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Malcolm Roberts
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Roberts

REGULATED RETAIL ELECTRICITY PRICES FOR 2015-16 – FURTHER CONSULTATION PAPER

Ergon Energy Corporation Limited (Ergon Energy), in its capacity as a Distribution Network Service Provider in Queensland, welcomes the opportunity to provide a submission to the Queensland Competition Authority (QCA) on its *Regulated Retail Electricity Prices for 2015-16 – Further Consultation Paper* (Further Consultation Paper).

Ergon Energy supports the approach adopted by the QCA to determine the Notified Prices for 2015-16. In particular, Ergon Energy supports the QCA's move to separate the retail Time of Use tariffs into 2 – one based on Energex's tariff structures for customers in south east Queensland and one based on Ergon Energy's tariff structures for customers in regional Queensland. Ergon Energy agrees this approach aligns with the objectives of the *Electricity Act 1994* (Qld) and more accurately reflects the cost of supply, and supports Ergon Energy's goal to pursue tariff reform as a mechanism to provide price relief for customers.

Moreover, Ergon Energy suggests that Notified Prices which reflect the principles outlined in our consultation paper on network tariffs¹, will result in better outcomes for prices in the long term. These principles include the importance of ensuring that:

- the long run marginal cost of supplying energy is reflective through a peak charge; and
- the residual costs are allocated to charges in a way that reflects customers' willingness to pay (but without affecting physical and economic bypass).

¹ Ergon Energy (2014), *Consultation Paper: Future Networks Tariffs*, December 2014, <https://www.ergon.com.au/network/network-management/network-pricing/network-tariff-strategy-consultation/2015-16-consultation-information>.

Ergon Energy notes the limitations posed by the Uniform Tariff Policy and other arrangements, and supports the QCA addressing these issues while meeting the principles identified above.

Furthermore, in our consultation paper on network tariffs² we indicated that we were considering the introduction of a seasonal Time of Use demand tariff for residential and small business customers from 2016-17. However, due to the outcomes of our preliminary modelling and the confidence this has given us about the best path forward for tariff reform to deliver price relief, we are now proposing to introduce the tariff on a voluntary basis in 2015-16. Customer access to this tariff would be subject to customers having the necessary metering and Ergon Energy having appropriate billing system changes in place.

Ergon Energy notes the issues raised in the Further Consultation Paper regarding the introduction of these new tariffs in 2015-16. However, Ergon Energy strongly recommends that the QCA consider reflecting these network tariff structures in retail tariffs in a manner that addresses the principles identified above while maintaining the Uniform Tariff Policy. Ergon Energy is happy to work with the QCA in this regard.

Ergon Energy reiterates previous comments to the QCA that conditions associated with network tariffs should be replicated at the retail tariff level in the tariff gazette to ensure that the network terms and conditions are not altered by the retail tariff terms and conditions.

Ergon Energy supports the QCA's approach of allowing a two year transition period to transfer customers to tariff 22A. This will provide sufficient time for a targeted roll-out of meters. However, Ergon Energy considers that it is critical to allow flexibility to plan the replacement/reprogramming of meters so that costs can be minimised.

Ergon Energy is happy to work closely with the QCA as our network tariff reforms progress to ensure they can be appropriately reflected in regulated retail tariffs going forward.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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² ibid