

From: Gerard Bell
Sent: Saturday, 23 March 2013 1:20 AM
To: General Electricity Address
Subject: Regulated Retail Electricity Prices 2013-2014 - Submission in response to Draft Determination

22/03/2013

Dear Sir/Madam,

My earlier submission in response to the Draft Determination made some assessments based upon the 'Draft Report - Review of the Solar Feed In Tariff' by the QCA. However the 'Final Report - Review of the Solar Feed In Tariff' by the QCA was released today, and Energex and Ergon have changed their cost estimates of the Feed-In Tariff associated with the Solar Bonus Scheme (SBS). This changes the expected impact of the SBS on the Draft Regulated Tariffs.

However, the claim that the SBS is a major contribution to the increase in Network Costs is still exaggerated. It is claimed in the Draft Determination that the SBS currently accounts for 9.2% of the 2013-2014 Energex Network Costs, and by 2015-2016, the SBS is expected to increase to 29.5% of the Energex Network Costs. It is reported in the 'Final Report - Review of the Solar Feed In Tariff' by the QCA that the expected costs for the SBS to Energex for 2013-2014 will be \$197.5m, and it is further reported that the expected costs for the SBS to Energex for 2015-2016 will decrease to \$180.8m. The earlier claim of increase from 9.2% to 29.5% implies that Energex Network Costs are expected to decrease to only \$614.5m in 2015-2016. For 2013-2014, Energex Cost-Reflective Network Costs is expected to be \$1301m. It is not realistic to expect that Energex Cost-Reflective Network Costs will reduce by \$686.5m in the next 2 yrs, if that is going to be the case, we should all look forward to lower electricity prices within 2 yrs, and the current spike in Electricity Prices is an abnormality. However the reality is that Energex Network Costs would be expected to be the same if not increase in line with other electricity costs, in which case the impact of the SBS will (at worse) increase from 9.2% to less than 9.6% of the Energex Network Costs, not the 29.5% reported. The QCA needs to review and correctly report on the impact of the SBS on Network Costs.

There is also a claim in the Draft Determination that one of the major Underlying Cost Drivers is that the Distributors (Energex and Ergon Energy) have incurred significant costs due to the Solar Bonus Scheme (SBS). However in the 'Final Report - Review of the Solar Feed In Tariff' by QCA, it is reported that the costs incurred by the Distributors (both Energex and Ergon Energy together) due to the SBS in 2012-2013 was expected to be \$257.1m (\$174.6m Energex + \$82.5m Ergon), and projected to increase to \$297.6m (\$197.5m Energex + \$100.1m Ergon) in 2013-2014. This is only a \$40.5m increase above 2012-2013 costs. However when comparing the 'cost-reflective' Network Tariffs between 2012-2013 and 2013-2014, the revenue raised from the new Network Costs in the Energex Area alone is projected to increase by \$338m. This increase of \$338m is considering Tariff 11, Tariff 31 & Tariff 33 alone, and ignores the extra revenue from the remaining non-residential Tariffs that have also increased. From this analysis, it is clear that the increase in the SBS is contributing less than 6.8% to the increase in the Energex 'cost-reflective' Network Costs, and less than 4.8% to the increase to the new transitional Residential Tariff 11 for 2013-2014. This is would not be considered significant in any form of analysis of Underlying Cost Drivers. It is clear that the most significant Underlying Cost Drivers are the remaining causes listed in the Draft Determination, i.e. increased revenue permitted to Distributors by the AER, catch-up from the frozen 2012-2013 Tariff 11 to more cost-reflective Tariff 11, and

the adjustments to make up for lack of revenue due to lower than expected electricity consumption, which all up account for 95.2% of the increase to the proposed transitional Tariff 11.

Despite the revised SBS costings indicated in the 'Final Report - Review of the Solar Feed In Tariff' by the QCA, the impact of the SBS on the proposed transitional Tariff 11 for 2013-1014 is grossly exaggerated in the Draft Determination, and the projected impact of the SBS on future Network Costs is incorrectly reported in the Draft Determination. The Final Determination of Regulated Retail Electricity Prices 2013-2014 should correctly report the impact of the SBS on the final Determined Tariffs.

My concerns and comments raised in my previous submission dated 06/03/2013 remain unchanged.

Regards,
Gerard Bell

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