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Dear Mr Gray

SUBMISSION ON THE REGULATED RETAIL ELECTRICITY PRICES FOR 2014–15: INTERIM CONSULTATION PAPER

Ergon Energy Corporation Limited (EECL) welcomes the opportunity to provide comment to the Queensland Competition Authority on its *Regulated Retail Electricity Prices for 2014–15: Interim Consultation Paper*.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact me on (07) 4092 9813.

Yours sincerely

A large black rectangular redaction box covering the signature area.

Jenny Doyle
Group Manager Regulatory Affairs

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Encl: EECL's submission.

Ergon Energy Corporation Limited

Submission on the *Regulated Retail Electricity
Prices for 2014–15: Interim Consultation Paper*

Queensland Competition Authority

6 September 2013





**Submission on the *Regulated Retail Electricity
Prices for 2014–15: Interim Consultation Paper*
Queensland Competition Authority
6 September 2013**

This submission, which is available for publication, is made by:

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Enquiries or further communications should be directed to:

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1. INTRODUCTION

Ergon Energy Corporation Limited (EECL), in its capacity as a Distribution Network Service Provider (DNSP) in Queensland, welcomes the opportunity to provide comments to the Queensland Competition Authority (QCA) on its *Regulated Retail Electricity Prices for 2014–15: Interim Consultation Paper* (Consultation Paper).

EECL is generally supportive of the QCA's position to maintain the broad approaches adopted in making the 2013–14 price determination for regulated retail electricity prices (or Notified Prices). Section 2 outlines our specific comments relating to the Consultation Paper.

EECL is available to discuss this submission or provide further detail regarding the issues raised, should the QCA require.



2. SPECIFIC COMMENTS

2.1. Network tariffs for large customers

The Consultation Paper states that “From 1 July 2012, large customers (those consuming more than 100MWh per year) in the Energex network area ceased to have access to notified prices. As a result, the current Delegation requires that the Authority determine notified prices for large customers in the Ergon Energy network area only”.¹ EECL notes that a customer classified as residential who consumes 100 MWh per annum or more is able to access Notified Prices in Energex’s distribution area. Therefore, to ensure clarity, this section should reference large business customers only.

Further, we believe the QCA has incorrectly summarised the Minister for Energy and Water Supply’s Delegation requirements for which network tariff should be used for each regulated retail tariff.² The QCA refers to basing the network cost component for small customers on the network charges levied by Energex and for small customers on the network charges levied by EECL. However, the Delegation requires the QCA to consider basing the network cost component for residential customers and small business customers on the network charges to be levied by Energex, and large business customers on the network charges to be levied by EECL.

2.2. Network cost components

In determining the appropriate network tariff underlying each regulated retail tariff, EECL supports a continuation of the approach adopted in 2013–14. EECL considers that:

- In light of the Uniform Tariff Policy, Energex’s network tariffs are a suitable basis for setting Notified Prices for residential, small business customers and unmetered supplies. However, it should be noted that EECL’s ultimate preference is for customers in our distribution area to see the signals from EECL’s network charges;
- Our East Zone Transmission Region 1 network tariffs should be used when setting Notified Prices for large business customers (including street lighting customers). This more closely represents the network price signals applicable to large customers in our supply area and not those of a different network; and
- Until the Queensland Government’s position on the review of very large customers is known, our High Voltage Demand network tariff should be used in determining the regulated retail Tariff 48.

2.3. Alignment between network and retail tariffs

EECL agrees that the best option to maintaining alignment between network and retail tariffs for the purposes of setting Notified Prices is to require DNSPs to supply proposed network tariffs and prices when they are submitted to the Australian Energy Regulator (AER) on 30 April 2014, and use these as the basis for Notified Prices to apply from 1 July 2014. If a DNSP submits a revised Pricing Proposal to the AER prior to the QCA’s Notified Prices Final Determination, the DNSP should provide the relevant revised network tariffs and prices to the QCA at the time of lodgement to the AER.

In the event that the final network prices approved by the AER are materially different, we support the use of a pass-through mechanism when setting Notified Prices for 2015–16.

2.4. Energy losses

EECL notes that footnote 15 has not been updated for the 2014–15 determination process. As previously submitted to the QCA,³ we understand that the Australian Energy Market Operator publishes the distribution loss factors (DLFs) and transmission loss factors (TLFs) to be applied for the next financial

¹ Page 5.

² Refer to page 4.

³ Ergon Energy (2013), *Submission on the Regulated Retail Electricity Prices 2013–14: Cost Components and Other Issues Consultation Paper*, 7 January 2013.



year by 1 April each year in accordance with clause 3.6 of the National Electricity Rules. As such, the 2014–15 DLFs and TLFs will be available for use in the 2014–15 Final Determination.

2.5. Deregulation of electricity prices

The Consultation Paper states that the Queensland Government has recently proposed reforms to remove electricity price regulation by 1 July 2015.⁴ It is important to note this relates to South East Queensland only. EECL expects that the QCA's role in determining Notified Prices will be retained in EECL's distribution area until the Queensland Government finalises its competition strategy for regional Queensland. Therefore, it is likely that the QCA will need to determine retail operating costs and the retail margin post 1 July 2015 (not just a single year, as suggested in the Consultation Paper).

2.6. Transitioning to cost-reflective tariffs

EECL supports the transitional periods set out in Table 6.1 of the Consultation Paper (noting that, in 2014–15, the periods will be one year and six years, depending on the tariff).

⁴ Refer to pages 19 and 20.