

19 April 2022

Mr Charles Millsted
Chief Executive Officer
Queensland Competition Authority

Via email: charles.millsted@qca.org.au

Dear Mr Millsted

RE: QCA's DRAFT 2022-23 regulated retail prices for Ergon Retail customers in regional Queensland

The Queensland Electricity Users Network (QEUN) appreciates the opportunity to provide a submission on the Queensland Competition Authority's *Draft 2022-23* regulated retail prices for regional Queensland.

QEUN is an electricity customer advocate for small business and residential customers, with a particular interest in customers in regional Queensland.

QEUN advocates for affordable, reliable and secure electricity from a resilient National Electricity Market where the pace of the transition to a renewable energy future is not at the expense of the economy, jobs or reasonable living standards.

The regulated retail electricity prices to be published by the Queensland Competition Authority (QCA) by 31 May 2022 will apply to all Ergon Retail customers from 1st July 2022 to 30 June 2023, unless the Queensland Government *chooses* to change the regulated retail prices set by the QCA.

Queensland legislation allows the Queensland Government to change the regulated retail prices set for regional Queensland *at any time*.

Nearly 730,000 residential, business and farming customers in regional Queensland are captive to the monopolistic market power of the Queensland Government owned Ergon Retail.

The Queensland Government has the power to decrease Ergon power bills *at any time*.

Households, businesses and farmers cannot operate without electricity – it is an essential service.

The price of electricity strongly influences the strength of the economy and jobs growth.

Affordable Ergon power bills are a must if regional Queensland is to cope with the ongoing COVID pandemic which has hit regional industries hard, including the engine room of the regional economy – nearly 90,000 small businesses.

There is clear statistical evidence from the Australian Energy Regulator that power bill stress affecting Ergon Retail residential and business customers is amongst the worst in the National Market.

Yet amid the COVID pandemic and with rising cost of living and rising cost of business pressures, the Queensland Competition Authority has seen fit to publish *draft* Ergon prices that would increase Ergon power bills by between 4.2% to 13.6% from 1st July 2022, without providing evidence of the impact on the economy and jobs of regional Queensland.

For many years the QEUN, along with other consumer advocates, have taken the time to provide submissions to the QCA with recommendations that would result in affordable Ergon power bills and a strong regional economy.

The QCA has continuously used the excuse that it could not consider many of the recommendations as they fell outside of the Delegation provided by the Queensland Energy Minister. We believe the Ministerial Delegation made by the Queensland Energy Minister on 16 December 2021, together with the Queensland Electricity Act 1994 and the Queensland Competition Act 1997 provide the QCA with the ability to consider the recommendations in our submission.

As per the Ministerial Delegation, the Electricity Act 1994 Section 90 (5) (b) states the pricing entity (the pricing entity being the Minister or QCA if the Minister delegates a function of the Minister under section 90 (1) to QCA) in making a price determination “*may have regard to any other matter the pricing entity considers relevant*”.

Whilst the Ministerial Delegation may not state a particular matter must be included in the price determination, it does provide the QCA with the power to consider any other matter the QCA considers as relevant.

As QCA is the ‘pricing entity’ for 2022-23 regulated retail prices for regional Queensland, we request QCA consider the QEUN recommendations as matters of relevance.

The Ministerial Delegation also states that “*in exercising the delegated functions, the QCA must have regard to all relevant statutory provisions, whether referred to in this delegation or not.*”

The Queensland Competition Authority Act 1997 Section 26 (1) (c) states QCA must have regard to “*the protection of consumers from abuses of monopoly power*”.

Ergon is a monopoly electricity retailer in regional Queensland, wholly owned by the Queensland Government of which the Queensland Energy Minister is one of the two shareholding Ministers of the parent company Energy Queensland.

The Queensland Competition Authority Act 1997 Section 26 (1) (m) also states the QCA must in relation to investigations on monopoly business activities have regard to “*economic and regional development issues, including employment and investment growth*”.

In addition to our request for QCA to consider QEUN recommendations as matters of relevance, we further request our submission and recommendations be forwarded to the Queensland Government for consideration.

Recommendations

1. Prior to the announcement of the final 2022-23 regulated retail prices, QCA publicly publish a report detailing the impact of Ergon price rises on “*economic and regional development issues, including employment and investment growth*”.
2. Support an independent review of QCA’s consultation process to ensure the consultation process for Ergon regulated retail electricity prices for regional Queensland is widely advertised to residential and business customers and the consultation process meets the ‘consult’ level on the IAP2 Public Participation Spectrum.
3. Engage two consultants (or a different consultant to the Australian Energy Regulator’s Default Market Offer) to estimate the total cost of energy to be included in Ergon Retail regulated tariffs
4. Permanently remove the nonsensical ‘standing offer adjustment’ and ‘headroom’ charge from all Ergon Retail business and residential regulated retail tariffs
5. Permanently remove the Jurisdictional Scheme Charge for the ‘Solar Bonus Scheme’ from all Ergon Retail regulated business and residential tariffs
6. Make the Community Service Obligation payment between the Queensland Government and its wholly owned entity Ergon Retail transparent by disclosing the annual Community Service Obligation and how it is calculated.
7. Extend the Non-Reversion Policy to include customers with a consumption of up to 160 MWh per year

Clear statistical proof Ergon power bills are not affordable *now*

Regional Queenslanders rely on electricity to maintain a reasonable lifestyle, earn an income and employ people.

Regional Queenslanders are aware of the consequences a reduction in electricity consumption or the disconnection of their electricity supply will have on their living standards, businesses or farms.

However, without adequate public consultation and research it is not possible for the Queensland Government to understand, and quantify, the consequences of higher Ergon power bills on the economy, jobs and living standards of regional Queensland.

In 2017 the QEUN surveyed over 700 businesses in regional Queensland. The main finding was that profitability, incomes and the viability of important industry sectors in regional Queensland had suffered as the result of higher Ergon power bills.

To cope 25% of regional businesses said they had increased debt.

Conversely the survey found that if electricity prices went down, 86% said the viability of their businesses would increase and 35% said they would consider employing more staff.

There is a growing consensus that Australia is facing a sustained period of rising interest rates. Many regional households will be counting on an increasing pay packet to keep pace with the rising cost of living and higher mortgage repayments. The QEUN's 2017 survey found 30% of regional businesses would consider employing less staff or reducing staff hours if power bills increased.

The squeeze on business profitability also meant they had a lesser ability to pay staff higher wages.

Before cost of living pressures start to escalate in Australia, retail statistics show electricity customers in regional Queensland are already struggling, and they are struggling much more than customers in Southeast Queensland and other states.

Whereas customers in Southeast Queensland can shop around for a cheaper electricity offer, the vast majority of customers in regional Queensland are captive to the monopolistic Queensland Government owned Ergon Retail.

One of the 44 retailers competing for residential and business customers in Southeast Queensland is Alinta Energy – a 50/50 joint venture between Alinta Energy and the Queensland Government's wholly owned generation company CS Energy. The joint venture commenced in August 2017. Alinta Energy is now the third largest retailer in Southeast Queensland.

In Quarter 2 2021-22 Ergon credit defaulted 4,200 customers.

Ergon with a 30% share of the residential market in Queensland was responsible for 91% of the customers credit defaulted in Queensland (Table 1).

Ergon with a 9% share of the National Market (excluding Victoria) was responsible for 59% of the customers credit defaulted in the National Market (excluding Victoria) (Table 2).

Alinta did not credit default any of its customers.

Table 1: Queensland credit defaulted & referred to external credit collection agency for debt recovery - Q2 2021-22

Retailers in Queensland Market	Number Residential customers Q2 2021-22	% Share residential customers	Number customers referred to EXTERNAL credit collection agency for debt recovery	% Share referrals to EXTERNAL credit collection agency for debt recovery	Number customers referred to EXTERNAL credit collection agency for debt recovery for a debt of LESS THAN \$500	% Share customers referred to EXTERNAL credit collection agency for debt recovery for a debt of LESS THAN \$500	Number customers credit defaulted Q2 2021-22	% Share customers credit defaulted
Ergon	635,744	30	3,877	27	1,177	18	4,200	91
Origin Energy	576,908	27	3,567	25	1,725	27	-	0
AGL	384,104	18	1,543	11	816	13	-	0
Alinta	194,212	9	2,868	20	1,440	22	-	0
Energy Australia	98,331	5	611	4	297	5	-	0
Remaining 40 retailers	218,072	10	1,839	13	1,018	16	436	9
TOTAL	2,107,371	100	14,305	100	6,473	100	4,636	100

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Table 2: National credit defaulted & referred to external credit collection agency for debt recovery - Q2 2021-22

Retailers in National Market (excluding Victoria)	Number residential customers Q2 2021-22	% Share residential customers	Number customers referred to EXTERNAL credit collection agency for debt recovery	% Share referrals to EXTERNAL credit collection agency for debt recovery	Number customers referred to EXTERNAL credit collection agency for debt recovery for a debt of LESS THAN \$500	% Share customers referred to EXTERNAL credit collection agency for debt recovery for a debt of LESS THAN \$500	Number customers credit defaulted Q2 2021-22	% Share customers credit defaulted
Origin Energy	1,812,279	27	11,726	26	5,214	26	-	0
AGL	1,498,721	22	3,244	7	1,657	8	-	0
Energy Australia	1,019,017	15	3,061	7	1,483	7	-	0
Ergon	635,744	9	3,877	9	1,177	6	4,200	59
Alinta	332,623	5	9,241	21	3,954	20	-	0
Remaining 49 retailers	1,406,486	21	13,488	30	6,631	33	2,893	41
TOTAL	6,704,870	100	44,637	100	20,116	100	7,093	100

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Ergon with a 30% share of the residential market in Queensland was responsible for 27% of the customers referred to an external credit collection agency for debt recovery in Quarter 2 2021-22 (Table 1). About one third of the 3,877 referrals was for an Ergon debt of under \$500.

