



## SUBMISSION

**Prepared for:**

Queensland Competition Authority

# Regulated Retail Electricity Prices 2021-22: Draft Decision

**Prepared by:**

Etrog Consulting Pty Ltd

Melbourne

Australia

+61 403 444141

[dprins@etrogconsulting.com.au](mailto:dprins@etrogconsulting.com.au)

[www.etrogconsulting.com.au](http://www.etrogconsulting.com.au)

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Author(s): David Prins

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

## COMMISSIONING OF THIS SUBMISSION

This submission is being made to support advocacy by a stakeholder group of thirteen community sector organisations in Queensland. Further details regarding this stakeholder group are contained in Appendix A.

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## 1. INTRODUCTION

This report has been prepared by Etrog Consulting Pty Ltd on behalf of a stakeholder group of thirteen community sector organisations in Queensland. Further information on the formation and composition of this stakeholder group can be found in Appendix A. This submission responds to a Draft Decision on regulated retail electricity prices to apply in Queensland from 1 July 2021 to 30 June 2022 which was published by the Queensland Competition Authority (the QCA) on 24 March 2021, inviting submissions from interested parties.<sup>1</sup>

This submission comments on a selection of key issues raised in the QCA's Draft Decision. It builds on previous years' reports from Etrog Consulting and submissions from QCOSS to the QCA.

Our stakeholder group focuses on the interests of residential customers, and examines the impacts of regulatory processes and decisions on those experiencing or at risk of experiencing poverty and disadvantage in particular. On the same basis, this submission only considers the regulated retail electricity prices to apply to residential customers. It does not consider business customers or other customer classes.

We were pleased to attend an online workshop on the Draft Decision that the QCA held on 7 April 2021. As we said at the workshop, we commend the QCA that this was a far better experience than the corresponding teleconference held the previous year. We recommend that the QCA should continue to provide high quality online workshops, even after in-person meetings resume post-COVID. Many stakeholders, especially consumer side representatives, do not have the resources to travel to in-person meetings, and find attendance at online meetings to be an adequate substitute that they can resource. An online meeting rather than travel to an in-person meeting also in many cases is more environmentally friendly, and contributes to the achievement of emissions targets by stakeholders as well as jurisdictional and federal governments.

We were also pleased that the QCA was able to find time to talk directly with us to help us understand better some key elements of the Draft Decision.

### *Delegation from the Minister*

As was set out in Chapter 1 of its Interim Consultation Paper, which preceded the Draft Decision, the QCA received a delegation and terms of reference from the Minister for Energy, Renewables and Hydrogen (the Minister) to set regulated retail electricity prices (notified prices) to apply in regional Queensland in 2021-22. A copy of the delegation, dated 7 January 2021, was provided in Appendix A of the Interim Consultation Paper, along with the Minister's covering letter dated 8 January 2021.

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<sup>1</sup> The QCA's Interim Consultation Paper and Draft Decision and other relevant documentation have been published on the QCA website at <https://www.qca.org.au/project/customers/electricity-prices/regulated-electricity-prices-for-regional-queensland-2021-22>

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As was noted in the Minister's cover letter, the delegation and terms of reference for 2021-22 are generally consistent with the approaches in the Minister's delegation and terms of reference for 2020-21. However, there are some important additional considerations. Many of these are associated with managing impacts on retail customers of the recent changes to network tariffs. These changes stem from the Australian Energy Regulator's (AER) 2020-25 Tariff Structure Statement decisions for Queensland's electricity distributors. A balance between the continued advancement of network tariff reform and positive retail customer experience is essential.

