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29 October 2014

Dr Malcolm Roberts  
Chairperson  
Queensland Competition Authority  
electricity@qca.org.au  
*submitted electronically*

Dear Dr Roberts,

### **Regulated Retail Electricity Prices for 2015-16**

Thank you for the opportunity to provide comments on the QCA's Interim Consultation Paper on Regulated Retail Electricity Prices for 2015-16.

COTA Queensland is a state based organisation committed to advancing the rights, needs and interests of people as they age in Queensland. We aim to help create a more just, equitable and caring community in which older people are actively involved and have access to appropriate support, services and care. COTA Queensland believes that everyone, regardless of age, health status, wealth or social status has a fundamental right to sustainable, ongoing, secure and affordable access to energy.

We note that in his letter to the QCA on 25 September 2014, the Minister has re-affirmed the Government's commitment to the Uniform Tariff Policy (UTP), and has clarified the intent of the UTP as being:

*"regional prices should, as much as is practicable, aim to ensure that small customers outside south east Queensland do not pay more than reasonable expectations of the prices which would be available to standing offer customers in south east Queensland."*

COTA Queensland understands the importance of the UTP to regional Queenslanders, and considers this principle to be the primary objective in establishing regulated retail electricity prices for the Ergon Energy distribution area for 2015-16. We also note that this price setting process is taking place at a time when a number of significant changes in the market are occurring including review of the UTP, removal of regulated prices in south east Queensland, regulatory determinations for Energex and Ergon, AEMC reform of distribution network pricing, changes to metering arrangements etc. The impacts of these changes on retail electricity prices in both south east Queensland and regional Queensland are uncertain. These two considerations have largely framed our response to the Interim Consultation Paper.

Our specific responses to questions posed in the paper are detailed below.

**2.1 (a) For residential and small business consumers, should we:**

**(i) maintain the 2014-15 approach, which is to base notified prices on south east Queensland costs?**

Yes. This is the most expedient and cost-effective way to implement the UTP for the next 12 month period.

**(ii) keep notified prices at south east Queensland levels, but use Ergon Distribution's tariff structures for some or all tariffs?**

No. The paper identifies that Ergon Distribution's tariffs are more heavily weighted towards the recovery of costs through fixed charges than Energex's tariffs. Higher fixed charges disadvantage consumers with low usage levels, particularly older consumers. In addition, high levels of fixed charges provide no incentives for consumers to engage in energy efficiency or demand management programs as changes to their energy consumption levels have little or no effect on their energy bills.

**4.1 Energy Costs. We seek stakeholders' views on the following:**

**(a) Is there any new information available to suggest alternative approaches to those used in the 2014-15 determination might be more appropriate?**

No. For consistency, we support continuation of the 2014-15 approach.

**4.2 Retail Costs. We seek stakeholders' views on the following:**

**(a) Are there any compelling reasons why the benchmarking approach should not be used to estimate retail costs in 2015-16?**

No. Given the level of uncertainty in the Queensland market and tariff structures at this time, it would not be appropriate to invest in a new methodology for estimating retail costs for 2015-16.

**(b) What matters should we consider when deciding whether to include an allowance for CARC?**

It would be expected that an allowance for CARC will be included in retail costs for south east Queensland for retailers who are subject to retail competition. Therefore applying the UTP principle fairly suggests that an allowance for CARC costs should also be included for regional Queensland.

**5.1 Competition and Headroom. We seek stakeholders' views on the following:**

**(a) Should headroom continue to be included in notified prices for residential and small business customers?**

No. South east Queensland has been declared a competitive marketplace for electricity retailers, so there will be no headroom costs included in retail costs in south east Queensland. Therefore, applying the UTP principle suggests that there should be no allowance for headroom in notified prices for residential and small business consumers in regional Queensland.

**5.2 Cost pass-through mechanism. We seek stakeholders' views on whether a cost pass-through mechanism should be included when setting notified prices for 2015-16.**

Yes. Because of uncertainties in the south east Queensland market in the next 12 months, particularly in relation to the standing offers that will be developed over this timeframe, there should be a mechanism for adjustments to the regulated prices during 2015-16, including lowering prices as well as raising them.

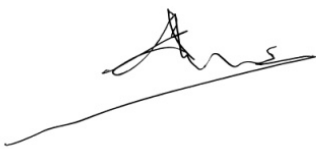
**5.4 Re-balancing the fixed and variable components of tariff 11. We seek stakeholders' views on the following:**

**(a) What issues should we take into account when deciding whether to complete the re-balancing of tariff 11 using the approach established in the 2013-14 determination?**

COTA Queensland does not support further moves to increase the fixed charge component of tariff 11. As discussed previously, increases in fixed charges have a disproportionate impact on low usage householders, and provide no incentives for overall reduction in energy usage or peak demand. With the current levels of uncertainty over both network and retail tariff structures it is unclear whether the 're-balancing' program is consistent with newer tariff structures now under consideration. For this reason, we do not believe that rebalancing of tariff 11 should continue.

If you require additional information about COTA Queensland or its energy policy position, please contact me on telephone (07) 3316 2999 or by email to [mte@cotaql.org.au](mailto:mte@cotaql.org.au).

Yours sincerely



Mark Tucker-Evans  
Chief Executive