Alinta with a 9% share of the residential market in Queensland was responsible for 20% of the customers referred to an external credit collection agency for debt recovery in Quarter 2 2021-22 (Table 1). About 50% of the 2,868 referrals was for an Alinta debt of under \$500.

Ergon and Alinta did not refer any customers to an external credit collection agency for debt recovery from Quarter 2 2020-21 to Quarter 4 2020-21. The addition of their referrals has more than doubled customer referrals to external credit collection agencies in Queensland since Q1 2020-21 (Table 3).

Customers who have been referred to an external credit collection agency, or who have been credit defaulted, will find it difficult to find another electricity offer. The problem is exacerbated in regional Queensland as Ergon Retail has a near monopoly. This places customers in a vulnerable position, particularly large business customers with an annual consumption of more than 100 MWh per year. Large customers under the Queensland Government’s Non-Reversion Policy are not allowed to return to Ergon once they leave Ergon as a customer. This traps large business customers in the contestable market, effectively removing their ability to access to the largest retailer in Queensland.

Being credit defaulted by Ergon affects more than a customer’s ability to find another electricity retailer. It could affect a family’s ability to secure a rental house or the ability of a business to secure a working capital loan. Should Ergon power bills rise again, it is highly likely credit defaults and referrals to external credit collection agencies will also rise.

In comparison to the more than doubling of referrals to credit collection agencies in Queensland since Q2 2020-21, the southern states have managed to maintain similar levels of referrals (Table 4).

Table 3: Queensland referrals to an external credit collection agency for debt recovery – Q2 2020-21 to Q2 2021-22

Retailers in Queensland Market	Number Residential customers Q2 2021-22	% Share residential customers	Number of customers Referred to external credit collection agency for debt recovery				
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22
			Ergon	635,744	30	-	-
Origin Energy	576,908	27	2,347	5,390	4,242	3,901	3,567
AGL	384,104	18	2,195	1,186	1,157	1,580	1,543
Alinta	194,212	9	-	-	-	5,029	2,868
Energy Australia	98,331	5	1,391	477	2,100	714	611
Remaining 40 retailers	218,072	10	1,205	1,346	1,620	1,196	1,839
TOTAL	2,107,371	100	7,138	8,399	9,119	17,654	14,305

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Table 4: National referrals to an external credit collection agency for debt recovery – Q2 2020-21 to Q2 2021-22

State	Number Residential customers Q2 2021-22	% Share residential customers	Number of customers Referred to external credit collection agency for debt recovery					% Share external credit referrals Q2 2020-21	% Share external credit referrals Q2 2021-22
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22		
			Queensland	2,107,371	31%	7,138	8,399		
NSW	3,362,264	50%	24,273	20,509	27,859	12,747	24,061	67%	54%
SA	797,269	12%	4,154	4,458	5,098	5,716	5,620	12%	13%
Tasmania	251,290	4%	53	133	109	205	68	0%	0%
ACT	186,676	3%	462	665	733	465	583	1%	1%
TOTAL	6,704,870	100%	36,080	34,164	42,918	36,787	44,637	100%	100%

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Customers experiencing payment difficulties can enter a payment plan with their retailer to avoid being disconnected.

Ergon with a 30% share of the residential market in Queensland was responsible for 45% of customers on payment plans in Quarter 2 2021-22.

Ergon has the highest percentage of customers on payment plans in the Queensland market, three times higher than Alinta with the lowest percentage of Queensland retailers with at least a 5% retail market share (Table 5).

Ergon with a 9% share of the national residential market was responsible for 14% of customers on payment plans. Of the retailers with a market share greater than 5% Ergon had the highest percentage of customers on payment plans in Quarter 2 2021-22 (Table 6).

Table 5: Queensland residential customers on payment plans– Q2 2020-21 to Q2 2021-22

Retailers in QUEENSLAND Market	Number residential customers Q2 2021-22	% Share residential customers	Number residential customers on payment plans					% Share Retailer's Residential Customers on PAYMENT PLANS Q2 2021-22
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	
			Ergon	635,744	30	12,019	17,886	
Origin Energy	576,908	27	3,048	4,766	5,941	5,593	4,659	0.81%
AGL	384,104	18	4,285	6,011	6,366	5,909	5,797	1.51%
Alinta	194,212	9	828	1,417	1,436	1,593	1,335	0.69%
Energy Australia	98,331	5	1,890	2,017	2,058	1,984	1,829	1.86%
Remaining 40 retailers	218,072	10	2,012	2,799	3,105	2,592	2,379	1.09%
TOTAL	2,107,371	100	24,082	34,896	37,216	32,089	29,095	1.38%
Ergon % share of payment plans in QUEENSLAND Market			50%	51%	49%	45%	45%	

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Table 6: National residential customers on payment plans – Q2 2020-21 to Q2 2021-22

Retailers in NATIONAL Market (excluding Victoria)	Number residential customers Q2 2021-22	% Share residential customers	Number residential customers on payment plans					% Share Retailer's Residential Customers on PAYMENT PLANS Q2 2021-22
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	
			Origin Energy	1,812,279	27	13,246	15,380	
AGL	1,498,721	22	21,532	24,192	24,327	25,401	24,395	1.63%
Energy Australia	1,019,017	15	16,291	17,091	16,506	15,740	15,273	1.50%
Ergon	635,744	9	12,019	17,886	18,310	14,418	13,096	2.06%
Alinta	332,623	5	2,127	2,846	2,705	3,254	2,839	0.85%
Remaining 49 retailers	1,406,486	21	21,844	21,711	21,003	22,607	21,900	1.56%
TOTAL	6,704,870	100	87,059	99,106	100,411	100,443	95,290	1.42%
Ergon % share of payment plans in NATIONAL Market			14%	18%	18%	14%	14%	

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Residential customers experiencing chronic payment difficulties can be placed in a hardship program.

Hardship programs are not available to business customers.

Ergon defines financial hardship as a situation where the customer has a willingness to pay but does not have the financial capacity to do so on the set due dates.

A customer on a hardship program is protected from normal credit collection demands and disconnection providing the customer complies with the agreed payment schedule. Once a customer has met the payment schedule over a period of at least 6 months or the balance is in credit, the customer will graduate from the hardship program.

If Ergon power bills rise in 2022-23, it is likely more Ergon customers will request to be placed in a hardship program.

Over the past year Ergon accounted for about 40% of residential customers on a hardship program in Queensland, this is higher than its 30% market share. Ergon at 0.92% had the second highest percentage of customers on a hardship program, above the Queensland average of 0.81% (Table 7).

Queensland at 24% is lower than its 31% share of hardship programs in the national market (Table 8).

The high percentage of Ergon customers currently on a hardship program indicates regional Queensland is experiencing higher levels of chronic power bill stress and will be in greater need of hardship programs compared to Southeast Queensland should Ergon power bills rise in 2022-23.

Table 7: Queensland residential customers on hardship programs– Q2 2020-21 to Q2 2021-22

Retailers in QUEENSLAND Market	Number residential customers Q2 2021-22	% Share residential customers	Number residential customers on hardship programs					% Share Retailer's Residential Customers on HARDSHIP PROGRAMS Q2 2021-22
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	
			Ergon	635,744	30	6,400	7,023	
Origin Energy	576,908	27	3,292	3,362	3,660	3,622	4,358	0.76%
AGL	384,104	18	2,761	2,914	3,373	2,920	2,597	0.68%
Alinta	194,212	9	905	979	1,038	1,248	1,440	0.74%
Energy Australia	98,331	5	887	915	1,060	1,036	1,003	1.02%
Remaining 40 retailers	218,072	10	1,783	1,980	1,890	1,845	1,831	0.84%
TOTAL	2,107,371	100	16,028	17,173	17,674	18,274	17,061	0.81%
Ergon % share of Hardship Programs in QUEENSLAND Market			40%	41%	38%	42%	34%	

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Table 8: National residential customers on hardship programs – Q2 2020-21 to Q2 2021-22

State	Number residential customers Q2 2021-22	% Share residential customers	Number residential customers on hardship programs					% Share HARDSHIP PROGRAMS Q2 2020-21	% Share HARDSHIP PROGRAMS Q2 2021-22
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22		
			Queensland	2,107,371	31	16,028	17,173		
NSW	3,362,264	50	31,032	29,666	28,793	30,119	34,005	45%	47%
SA	797,269	12	14,253	13,903	13,425	13,356	14,225	21%	20%
Tasmania	251,290	4	5,505	5,500	4,516	4,686	4,829	8%	7%
ACT	186,676	3	1,448	1,426	1,447	1,534	1,632	2%	2%
TOTAL	6,704,870	100	68,266	67,668	65,855	67,969	71,752	100%	100%

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

The concern is the average debt on entry to an Ergon hardship program has nearly tripled (200%) since 2016-17 whilst the Queensland average debt on entry has increased by around 50% (Table 9).

The upward trend of average debt on entry indicates customers entering an Ergon hardship program may take longer than 6 months to graduate as cost of living pressures escalate.

Since hardship programs are an expensive form of credit management, we sincerely hope Ergon does not limit the number or the length of time on a hardship program should customer demand increase due to an increase in Ergon power bills in 2022-23.

