



12 May 2020

Charles Millsteed,
Chief Executive Officer,
Queensland Competition Authority (QCA)
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Millsteed,

Submission to the QCA Draft Determination on Regulated retail electricity prices for 2020-21

Regulatory pricing decisions relating to essential services such as energy materially impact people's financial wellbeing and their opportunities to engage and participate in economic and social activities. The cost of energy remains a key issue for communities across regional Queensland and must be front of mind for the QCA.

In our *Living affordability in Queensland* report we found that many people do not have enough money to get by, especially in regional areas and those on low incomes.¹

QCOSS' vision is for equality, opportunity and wellbeing for every person in every community in Queensland. As part of that vision we see every household confidently using the energy they need to stay well and prosper and families who do not need to take on dangerous levels of debt or make trade-offs between essentials such as health care, energy, food and housing.

This submission has been informed by engagement with Queensland consumers, consumer representative organisations and the community services sector, including through two special stakeholder workshops, through our Essential Services Consultative Group (ESCG), individual consultations, and the stories we hear directly from people with lived experience.

QCOSS engaged Etrog Consulting to provide detailed technical advice in making this submission, and this advice is attached. In this cover letter we draw particular attention to key issues as follows.

Determination of network costs

We recognise the challenge of the timelines in this draft determination, however it is very important that the QCA's final determination of the Network price component is based on actual network tariffs for 2020-21 and we would encourage QCA to view this as a priority.

Determining which price is lower: the Default Market Offer (DMO) or notified prices

We agree with the QCA that if the application of the standing offer adjustment results in a higher bill than the equivalent DMO, it should be discounted to the level of the equivalent DMO price. The methodology that the QCA plans to use to make this adjustment should have been detailed in the Draft Determination, enabling stakeholders to review and comment. We have subsequently asked for a worked example from the QCA and we ask that the methodology be provided with opportunity for consultation before the final determination is made.

¹ QCOSS (2019). *Living affordability in Queensland*.
<https://www.qcooss.org.au/publication/affordability-in-queensland-report/>

Proactive action for positive outcomes for people

In light of COVID-19 we agree with the QCA that 2020-21 is not the year to offer new retail tariff structures. The window of time available to complete the important task of recalculating retail costs is also too short. Looking ahead however, we strongly believe that the out-dated retail cost calculation and the imminent arrival of new tariff structures warrant additional work streams for the QCA, which we outline below:

- **Out-dated retail cost calculation:** 2020-21 will be the fifth annual regulatory price-setting period since the last retail cost calculation was made. The time available after the QCA receives its annual delegation from the Minister is not sufficient for the QCA to undertake a recalculation. We propose that the QCA should undertake an additional process – outside of the annual price-setting timeframes – to review the methodologies available for efficient and dynamic retail cost estimation, set and systematically improve a base methodology, and to calculate the year's retail costs (including one or two rounds of stakeholder consultation throughout). This is important and urgent work and we ask the QCA to clarify and commit to when and how they will recalculate retail costs.
- **New tariff structures:** New Tariff structures and trends in new retail contracts and offers must be considered carefully by the QCA. This would benefit from forward-planning by the QCA. For example, QCA's South East Queensland (SEQ) Retail monitoring should be expanded to cover additional information that covers uptake and use of new tariffs, as well as any associated social impacts. Ideally this monitoring would be within a consultative framework. This expanded monitoring would in turn support QCA's price-setting process, including informing which types of retail tariffs should be introduced into regional Queensland from 2021.

We ask the QCA to generate a proactive forward-plan of works on these two matters to ensure regional Queenslanders get the best outcomes from both the tariff reforms and other drivers of change in the retail market. We recognise the QCA works in line with the Ministerial Delegations it receives, we will also ask the Queensland Government for this plan of works.

Ensuring a fast and fair transition to a decarbonised energy system

In our previous submission we raised the need for the QCA to consider how it's role must shift as we move into a period of major transition to a future electricity system, including achieving decarbonisation for the benefit of all people. We acknowledge the QCA's response, which included the nomination of the Queensland Government as the relevant party for this issue and confirm we will be exploring this with the government.

Solar Bonus Scheme

Finally, we note the Solar Bonus Scheme is to be included within Energy Queensland's network tariffs and hence will be included by the QCA within notified prices. Our position is that the costs of this scheme should continue to be recovered from general revenue and we have recently written to the Queensland Government to ask that it be removed from residential electricity bills. In particular we note that the inclusion of the Solar Bonus Scheme will be a missed opportunity for Queensland customers to benefit from the material and significant reductions in network costs that would have eventuated had this jurisdictional scheme cost not been included.

There is no room for complacency when it comes to the cost of living and affordable and equitable access to essential services, and in the context of COVID-19 these decisions are made even more critical. Thank you for the opportunity to make this submission. Should you wish to discuss please contact Wendy Miller at wendym@qcross.org.au.

Yours sincerely,



Aimee McVeigh
Chief Executive Officer