	\$4.45	\$90.78
2020-21						
QCA FINAL PRICES for business & residential customers in regional Queensland	\$80.90	\$14.30	\$3.99	1.060	\$5.95	\$105.14
AER FINAL DMO2 for business and residential customers in Southeast Queensland	\$82.45	\$15.10	\$3.94	1.059	\$5.10	\$106.59
2019-20						
QCA FINAL PRICES for business & residential customers in regional Queensland	\$89.16	\$16.64	\$3.18	1.065	\$7.08	\$116.06
AER FINAL DMO1 for business and residential customers in Southeast Queensland	\$89.16	\$20.10	\$3.18	1.065	\$3.18	\$118.44

Source: Compiled by QEUN from QCA Determinations for regulated retail prices for regional Queensland and Australian Energy Regulator Determinations for the Default Market Offer (DMO)

Recommendation 4

Permanently remove the nonsensical 5% 'standing offer adjustment' and 'head room' charge from all Ergon Retail business and residential regulated retail tariffs

Reason for Recommendation 4

With its near monopoly in the retail market of regional Queensland, Ergon Retail does not have to compete with other retailers for customers therefore it does not incur the Customer Acquisition and Retention Costs (CARC) of electricity retailers in South East Queensland.

This means customers in regional Queensland should not be paying for CARC.

In 2018 the Australian Competition and Consumer Commission estimated CARC at \$48 per customer.

To promote non-existent retail competition in regional Queensland the 'standing offer adjustment' charge and 'head room' charge is added to every regulated retail tariff in regional Queensland including the main residential tariff (Tariff 11), the main small business tariff (Tariff 20) and a major tariff used by large business customers (Tariff 44) (Table 28, 29 and 30).

In 2020-21 the 'standing offer adjustment' charge for residential customers was reduced from its usual 5% to 2.2% to ensure QCA's regulated retail prices for regional Queensland did not exceed the AER's DMO for Southeast Queensland.

Using the 'standing offer adjustment' as the balancing item was explained by the QCA in its 2020-21 Final Determination:

*"After accounting for the above-mentioned factors, we found that the equivalent notified price bill for tariff 11 is \$35.80 higher than the DMO bill. Therefore, we made adjustments to the notified prices of tariff 11 by reducing both the fixed and usage components uniformly until the notified price bill is equal to the DMO bill. **The resulting reduction is equivalent to applying a standing offer adjustment of approximately 2.2 per cent (instead of 5 per cent).**"*

The need to find a balancing item for the notified price bill/Ergon Retail power bill is shown in Figure 15.

The reduction in the standing offer adjustment charge last year to enable a DMO power bill for Southeast Queensland to equal an Ergon Retail power bill for regional Queensland has set a precedent. The equalising adjustment makes a mockery of the QCA's insistence that the 'standing offer adjustment' charge must be maintained to promote retail competition in regional Queensland.

The reduction last year in the standing offer adjustment charge decreased the typical Tariff 11 residential annual power bill by over \$30.

Since there is no real competition in regional Queensland the 'standing offer adjustment' charge and 'headroom charge' needs to be permanently removed from all Ergon Retail residential and business regulated retail tariffs.

Table 28: Standing offer adjustment charge in Tariff 11 (main residential tariff for regional Queensland) – GST exclusive

Retail tariff	Tariff component	Fixed ²	Usage			Demand	
			Off-peak/flat	Shoulder	Peak	Off-peak	Peak
		c/day	c/kWh	c/kWh	c/kWh	\$/kW/mth	\$/kW/mth
Tariff 11— residential (flat-rate)	Network	51.300	8.473				
	Energy		8.945				
	Fixed retail	33.948					
	Variable retail		1.263				
	Standing offer adjustment	3.069	0.673				
	SRES cost pass-through		0.0459				
	Total	88.317	19.400				

Source: QCA Draft 2021-22 Determination regulated retail electricity prices for regional Queensland

Table 29: Standing offer adjustment charge in Tariff 20 (main small business tariff for regional Queensland) – GST exclusive

Retail tariff	Tariff component	Fixed ²	Usage		Demand	
			Off-peak/flat	Peak	Off-peak/flat	Peak
		c/day	c/kWh	c/kWh	\$/kW/mth	\$/kW/mth
Tariff 20— business (flat-rate)	Network	69.300	9.016			
	Energy		8.945			
	Fixed retail	47.453				
	Variable retail		3.359			
	Standing offer adjustment	4.203	0.768			
	SRES cost pass-through		0.0478			
	Total	120.957	22.135			