Table 9: Queensland average debt on entry to a hardship program – 2016-17 to Q2 2021-22

Retailer	Average debt on entry to a hardship program customers (\$)						
	2016-17	2017-18	2018-19	2019-20	2020-21	Q1 2021-22	Q2 2021-22
Ergon	423	783	831	914	1,150	1,261	1,071
All Queensland retailers	776	890	864	932	1,080	1,177	1,182

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Many Ergon customers are on a fixed income such as a Centrelink payment.

To be able to pay higher Ergon power bills, some Centrelink recipients will need to cut other essential living expenses such as food, medicine or rent.

Ergon with a 30% share of the Queensland residential market has a 67% market share of customers on Centrepay (Table 10).

Ergon with a 9% share of the National residential market has a 21% market share of customers on Centrepay (Table 11).

Ergon at 4.58% has the highest percentage of customers on Centrepay of any retailer in the Queensland and the National market, being twice the Queensland and National average (Table 10 and Table 11).

This indicates a large number of Ergon customers in regional Queensland are likely to be disproportionately vulnerable to power bill stress when power bills rise compared to residential customers in Southeast Queensland and other states.

Table 10: Queensland Residential customers on Centrepay – Q2 2020-21 to Q2 2021-22

Retailers in QUEENSLAND Market	Number residential customers Q2 2021-22	% Share residential customers	Number residential customers on Centrepay					% Share Retailer's Residential Customers on CENTREPAY Q2 2021-22
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	
			Ergon	635,744	30	29,769	29,730	
Origin Energy	576,908	27	6,227	6,306	6,295	6,446	6,875	1.19%
AGL	384,104	18	3,241	3,287	3,315	3,321	3,298	0.86%
Alinta	194,212	9	1,081	953	1,023	1,026	1,015	0.52%
Energy Australia	98,331	5	1,425	1,435	1,418	1,414	1,404	1.43%
Remaining 40 retailers	218,072	10	1,468	1,545	1,430	1,504	1,539	0.71%
TOTAL	2,107,371	100	43,211	43,256	42,840	43,061	43,244	2.05%
Ergon % share of Centrepay in QUEENSLAND Market			69%	69%	69%	68%	67%	

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Table 11: Residential customers on Centrepay in National market – Q2 2021-22 to Q2 2021-22

Retailers in NATIONAL Market (excluding Victoria)	Number residential customers Q2 2021-22	% Share residential customers	Number residential customers on Centrepay					% Share Retailer's Residential Customers on CENTREPAY Q2 2021-22
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	
			Origin Energy	1,812,279	27	38,933	38,489	
AGL	1,498,721	22	21,016	20,799	20,427	20,399	20,146	1.34%
Energy Australia	1,019,017	15	19,741	19,720	19,597	19,449	19,316	1.90%
Ergon	635,744	9	29,769	29,730	29,359	29,350	29,113	4.58%
Alinta	332,623	5	3,657	3,076	3,199	3,188	3,179	0.96%
Remaining 49 retailers	1,406,486	21	27,102	27,502	27,518	27,234	26,776	1.90%
TOTAL	6,704,870	100	140,218	139,316	138,032	137,519	140,285	2.09%
Ergon % share of Centrepay in NATIONAL Market			21%	21%	21%	21%	21%	21%

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

For many households the ability to pay an Ergon power bill is not dependent on a Centrelink payment or an energy concession but their ability to find secure well paid employment.

Small business is the largest employer.

Ergon has nearly 90,000 small business customers, more small business customers than any other retailer in Queensland. Ergon’s impact on the number of regional jobs, hours worked and job creation is significant.

Ergon in Q2 2021-22 was responsible for over 50% of small business disconnections in Queensland (Table 12).

Ergon in Q2 2021-22 was responsible for 28% of small business disconnections in the National market, more small business disconnections than any other retailer in the National market (Table 13).

Table 12: Queensland small business customers disconnections – Q2 2021-22 to Q2 2021-22

Retailer in QUEENSLAND Market	Number small business customers Q2 2021-22	% Share small business customers	Number small business customers disconnected				
			Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22
			Ergon	89,196	45	0	8
Origin Energy	45,294	23	0	0	7	42	13
AGL	22,740	11	16	39	38	25	32
Alinta	8,391	4	0	0	0	0	0
Remaining 43 retailers	32,379	16	4	26	31	19	22
TOTAL	198,000	100	20	73	81	205	137
Ergon % share of SMALL Business disconnections			0%	11%	6%	58%	51%

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Table 13: National small business customers disconnections – Q2 2021-22

Retailer in NATIONAL Market (excluding Victoria)	Number small business customers Q2 2021-22	% Share small business customers	Number small business customers disconnected Q2 2021-22	% Share small business customers disconnected
Origin Energy	176,527	27	19	7
AGL	133,783	20	68	27
Ergon	89,196	14	70	28
Energy Australia	87,197	13	35	14
Aurora Energy	34,476	5	10	4
Alinta	23,637	4	0	0
Remaining 46 retailers	114,300	17	52	20
TOTAL	659,116	100	254	100

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

Large business customers are the customer class facing the highest increases in QCA’s draft 2022-23 regulated retail prices.

Large businesses are facing the prospect of increases in their Ergon power bills of between 9.9% and 13.6%.

A small number of large businesses can often be the main employers in some regional towns therefore their business viability is critical to a town’s future.

Since 2018-19 the number of Queensland large business customers has decreased by 1,235 to 17,465 businesses.

Ergon large business customers in regional Queensland account for nearly 70% of the decrease, falling by 831 to 4,087 large business customers in 2020-21 (Table 14).

The QCA’s draft double digit increase for large business customers is detrimental to regional towns and regional jobs.

Table 14: Queensland large business customers – 2016-17 to 2020-21

Retailer in QUEENSLAND Market	Number LARGE business customers Q2 2021-22	% Share LARGE business customers Q2 2021-22	Number LARGE business customers				
			2016-17	2017-18	2018-19	2019-20	2020-21
Origin Energy	5,963	33.1	7,368	5,070	5,276	5,686	5,868
Ergon	4,611	25.6	-	-	4,918	4,645	4,087
AGL	2,918	16.2	2,259	4,029	4,179	3,736	3,119
ERM Power	1,253	6.9	871	960	987	1,075	1,213
Stanwell	1,156	6.4	855	1,274	1,291	1,171	1,156
Alinta	86	0.5	111	143	49	97	88
Remaining 31 retailers	2,045	11.3	1,847	1,510	2,000	1,464	1,934
TOTAL	18,032	100.0	13,311	12,986	18,700	17,874	17,465

Source: Compiled by QEUN from Australian Energy Regulator quarterly retail performance statistics

The Ergon trend of increasing small business disconnections and decreasing numbers of large businesses is of great concern, especially since there are no statistics on the number of small and large business customers on payment plans.

Small and large business customers do not have access to hardship programs.

Recommendation 1

Prior to the announcement of the final 2022-23 regulated retail prices, QCA should publicly publish a report detailing the impact of Ergon retail price rises on *“economic and regional development issues, including employment and investment growth”*.

The retail statistics published by the Australian Energy Regulator demonstrate Ergon residential and business customers are already struggling, and they are struggling much more than customers in Southeast Queensland and other states in the National Market.

There is a clear need to quantify the impact of rising Ergon power bills on residential and business customers in regional Queensland who are potentially facing power bill increases set by QCA of at least 4.5% to 13.6% in 2022-23.

Whilst the Delegation from the Queensland Energy Minister to the QCA does not specify the need to quantify the impact, the Ministerial Delegation does state that *“in exercising the delegated functions, the QCA must have regard to all relevant statutory provisions, whether referred to in this delegation or not.”*

The Queensland Competition Authority Act 1997 Section 26 (1) (m) states QCA must in relation to investigations on monopoly business activities have regard to *“economic and regional development issues, including employment and investment growth”*.

Whilst the QEUN is concerned about the adverse economic impact of QCA’s *draft* 2022-23 retail prices, this pales in comparison to what we expect will be the economic damage caused by even higher QCA *final* 2022-23 retail prices announced by 31 May 2022.

Recommendation 2

Support an independent review of QCA’s consultation process to ensure the consultation process for Ergon regulated retail electricity prices for regional Queensland is widely advertised to residential and business customers and the consultation process meets the ‘consult’ level on the IAP2 Public Participation Spectrum.

One of the most effective ways for QCA to understand the impact of its retail price decisions on Ergon customers is to widely advertise the draft Ergon retail prices to residential and business customers in regional Queensland, involve regional customers in the QCA consultation process and encourage regional customers to provide submissions.

Whilst the Queensland Energy Minister’s Delegation does not specify the ‘quantity’ or ‘type’ of consultation the QCA should undertake, a QCA one hour Zoom information session on QCA’s draft 2022-23 Ergon retail prices is highly unlikely to fulfil the QCA obligations under its own Act or meet internationally acceptable standards for public consultation.

To add insult to injury the QCA’s Zoom information session was cut short, with the QCA stating they did not have to take up the full 90 minutes allocated for the meeting. The QCA’s abrupt actions effectively weaponised virtual meeting technology to silence the voice of Ergon customers who had taken the time to participate in the consultation process. We believe this warrants the Queensland Government appointing an independent review on the adequacy and way in which the QCA carried out its consultation process on the draft 2022-23 retail prices for regional Queensland.

The review should specifically log all print, television, radio, social media and email communications, together with physical and virtual meetings, utilised by the QCA to inform and consult with nearly 730,000 residential and business customers in regional Queensland.

The review should assess the QCA’s consultation in relation to the International Association of Public Participation’s IAP2 Public Participation Spectrum (Figure 1).

The IAP2 Spectrum of Public Participation is an internationally recognised model developed to help clarify the role of the public in planning and decision making.

