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Part of Energy Queensland

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Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Millstead

Consultation on Draft Determination - *Supplementary review of regulated retail electricity prices 2020-21*

Ergon Energy Queensland Limited (Ergon Energy Retail) welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) in response to its consultation on supplementary regulated retail prices for the 2020-21 financial year.

Ergon Energy Retail is largely supportive of the new retail tariffs developed by the QCA as outlined in the draft determination. However, we take this opportunity to provide comment on several issues.

Controlled Load Profiles

Ergon Energy Retail notes that the QCA has developed retail tariff 34 *small business flat-rate primary tariff with interruptible supply* (a controlled load (CL) tariff) using the digital meter data emanating from Energy Queensland's CL agricultural trial and provided to the QCA as part of its preceding data request. However, we note the QCA has used the AEMO Settlement Controlled Load Profile (CLP) in developing retail tariffs 60A *large business flat-rate primary tariff with interruptible supply* and 60B *large business flat-rate secondary tariff with interruptible supply* (the large customer CL tariffs).

This, in our view, results in an inconsistency in how these CL tariffs were developed, and how all retail tariffs are currently developed. That is, the new retail tariff 34 would be the only retail tariff not based on one of the existing AEMO Settlement Load Profile. While we acknowledge the advice provided by the QCA in its draft determination as to how it has determined each of the CL retail tariffs, we suggest that given the CL tariffs have the same intent and structure, they should be developed using one of the existing AEMO load settlement profiles. That is, they should not be developed using different data inputs.

The net result of using the AEMO load settlement profile would be a reduction of 5 per cent in the wholesale component, meaning customers who adopt the proposed new retail tariff 34 would then realise a lower retail price. Whilst we acknowledge the QCA's concerns relating to the appropriateness of the load settlement profiles in developing the new CL retail tariffs,

we consider these same issues are also prevalent in how other large customer retail tariffs are currently determined.

In saying this, Ergon Energy Retail acknowledges that as digital meter penetration increases across regional Queensland, there may be the opportunity to use actual customer usage data to inform retail tariff development. However, in so doing, this would see a departure from the long-standing position of developing new retail tariffs using the publicly available AEMO settlement load profiles. We therefore suggest there is a need to understand and report the customer impacts should a decision be made at a future time to adopt a different approach. We also consider it important that any proposed new load profile stemming from digital meter data be made publicly available, which would suggest there is a need to develop a process to replace the current AEMO settlement load profiles once digital meter penetration reaches an appropriate concentration level.

Time of Use Retail Tariffs

With respect to the new Time-of-Use (TOU) retail tariffs, Ergon Energy Retail acknowledges the intent of the underlying network tariff to send price signals to customers to influence their consumption patterns and reduce congestion on the network at peak times. However, we suggest that new TOU retail tariffs similarly provide an opportunity to introduce a TOU retail cost tied to wholesale market price outcomes. In our view, a TOU retail input would further accentuate the price signal to the customer and better reflect the true costs for the retailer of meeting the customer's demand profile. We do not believe this would be a significant issue for the QCA given it has previously applied a similar variable R component in the development of the TOU Feed-in-Tariff.

Inclining Band Retail Tariffs

With respect to retail tariff 22B *small business TOU inclining band primary tariff*, and T23 *small business inclining band primary tariff*, we note that "Band 5" in both retail tariffs allows for a daily supply charge up to the annual 100,000 kilowatt hours (kWh) as defined on page 3 of Draft Gazette Notice. While a technicality, we suggest that a customer who concentrates their usage over one or two electricity bills (for example, an irrigation customer) could unintentionally exceed the band threshold in one year due to a high average daily load (ADL), with consumption returning to under the small customer ADL threshold in the following year. Consequently, Ergon Energy Retail suggests that Band 5 should be redefined as "Band 5 – 80,000 and above kWh/y".

Communicating benefits of the new CL Retail Tariffs

With the introduction of these additional 11 retail tariffs, many regional electricity customers will have access to CL tariffs and TOU tariffs for the first time. In our view, there is a need to be cautious with respect to how these tariffs are communicated to customers. That is, they should not be marketed purely on price outcomes. Rather, we believe there is a need for customer education around the suitability of the tariff based on the customer's unique

circumstances. For example, customers must be made aware that in adopting a CL tariff, their electricity supply may be shut off for several hours each day. Similarly, customers in adopting a TOU tariff must understand their most beneficial outcome is to shift their usage to off-peak periods and reduce their usage in the evening peaks. Consequently, in Ergon Energy Retail's view it is not appropriate to advise a customer that in adopting a CL or TOU tariff they could save money when compared to a flat-rate primary tariff as the CL and TOU tariff conditions could preclude the tariffs from providing a more beneficial outcome for a customer.

Given this, we suggest that all communications, including the QCA's final report and information booklet, with respect to these 11 new retail tariffs make it clear that eligibility does not mean suitability of the tariff for the customer. In particular, we recommend that the QCA link the CL tariffs to the Ergon Energy Network website <https://www.ergon.com.au/network/network-management/demand-management/load-control-tariffs-for-business-customers> with respect to the areas where the CL tariffs will be operated by Audio Frequency Load Control. Finally, customers should be made aware that when adopting a CL or TOU tariff, they will be responsible for all costs associated with meter and switchboard upgrades necessary to facilitate the adoption of the new retail tariff.

Ergon Energy Retail thanks the QCA for the time it has invested in developing these new retail tariffs outside the annual pricing determination.

Should you require additional information or wish to discuss any aspect of Ergon Energy Retail's submission, please do not hesitate to contact either myself or Laura Males on 0429 954 346.

Yours sincerely



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