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Professor Roy Green  
Chairman  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Q 4001  
www.qca.org.au/submissions  
(submitted electronically)

Dear Professor Green,

### **Regulated Retail Electricity Prices for 2016-17 – Draft Determination**

Thank you for the opportunity to provide feedback on the Queensland Competition Authority's draft determination on Regulated Retail Electricity Prices for 2016-17 (March 2016)

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. Our submission will only consider aspects of the draft determination applicable to residential consumers.

#### Wholesale Energy Costs

It is alarming to note that the QCA is forecasting an increase in wholesale energy costs of around 15% over the next 12 months, and that a major driver of this cost increase is an increase in electricity demand from Queensland-based liquefied natural gas (LNG) projects. We note in ACIL Allen's report that AEMO has forecast energy consumption in Queensland to increase by over 6.7% between 2015-16 and 2016-17. We also note however, that Queensland's surplus generation capacity in 2016-17 is forecast to be around 2,000 megawatts.<sup>1</sup> It is not apparent why energy prices should rise to such an extent when significant surplus generation capacity is available. COTA Queensland does not have the expertise to examine ACIL Allen's analysis or conclusions in detail, however we request that the QCA provides a more comprehensive explanation of this apparent contradiction in its Final Determination.

The market structure of Queensland's generation sector is more highly concentrated than other mainland NEM regions with the state government owing or controlling the dispatch of 64% of generation capacity. In its State of the Energy Market Report for 2015, the AER identified the "opportunistic" behaviour of the Queensland government's state-owned generators as making a significant contribution to higher electricity prices in Queensland.<sup>2</sup>

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<sup>1</sup> AER State of the Energy Market 2015, Figure 1.14

<sup>2</sup> AER State of the Energy Market 2015, p 48,49

As outlined in the ACIL Allen report, COTA Queensland is aware of the December 2015 change to the National Electricity Rules, made by the Australian Energy Market Commission (AEMC) in regard to generator bidding behaviour, which now:

- prohibits generators against making false or misleading offers
- requires any variations to offers to be made as soon as practicable
- requires generators to preserve a contemporaneous record of the circumstances surrounding late rebids.

We also note that the Queensland Productivity Commission (QPC) in its draft report of its inquiry into electricity prices in Queensland, released on 3 February 2016, recommends:

- the Queensland Government should require CS Energy and Stanwell to develop and adhere to a code of conduct with respect to their bidding behaviour in the NEM
- CS Energy and Stanwell report on an annual basis to the Government all late rebids for auditing.

ACIL Allen states that “These rule changes and recommendations, if implemented, should make the behaviour of the Queensland generators more transparent. However, they do not result in any change to the underlying degree of wholesale market concentration in the Queensland Region. Therefore, ACIL Allen is of the opinion that it is appropriate to continue to model the NEM using its usual approach since the level of market concentration in the market is a fundamental driver of the wholesale energy costs faced by retailers.”

COTA Queensland suggests that the intent of the AEMC’s rule change is to change generator bidding behaviour, not simply to make it more transparent. In assessing any changes to forecast wholesale energy costs for the Final Report, we request that the QCA and ACIL Allen reconsider whether an adjustment should be made to the ACIL Allen model to reflect some element of the expected changes in generator bidding behaviour.

#### Retail Cost Allowances

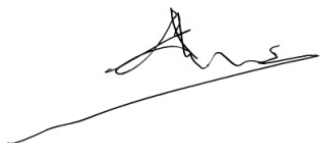
COTA Queensland welcomes the QCA’s decision to undertake a comprehensive review of retailer operating costs and margins, and supports the methodology adopted for residential tariffs. We are pleased that the QCA has decided to reflect the retailers’ observed allocation of costs between fixed and variable components, which will lead to a reduction in the fixed charges for residential consumers. In particular, this will provide welcome relief for low usage consumers who have been adversely affected by significant increases in fixed charges over the last 3 years.

#### Final Determination – Customer Impact Analysis

COTA Queensland requests that the Final Determination Report presents information about the impact of the new tariff on the annual bills of a range of residential consumer types, rather than just an ‘average’ residential consumer. In particular, we would welcome an analysis of the effect of the new tariffs on energy bills for low usage consumers.

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@cotaqlld.org.au](mailto:mte@cotaqlld.org.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Tucker-Evans', written over a horizontal line.

Mark Tucker-Evans  
**Chief Executive**