The IAP2 core values are:

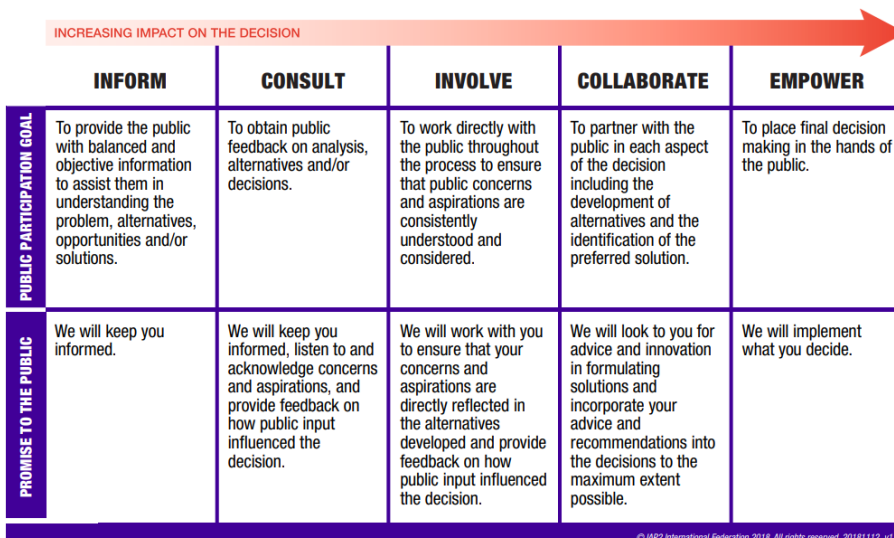
1. Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.
2. Public participation includes the promise that the public’s contribution will influence the decision.
3. Public participation promotes sustainable decisions by recognising and communicating the needs and interests of all participants, including decision makers.
4. Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
5. Public participation seeks input from participants in designing how they participate.
6. Public participation provides participants with the information they need to participate in a meaningful way.
7. Public participation communicates to participants how their input affected the decision.


We believe the QCA has a particular problem with core value 4 of the IAP2 Spectrum. We see little evidence of QCA advertising the draft QCA 2022-23 retail prices in the public domain. We believe most Ergon business and residential customers are blissfully unaware of the rises that will have a serious impact on their household and business budgets.

In addition, we see little evidence of the QCA implementing core value 7 of the IAP2 Spectrum.

We are also aware that the QCA has been selective in the organisations asked to provide feedback on its consultation process. Evidence can be found in the list of organisations not asked to provide feedback on the QCA’s consultation process for 2021-22 retail prices for regional Queensland.

Figure 1: IAP2 Spectrum of Public Participation



		INCREASING IMPACT ON THE DECISION 				
		INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PROMISE TO THE PUBLIC	PUBLIC PARTICIPATION GOAL	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
	PROMISE TO THE PUBLIC	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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Source: International Association of Public Participation website, April 2022

Recommendation 3

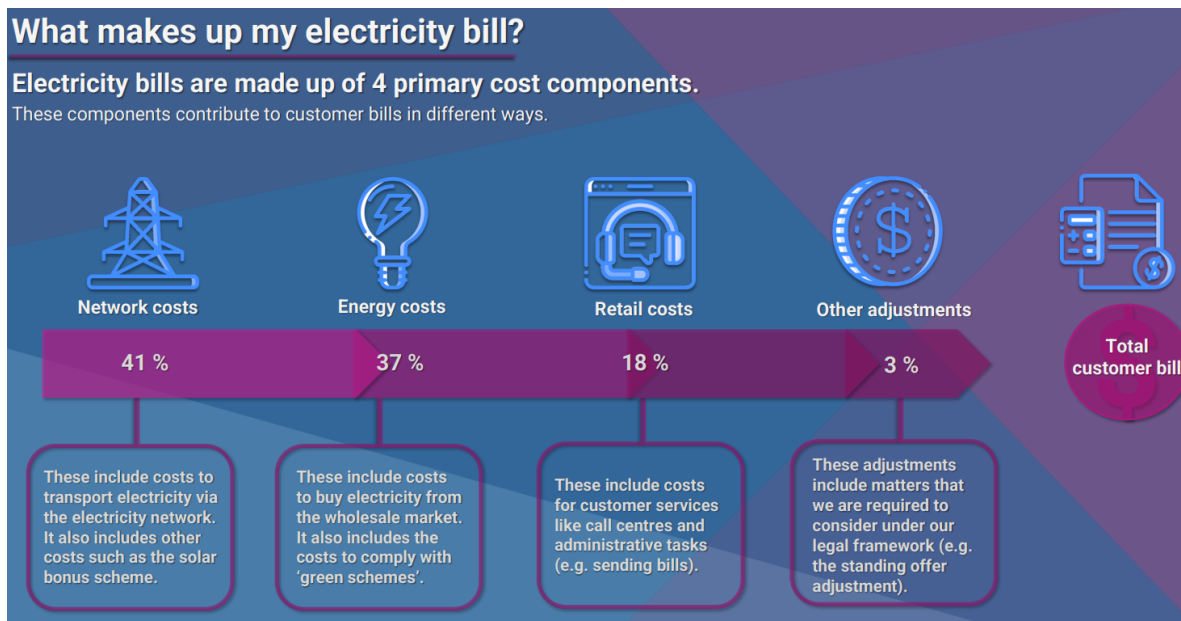
Engage two consultants (or a different consultant to the Australian Energy Regulator’s Default Market Offer) to estimate the total cost of energy to be included in Ergon Retail regulated tariffs

The QCA largely attributed the increase in *draft* 2022-23 retail prices to an increase in estimated energy costs.

According to QCA energy costs make up about 37% of an Ergon power bill (Figure 2).

Of 37% energy cost, around 78% is the wholesale energy cost (Table 15).

Figure 2: What makes up my Ergon electricity bill



Source: Draft 2022-23 determination information booklet, Queensland Competition Authority, 25 February 2022

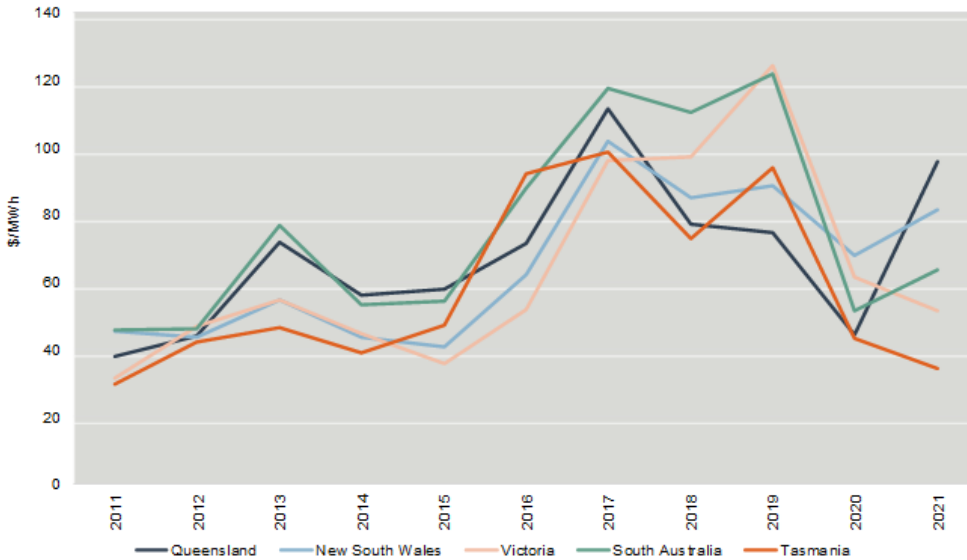
Table 15: Wholesale and Total Energy Costs in QCA regulated retail prices – 2013-14 to Draft 2022-23

QCA Determination Year	Wholesale Energy Cost (\$/MWh)	Renewable Energy Costs (\$/MWh)	Other Costs (\$/MWh)	Total transmission and distribution loss factor (MLF x DLF)	Network losses (\$/MWh)	Total Energy Costs (\$/MWh)	Wholesale energy cost as a % Total Energy Cost
DRAFT 2022-23	\$86.74	\$13.24	\$4.05	1.066	\$6.87	\$110.90	78%
Final 2021-22	\$67.76	\$15.81	\$2.57	1.066	\$5.69	\$91.83	74%
Final 2020-21	\$80.90	\$14.30	\$3.99	1.060	\$5.95	\$105.14	77%
Final 2019-20	\$89.16	\$16.64	\$3.18	1.065	\$7.08	\$116.06	77%
Final 2018-19	\$99.10	\$19.56	\$3.91	1.062	\$7.60	\$130.17	76%
Final 2017-18	\$103.11	\$14.98	\$3.40	1.065	\$7.90	\$129.39	80%
Final 2016-17	\$75.32	\$11.57	\$1.80	1.065	\$5.76	\$94.45	80%
Final 2015-16	\$63.73	\$8.72	\$1.87	1.065	\$4.83	\$79.15	81%
Final 2014-15	\$68.41	\$8.13	\$2.32	1.071	\$4.86	\$83.72	82%
Final 2013-14	\$69.43	\$9.89	\$2.32	1.073	\$5.07	\$86.71	80%
					Average		78%

Source: Compiled by QEUN from ACIL Allen Cost of Energy Reports, QCA regulated retail electricity price determinations for regional Queensland

The Queensland wholesale electricity (energy) market is continuing to rise, its steep upward trend is out of step with other states in the National Electricity Market (Figure 3).

