



The Honourable Mark Bailey MP
Minister for Main Roads, Road Safety and Ports
Minister for Energy, Biofuels and Water Supply

Our Reference: CTS 11270/17

Level 34, 1 William Street Brisbane 4000
GPO Box 2644 Brisbane
Queensland 4001 Australia
Telephone +61 7 3719 7300
Email energyandwatersupply@ministerial.qld.gov.au
Website www.dews.qld.gov.au

22 MAY 2017

QLD COMPETITION AUTHORITY

26 MAY 2017

DATE RECEIVED

Professor Roy Green
Chair
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

Dear Professor Green

I am writing to direct the Queensland Competition Authority (the Authority) under section 253AA of the *Electricity Act 1994* (the Act) to provide advice on a time-varying feed-in tariff (FiT) for the 2017–18 tariff year. I attach my directions and the associated Terms of Reference (ToR) which impose conditions on the Authority when undertaking its investigation.

The Authority is to calculate spot wholesale electricity pool price values for different possible peak and off-peak combinations. For each combination the two periods are to cover the entirety of the day. These values are then to be used to create a cost build-up including the value of energy losses and avoided National Electricity Market fees.

After calculating the cost build-ups outlined in the ToR, the Authority is to undertake public consultation on public preferences for the timing of the peak and off peak periods.

Mr Tim Quirey, Director, Strategic Futures in my department will be pleased to assist with any questions about these directions and can be contacted on (07) 3199 4976.

Yours sincerely

Mark Bailey MP
**Minister for Main Roads, Road Safety and Ports and
Minister for Energy, Biofuels and Water Supply**

Encl: Section 253AA Direction and Terms of Reference

ELECTRICITY ACT 1994
Section 253AA

As the Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply, pursuant to section 253AA of the *Electricity Act 1994* (the Act), I hereby direct the Queensland Competition Authority (the Authority) to provide advice on the matters set out below to inform a time-varying solar price.

The Authority must publish this direction on its website.

The following are the Terms of Reference pertaining to this direction.

Terms of Reference

The Authority is to calculate and report on Queensland spot wholesale electricity pool price values under a range of different time periods. The values must be relevant for the 2017–18 tariff year.

1. Calculate Queensland spot wholesale electricity pool price values for each of the peak time periods below and a corresponding off-peak period covering the remaining hours throughout a day (i.e. the peak and off-peak periods are to cover 24 hours each day).
The peak time periods to be calculated are:
 - a peak period not less than 2 hours which provides the highest wholesale energy value when solar PV is generating
 - a period not less than 2 hours which reflects the highest electricity demand on the Ergon Energy network
 - a peak period from 5pm – 7pm
 - a peak period from 4pm – 7pm
 - a peak period from 3pm – 7pm

2. Calculate a build-up (in cents per kilowatt hour) of peak and off-peak values which includes:
 - a. the wholesale values calculated in (1) above;
 - b. energy losses for Ergon Energy's east pricing zone; and
 - c. National Electricity Market and ancillary service fees.

Consultation

The Authority must consult with Ergon Energy Queensland on the calculation of the wholesale values.

The Authority must undertake public consultation on the timing of the peak and off-peak periods and report to Government on which periods are preferred by stakeholders.

The Authority should illustrate the impacts and outcomes of different peak and off-peak periods to inform solar customers understanding. This must include presenting each of the potential peak and off-peak periods against a typical solar generation profile for a relevant location covered by the Ergon Energy network to allow solar customers to understand the timing of solar generation compared to the possible peak and off-peak periods.

Timing

1) Draft Report

The Authority must publish a draft report containing the calculated wholesale values and cost build-ups for the different peak/off-peak periods no later than 9 June 2017.

The Authority must publish a written notice inviting submissions about the timing of the peak and off-peak periods. The notice must state a period (the consultation period) during which anyone can make written submissions to the Authority about issues relevant to the timing of the peak and off-peak periods.

The Authority must make all submissions received within the consultation period available to the public, subject to normal confidentiality considerations.

2) Final Report

The Authority must include a summary of submissions including any stated preferences from submissions for particular timings for peak and off peak periods in its Final Report.

The Authority must provide me with a final report no later than 28 July 2017.

The Authority must publish its report on the Authority's website by 28 July 2017.

DATED this 21 day of May 2017

SIGNED by the Honourable)
Mark Bailey)
Minister for Main Roads, Road Safety and Ports and)
Minister for Energy, Biofuels and Water Supply)



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(signature)