In particular, of relevance to residential customers, the Minister set out:

- Retail Operating Costs – undertake a full review of these costs as used in the N plus R framework;
- For all existing Standard tariffs as set out in Part 2 of the current Tariff Schedule - maintaining these tariffs including price structures and access criteria unless otherwise set out in this delegation;
- Removing the retailer discretion that enables residential customers to access Tariff 33 as a primary tariff, and setting a sunset date by which all existing residential customers accessing Tariff 33 as a primary tariff must be transitioned to a suitable non-interruptible supply primary tariff;
- Setting small customer advanced digital metering service charges at the Energex rate for standard Type 6 small customer metering services. This ensures that customers, who do not have any genuine choice as to the type of meter they receive, pay the same regardless of what is installed at their premises;
- Default tariffs – maintaining the existing nomination of a primary tariff for each class of small customer to apply to a customer's electricity account in the event the customer does not nominate a primary tariff when opening an electricity account;
- Removing retailer, distributor, metering and other service provider discretions as far as is practicable; and
- Making the Tariff Schedule as stand-alone as is practicable by specifically including all reasonable and practical, from a retail perspective, network tariff requirements as applicable to each retail tariff, except those subject to other consideration in these Terms of Reference.

## 2. OVERARCHING FRAMEWORK

### 2.1. HOW COVID-19 HAS IMPACTED ELECTRICITY ENERGY CONSUMERS IN QUEENSLAND

COVID-19 has significantly impacted on the Queensland economy as well as the Australian economy more generally, and we see it as being relevant to the overarching framework and context of the current regulatory process.

There has been increased unemployment, and more people working from home.

Last November, QCOSS published a research report which explored how COVID-19 has impacted electricity energy consumers in Queensland. This included an assessment of changing energy usage and consumer behaviours, and the then-current response by government, regulatory bodies and industry.

The report assessed the effectiveness of government and industry responses based on consumer impacts, and proposed an overview of the key ways in which consumer energy vulnerability and disadvantage may be manifesting due to COVID-19.

Building on the findings from its research and analysis, QCOSS presented a view on the key aims that government, industry and community sector should work towards to support COVID-19 recovery, and the policy priority areas to achieve them.<sup>2</sup>

Across government, industry and the community sector our actions must focus on the realisation of the following key aims:

- create systemic change;
- ensure new vulnerabilities are transient;
- support those with pre-existing hardship to create better futures; and
- destigmatise hardship and vulnerability.

The identified policy priority areas where actions are needed are:

- advocate to the federal government to maintain adequate levels of income support;
- prevent unmanageable energy debt and debt accumulation;
- unify and coordinate responses within the energy sector, putting help and trust at the centre;
- maintain engagement between retailers and customers;
- achieve cross-sector coordination; and
- build household, community and economic resilience, including through stimulus.

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<sup>2</sup> See <https://www.qcoss.org.au/publication/covid-19-and-consumer-energy-vulnerability-in-queensland> for more information, including the full QCOSS report and an infographic summarising the report findings.

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We concur, and have stated in previous submissions to the QCA and other regulators that there is a strong need to address pricing and other regulatory matters *based on consumer impacts*. At the moment, the QCA's processes focus on industry facing costs and positions. The consumer focus is absent and should be re-introduced. We have been giving this advice since before the pandemic; the pandemic has reinforced the need to address these issues with a consumer perspective.

We concur with the QCA's Draft Decision that no additional adjustment is required to retail costs for the impacts of COVID-19. Our view is based on consideration of consumer impacts rather than looking solely from the perspective of retailers' costs as is done in ACIL Allen's report to the QCA on updating retail costs and Appendix 4 to the QCA's Draft Decision.

## **2.2. LARGE RESIDENTIAL CUSTOMERS**

The QCA has considered whether there is a need to introduce a new retail tariff based on the residential network tariff for customers with annual usage above 100 MWh per annum. The terms of the delegation require the QCA to consider introducing a retail tariff based on the business variant of this network tariff, but not to make a new retail tariff based on the residential variant unless such a tariff would satisfy a need for the new tariff at the retail level. Given that existing regulated retail tariffs for basic meters would continue to be available to residential customers, we concur that there is no need for the residential network tariff variant at the retail level to cover specifically residential customers with annual usage above 100 MWh per annum.

