



Minister for Main Roads, Road Safety and Ports  
Minister for Energy and Water Supply

Our Reference: DEWS-CLLO-CIC-15004

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22 APR 2015

Dr Malcolm Roberts  
Chairman  
Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

Dear ~~Dr Roberts~~ <sup>Malcolm,</sup>

Thank you for the Queensland Competition Authority's (QCA's) efforts in preparing its Draft Determination on Regulated Retail Electricity Prices for 2015–16 and conducting extensive public consultation as part of the determination process.

The current Delegation and Terms of Reference for determining these electricity prices, as issued on 29 August 2014 under Section 90AA(1) of the *Electricity Act 1994*, require the QCA to only determine prices for customers in Ergon Energy's regional electricity network. This is due to the former Government's planned introduction of price deregulation in South East Queensland (SEQ) from 1 July 2015.

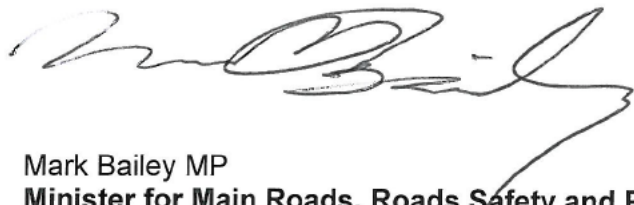
However, the Government has decided to delay the introduction of price deregulation in SEQ by 12 months. This will enable the new Queensland Productivity Commission to assess the costs and benefits of deregulation and whether the current market monitoring arrangements and consumer protections are adequate, as part of its public inquiry into electricity prices.

I am therefore issuing the QCA with the attached revised Delegation and Terms of Reference under Section 90AA(1) of the *Electricity Act 1994* to prepare a Final Determination that will apply to the relevant customers in South East and regional Queensland.

Robust public consultation is a cornerstone of the QCA's price setting process. While my revised Delegation does not require the QCA to publish a second Draft Determination, it does require the QCA to take all reasonable steps to consult with relevant stakeholders, including consideration of written submissions.

Should you require anything further on these matters, please contact Mr Ken Sedgwick, Acting Deputy Director-General Energy, on [REDACTED] or [REDACTED]

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Bailey', with a long, sweeping tail that extends downwards and to the right.

Mark Bailey MP  
**Minister for Main Roads, Roads Safety and Ports**  
**Minister for Energy and Water Supply**

Att: - Revised Delegation and Terms of Reference

**ELECTRICITY ACT 1994**  
**Section 90AA(1)**

**DELEGATION**

I, Mark Bailey, the Minister for Energy and Water Supply, in accordance with the power of delegation in section 90AA(1) of the *Electricity Act 1994* (the Act), delegate to the Queensland Competition Authority (QCA) the function under section 90(1) of the Act of deciding the prices that a retail entity may charge its non-market customers for customer retail services for the tariff year 1 July 2015 to 30 June 2016.

The following are the Terms of Reference of the price determination:

**Terms of Reference**

1. These Terms of Reference apply for the tariff year 1 July 2015 to 30 June 2016.
2. The QCA is to calculate the notified prices and publish an annual price determination, in the form of a tariff schedule, in accordance with these Terms of Reference.
3. In accordance with section 90(5)(a) of the Act, in making a price determination for each tariff year QCA must have regard to the matters set out in paragraph 5 of these Terms of Reference.
4. In accordance with section 90(5)(b) of the Act, QCA may have regard to any other matter that QCA considers relevant.
5. The matters that QCA is required by this delegation to consider are:
  - (a) It is the Government's intention that price regulation will be retained for residential and small business customers in the Energex Limited distribution area from 1 July 2015 to 30 June 2016. This will mean that notified prices will continue to apply to all non-market customers in Queensland;
  - (b) Uniform Tariff Policy - QCA must consider the Government's Uniform Tariff Policy, which provides that, wherever possible, non-market customers of the same class should pay no more for their electricity, regardless of their geographic location;
  - (c) Framework - QCA must use the Network (N) plus Retail (R) cost build-up methodology when working out the notified prices and making the price determination, where N (network cost) is treated as a pass-through and R (energy and retail cost) is determined by QCA;

- (d) When determining the N components for each regulated retail tariff, QCA must consider the following:
  - (i) For residential and small business customer tariffs (with the exception of Tariffs 12 and 22) - basing the network cost component on the network charges to be levied by Energex and the relevant Energex tariff structures;
  - (ii) For Tariff 12 residential time-of-use and Tariff 22 small business time-of-use tariffs
    - a. In the Energex distribution area - basing the network cost component on the network charges to be levied by Energex and the relevant Energex tariff structures;
    - b. In the EECL distribution area - basing the network cost component on the network charges to be levied by Energex, but utilising the relevant EECL tariff structures, in order to strengthen or enhance the underlying network price signals and encourage customers to switch to time-of-use tariffs and reduce their energy consumption during peak times;
  - (iii) For large business customers in the Ergon Energy Corporation Limited (EECL) distribution area who consume 100MWh or more per annum - basing the network cost component on the network charges to be levied by EECL.
- (e) Transitional Arrangements - QCA must consider:
  - (i) for the standard regulated residential tariff (Tariff 11), complete the rebalancing of the fixed and variable components of Tariff 11 using the approach established in the 2013–14 Determination;
  - (ii) maintaining transitional arrangements for tariffs classed as transitional or obsolete (i.e. farming, irrigation, declining block, non-domestic heating and large business customer tariffs), and
  - (iii) continuing to allow all customers access to tariffs designated as transitional in 2013–14.

### *Consultation*


- 9. The QCA must take all reasonable steps to consult with relevant stakeholders, including consideration of written submissions.

*Final Price Determination*

14. QCA must investigate and publish its final price determination on regulated retail electricity tariffs, with each tariff to be presented as a bundled price, and gazette the bundled retail tariffs.
  
19. This Delegation revokes the previous Minister for Energy and Water Supply's Delegation issued on 28 August 2014.

**DATED** this 22<sup>nd</sup> day of April 2015.

**SIGNED** by the Honourable )  
Mark Bailey, )  
Minister for Main Roads, Road Safety and Ports) *(signature)*  
Minister for Energy and Water Supply )



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