



Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

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Professor Flavio Menezes
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Dear Professor ~~Menezes~~ *Flavio*

Pursuant to section 90AA of the *Electricity Act 1994* (the Act), I have delegated to the Queensland Competition Authority (QCA) the functions under section 90(1) of the Act for the determination of regulated retail electricity prices in regional Queensland for 2023-24. I am doing this in the form of two separate delegations for the 2023-24 tariff year. Delegation No. 1 is for the setting of notified prices for existing retail tariffs in the usual manner. Delegation No. 2 requests QCA make new electric vehicle (EV) tariffs aimed at further reducing the costs of operating EV's in regional Queensland by incentivising electricity use during the day. To achieve this, I ask QCA to consider modifying part of its cost build-up methodology for these tariffs. I also recognise this is a significant step for QCA so have quarantined this request from the standard annual delegation.

I also direct QCA under section 93 of the Act to decide the feed-in tariff (FiT) rate for the tariff year 1 July 2023 to 30 June 2024.

The Queensland Government is committed to ensuring affordable electricity prices for Queensland households and businesses. The Queensland Energy and Jobs Plan (the Plan) outlines how Queensland's energy system will transform to deliver clean, reliable and affordable power for generations. It leverages Queensland's natural advantages to:

- build a clean and competitive energy system for the Queensland economy and industries as a platform for accelerating growth
- deliver affordable energy for households and businesses, and support more rooftop solar and batteries
- drive better outcomes for workers and communities as partners in the energy transformation.

General Price Setting

The enclosed Delegation No. 1 and terms of reference for 2023-24 are generally consistent with the approaches of previous delegations. The Queensland Government's Uniform Tariff Policy (UTP) as described in the delegation continues to capture the need for consideration of the Default Market Offer (DMO) by QCA in its determination. Given the change in timing of the Australian Energy Regulator's final DMO decisions to late May each year, I recognise QCA will need extra time to consider the interplay of the South-East Queensland (SEQ) DMO with its own decision. Further, I consider it appropriate QCA conduct its usual process to determine all costs that contribute to notified prices, including considering all costs and benefits associated with small customer standing offers in SEQ.

The Plan sets a target of 100 per cent penetration of smart meters by 2030, hastening the rollout to help evolve Queensland's energy system. This target is flagged for replication nationally by the Australian Energy Market Commission in its recently released draft metering review. The target substantively addresses my earlier concerns about the slow deployment of smart meters in Queensland. I ask QCA to consider how it may enable retailers to recover costs associated with the provision of all metering services. However, as customers do not choose which meter they have it is important this is done in a fair and equitable way that is consistent with UTP so that similar customers do not pay different amounts simply based on the type of meter they have. QCA should set a retail fee for the additional costs of manually reading smart meters for customers who have voluntarily chosen to have the meter's remote communications functions disabled. This will ensure other customers are not paying for those private choices.

New EV tariffs

Thank you for the analysis on tariffs for EVs provided in QCA's final determination for regulated electricity prices for 2022-23. In consideration of this advice, Delegation No. 2 seeks the development of additional and new solar-soaker EV tariffs similar in structure to existing tariffs 12B and 22B, but with a larger differentiation between peak and daytime energy rates, to set clearer signals to consumers as when is the most cost-effective time to charge an EV.

Ensuring the state-wide rollout and integration of EVs is managed in a way that minimises the need for significant network infrastructure upgrades and makes use of existing spare capacity is essential to Queensland's electricity future. The Queensland Government has released the *Queensland's Zero Emission Vehicle Strategy 2022-2032* with EVs the key focus. These issues have also informed actions the Queensland Government has committed to in the Plan.

Battery charging is set to introduce new load onto the system and EV users will make decisions that will impact the electricity network in new ways. Uptake of EVs is growing quickly and the Queensland Government wants to encourage this uptake in a sustainable way that maximises beneficial outcomes for the electricity system and other electricity customers.

Regional Queensland is setting the pace in encouraging greater use of the abundant renewable energy. The improvement of solar-soaker tariffs that make the cheapest rate available from 9am to 4pm are critical. The Queensland Government's commitment to target 100 per cent smart meter uptake will enable more customers to adopt these types of tariffs. Although the structure of these tariffs offers incentives for customers, your advice confirmed the wholesale energy cost components used by QCA in setting notified prices are flat across all time periods. This includes during the day when there is typically a lot more energy generation from household and utility-scale solar photovoltaic systems.

Lowering retail energy charges during the day to better reflect the wholesale energy spot market, perhaps by using a weighting methodology as you advised would be your preferred approach, could create even greater savings for customers potentially further incentivising favourable charging behaviour when electricity supply is abundant, and cheaper. Sharper retail tariff price signals could be more attractive to many EV and battery owners, limiting the need for distribution network investment and benefitting all customers through bill savings. A key objective of these new solar-soaker tariffs is to incentivise households to charge EVs and batteries during the day when there is generally more available network capacity and renewable energy generation, and supply their household needs from their EV or battery during peak periods and ultimately reduce the charging costs for EV's in regional Queensland. It is anticipated the new tariffs will do this by providing stronger price signals and will lay the platform for commercial charge point operators to adopt similar time-based tariffs to incentivise charging behaviour.

FiT

The enclosed section 93 direction and associated terms of reference impose conditions and timeframes on QCA when undertaking its investigation. QCA is required to decide a FiT rate for 2023-24 using an avoided cost methodology.

However, I note in QCA's recent monitoring report on solar FiTs in SEQ for 2021-22 (October 2022), QCA identifies the average SEQ residential FiT in the June quarter 2022 was 5.7 cents per kilowatt-hour. In contrast the regional FiT for 2022-23 is 9.3 cents per kilowatt-hour. I ask QCA to consider if the methodology used in previous years remains appropriate and continues to reasonably reflect actual avoided costs to retailers when purchasing energy from small customers. I anticipate this will necessitate public consultation in deciding the 2023-24 FiT.

Public consultation has long formed a vital part of QCA's process for determining retail electricity prices. The terms of reference of both delegations set out the consultation needs and requires QCA to publish its draft determinations in February 2023 and its final determinations by 9 June 2023. I anticipate the processes for both delegations will run simultaneously and appear seamless to stakeholders.

Regional customers continue to benefit from the electricity cost protection provided by UTP and the benefits of Queensland-owned assets. The Plan is a plan for all Queenslanders – a Plan for the future that will deliver clean, reliable and affordable power for generations and position the State for growth and prosperity.

The Department of Energy and Public Works (DEPW) will be available to consult with QCA on the 2023-24 price determination and Tariff Schedule. If you need more information or help with this matter, [REDACTED] Executive Director, Energy, DEPW can be contacted on [REDACTED] or email [REDACTED]

Yours sincerely



Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Encl. Section 90AA Delegation No. 1 and Terms of Reference
Section 90AA Delegation No. 2 and Terms of Reference
Section 93 Direction and Terms of Reference