## **2.3. SMALL CUSTOMER ADVANCED DIGITAL METER CHARGES**

The delegation required the QCA to consider setting advanced digital metering (ADM) charges for small customers in regional Queensland, basing the charges on the cost of type 6 (standard) small customer metering services in SEQ. The delegation states this ensures that customers, who do not have any genuine choice as to the type of meter they receive, pay the same regardless of what is installed at their premises.

This is a new matter for the QCA to consider for this determination, as in previous years metering charges for small customers were set separately by the Minister following the QCA's determination of notified prices.

We concur with the Delegation and the QCA's Draft Decision that advanced digital metering (ADM) charges for small customers in regional Queensland should be based on the cost of type 6 (standard) small customer metering services in SEQ. We concur that from a customer standpoint they do not have any genuine choice as to the type of meter they receive, and therefore it is not appropriate that some customers pay more simply because they have an advanced digital meter (ADM)' and that it is appropriate for charges for small customer metering services to be based on the costs of type 6 meters.

## **2.4. NETWORK TARIFF REQUIREMENTS**

In its Interim Consultation Paper, the QCA sought stakeholders' views on any network tariff requirements:

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- not currently reflected in the tariff schedule, including any amendments to incorporate any such requirements; and
- not reasonable and practical from a retail perspective and that should be removed from (or not included in) the tariff schedule.

The delegation also requires the QCA to consider making the tariff schedule as standalone as is practicable by specifically including all reasonable and practical, from a retail perspective, network tariff requirements as applicable to each retail tariff (except those subject to other consideration in the delegation).

As noted by the QCA in its Interim Consultation Paper, the terms and conditions in the tariff schedule set out various requirements based on the network tariff requirements. The schedule also includes the following provision, which acts as a 'catch-all' provision that can incorporate other distribution requirements not otherwise specified:

*Distribution entities may have specific eligibility criteria in addition to retail tariff eligibility requirements set out in the Tariff Schedule, e.g. the types of loads and how they are connected to interruptible supply tariffs. Retailers will advise customers of any applicable distribution entity requirements upon tariff assignment or customer request.*

The QCA stated that removal of this provision would be a key amendment required to make the tariff schedule as stand-alone as practicable. This would mean that any network tariff requirements not otherwise included in the tariff schedule would need to be included to ensure they apply at the retail level.

We agree that if it is possible, any network tariff requirements not otherwise included in the tariff schedule would need to be included to ensure they apply at the retail level.

It would increase transparency if the specific eligibility criteria of the distributors, such as the types of loads and how they are connected to interruptible supply tariffs, were set out in the Tariff Schedule rather than requiring customers to investigate distributors' requirements as well as consider the Tariff Schedule.

If the distributors' eligibility criteria were set once and for all and never varied, it would be straightforward to transplant those requirements from where they sit now to the Tariff Schedule. However, they may vary in accord with the distributor's regulatory framework, which is not fully under the control of the QCA. A mechanism would be required such that the distributor could only change their criteria at such time as the Tariff Schedule can also be modified, otherwise there will be a mismatch between two sets of requirements.

We note the QCA's Draft Decision finding that the current retail tariff schedule is as standalone as is practicable at this time. From a consumer perspective, we support the desire for the tariff schedule to be simpler and more accessible for customers. We also agree that the tariff schedule also needs to provide sufficient detail and information to provide certainty to customers and other stakeholders about how tariffs are to be applied and made available to customers, and that ultimately, a balance needs to be struck.



## 2.5. SERVICE PROVIDER DISCRETIONS

The delegation required the QCA to consider removing retailer, distributor, metering, and other service provider discretions from the tariff schedule as far as is practicable. The QCA was specifically directed to consider:

- Removing the existing retailer discretion that makes tariff 33 available to residential customers as a primary tariff; and
- Setting a sunset date by which all existing residential customers accessing tariff 33 as a primary tariff must be transitioned to a suitable non-interruptible supply primary tariff.

The QCA's draft position is to remove the retailer discretion to make tariff 33 (a secondary tariff with interruptible supply – that is, a secondary load control tariff) available to residential customers as a primary tariff. This is on the basis that use of a load control tariff as a primary tariff is not a tariff option that is supported at the network level for residential customers.

