

# Queensland Competition Authority

## Consumer Advisory Committee

Minutes of the meeting on Tuesday, 22 March 2022, 10am (QCA office and Zoom meeting)

**Presiding officer:** Charles Millsted (CEO, QCA)

**Committee attendees (via Zoom):**

- Dale Holliss (representative of the Queensland Farmers' Federation)
- Mark Grenning (Energy Users Association of Australia)
- Jon O'Mally (Financial Counsellors Association of Queensland)
- Robyn Robinson (Council on the Ageing)
- Wendy Miller (Queensland Council of Social Service)

**Observers:**

- Energy and Water Ombudsman Queensland (Greg Pickering)
- Department of Energy and Public Works (Lisa Hussey)

**Apologies:** Ian Jarratt (Queensland Consumers Association)

**Non-attendees:** Chamber of Commerce and Industry Queensland

### (1) Regional Queensland regulated retail electricity prices

- QCA staff presented the key topics of the draft determination for 2022–23, including the Network plus Retail (N+R) methodology, the Queensland Government's Uniform Tariff Policy (UTP), expected bill impacts and the two additional topics included this year—electric vehicle (EV) tariffs and tariff rationalisation.
- QCA staff also advised of the information session scheduled for Thursday, 24 March 2022.
- Jon enquired about the impact of the floods, and if it will impact supply, distribution and network costs. QCA staff explained that network costs are determined by the AER. The AER has a cost pass-through mechanism for unforeseen events (such as natural disasters), which allows for the recovery of unforeseen costs. However, this process would take time and it is therefore unlikely to be incorporated in the upcoming AER's annual price review for network prices. Mark added that the cost pass-through mechanism has a materiality threshold (of over 1% of annual revenue). Further, Ergon and Energex did not apply for a cost pass-through after previous natural disasters, so Mark considered it very unlikely that this would happen now.
- Robyn asked how the QCA's work on EV tariffs and the work being undertaken by Energy Queensland (EQ) fit together. QCA staff noted that they had not received any data from EQ's latest ongoing EV trial, but the Minister was working closely with EQ. QCA staff also noted that the consultation on the draft determination asked explicitly for feedback from network businesses. Once an EV-specific network tariff has been approved by the AER, QCA staff considered that an EV retail tariff could be introduced using the EV network tariff as a basis.
- Mark encouraged the QCA to consider cost-reflective tariffs, in particular for EVs, as cost-reflective tariffs send important signals for the efficient use of networks. He further asked what prevented the QCA from introducing a cost-reflective tariff before the AER does so. QCA staff explained that the N+R framework does not allow for the introduction of a new retail tariff

without an equivalent underlying network tariff. Lisa referred to the letter attached to the delegation, where the Minister outlined a separate potential delegation on EV tariffs in 2022. Lisa noted that the department was currently reviewing the QCA advice to date and could not give certainty on the timing of this potential delegation.

- Robyn asked about the process of transitioning residential customers away from obsolete tariffs. QCA staff explained that the only residential obsolete tariffs are those proposed as part of the tariff rationalisation process. Based on the latest information from EQ, all these proposed residential obsolete tariffs have relatively low uptake with fewer than 200 National Metering Identifiers (NMIs) assigned to these tariffs. A 12-month phase-out period has been proposed for these tariffs. QCA staff also noted that it is Ergon Retail's responsibility to communicate with affected customers about alternative standard tariffs.
- Wendy enquired about wholesale energy costs and the outlook for these costs. QCA staff explained that the estimation methodology incorporates data from ASX contracts, which reflect market participants' expectations of future wholesale energy costs. Although the drivers of wholesale energy costs are known, it is difficult to isolate the individual drivers and predict future costs with a sufficient degree of confidence (beyond the incoming financial year) as the National Electricity Market and relevant financial markets can be very volatile.
- Wendy asked about the research reports summarised in the section on EV tariffs and if a full list of reports reviewed could be provided. QCA staff clarified that the draft determination focuses on two reports, as the key findings of most other reports were similar.
- Mark enquired if the bill values in the report were in real or in nominal terms. QCA staff explained that all the bills were in nominal terms and based on the median consumption of a customer on the respective tariff.
- Mark enquired about the RERT costs and whether the costs incurred in February 2022 have been incorporated as part the QCA's draft determination. QCA staff confirmed that these costs have not been incorporated into the draft decision since the data cut-off date for this decision was January 2022. However, the estimation for the RERT costs would be updated (subject to data availability) in the final determination and the data cut-off date for this decision would be April 2022.
- Lisa sought confirmation on whether the draft notified prices were lower than the (draft) DMO prices. QCA staff confirmed that this is the case based on a preliminary assessment. However, QCA staff also cautioned that both the draft notified prices and the draft DMO prices are subject to change.