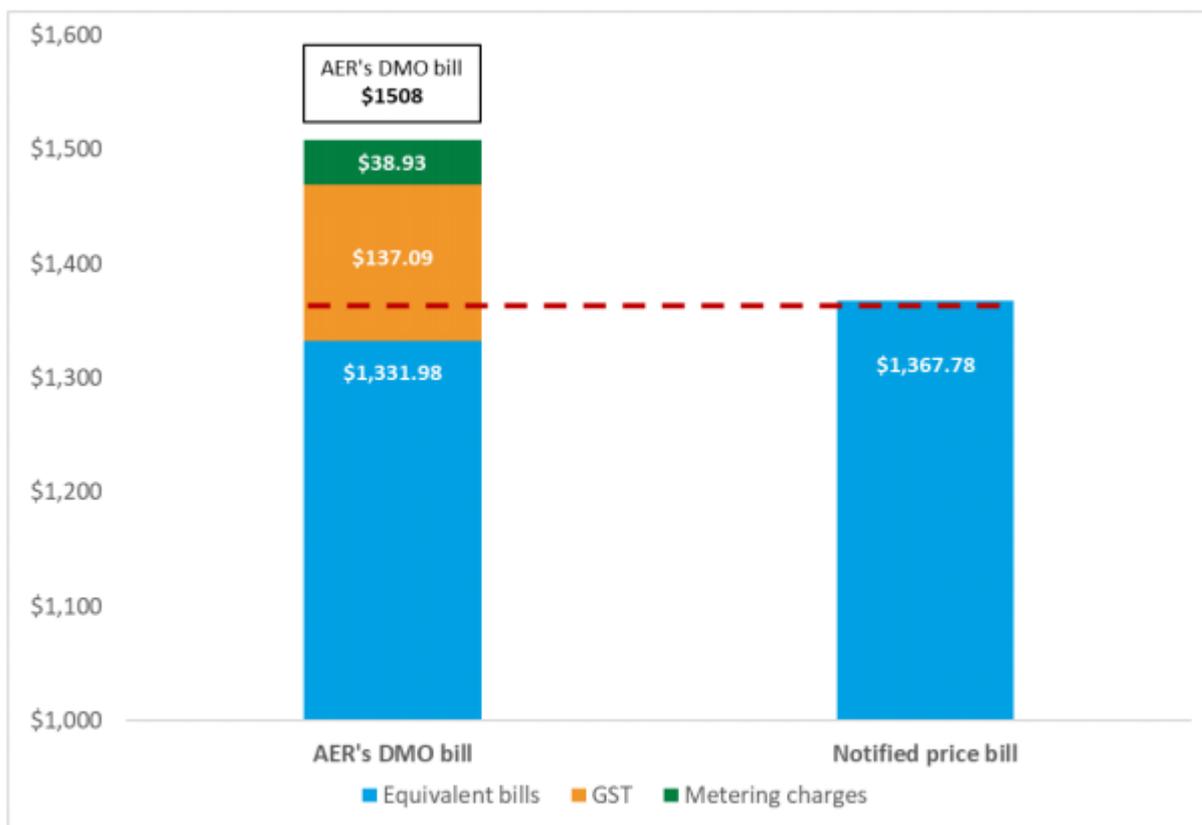
Source: QCA 2021-22 Draft Determination regulated retail electricity prices for regional Queensland

Table 30: Headroom charge in Tariff 44 (large business tariff for regional Queensland- consumption over 100/MWh per year) – GST exclusive

Retail tariff	Tariff component	Fixed ²	Usage		Demand		
			Off-peak/flat	Peak	Off-peak/flat	Peak	Flat
		c/day	c/kWh	c/kWh	\$/kW/mth	\$/kW/mth	\$/kVA/mth
Tariff 44—over 100 MWh small (demand)	Network	3655.900	1.200		23.472		21.125
	Energy		8.194				
	Fixed retail	386.804					
	Variable retail		0.568		1.419		1.277
	Headroom						
	SRES cost pass-through		0.0426				
	Total		4042.704	10.005		24.891	

Source: QCA Draft 2020-21 regulated retail electricity prices for regional Queensland

Figure 15: 2020-21 equivalent Default Market Offer (DMO) and Tariff 11 regulated retail annual price bill



Note: A DMO consumption level of 4600 kWh/annum was used to calculate the equivalent notified price bill.

Source: Our analysis using AER data.

Source: Appendix J, QCA 2020-21 Final Determination regulated retail prices for regional Queensland

Recommendation 5

Quantify the so called 'benefits' of Ergon Retail's standing offers compared to market contracts.

Reason for Recommendation 5

The Queensland Government believes the terms and conditions of a standard Ergon Retail contract provides benefits to customers.

If regional Queensland customers are paying a premium for the additional benefits or protections contained in an Ergon Retail contract this needs to be quantified by benefit.

Recommendation 6

Make the Uniform Tariff Policy arrangements transparent by;

- *Reporting on how the Uniform Tariff Policy/Community Service Obligation is defined and calculated and*
- *Disclosing annually the distribution of the Community Service Obligation by customer category, region and industry sector & subsector*

Reason for Recommendation 6

The QEUN's Recommendation 6 is the same as Recommendation 29 in the Queensland Productivity Commission's Electricity Pricing Inquiry Report submitted to the Queensland Government in May 2016. Recommendation 29 was accepted in principle by the Queensland Government in November 2016.

Nearly five years later, the Queensland Government is yet to implement Recommendation 29.