The QCA is also proposing to provide a 12-month transition period for existing residential customers using this tariff option to move onto an alternative tariff.

Our view is that a 12-month transition is preferable to the alternative of immediate removal of the tariff option at 1 July 2021.

However, we also note the QCA's statement that "the circumstances in which a retailer would approve this tariff option for residential customers are not clear – in most circumstances it would not seem appropriate to use a load control tariff as the primary electricity supply in a residential context".<sup>3</sup>

We find it inappropriate for the QCA to set a date to sunset the tariff as a primary tariff when it does not know how many residential customers will be affected, what the characteristics of those customers are, and why those customers are currently using tariff 33 as a primary tariff.

It is difficult if not impossible for stakeholders to provide effective feedback to the QCA on this matter in the absence of that information. We propose that the QCA should investigate how many residential customers will be affected, what the characteristics of those customers are, and why those customers are currently using tariff 33 as a primary tariff. After getting that information, the QCA should consult on this matter at the same time as providing stakeholders with that information. It would be premature for the QCA to set a timetable to sunset the tariff as a primary tariff in advance of such an informed consultation of stakeholders.

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<sup>3</sup> QCA Draft Decision, page 21

### 3. RETAIL COSTS AND MARGINS

In previous price determinations, the QCA set the retail cost allowance using an established benchmark (set as part of the 2016-17 price determination process), adjusted for inflation. During previous notified price reviews, we and other stakeholders expressed a desire for retail costs to be reviewed and updated estimates to be used to set notified prices.

This year, the QCA is proposing to update the retail cost allowances using a benchmark approach, similar to the approach used to establish retail cost allowances for 2016-17. The QCA engaged ACIL Allen to help it determine the retail cost component of notified prices for this review, including the method and approach to update the existing retail cost benchmark allowances.

The draft retail cost estimates for 2021-22 are based on the retail market offers in SEQ. The Delegation requires the QCA to consider “Retail Operating Costs – undertake a full review of these costs as used in the N plus R framework”. Given the reference to a “full review”, we expected the QCA to undertake a full review, i.e. a full bottom-up cost review of retail operating costs, rather than a reapplication of the methodology from 2016-17. The update is a considerable improvement on continuing to use the benchmark from 2016-17 adjusted for inflation, but we remain of the view that the QCA should in future years undertake a full bottom-up cost review of retail operating costs.

#### 4. STANDING OFFER ADJUSTMENT – RESIDENTIAL AND SMALL BUSINESS CUSTOMERS

The Delegation requires the QCA to consider “as residential and small business customers paying notified prices are on standard retail contracts, the Government is of the view that the QCA must consider incorporating into notified prices, an appropriate value reflecting the more favourable terms and conditions of standard retail contracts compared to market contracts (value)”.

##### 4.1. THE VALUE OF A STANDARD RETAIL CONTRACT SHOULD BE THAT PERCEIVED BY CUSTOMERS

We believe that the value of the more favourable terms and conditions of standard retail contracts compared to market contracts is something that can only be determined by the customers themselves. They determine the value that a standard retail contract offers them as compared to a market contract. The QCA should therefore conduct market research by asking customers what that value is.