## **(2) Solar feed-in tariffs in regional and south east Queensland**

- QCA staff noted that the determination of the feed-in-tariff for regional Queensland would commence soon, with a report due in May 2022. The ministerial direction requires the QCA to consider using same methodology as in previous years when setting this feed-in tariff.
- With regard to south east Queensland (SEQ), QCA staff explained that the QCA only has a monitoring role and that another annual report would be published this year.
- Mark wanted to know if the QCA could consider time-varying feed-in-tariffs similar to those adopted in other jurisdictions. QCA staff explained that the Minister had asked the QCA in the past to do so, but not for the incoming financial year.

- Robyn asked whether the solar feed-in-tariff correlates with wholesale energy prices. She wanted to know if, given the expected increase in wholesale energy costs, this suggested that the feed-in-tariff would increase too. QCA staff noted that wholesale energy costs are the largest component of the feed-in-tariff, and that any increase in these costs would put upward pressure on the feed-in-tariff.
- QCA staff also pointed out that different wholesale energy cost estimates have been used for different processes and that these estimates may not be comparable. For example, wholesale energy costs for the Energex area have been used to set notified prices, while costs in the Ergon area have been used to determine the feed-in-tariff for regional Queensland.

**(3) South east Queensland retail electricity market monitoring**

- QCA staff presented the paper provided and highlighted the key insights from the SEQ market monitoring report for 2020–21. CAC members noted the information provided.

**(4) Compliance and enforcement**

- QCA staff spoke to the paper provided and advised that the QCA website would be updated soon to make it easier for customers to access information on breaches and to check if they are eligible for refunds.
- Robyn asked if it would be helpful to share the information, which might assist in getting the information to any customers who are entitled to a refund. As suggested at the meeting, QCA staff provided the media releases on the breaches to Robyn after the meeting.

**(5) Guaranteed Service Levels scheme**

- QCA staff spoke to the paper provided and advised that a table comparing the data of the last five years is available in the GSL report for 2020–21 (available on the QCA website), and that a report for 2021–22 would be published in September 2022.
- Robyn enquired about the large difference in late connections between Ergon and Energex. QCA staff noted that the coronavirus pandemic had an impact on connections due to the lockdowns in SEQ and staff shortages as employees had to quarantine.
- Wendy asked if it would be possible to report on the proportion of wrongful disconnections as a percentage of the total. QCA staff responded that they would look into how such data could be obtained.
- Wendy suggested that it would be good to include more about natural disasters, in light of climate change driving an increase in intensity and frequency of these and raising concerns about electricity-price and other energy-related risk implications for households. QCA staff noted that the reports on the QCA website show some of the impacts, including the increased security standards after the storms in the late 2000s, which led to substantial increases in prices.

**(6) QCA forward work program**

- QCA staff presented the forward work program and CAC members noted it.

**(8) Energy and Water Ombudsman Queensland update**

- Greg advised that:
  - from February 2021, EWOQ had been handling complaints in relation to embedded networks, but that the number of complaints received so far had been low.
  - the total amount of complaints received remained lower than in previous years.
  - some 90% of the complaints had been resolved within 28 days.
  - billing complaints had been the most common complaints and had been consistent, followed by credit-related complains, which had increased slightly.
  - EWOQ does not split up complaints between residential and small business customers.

**(9) Department of Energy and Public Works update**

- Lisa provided a brief update on the Ministerial Energy Council, noting that this council:
  - was developed about 12 months ago.
  - has three subcommittees.
  - looks at challenges faced by energy sector.
  - focused on national reforms at the meeting last week.

**(10) Membership renewal**

- QCA staff advised that it would ask the current CAC members via email if they wished to continue to stay on the committee. Once all the responses have been received, formal letters will be provided.