Figure 3: Volume weighted average annual wholesale electricity prices 2011 to 2021



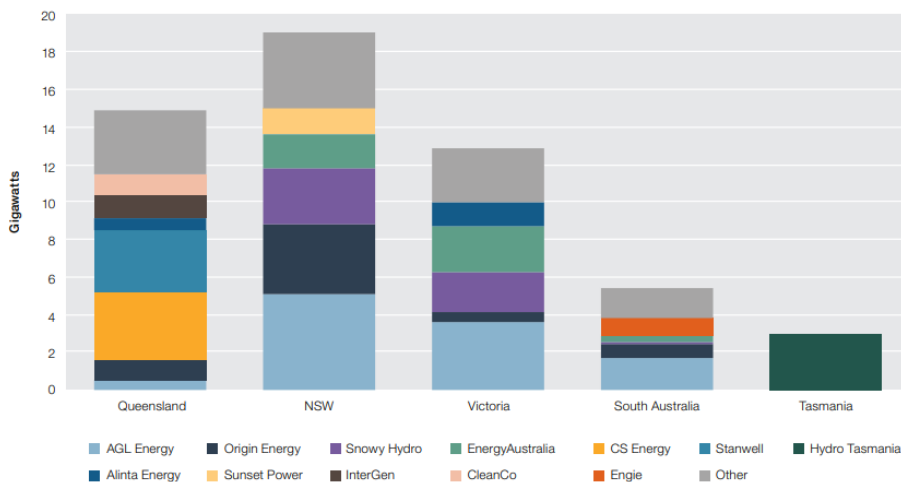
Source: Wholesale Markets Quarterly Quarter 4 2021, Australian Energy Regulator

The Queensland Government does have the power to bring down the cost of wholesale electricity in Queensland as its 3 wholly owned generation companies; Stanwell, CS Energy and CleanCo, collectively represent the majority of the electricity generation capacity in Queensland (Figure 4).

The Australian Energy Regulator’s 2021 State of the Energy Market Report states:

In Queensland, state-owned corporations Stanwell and CS Energy control 46% of generation capacity, including power purchase agreements over privately owned capacity (such as the Gladstone power station). This market share fell in October 2019 when some of CS Energy’s and Stanwell’s assets were transferred to a third state owned corporation, CleanCo. CleanCo was created to increase wholesale market competition and support growth in the state’s renewable energy industry. It controls 7% of the state’s capacity, including all hydropower plant. The largest private operators are InterGen (9%) and Origin Energy (8%).

Figure 4: Market shares in generation capacity



Source: 2021 State of the Energy Market Report, Australian Energy Regulator, June 2021

The wholesale electricity price charged to Ergon customers has a strong correlation to the revenue received by the Queensland Government from its three wholly owned generators.

In 2017-18 and 2018-19 the revenue received by the Queensland Government soared to around \$1 billion. At the same time the wholesale electricity price charged to Ergon customers soared to around \$100/MWh (Table 16).

The 2021 Queensland Budget projected the Queensland Government would receive a mere \$79 million from its generators in 2022-23. The projection can change in 2022 Budget if Queensland wholesale prices increase.

Queensland wholesale prices have risen since May 2021 following an explosion at the Callide C4 coal-fired power station. Whilst the loss of a baseload generator is significant, Callide C4 represents 420 MW (4%) of Queensland’s 11,637 MW of baseload generation. Callide C4 is expected to return to service in April 2023.

Table 16: Revenue to Queensland Government from Queensland Government owned generators (\$ millions)

REVENUE to QUEENSLAND GOVERNMENT from QLD GOVERNMENT OWNED GENERATORS \$ millions	2014-15		2015-16		2016-17		2017-18		2018-19		2019-20		2020-21	2021-22	2022-23	2023-24	2024-25	
	Budget	ACTUAL	Budget	ACTUAL	Budget	ACTUAL	Budget	ACTUAL	Budget	ACTUAL	Budget	ACTUAL	Budget	Estimated Actual	Projection	Projection	Projection	
Dividends	98	90	125	175	216	383	463	620	535	615	519	305	278	23	98			
Tax Equivalent Payments	56	29	84	86	91	190	154	321	236	444	234	232	163	117	117	68	17	13
Competitive Neutrality Fee Payments	32	28	30	23	21	21	22	20	17	17	17	16	15	15	14	11	10	10
Revenue to Qld Government	186	147	239	284	328	594	639	961	788	1,076	770	553	456	155	229	79	27	23
ERGON wholesale price \$/MWh		\$68.14		\$63.73		\$75.32		\$103.11		\$99.10		\$89.16		\$80.90	\$67.76	Draft \$86.74		

Source: Compiled by QEUN from Queensland Budget Papers and ACIL Allen Cost of Energy Reports to Queensland Competition Authority

The Queensland Government also receives significant revenue from its monopoly retailer - Ergon Retail.

The Ergon 2017-18 Annual Report states:

The Company’s profit after income tax equivalent expense was \$263.178 million for the year (2017: \$120.075 million). Despite lower consumption, **retail tariffs were increased to cover rising wholesale electricity prices.**

The consultant commissioned by the QCA to estimate energy costs for QCA’s draft 2022-23 Ergon retail prices based their estimate on the wholesale electricity market up until 21 January 2022.

The wholesale electricity market has continued to rise since 21 January 2022.

The financial year-to-date 2021-22 Queensland average annual wholesale electricity price is \$126.27/MWh, a 53% premium to New South Wales at \$82.71/MWh and more than double the wholesale electricity prices paid by Victorian, South Australian and Tasmanian customers (Table 17).

The ASX Electricity Futures Market for Queensland for calendar year 2023 has increased by 35% since late January to be \$102.75/MWh (Table 18).

In Quarter 2 CY 2022 the ASX Electricity Futures Market for Queensland has risen nearly 70% to \$172/MWh (Table 19).

In Quarter 3 CY 2022 the ASX Electricity Futures Market is \$142.18/MWh (Table 20).

Table 17: Average annual wholesale electricity price in National Electricity Market (\$/MWh) – FY 2017 to YTD FY 2022

Financial Year End	NSW	South Australia	Queensland	Victoria	Tasmania
2017	81.22	108.66	93.12	66.58	75.40
2018	82.27	98.10	72.87	92.33	86.98
2019	88.56	109.80	80.29	109.81	90.01
2020	71.95	62.04	53.41	73.74	55.05
2021	64.81	44.83	61.81	45.93	43.69
YTD 2022	84.06	61.95	127.25	49.42	53.51

Source: Compiled by QEUN from National Electricity Market Data Dashboard, Australian Energy Market Operator, 15 April 2022 & AEMO email, 14 April

Table 18: ASX Futures wholesale electricity prices for Calendar Year 2023 – week close prices (\$/MWh)

ASX Electricity Futures Week close price -2022	CALENDAR Year 2023 wholesale electricity prices - (\$/MWh)			
	NSW	Victoria	Queensland	South Australia
24 Jan to 28 Jan	85.37	49.10	76.24	64.35
28 Feb to 4 Mar	99.50	52.35	84.75	69.33
7 Mar to 11 Mar	105.17	52.50	88.74	69.33
14 Mar to 18 Mar	109.45	56.30	92.62	69.33
21 Mar to 25 Mar	129.19	58.56	101.00	75.50
28 Mar to 1 Apri	139.26	62.78	117.04	79.96
4 Apr to 8 Apr	121.22	63.00	102.75	84.37

Source: Compiled by QEUN from ASX Weekly Australian Electricity Market Wraps

Table 19: ASX Futures wholesale electricity prices for Quarter 2 2022 – week close prices (\$/MWh)

ASX Electricity Futures Week close price -2022	QUARTER 2 2022 wholesale electricity prices - (\$/MWh)			
	NSW	Victoria	Queensland	South Australia
24 Jan to 28 Jan	90.25	62.75	101.06	79.75
28 Feb to 4 Mar	102.75	68.50	105.00	94.57
7 Mar to 11 Mar	104.75	67.50	109.50	93.95
14 Mar to 18 Mar	114.25	74.00	113.25	92.00
21 Mar to 25 Mar	140.00	80.00	128.50	95.50
28 Mar to 1 Apri	175.00	91.25	188.00	110.00
4 Apr to 8 Apr	174.00	110.00	172.00	135.00

Source: Compiled by QEUN from ASX Weekly Australian Electricity Market Wraps

Table 20: ASX Futures wholesale electricity prices for Quarter 3 2022 – week close prices (\$/MWh)

ASX Electricity Futures Week close price -2022	QUARTER 3 2022 wholesale electricity prices - (\$/MWh)			
	NSW	Victoria	Queensland	South Australia
28 Mar to 1 Apri	156.00	86.00	153.48	98.31
4 Apr to 8 Apr	141.25	88.00	142.18	107.00

Source: Compiled by QEUN from ASX Weekly Australian Electricity Market Wraps

The QCA's *Draft 2022-23* Ergon retail prices include a cost of energy component estimated by a single consultant using the consultant's own proprietary program.

The consultant's estimate for 2022-23 wholesale prices is \$86.74/MWh for residential and small business customers and \$77.43/MWh for large business customers.

The wholesale electricity market in Queensland has increased by around 30% since the consultant provided its estimate to the Queensland Competition Authority.

Some of the increase in the Queensland wholesale market will be captured in the consultant's updated cost of energy report to be provided to the QCA prior to the announcement of QCA's *final 2022-23* retail prices. The extent to which the rise in the wholesale market will be captured is uncertain as the consultant uses their own proprietary program.

Public ownership of Queensland generators is not working for customers in regional Queensland, or Queensland customers in general, as Queensland is paying a massive premium for wholesale electricity compared to other states in the National Electricity Market – a rise that will result in higher retail prices and higher power bills.

