



The Hon Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Ref CTS 27475/18

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Professor Flavio Menezes
Chair
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

Dear Professor Menezes

The Queensland Government's \$2 Billion Affordable Energy Plan (the Plan) is providing cost of living relief to Queenslanders. The Plan is a comprehensive package of measures to tackle the challenge of electricity bills and includes \$300 Million of new measures.

The Plan continues the Queensland Government's strong record of delivering actions to stabilise electricity prices. In a further demonstration of its commitment to helping Queensland households and small businesses, the government has pledged to keep electricity price rises below inflation on average over the first two years of this term. To ensure this, the Honourable Anastacia Palaszczuk MP, Premier of Queensland and Minister for Trade asked all retailers operating in Queensland to sign an Affordable Energy Pledge, with a commitment to pass on the savings from the government's actions. I am pleased to say that we are on track to honour our price pledge.

As you may be aware, under national Power of Choice reforms commencing 1 December 2017, all new and replacement meters must be advanced digital meters. While I recognise these meters bring increased costs compared to standard meters, earlier this year I was concerned the substantive price increase was not reflective of the current realisable value for these customers if those costs were applied in full to customers receiving the meters in 2018–19.

On 26 April 2018, I directed the Queensland Competition Authority (QCA) to provide advice on charges for all regional residential and small business customers should the costs associated with the deployment of advanced digital meters be spread across those customers, rather than be applied only to customers receiving the new meters. I remain concerned at potential bill outcomes for 2019–20.

To ensure small digital meter customers are not significantly impacted through the next price determination process, I intend to once again give consideration to the impact digital metering costs will have on small customers in regional Queensland.

With this in mind, I am again issuing a direction under section 253AA(1) of the *Electricity Act 1994*, requiring the QCA to provide me advice on 2019–20 metering service charges to all regional residential and small business customers, on the basis the costs associated with the deployment of advanced digital meters be spread across those customers.

In addition, I would like the QCA to also present these charges as:

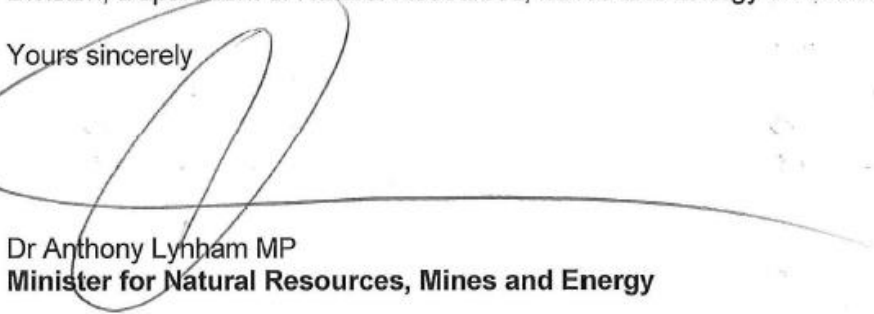
- a) A total typical 2019–20 bill inclusive of metering charges on the basis the digital metering costs are spread across all customers.
- b) A total typical 2019–20 bill for a digital meter customer inclusive of metering charges on the basis the digital metering costs are applied to only those customers with digital meters
- c) Provide a total typical 2018–19 bill inclusive of metering charges on the basis the 2018–19 digital metering costs are spread across all customers.

Please also provide analysis of the percentage differences between the above bills by comparing bills (a and c) and (b and c).

The QCA is to provide initial written advice to me and publish the report on its website by 28 February 2019. The QCA will provide the final written advice, with updated bill impact information and publish the report on its website on 31 May 2019.

Should you have any questions, please contact Ms Gayle Leaver, General Manager, Energy Division, Department of Natural Resources, Mines and Energy on 3181 5113.

Yours sincerely

A large, stylized handwritten signature in black ink, appearing to be 'A. Lynham', is written over the signature line and extends into the name block below.

Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Att:

ELECTRICITY ACT 1994
Section 253AA(1)

MINISTER'S DIRECTION NOTICE

Pursuant to section 253AA(1) of the *Electricity Act 1994* (the Act), I hereby direct the Queensland Competition Authority (the QCA) to provide advice on the charges to all small regional standard retail contract (SRC) customers should the costs associated with the deployment of advanced digital meters to regional SRC customers under the national Power of Choice reforms be spread across those customers, and the charges to a SRC customer where the additional costs associated with the manual reading of those meters where the remote communications function is disabled due to the informed choice of the customer is charged only to those customers, for the period of 1 July 2019 to 30 June 2020.

The following are the Terms of Reference of this direction:

Terms of Reference

1. This advice should consider:
 - a. only the costs associated with providing retail advanced digital metering services to residential and small business customers in the Energex distribution area, in a manner consistent with the Government's Uniform Tariff Policy (UTP);
 - b. retailers' forecast deployment rates of advanced digital meters in regional Queensland to 30 June 2020, in addition to deployments completed by 1 July 2019;
 - c. the spreading of costs of advanced digital meters deployed to regional SRC customers of each tariff across all customers accessing that tariff; and
 - d. the additional costs associated with the manual reading of advanced digital meters where the remote communications function is disabled (a type 4A meter) at the customer's request, applied only to those customers.
2. The advice should be presented as a set of daily rates for each primary tariff setting out as separate line items on a per tariff per customer basis:
 - a. the capital charge as set by the Australian Energy Regulator for Energex for type 6 metering;
 - b. the non-capital charge as set by the Australian Energy Regulator for Energex for type 6 metering;
 - c. the amount representing the spreading of the advanced digital metering costs;
 - d. the total daily charge as a sum of a, b, and c above; and
 - e. the type 4A metering charge.
3. The advice should consider the impact of spreading advanced digital metering costs will have on typical annual bills for households and small business customers in 2019-20 compared to what that same customer would have paid in 2018-19 inclusive of metering charges.
4. The advice should also include a set of daily rates for each tariff associated with the additional cost of manual reading of advanced digital meters where the remote communications function is disabled at the customer's request. Consistent with the Government's UTP, these rates should be based on costs associated with providing retail advanced digital metering services to residential and small business customers in the Energex distribution area, and consistent with the methodology applied by the QCA in making its 2019-20 Draft Electricity Pricing Determination.
5. The advice should also present daily rates associated with providing retail advanced digital metering services to residential and small business customers in the Energex distribution area, in a manner consistent with the Government's Uniform Tariff Policy, on the basis advanced digital metering costs were not spread across the full customer base. This should include the bill impact for 2019-20 compared with the bill the same customer would have paid in 2018-19 inclusive of metering charges treated on a cost spreading basis.

Timing and publication of report

Initial Advice

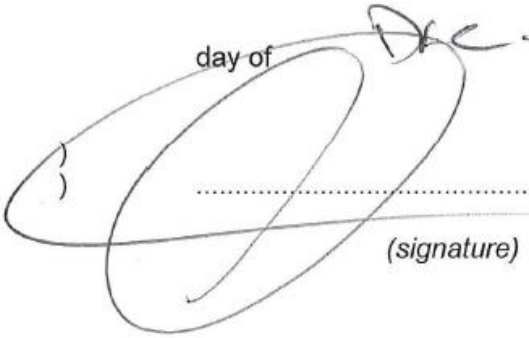
6. The QCA must provide its initial advice to me no later than 26 February 2019, and in accordance with section 253AA(3), publish the advice on the QCA's website on the same day as it publishes its Draft Determination on retail electricity prices in regional Queensland for 2019-20.

Final Advice

7. The QCA must provide me a final version of its written advice no later than 28 May 2019, and in accordance with section 253AA(3), publish the advice on the QCA's website on the same day as it publishes its Final Determination on retail electricity prices in regional Queensland for 2019-20.

DATED this 17th day of Dec. 2018.

SIGNED by the Honourable
DR ANTHONY LYNHAM MP
Minister for Natural Resources,
Mines and Energy


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(signature)