



27 February 2015

Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

[www.qca.org.au/submissions](http://www.qca.org.au/submissions)

To whom it may concern

Thank you for the opportunity to provide a submission as part of the Queensland Competition Authority's (QCA) Draft Determination for Regulated Retail Electricity Prices for 2015/16.

### ***Impacts of the Draft Determination upon Street lighting charges***

The Local Government Association of Queensland (the Association) welcomes a 15% decrease in the kW/h charge for Tariff 71 street light electricity consumption. However, the Association is concerned by the proposed rate for the daily charge per street light which, by our initial calculations, would increase by approximately **583%**. For the estimated 156,000 street lights in the Ergon Energy fleet, this equates to \$2.2 million per annum in additional retail revenue.

The overall street lighting cost to councils in the Ergon Energy area increased from 1 July 2014 with an initial pass through of 10% of the Alternate Control Service (ACS) charge following the Newman Government's decision to accept the recommendations of the Interdepartmental Committee on Electricity Reforms. The initial pass through of 10% from 1 July 2014, has resulted in additional costs in the range of \$3.0-\$3.5 million for the 2014/15 financial year.

While any decrease in consumption charges is welcomed, the Association remains concerned that any further pass through of ACS charges will result in very high cost increases under the N(network)+R(retail) approach for councils' streetlights in the Ergon Energy distribution area similar to the 2008 subsidy reforms for South-East Queensland. The full impact of this pass through will, as a rule of thumb, result in the doubling of total street lighting charges payable by councils in the Ergon Energy distribution area.

### ***Pricing for 2015/16***

The Association supports the retention of the Uniform Tariff Policy as any move towards cost-reflective prices would have adverse price impacts, particularly for rural and remote councils, at a time when councils are facing substantial reductions in revenue (such as the Federal Government's 3 year freeze on indexation of Financial Assistance Grants) and communities are already experiencing increasing costs of living.

While Tariffs 20 and 22 will see increases of 1.3% and 2% respectively in 2015/16, the QCA's decision to retain Uniform Tariff Policy and set prices based on the costs of supply in South East Queensland is welcomed by the Association. Furthermore, the decreases, of up to 4.3%, in the large customer retail tariffs accessed by councils is also welcomed by the Association.

### ***Lack of incentive to reduce demand***

Throughout the Ergon Energy distribution area, a significant number of council sites are connected to Tariff 44. The demand component of Tariff 44 is based on a threshold level of demand captured through the fixed daily charge. As the fixed daily charge component is based on 30kW of demand, there is no incentive for a customer to reduce demand below this threshold.



While more flexible tariff structures through the new Tariff 50 provide some opportunity, and incentive, to reduce demand, the applicability of this new tariff is not universal when compared to Tariffs 44-48. In the case of large council sites, such as sewage treatment plants, the seasonal time of use nature of Tariff 50 is not applicable as these facilities operate continuously.

More flexibility in tariff structures is required in order to enable opportunities to transfer load to off-peak periods, thus reducing demand during peak periods. Furthermore, such flexibility would also encourage off-grid infrastructure upgrades to reduce overall demand. Relatively small contributions, from existing Ergon Energy programs, towards the cost to upgrade to more efficient equipment also present significant opportunities when compared to their large network augmentation programs (for example, contributions towards the cost of more efficient pumping equipment).

If you have any questions or further details in relation to the above submission, please do not hesitate to contact either myself or Michael Fullelove, Category Manager – Energy, Local Buy, on (07) 3000 2122 or at [mfullelove@localbuy.net.au](mailto:mfullelove@localbuy.net.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Greg Hoffman', is written over a faint, light blue grid background.

Greg Hoffman PSM  
GENERAL MANAGER – ADVOCACY

cc: Michael Fullelove, Category Manager – Energy, Local Buy