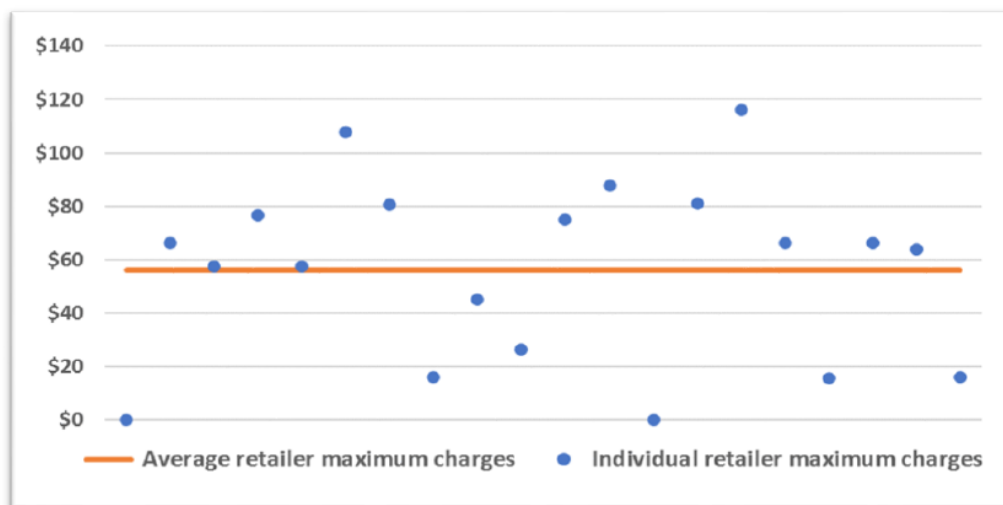
##### 4.2. THE QCA’S OWN VALUE JUDGEMENT

Instead the QCA has chosen to make its own value judgement, without reference to the customers themselves. The QCA’s methodology is based on avoided fees that are incurred on a market contract that are not incurred on a standard contract.

In its Draft Decision, the QCA reported that the additional costs associated with fees and charges amounted on average to \$55 annually. The QCA supported that finding based on the two figures reproduced below from the QCA’s Draft Decision (page 48).

**Figure 4 Type of SEQ retail market offer fees and charges for small customers<sup>152</sup>**



Figure 5.2 Annual fees and charges in SEQ market contracts by retailer<sup>153</sup>

#### 4.3. THE VALUE IN STANDING OFFERS OF NON-CHARGING OF LATE PAYMENT FEES

It is clear from Figure 4 above that the largest fee component is the late payment fee.

Under section 22A of the National Energy Retail Law (Queensland), standing offer customers in Queensland cannot be charged late payment fees, but market offer customers in Queensland can be charged late payment fees. Therefore the QCA attributes value to standing offer customers that they will not incur late payment fees whereas market offer customers may incur late payment fees.

We note however that the two largest retailers in SEQ, Origin Energy and AGL, have both had enforcement action taken against them by the QCA for charging late payment fees to customers in breach of section 22A of the National Energy Retail Law (Queensland).<sup>4</sup> It appears that in the case of Origin Energy the breach was discovered by the QCA, while AGL discovered its own breach. *In neither case had any customer apparently complained to the QCA or ombudsman or another body that they had been incorrectly charged.* This is likely to be because customers were not aware of the provision of section 22A of the National Energy Retail Law (Queensland), which set out that standing offer customers in Queensland cannot be charged late payment fees, while market offer customers in Queensland can be charged late payment fees. In any case, it is clear that those customers did not ascribe any value to that provision – they could not have done, otherwise they would have complained when that value was not realised.

On that basis, the QCA should set the value of the provision that standing offer customers in Queensland cannot be charged late payment fees, but market offer customers in Queensland can be charged late payment fees to **zero**, because that is its perceived value to customers.

<sup>4</sup> For more information on the breaches and the QCA's compliance action see <https://www.qca.org.au/project/retailers-and-distributors/enforcement-overview/enforcement> under the titles 'Origin Energy late payment fees (2019)' and 'AGL late payment fees (2020)'.

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#### 4.4. LACK OF TRANSPARENCY IN THE QCA'S CALCULATIONS

Beyond that, we have been unable to work out how the QCA came to a value of \$55 to reflect the more favourable terms and conditions of standard retail contracts compared to market contracts. We requested at the workshop on 7 April (and subsequently) that the QCA should release for public scrutiny its spreadsheet or other workings that show in more detail (beyond the reproduction of two figures) how that figure of \$55 was derived. We consider the release of such works to be in the interests of good governance and transparency. However, we have been told that the spreadsheet is not being released. We have not received any explanation as to why that is the case – we do not see confidentiality to be an issue, given the calculations are based on a published Market Monitoring report.<sup>5</sup>

#### 4.5. CONCERNS ARISING FROM THE LACK OF TRANSPARENCY

In the absence of transparency in the QCA's calculations, our concerns regarding the QCA's calculations include the following.

