



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

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Professor Flavio Menezes
Chair
Queensland Competition Authority
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Dear Professor Menezes

Flavio

Pursuant to section 90AA of the *Electricity Act 1994* (the Act), I am delegating 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 the 2024-25 Tariff Year. Delegation No. 1 2023 is for the setting of notified prices for existing retail tariffs in the usual manner. To achieve this, I ask QCA to consider applying the same cost build-up methodologies it used in setting prices for 2023-24 for all current tariffs.

Additionally, pursuant to section 93 of the Act, I direct the QCA to decide the solar feed-in tariff (FIT) rate for the 2024-25 Tariff Year.

The Queensland Government is committed to reducing cost of living pressures by ensuring affordable electricity prices for Queensland households and businesses. Access to affordable electricity is essential to ease cost of living pressures for all Queensland households, and this extends to businesses. Regional Queensland constitutes most of the State's land mass but is home to only around one third of Queensland's population. This can present challenges to ensuring regional Queenslanders can access affordable energy. This is why the Queensland Government continues to implement its Uniform Tariff Policy (UTP) to ensure all Queenslanders pay a similar price for electricity no matter where they live.

The Queensland Energy and Jobs Plan (QEJP) provides a clear path forward for the energy sector over the coming years and outlines how Queensland's energy transformation will deliver clean, reliable and affordable power for generations. A key focus area of the QEJP is to empower Queensland households and businesses when it comes to electricity usage. The Queensland Government will continue to deliver affordable energy while supporting Queenslanders as they invest in more smart technologies, such as solar rooftop generation, storage of electricity in home batteries, and electric vehicles.

General Price Setting

The enclosed Delegation and terms of reference for 2024-25 are generally consistent with the approach of previous delegations. The UTP, as described in the delegation, continues to provide provision for QCA to consider the South East Queensland (SEQ) Default Market Offers (DMO) in its determination.

Given the timing of the Australian Energy Regulator's (AER) DMO decisions, I recognise the QCA requires time to consider the outcomes with its own decision. Further, I consider it appropriate QCA undertake its usual process to determine costs that contribute to notified prices, including considering costs and benefits associated with small customer standing offers in SEQ.

Queensland households continue to deal with cost of living pressures. The government's UTP provides an essential pressure valve in such times and in considering the DMO, QCA should have careful regard to the equivalence in pricing between regional Queensland and South East Queensland. The QCA should continue to use the Standing Offer Adjustment (SOA) components of the flat tariffs T11 and T20 as the adjustment mechanism where any outcome of QCA's methodology results in a comparable bill being more than the equivalent DMO. Where the QCA considers the SOA impact could be material and result in outcomes similar to the 2023-24 period, I request it advises government so consideration can be given to what, if any, response is required.

Also, it is important that in applying any SOA adjustment in consideration of the SEQ DMOs, bill relativity be maintained for more complex small customer tariffs for which equivalent DMOs are not determined by the AER. This should be achieved by applying any proportional reduction in SOA to other tariffs within the customer class. These tariffs provide customers with choices that may better suit their individual circumstances. They also present important price signals to customers about how they use their electricity. As the electricity transformation gathers pace, it is equally important to ensure the effect of the UTP is reflected across relevant tariffs.

Metering costs

A key target of the QEJP aims to achieve 100 per cent deployment of smart meters by 2030. This target was recently reinforced by recommendations set out in the Australian Energy Market Commission's *2023 Review of the Regulatory Framework for Metering Services*, and progress is already well underway in regional Queensland.

I ask that QCA consider smart meter deployment volumes in regional Queensland, including electricity retailer forecasts for installations across the Tariff Year, and variances between forecast and actual deployments in previous years when assessing associated costs for its pricing decision. QCA is also asked to consider the impacts of individual customer choices to disable some smart meter functionality that necessitates ongoing physical meter reading. These impacts include costs currently placed on other customers and safety issues including accessibility and risks of dog attacks, and set charges in a way that better reflects the cost associated with those choices.

Default tariff assignment

In 2020-21, for administrative convenience of regional retailers and to formalise existing practice, a section was added to the Tariff Schedule to allow retailers to nominate a 'default tariff' to a small customer. Currently, regional retailers can assign basic residential or small business flat tariffs to a new regulated small customer in the event the customer did not nominate a primary tariff when establishing an electricity account. In SEQ, no similar arrangement exists and retailers must obtain direction of the specific product choice from a new customer. The exception is where deemed contract arrangements to which Tariff 11 (T11) style flat rate charges generally apply, for example when someone moves into a residence and starts using electricity without establishing an account with a retailer.

I understand that if provisions for this current process were to be extinguished, retailers in regional Queensland would be required to obtain specific direction from the customer when establishing an electricity plan. While this would better align with retailer practices in SEQ, it may place additional administrative burden on regional retailers.

Accordingly, I ask that QCA consider if, on balance, there remains an ongoing need for the existing default tariff assignment arrangements, and what provisions may be required for situations where small customers are deemed to have entered a standard contract. Any change should not limit a small customer's ability to access relevant flat rate tariffs – T11 (residential) or T20 (small business).

FiT

In the direction notice for the 2023-24 regional FiT, I asked QCA to consider if the methodology it has applied for a number of years in deciding the value of the FiT remains appropriate. I thank the QCA for its work on this matter noting that QCA concluded the methodology does remain appropriate. I ask QCA continue to apply its avoided cost methodology for the 2024-25 year.

Public consultation has long formed a vital part of QCA's process for determining retail electricity prices. The terms of reference of the delegation sets out the consultation needs requiring QCA to undertake its usual consultation. The QCA is also required to publish its draft price determination within one week after the publication by the AER of its draft DMO for the 2024-25 tariff year, and to publish its final price determination by 7 June 2024.

Regional customers continue to benefit from the electricity cost protection provided by UTP and the benefits of Queensland-owned assets. In just 12 short months since the release of the QEJP, Queensland is getting more than 25 per cent of its electricity needs from renewable energy sources. Queensland is already more than halfway to its 50 per cent target by 2030 and is accelerating progress by powering more new jobs, new industries and new export opportunities with affordable, reliable and cleaner energy.

The Department of Energy and Public Works (DEPW) will be available to consult with QCA on the 2024-25 price determination and Tariff Schedule and FiT.

If you require further information or assistance with this matter, [REDACTED]
[REDACTED]
[REDACTED]

Yours sincerely



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

Encl.