A wholesale market dominated by the Queensland Government owned generators does not constitute a monopoly. However, the ability of QCA to employ a single consultant to estimate nearly 40% of an Ergon power bill does warrant consumer protection.

The protection should be in the form of the QCA engaging two consultants (or a different consultant to the Australian Energy Regulator's Default Market Offer) to estimate the total cost of energy to be included in Ergon retail prices.

The 'safety net' for electricity customers in Southeast Queensland who choose not to shop around for a cheaper electricity offer is the Default Market Offer (DMO).

Customers on the DMO have a wholesale electricity price almost the same as the Ergon wholesale price. This is due to the same consultant using its own proprietary program to estimate the cost of energy for both the QCA and the AER. The slight difference in energy costs is because the consultant's report to the AER analyses market data with a slightly earlier cut-off date than that used for the QCA report.

The 190,000 DMO customers in Southeast Queensland can choose to shop around for a cheaper electricity offer from one of 47 retailers operating in Southeast Queensland. The DMO was specifically legislated to ensure those customers who chose not to engage with the contestable market were not penalised. The DMO effectively acts as a price cap in Southeast Queensland – a price cap from which 47 retailers will discount from when negotiating an offer with a Southeast Queensland customer.

The problem is Ergon customers cannot negotiate a cheaper retail offer as Ergon has a monopoly in regional Queensland.

Regional Queensland is effectively locked into higher wholesale and retail prices compared to customers in Southeast Queensland.

Higher wholesale and retail electricity prices are detrimental to regional Queensland customers but can benefit Queensland Government generators and consequently the revenue received by the Queensland Government.

If the Ergon retail prices set by the QCA are higher than the Default Market Offer set by the Australian Energy Regulator, the QCA uses the '*standing offer adjustment*' to reduce the Ergon retail prices to the same level as the Default Market Offer, as per the QCA's final 2020-21 determination (Figure 5).

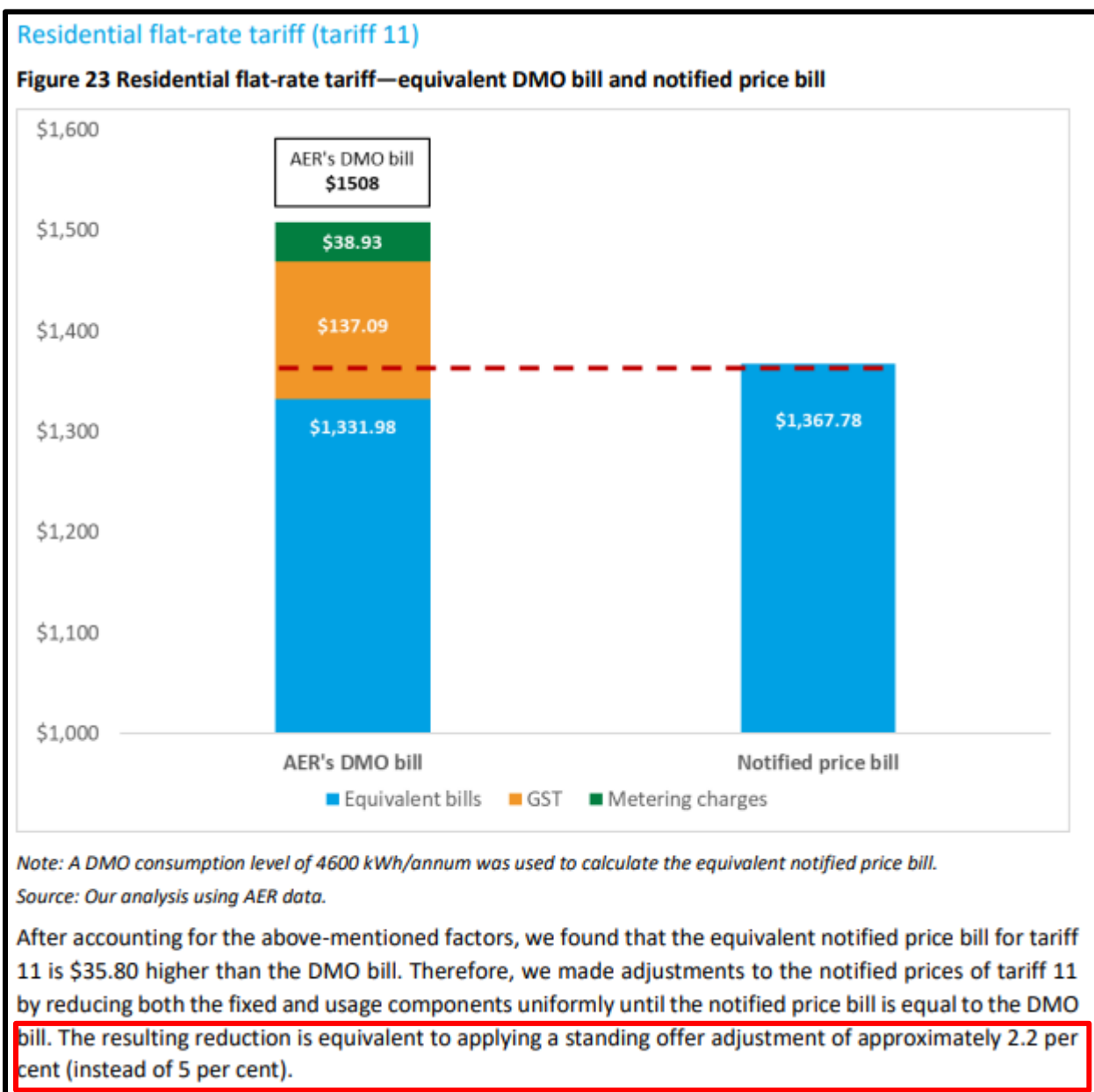
This does not level the playing field between customers in regional Queensland and Southeast Queensland.

Ergon customers are still at a distinct disadvantage as Ergon customers cannot choose to engage with the contestable market and negotiate a lower retail offer than the price cap of the DMO.

This leaves 730,000 Ergon customers in regional Queensland paying more for power bills than nearly 1.6 million customers in Southeast Queensland’s contestable market and on par with 190,000 DMO customers in Southeast Queensland who choose not to engage with the contestable market.

The Queensland Government under the Australian Constitution is the entity responsible for Ergon retail prices. It is also the entity that benefits from high Queensland wholesale prices. The Queensland Government needs to instruct the QCA to engage two consultants (or a different consultant to the Australian Energy Regulator’s Default Market Offer) to estimate the total cost of energy to be included in Ergon Retail regulated tariffs.

Figure 5: Ergon power bill adjusted down to the Default Market Offer by adjusting down the Standing Offer Adjustment



Source: Final 2020-21 Determination regulated retail prices for regional Queensland, Queensland Competition Authority

Recommendation 4

Permanently remove the nonsensical 'standing offer adjustment' and 'headroom' charge from all Ergon Retail business and residential regulated retail tariffs

Originally the QCA included the 'standing offer adjustment' (SOA) and 'headroom' charge (HC) in Ergon retail prices as QCA claimed it was necessary to promote retail competition in regional Queensland.

This was farcical as Ergon customer numbers demonstrate Ergon has continued to command a monopoly in regional Queensland since QCA began setting regulated retail prices for regional Queensland.

In recent years the QCA has changed tactic arguing that the SOA and HC are necessary as Ergon retail contracts provide Ergon customers with benefits not available to customers on contestable market contracts in Southeast Queensland.

If regional Queensland customers are paying a premium for the additional benefits or protections contained in an Ergon contract this needs to be quantified by benefit.

We would strongly suggest that any so called benefit regional customers receive from an Ergon retail contract would be offset by the benefit Ergon receives as a monopoly that does not have to compete to acquire or retain customers.

In 2018 the Australian Competition and Consumer Commission estimated Customer Acquisition and Retention Costs for electricity retailers in Southeast Queensland at \$48 per customer.

By including the SOA and HC in Ergon retail prices the QCA has for years effectively increased power bills in regional Queensland by about 5%.

The use of the SOA and HC as an 'adjustment tool' for the Default Market Offer in 2020-21 makes a mockery of QCA's claim that the SOA and HC are necessary to either promote retail competition or to reflect the benefits of an Ergon contract.

As Ergon is a monopoly, the SOA and HC needs to be permanently removed from all Ergon Retail business and residential regulated retail tariffs.

Recommendation 5

Permanently remove the Jurisdictional Scheme Charge for the 'Solar Bonus Scheme' from all Ergon Retail regulated business and residential tariffs

On 24 March 2017 the QCA announced the *draft* 2017-18 retail prices to be paid by Ergon customers.

At the time the wholesale market was rising, just as it is now heading into QCA's final decision on 2022-23 Ergon prices.

Based on its draft 2017-18 prices, the QCA estimated a typical household on the main residential tariff 11 could expect **a 1.7% increase** in their annual Ergon power bill.

The QCA also estimated a typical small business on the main small business tariff 20 could expect **a 1.5% increase**.

Customers were shocked on 31 May when the QCA announced that in 2017-18 residential power bills would **increase by 7.1%** and small business power bills would **increase by 8.2%**.

On the same day, the Queensland Energy Minister directed the Jurisdictional Scheme Charge (JSC) for the Solar Bonus Scheme (SBS) be removed from network charges for a three year period from 2017-18 to 2019-20 inclusive.

The removal of the SBS JSC limited the increase in 2017-18 to 3.3% for residential customers and 4.1% for small business customers.

Without the removal of the SBS JSC, Ergon customers would have seen their power bills jump by over 7% in 2017-18.

The SBS JSC recovers the cost of the Queensland Government's Solar Bonus Scheme. The inclusion of the SBS JSC in 'network' costs is misleading as it is an 'energy' cost collected by Ergon 'Network'.

