



queensland council of social service inc
WORKING FOR A FAIR QUEENSLAND

28 August 2009

Mr Gary Henry
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Henry,

RE: Draft Report, Review of Electricity Pricing and Tariff Structures – Stage 1.

I write in relation to the recently released Queensland Competition Authority (QCA) Draft Report concerning the Review of Electricity Pricing and Tariff Structures. Due to the limited timeframe in which to consider and make a submission in relation to this draft report the Queensland Council of Social Service (QCOSS) has decided to limit our comments to our broader concerns about the process and likely outcomes of this review, rather than the specifics of the changes to the BRCI proposed.

We understand that the QCA report finds flaws with the BRCI process, particularly in that it provides for a single escalation of prices without consideration of the different cost structures of tariffs. The QCA has also found that existing tariffs and prices are not cost reflective, and has recommended a separate pass through of network costs as one element in the approach to ensure more cost reflective pricing in the future.

We are acutely aware that changes to the BRCI to ensure more “cost reflective” pricing can only lead to increased costs to consumers. The tariff under which the majority of small customers in Queensland are currently connected, Tariff 11, has come under particular scrutiny with all major retailers suggesting that this tariff failed to reflect the true cost of supplying energy at different times of the day, or times of the year.

This review of retail pricing is occurring in the context of the distribution price reset in Queensland by the Australian Energy Regulator. If the AER agrees with the revenue forecasts of the distributors, network costs alone will provide for a price increase of approximately 10% next year in the Energex area. Price escalations using the current BRCI methodology have been in the order of 9 – 13% each year since the commencement of FRC, so a total price increase to consumers of 20% plus from July 2010 does not seem unlikely based on a combination of network and retail price rises.

Given this context, QCOSS has a number of broad concerns with the BRCI and pricing review. In particular, we are concerned that the process in relation to this review has been rushed to meet the timeframes outline in the Ministerial Direction to conduct the review. This appears to be motivated by the need to finalise the process in time for changes to take effect 1 July 2010. We believe that a review of this significance to Queensland consumers should not be done in haste, or without adequate consultation with consumer representatives and other stakeholders. We have already written to the Queensland government asking that they extend the period of time within which the QCA must report back to government in order to ensure that such consultation occurs.

However, we note that even should extended time be granted, the limited resources and capacity of consumer advocates in relation to these matters would mean that the balance is still firmly weighted in favour of retailer interests.

We are also concerned, given the likely impact of this review, by the proposal to apply the revised methodology and tariff arrangements to prices from 1 July 2010. All stakeholders need adequate time to prepare for changes of such a significant nature and to ensure that there are no glitches in the process that impact adversely on consumers. The Queensland Government will also need time to consider the ramifications of the new approach and to consider adequate transitional and compensatory arrangements, particularly for those consumers who are most vulnerable to the anticipated price shock.

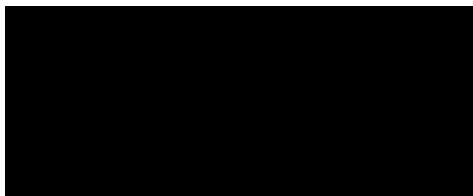
We also note that the QCA has foreshadowed the likelihood of pursuing “time of use” pricing structures with the availability of appropriate metering to facilitate this in the future. While we understand this will be given greater consideration in stage two of the review, we would caution that any roll out of smart meter technology in Queensland should not proceed without clearly establishing the benefits in terms of costs and functionality to consumers, particularly low income households. A cost benefit analysis of the potential for smart meter rollout, undertaken on behalf of the Ministerial Council on Energy, has already found that the costs are likely to outweigh the benefits in Queensland. We will comment on these matters further in stage two of the review.

We also remain concerned that there is no scope within relevant legislation to consider the social impact of pricing arrangements and determinations. This is a major limitation of the current BRCI arrangements and of the policy context more broadly.

Without explicit acknowledgment of the need to protect vulnerable consumers and ensure access to a basic level of essential energy for all Queenslanders, policy responses to address Queensland’s ongoing energy needs and combat climate change risk overlooking the essential nature of electricity and the significant social and economic consequences of lack of access to basic levels of energy. Affordability and access to essential services for consumers must always be a prime consideration of policy makers.

We look forward to continuing to represent the interests of Queensland consumers in all energy related matters. If you would like any further information or to clarify any aspect of this submission, please feel free to contact me on 3004 6900.

Yours sincerely



Jill Lang
Director