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Queensland Competition Authority  
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#### Review of Electricity Pricing and Tariff Structures – Stage 2

Jackgreen is encouraged by the motions of the QCA to move towards reflective costs in the tariff structures. We hope that the new format will bring pricing back to a more realistic level. It is also encouraging to see that there is movement in tariff structure changes which will hopefully make the tariffs more reflective of cost and send the correct signals to households about demand management. There are a number of points that the QCA is seeking information on. We will comment on a number of these issues where we have seen it appropriate.

In relation to the fixed charges in the current residential tariff, we feel that they are currently set too low. The current fixed charge for the tariff is less than the fixed charge of the network provider so the retailer is currently behind on this tariff from the very first unit sold.

In relation to the current tariff structures only those that have Time of Use are in any way cost reflective for the use of energy if they have interval meters. All block tariffs are currently not reflective to the cost of energy nor do they send any pricing signals to users. From the retail perspective unless the clients have interval meters there is little that a tariff can do to be cost reflective when the settlements for energy from AEMO are done by a Net System Load Profile (NSLP). Any changes by the customer in demand or time in which the power is consumed will have no change to the energy cost. Should the customer take a TOU tariff and adapt their behavior to have greater off peak consumption the retailer will receive less revenue but still pay for the higher peak energy under the NSLP that the energy is charged under. To this effect unless smart meters can be installed there is little that can be done to get the consumption on tariffs closer to price reflective.

The question of introducing inclining block tariffs has merit. Where tariffs have previously been declining, the change over would be at least sending a better price signal to users. It would also help push a more environmental angle that would encourage people to just use less regardless of what time of day it was. So from these angles we see merit in the idea. Whilst Time of Use would be better at least this could be a measure on the road to making tariffs reflective.

There were also questions about what transition scenarios could be run. With transitional arrangements it may be possible to set the Time of Use tariffs at the market rates and set the older tariffs at a higher rate. This would ensure during transition that customers would make the change to the new tariffs as the old tariffs are made obsolete. As long as customers have the options to make the changes and it is run with an education program on the reason for change, there should be no issues with moving over and no real disadvantage to the general consumer.

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