The Queensland Government will continue to pay SBS households a \$440/MWh (44 cents/kWh) Solar Feed-In Tariff until 2028. The current Solar Feed-In Tariff for non-SBS households is \$65.83/MWh (6.583 cents/kWh).

In 2016 the Queensland Productivity Commission estimated the SBS cost at \$4.1 billion.

The manner and speed at which the SBS cost is recovered by the Queensland Government from Queensland electricity customers is at the discretion of the Queensland Government.

In 2020-21 the Queensland Government again directed the QCA to recover the SBS JSC from Ergon power bills.

Technical Appendix D of QCA's *draft* 2020-21 retail prices detailed how the SBS JSC would be recovered (Table 21).

In 2021-22 and again this year, the QCA have failed to provide details of how the SBS JSC would be recovered.

This means Ergon customers are unable to estimate the SBS cost in their power bills.

The only reason an Ergon customer may be aware the SBS JSC will be included in their 2022-23 Ergon power bills is the QCA's Draft 2022-23 Information Booklet states network costs "*also includes other costs such as the solar bonus scheme*".

Unlike previous QCA determinations, the QCA now omits any mention of JSCs in the Technical Appendix on the Build-Up of Notified Prices (Table 22, 23 and 24).

Table 21: 2020-21 Draft Jurisdictional Scheme Charges for small customers (GST exclusive)

Tariff class	Retail tariff	Fixed (c/day)	Usage (c/kWh)
Residential	11, 12A, 14	1.100	0.920
Small business	20, 22A, 14, 41	1.100	1.010
Controlled load	31, 33	-	0.790
Unmetered	91	-	0.664
Large business	44, 45, 46 ,50	51.600	0.067
Very large business	51A—51D, 53	1052.300	0.051

Source: Technical Appendix D, Draft 2020-21 Determination regulated retail prices for regional Queensland, Queensland Competition Authority

Table 22: 2020-21 Build-up of Notified Prices notes inclusion of Jurisdictional Scheme Charges in Network Charges

Retail tariff	Tariff component	Fixed ^a (c/day)	Off-peak/Flat usage (c/kWh)	Peak usage (c/kWh)	Off-peak/Flat demand (\$/kW/mth)	Peak demand (\$/kW/mth)
Tariff 11—residential (flat-rate)	Network (incl. JSC)	51.100	8.384			
	Energy		10.514			
	Fixed retail	37.578				
	Variable retail		2.130			
	Standing offer adjustment	1.997	0.467			
	SRES cost pass-through		0.2615			
	Total		90.676	21.756		

Source: Technical Appendix I, Draft 2020-21 Determination regulated retail prices for regional Queensland, Queensland Competition Authority

Table 22: 2021-22 Build-up of Notified Prices excludes mention of Jurisdictional Scheme Charges in Network Charges

Retail tariff	Tariff component	Fixed ^a c/day	Usage			Demand	
			Off-peak/flat c/kWh	Shoulder c/kWh	Peak c/kWh	Off-peak \$/kW/mth	Peak \$/kW/mth
Tariff 11—residential (flat-rate)	Network	51.300	8.473				
	Energy		8.945				
	Fixed retail	33.948					
	Variable retail		1.263				
	Standing offer adjustment	3.069	0.673				
	SRES cost pass-through		0.0459				
	Total		88.317	19.400			

Source: Technical Appendix H, Draft 2021-22 Determination regulated retail prices for regional Queensland, Queensland Competition Authority

Table 23: 2022-23 Build-up of Notified Prices excludes mention of Jurisdictional Scheme Charges in Network Charges

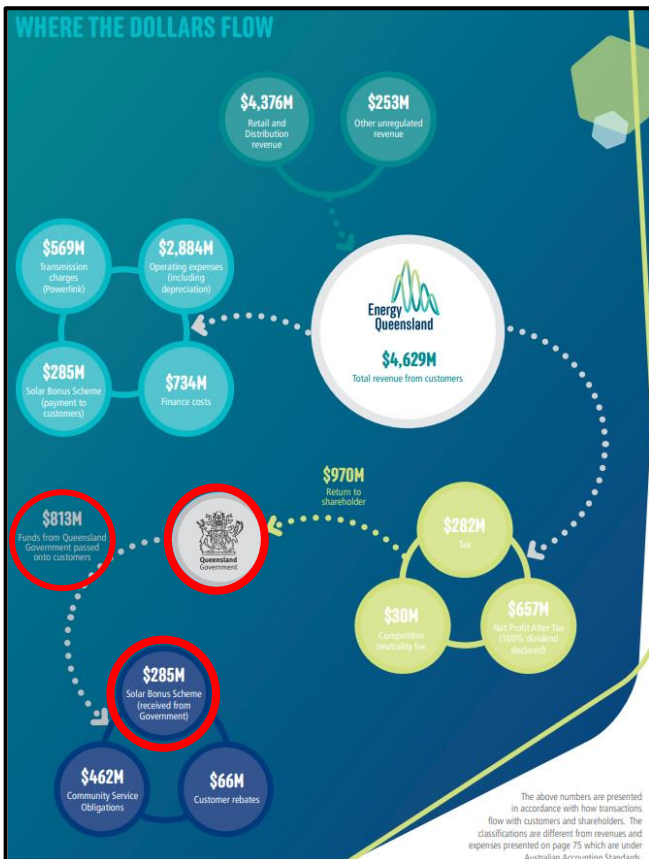
Retail tariff	Tariff component	Fixed ^a	Usage			Demand	
			Off-peak/flat	Shoulder	Peak	Off-peak/flat	Peak
		c/day	c/kWh	c/kWh	c/kWh	\$/kW/mth	\$/kW/mth
Tariff 11—residential (flat-rate)	Network	52.200	7.709				
	Energy		11.090				
	Fixed retail	35.018					
	Variable retail		1.363				
	Standing offer adjustment	3.227	0.746				
	SRES cost pass-through		-0.1626				
	Total	90.445	20.745				

Source: Technical Appendix F, Draft 2022-23 Determination regulated retail prices for regional Queensland, Queensland Competition Authority

Ergon customers have the right to know how much the Queensland Government intends to charge them to recover the cost of the Solar Bonus Scheme.

Energy Queensland is the parent company of Ergon Retail and Ergon Network. In its 2018-19 Annual Report it states \$285 million of Queensland Government funds were passed onto customers (Figure 6). This was one of the three years where the cost of the SBS was paid by the Queensland Government, not Queensland and Ergon customers.

