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**SUPPLEMENTAL REPORT**

**Prepared for:**

Queensland Council of Social Service (QCROSS)

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# Regulated Retail Electricity Prices 2012-13: Comments on Draft Determination

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## TABLE OF CONTENTS

1. INTRODUCTION.....	1
2. THE SMALL-SCALE RENEWABLE ENERGY SCHEME (SRES).....	2

18 April 2012

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## 1. INTRODUCTION

This report has been prepared by Etrog Consulting Pty Ltd for Queensland Council of Social Service (QCOSS). It comments on the Draft Determination on Regulated Electricity Prices to apply in Queensland from 1 July 2012 to 30 June 2013, which was published by the Queensland Competition Authority (the Authority) on 30 March 2012, inviting submissions from interested parties. It is supplemental to our previous report dated 12 April 2012.

The purpose of this report is to highlight one matter that has come to our attention since we finalised our previous report. It relates to estimating the costs of compliance with the Small-scale Renewable Energy Scheme (SRES).

18 April 2012

## 2. THE SMALL-SCALE RENEWABLE ENERGY SCHEME (SRES)

The SRES covers small-scale technologies such as solar panels and solar hot water systems installed by households and small businesses. Retailers have an obligation to purchase Small-scale Technology Certificates (STCs) based on the expected rate of STC creation, which is determined by the Office of Renewable Energy Regulator's (ORER) Small-scale Technology Percentage (STP).

It has now come to our attention that in a draft report published on 5 April 2012, the Independent Competition and Regulatory Commission (ICRC) of the ACT stated:<sup>1</sup>

Since the 2011-12 price reset the Commission has monitored the indicative spot prices for LGCs and STCs that are publicly available from intermediaries. Given the levels at which STCs are trading in the market, the Commission does not consider it appropriate to base the STC price on the \$40 per certificate price available from the ORER Clearing House. For the purpose of transparency, the Commission will determine the prices of LGCs and STCs as the average closing spot price for each of the last five business days in the month of May preceding the price direction as reported on the Clean Energy Council's website.<sup>2</sup> An allowance of 10% per year for holding costs will be provided.

The ICRC is thus proposing to estimate the cost to retailers of STCs based on the market price and not the ORER Clearing House price. We wish to add this and the underlying rationale presented by the ICRC to our previous arguments and reasoning that the Authority should adopt the same approach in its Final Determination.

In passing, we should also clarify that we would not support the ICRC's approach to use "the average closing spot price for each of the last five business days in the month of May preceding the price direction". This would not be representative of the prices over the longer period over which STCs would be bought, and could be gamed. We would prefer the approach of taking average market prices over a longer period. We would also not support an allowance of 10% per year for holding costs. This seems to stem from a submission to the ICRC from Actew AGL Retail for LGCs,<sup>3</sup> and even there we would not consider a 10% holding cost to be warranted.

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<sup>1</sup> *Retail prices for franchise electricity customers 2012-14*, Draft report, Report 2 of 2012, April 2012, ICRC, page 21, available at [www.icrc.act.gov.au/energy/electricity](http://www.icrc.act.gov.au/energy/electricity)

<sup>2</sup> The Clean Energy Council's website is at [www.cleanenergycouncil.org.au](http://www.cleanenergycouncil.org.au). If publicly available prices are not available from this source, a suitable alternative will be used.

<sup>3</sup> ActewAGL Retail Response to the Independent Competition and Regulatory Commission Issues Paper: Retail Prices for non-contestable electricity customers - 2012-2014, page 17, available at [www.icrc.act.gov.au/energy/electricity](http://www.icrc.act.gov.au/energy/electricity)