##### 4.5.1. The fees charged by retailers are complex in their definition

We understand that the fee data used in the Draft Decision is based on Table 21 and Table 23 for residential and small business customers respectively in Chapter 4 of the QCA's report on SEQ retail electricity market monitoring 2019-20.

These fees are not straightforward to average. For example, note p to Table 21 reads:

*Origin Energy—all fees were attached to all offers, except the Origin Freedom offer that had no fees attached. 0.26% (GST inclusive) card payment processing fee 'may' have applied to payments made by Visa debit card. 0.60% (GST inclusive) card payment processing fee 'may' have applied to payments made by Visa debit or credit card (different offers had different application). 0.32% (GST inclusive) card payment processing fee 'may' have applied to payments made by Mastercard debit card. 0.72% (GST inclusive) card payment processing fee 'may' have applied to payments made by Mastercard debit or credit card (different offers had different application). A payment processing fee of the higher of \$2.00 or 0.49% (GST inclusive) 'may' have applied (without specifying which payment methods this applied to). The late payment fee (GST exempt) 'may' have applied.*

We have not been able to discern how QCA has, for example, treated the following:

- Fees that were attached to all offers, except the Origin Freedom offer that had no fees attached. In its Draft Decision, how has the QCA marked down the fees to allow for the fact that those on the Freedom offer do not incur them? The average Origin Energy customer will incur lower fees than those quoted because of the zero Origin Freedom offer fees, but how much lower is the average?

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<sup>5</sup> QCA, SEQ retail electricity market monitoring 2019-20, November 2020, chapter 4

- The use of the word 'may' in six places suggests that not all payments have incurred those fees. What percentage of customer payments actually incurs those fees? If it is say 50%, have the fees in Table 21 been discounted by 50% to allow for that.
- "A payment processing fee of the higher of \$2.00 or 0.49% (GST inclusive) 'may' have applied (without specifying which payment methods this applied to)." In Table 21, QCA seems to have attributed that to BPay and Australia Post over the counter payments. On what basis?

We fear that adjustments have not been made to allow for tariffs without fees, fees that 'may' occur and fees that are not fully understood. On that basis, we expect that the "value" of the non-existence of these fees in standard contracts has been considerably overstated.

#### **4.5.2. Possible double (or triple) counting**

Some of the fees are mutually exclusive. For example, a customer cannot on one bill incur more than one of a BPay fee, an AmEx / Diners Club fee, a Visa / MasterCard fee or a credit / debit card general fee. We have been told that the QCA has not "double" counted these fees, but the Draft Decision is silent on this matter, and we have not seen or been able to verify the detailed calculations.

#### **4.5.3. Averaging of costs based on numbers of customers affected**

Not all customers incur all possible costs on all bills. For example, it might be the case that only 20% (say) of customers receive paper bills. On that basis the average value to the customer of not paying a paper bill fee would be only 20% of that fee. It is unclear whether the QCA has undertaken that assessment. The same goes for each of the fees shown in Figure 4 above.

#### **4.5.4. Averaging of costs based on market shares of retailers**

It is unclear whether the QCA has treated all retailers as equal in its averaging, or has weighted by numbers of customers. Clearly the fees charged by a retailer with hundreds of thousands of customers are more significant to customers in SEQ as a whole than fees charged by a retailer with only a handful of customers. We believe the QCA should take market shares into account and weight the averaging accordingly. We note that the market monitoring report used by the QCA as a source of fee data<sup>6</sup> itself weights bills by retailers' shares of customers in the SEQ retail electricity market, so those market shares are readily available to the QCA.

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<sup>6</sup> QCA, *SEQ retail electricity market monitoring 2019-20*, November 2020, chapter 4

#### 4.5.5. Treatment of zeroes

Footnote 150 in the Draft Decision states: “A retailer that does not include any fees is excluded from the sample. As the purpose of the analysis is to assess what value retailers attach to terms and conditions (explicitly), the sample used must necessarily contain fees that retailers have explicitly valued separately to the cost of electricity supply.”