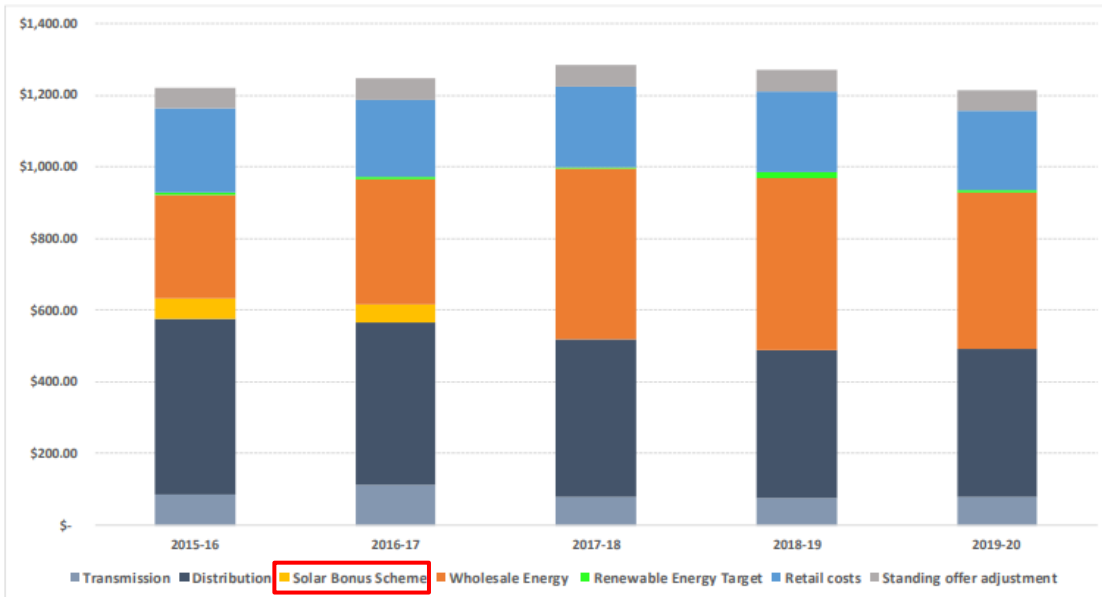
Figure 6: Where the dollars flow



Source: Energy Queensland 2018-19 Annual Report

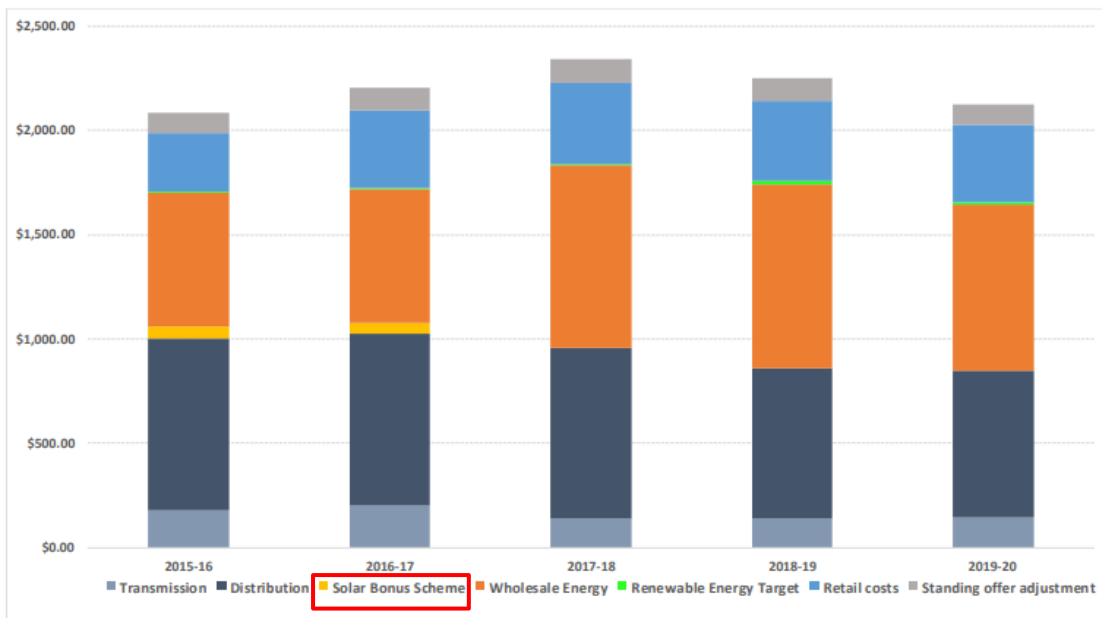
Previously the QCA made the SBS component transparent in the breakdown of an annual Ergon bill (Figure 7 and 8).

Figure 7: Typical residential customer annual bill breakdown - 2015-16 to 2019-20



Source: Draft 2019-20 Determination regulated retail prices for regional Queensland, Queensland Competition Authority

Figure 8: Typical small business customer annual bill breakdown - 2015-16 to 2019-20



Source: Draft 2019-20 Determination regulated retail prices for regional Queensland, Queensland Competition Authority

In 2020-21 the SBS JSC accounted for 3.4% of a typical household on the main Ergon residential tariff 11 (Figure 9).

In 2020-21 the SBS JSC accounted for 3.5% of a typical small business on the main small business tariff 20 (Figure 10).

The SBS JSC should be permanently removed from all Ergon Retail regulated business and residential tariffs and instead be paid by the Queensland Government as it was from 2017-18 to 2019-20 inclusive.

Figure 9: Cost of Solar Bonus Scheme to typical household on the Ergon residential tariff 11 in 2020-21

Tariff 11 - FINAL 2020-21	Median Consumption 4,061 kWh	Fixed cents/day	Variable cents/kWh	Total	%
Energy	4061		10.514	\$426.97	35.2
Network	4061	50.000	7.452	\$485.13	39.9
Jurisdictional Scheme Charge - Solar Bonus Scheme	4061	1.100	0.932	\$41.86	3.4
Retail	4061	37.578	2.130	\$223.66	18.4
Standing offer adjustment	4061	1.997	0.467	\$26.25	2.2
Small-scale Renewable Energy Scheme	4061		0.262	\$10.62	0.9
		90.6750	21.7565	\$1,214.50	100.0
		90.676	21.756		
Fixed component	\$330.96	27			
Variable component	\$883.53	73			
Typical residential 2020-21 - no GST	\$1,214.50				
Typical residential 2020-21 - with GST	\$1,335.94				
		down \$84 or			
	\$1,336	5.9%	Final 2020-21		

Source: Compiled by QEUN from QCA Final 2020-21 Determination for regulated retail electricity prices for regional Queensland

Figure 10: Cost of Solar Bonus Scheme to typical small business on the Ergon small business tariff 20 in 2020-21

Tariff 20 - FINAL 2020-21	Median Consumption 6,831 kWh	Fixed cents/day	Variable cents/kWh	Total	%
Energy	6831		10.514	\$718.21	34.9
Network	6831	67.8	7.906	\$787.53	38.3
Jurisdictional Scheme Charge - Solar Bonus Scheme	6831	1.1	0.993	\$71.85	3.5
Retail	6831	53.258	2.485	\$364.14	17.7
Standing offer adjustment	6831	6.108	1.095	\$97.09	4.7
Small-scale Renewable Energy Scheme	6831		0.2651	\$18.11	0.9
		128.266	23.258	\$2,056.93	100.0
Fixed component	\$468.17	23			
Variable component	\$1,588.76	77			
Typical small business 2020-21 - no GST	\$2,056.93				
Typical small business 2020-21 - with GST	\$2,262.62				
		down \$75 or			
	\$2,263	3.2%	Final 2020-21		

Source: Compiled by QEUN from QCA Final 2020-21 Determination for regulated retail electricity prices for regional Queensland

Recommendation 6

Make the Community Service Obligation payment between the Queensland Government and its wholly owned entity Ergon Retail transparent by disclosing the annual Community Service Obligation and how it is calculated.

The Uniform Tariff Policy provides that:

Wherever possible, customers of the same class should pay no more for their electricity, and should be able to pay for their electricity via similar common price structures, regardless of their geographic location

For many years, QEUN submissions have included a recommendation to make the Uniform Tariff Policy transparent by:

- Reporting on how the Uniform Tariff Policy/Community Service Obligation is defined and calculated and
- Disclosing annually the distribution of the Community Service Obligation by customer category, region and industry sector & subsector

The QEUN's recommendation is the same as Recommendation 29 in the Queensland Productivity Commission's Electricity Pricing Inquiry Report submitted to the Queensland Government in May 2016.

Recommendation 29 was accepted in principle by the Queensland Government in November 2016.

Nearly six years later, the Queensland Government has failed to implement Recommendation 29 and has arguably hidden the Community Service Obligation by making it an agreement between itself and its wholly owned Ergon Retail.

In the Energy Queensland 2018-19 Annual Report it states:

From 1 January 2018, Energy Queensland entered a fixed CSO agreement with the State. The compensation is a fixed payment based on forecast revenue and matching costs from electricity sales to franchise customers of Energy Queensland on the basis that EQL is assuming the risk, and any benefits, inherent in a fixed payment based on forecast. The parties are aiming for increased simplification and administrative ease in CSO compensation claims, payments and reporting.

The Queensland Government constantly reminds Ergon customers in regional Queensland that it "subsidises" regional Queensland electricity costs by supporting the Uniform Tariff Policy through the payment of the Community Service Obligation.

No other electricity retailer in regional Queensland receives the CSO payment from the Queensland Government. Hence, no other electricity retailer can compete against Ergon Retail in regional Queensland.

Unless the Queensland Government makes the CSO calculation transparent, Ergon customers cannot determine who in regional Queensland is being subsidised. This impacts Energy Queensland's network tariff reform process which seeks to make network tariffs cost reflective ie seeks to remove subsidies.

The QEUN recommends the Queensland Government follows through with its acceptance in principle of the Queensland Productivity Commission's Recommendation 29 in the 2016 Electricity Pricing Inquiry Report and makes the Community Service Obligation and how it is calculated transparent.

Recommendation 7

Extend the Non-Reversion Policy to include customers with a consumption of up to 160 MWh per year

The aim of the Non-Reversion Policy is to promote retail competition in regional Queensland.

For business customers with an annual consumption of over 100 MWh the Non-Reversion Policy effectively limits retail competition by excluding Ergon Retail. This means they cannot receive an offer from the largest retailer in Queensland.

The threshold for the Non-Reversion Policy needs to be extended from 100 MWh per year to 160 MWh per year.

Conclusion

Retail statistics show Ergon customers in regional Queensland are already struggling, and they are suffering much more power bill stress than customers in Southeast Queensland and other states.

In the midst of a COVID pandemic and with cost of living and cost of business pressures about to escalate, any rise in Ergon power bills will have a detrimental impact on the economy and jobs of regional Queensland.

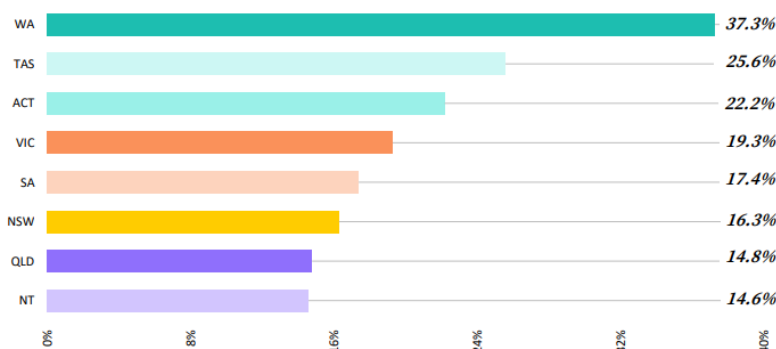
The only way to quantify the risk is through economic research and genuine two way consultation with the people and businesses impacted by any rise in Ergon power bills in 2022-23.

Due to the Queensland Government’s ownership of most of the electricity supply chain, we strongly encourage the Queensland Government to take an active interest in the setting of 2022-23 Ergon wholesale and retail prices for regional Queensland.

The wholesale electricity market is in a similar situation to that experienced in 2017. Now is not the time to repeat the 2017 intervention when the Queensland Government was forced to intervene only hours after the Queensland Competition Authority announced its 2017-18 Ergon retail prices.

We thank you for the opportunity to provide a small customer perspective on QCA’s *draft* 2022-23 regulated retail prices for regional Queensland.

ECONOMIC GROWTH (State final demand plus trade) rolling annual nominal totals, % change year to September on decade-average



Source: State of the States, State and Territory Economic Performance Report – January 2022, CommSec

Yours faithfully



Jennifer Brownie

Coordinator

Queensland Electricity Users Network