The Uniform Tariff Policy provides that:

Wherever possible customers of the same class should pay no more for their electricity, regardless of their geographic location

The Queensland Government constantly reminds electricity consumers in regional Queensland that it "subsidises" regional Queensland electricity costs by supporting the Uniform Tariff Policy through the payment of the Community Service Obligation (CSO).

No other electricity retailer in regional Queensland receives a CSO payment from the Queensland Government. Hence, no other electricity retailer can compete against Ergon Retail in regional Queensland.

The Queensland Government recovers its CSO payment by inflating the regulated retail electricity prices charged by Ergon Retail and paid by regional Queensland households and businesses.

The QEUN recommends the Queensland Government follows through with its acceptance in principle of the Queensland Productivity Commission's Recommendation 29 in the 2016 Electricity Pricing Inquiry Report and makes the Uniform Tariff Policy transparent.

Recommendation 7

Extend the removal of the Non-Reversion Policy to include customers up to 160 MWh per year.

Reason for Recommendation 7

Some business customers consuming over 100 MWh per year have become captive to unsustainable market contracts as electricity retailers are aware the Queensland Government's Non-Reversion Policy does not allow customers consuming over 100 MWh per year to return to Ergon Retail.

Ironically, the aim of the Non-Reversion Policy is to promote retail competition, for some customers the Non-Reversion Policy limits retail competition by excluding Ergon Retail.

The threshold for the Non-Reversion Policy needs to be extended from 100 MWh per year to 160 MWh per year.

Conclusion

There is clear statistical and survey evidence that the regulated retail prices and tariffs set by the Queensland Competition Authority and sanctioned by the Queensland Government are continuing to result in ongoing power bill stress for business and residential customers in regional Queensland.

The more Ergon Retail customers experience power bill stress, the more Ergon Retail customers are incentivised to reduce their consumption of grid supplied electricity, or to go off grid.

The reduction in demand for grid supplied electricity has significant ramifications for the viability of transmission and distribution networks owned by the Queensland Government.

It also affects the viability of grid connected generation owned by the Queensland Government.

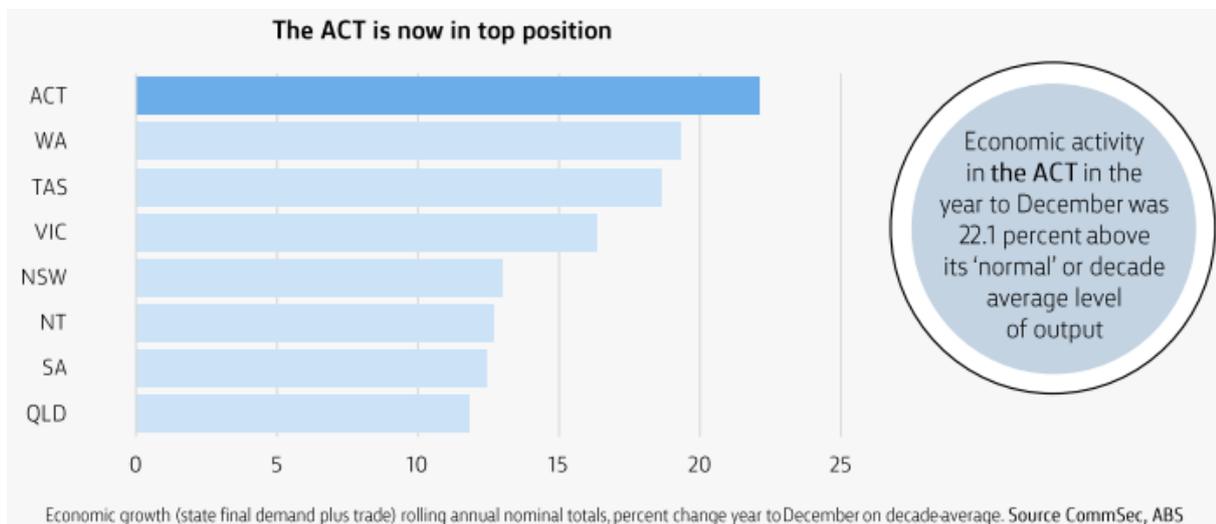
A fall in the viability of Queensland networks and generators will affect the revenue received from publically owned electricity assets. Cash cows could become liabilities for the Queensland Government.

Falling demand for grid supplied electricity is a disincentive for private investors to invest in new generation; this has implications for the future supply of reliable and secure electricity to all of Queensland.

Affordable Ergon Retail prices and tariffs will incentivise customers to consume grid supplied electricity.

Affordable Ergon Retail prices and tariffs will also act as a catalyst to drive jobs growth and a strong COVID19 recovery.

Without a strong economy in *regional* Queensland, Queensland will continue to languish at the bottom of the table in terms of economic growth - as per CommSec's State of the States Report – April 2021.



Thank you for the opportunity to provide a submission. We would welcome further discussion on any aspect of our submission.

Yours faithfully



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