Footnote 153 states: “Two retailer market offers had zero ‘additional costs’ for the purpose of this assessment, that is there were no costs that could be incurred above those included in standard contract terms and conditions.”

We have discussed this with QCA – at the workshop and since – and we are still unsure how this has been taken into account in the QCA’s calculations.

We appreciate that in the case where a retailer does not offer a service then that retailer must be excluded from the averaging. But if a retailer does offer the service and charges zero for providing the service, that zero should be included in the average, including the case where the retailer charges zero for all additional services.

This may be best illustrated through a series of case examples.

Suppose there are four retailers, each with equal market share.

- Case 1: each retailer accepts payment by AmEx, and charges \$1 per quarterly bill for an AmEx payment. The average across all retailers is \$1 per quarter, and hence **\$4 per annum**.
- Case 2: only one of the retailers accepts payment by AmEx, and that retailer charges \$1 per quarterly bill for an AmEx payment. The average across all retailers that accept AmEx is \$1 per quarter, and hence **\$4 per annum**.<sup>7</sup>
- Case 3: all four retailers accept payment by AmEx. One charges \$1 per quarterly bill for an AmEx payment while the other three retailers each charge only \$0.20 for an AmEx payment. The average across all retailers that accept AmEx is \$0.40 per quarter, and hence **\$1.60 per annum**.
- Case 4: all four retailers accept payment by AmEx. One charges \$1 per quarterly bill for an AmEx payment while the other three retailers each charge zero for an AmEx payment. The average across all retailers that accept AmEx is \$0.25 per quarter, and hence **\$1 per annum**.

Clearly three retailers’ charges in case 4 are lower than in case 3, while one retailer’s charges are the same in cases 3 and 4. This is reflected in the outcome average in case 4 being lower than in case 3.

We are concerned that in its Draft Decision the QCA may instead have treated case 4 like case 2, and come up with \$4 per annum instead of \$1 per annum for case 4. They are clearly different, and treating case 4 would be erroneous.

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<sup>7</sup> If only a quarter of customers can pay by AmEx then that would be taken into account in the averaging discussed in section 4.5.3 above. But the figure before that averaging would still be \$4 in case 2, as in case 1.

We suspect that the QCA has made this error, and we look at the BPay fee costs to illustrate this.

Table 21 in Chapter 4 of the QCA's report on SEQ retail electricity market monitoring 2019-20 shows that the only retailers that charge residential customers for BPay payments are Dodo Power & Gas (\$2.50 per payment) and Origin Energy (\$2.00 or 0.49% – which we questioned above as to whether it really does apply to BPay payments).

Table 23 in Chapter 4 of the QCA's report on SEQ retail electricity market monitoring 2019-20 shows no retailers that charge small business customers for BPay payments.

Figure 4 above shows that the QCA in its Draft Decision is suggesting that the average BPay payment fee that a customer would pay on a market contract would be just under \$10 per annum. We agree that would be the case if the only retailers offering BPay are Dodo and Origin Energy. But we expect that most if not all the other retailers are accepting BPay and levying a \$0 fee for that payment method. On that basis, the vast majority of market contract customers (including all those with retailers other than Dodo and Origin Energy) who pay by BPay would pay \$0 fee, and the average BPay fee across all customers would be much lower than \$10 per annum.

If that is the case then it should be corrected in the Final Decision.

#### **4.5.6. Treatment of account establishment fees**

While some of the fees shown in Figure 4 above might be incurred on every bill, an account establishment fee is only encountered (by definition) on account establishment. It is not an annual or quarterly fee. If a customer stays with a particular retailer on average for (say) five years, then the average annual fee should be the quoted fee divided by five. Our reading of footnote 152 in the Draft Decision is that the QCA has treated account establishment fees as being annual fees, even though they are not actually annual fees.

Further, Figure 4 above suggests that an annual account establishment fee averages about \$28 per annum. Tables 21 and 23 show that only two small retailers charge establishment fees to residential customers (one \$22 and the other \$40), and only one small retailer charges establishment fees to small business customers (\$22). The vast majority of customers on market contracts are therefore not going to encounter an account establishment fee, and it is difficult if not impossible to reconcile that an average customer would value the lack of an account establishment fee at anything like \$28 per annum.



## 5. COST PASS-THROUGH MECHANISM

In principle we do not believe that under or over-allowances in a previous year's notified prices should be applied as an adjustment to the next year's calculation of notified prices. The last year's estimates were just that – the best estimates available at the time of network, wholesale purchase and other cost elements. Differences between estimates and outturns in 202-21 have no bearing on the costs of supply in 2021-22. The AER follows our logic in its Default Market Offer (DMO) calculations.

Notwithstanding, the QCA proposes to provide for the pass-through of small-scale renewable energy scheme (SRES) costs in its Draft Decision. The QCA has calculated the shortfall in recovery in notified prices that resulted from the outturn SRES liabilities being higher than the SRES liabilities as estimated in the 2020-21 Final Decision, adjusted that shortfall with a discount rate to allow for the time value of money between 2020-21 and 2021-22, and added that adjusted shortfall to the 2021-22 notified prices.

However, what the QCA has neglected to do is to note that the 2020-21 tariffs were capped by the DMO. Therefore, in the case of at least some of the tariffs, had the actual SRES liabilities been correctly estimated at the time of the Final Decision for 2020-21, they would not have been recoverable in the Final Decision for 2020-21. It is incongruous that there should be recovery in 2021-22 of a shortfall resulting in differences between estimated and actual SRES liabilities in 2020-21 that would not have been recoverable in 2020-21 had there been full knowledge of the outturn SRES liabilities been known in time for the Final Decision in 2020-21.

The QCA would avoid this issue if it were to take our advice that under or over-allowances in a previous year's notified prices should not be applied as an adjustment to the next year's calculation of notified prices.

Alternatively, any under-recovery passed through to the next year should be capped by what might have been recovered the previous year had the outturn been known in time for the Final Decision for notified prices in that previous year.

## APPENDIX A: COMMISSIONING OF THIS SUBMISSION

This submission to the QCA is funded by Energy Consumers Australia ([www.energyconsumersaustralia.com.au](http://www.energyconsumersaustralia.com.au)) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

The grant has been provided to support advocacy by a stakeholder group of thirteen community sector organisations in Queensland in 2020-21 in regard to consumer engagement and advocacy on regulated network and retail electricity prices in Queensland.

The intended outcomes of the project that is supported by the grant include:

- Robust submissions to regulatory decision making processes that take place in 2020-21 that set regulated network and retail electricity prices in Queensland, including tariff structure reform processes.
- Ensuring that Queensland-based consumer and community organisations are well informed and understand the reforms so they can support their own community organisations and each other in their own client advocacy.
- Enhancing understanding of the implications of these processes and their outcomes on residential customers, particularly those on low incomes or experiencing vulnerability.

The thirteen community sector organisations are:

- Caxton Legal Centre, Queensland
- Council on the Aging (COTA) Queensland
- Energetic Communities Association Inc, Queensland
- Good Shepherd, Queensland
- Kildonan & Lentara Cluster, Queensland
- Laidley Community Centre, Laidley, Queensland
- Multilink Community Services Inc, Queensland
- Queensland Consumers Association
- Queensland Council of Social Service (QCOSS)
- St Vincent de Paul, Queensland
- Uniting Care, Queensland
- Uniting Church, Queensland
- Youth and Family Service (YFS), Logan, Queensland

April 2021

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Representatives of these organisations have participated in a workshop to discuss the QCA's Draft Decision and the content of this submission. Representatives of the following five stakeholders have also formed a steering group to guide and review the submission before presentation to the QCA:

- Council on the Aging (COTA) Queensland
- Energetic Communities Association Inc, Queensland
- Queensland Consumers Association
- Queensland Council of Social Service (QCOSS)
- Youth and Family Service (YFS), Logan, Queensland