



Australians in Retirement.

ACN 102 164 385

Cairns and District Branch

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A Submission to the Queensland Competition Authority on Electricity Prices for the 2015-2016 year

From the Cairns and District Branch of Australians in Retirement

23rd February 2015

Thank you for the opportunity to attend the QCA workshop on February 2015 and to participate in the discussion on the proposed electricity tariffs.

Under 2.2 of your 'Draft Determination' paper you state '--- We consider that the impact on customers is a very relevant factor –'but there is no evidence you have given

consideration of the 'impact' of changes in the tariff structure on domestic customers .

The 'rebalancing of the fixed and variable components of the residential tariff' may seem a brilliant way of addressing the impact of roof top solar generation on the revenue of the distributor but the consequences were overlooked.

Below is a relevant extract from the submission we made to Ergon on their tariff review:

“Unfortunately our members, who are Ergon customers, are pensioners, on part pension or trying to survive on low income from savings which are being eroded because of the drop in interest rates. Because of their circumstances they are not able to change their usage of electricity pattern or align their demand usage with non-peak demand tariffs.

The changes Ergon Energy is making to the domestic electricity tariffs do not indicate that Ergon Energy has considered the consequences of the changes on low income customers who are in retirement ,are disabled, on pensions and for medical reasons are house bound. Some depend on air conditioning 24/7. There is no reference in any publication we have obtained that reveal any consideration has been given to this grouping of consumers. Very few people in this group had the money to take up the State Government over-generous offer on the feed-in tariff for solar cell roof top installations. Also many who live in units did not have the opportunity.

It appears Ergon Energy is deliberately modifying the domestic tariff structure to offset the impact of Solar cell roof top installations and protect revenue and has ignored the consequences on customers in changing from “volume of electricity billing” to a divided bill

Under this new billing structure our members and others on low income have no means of reducing their electricity bill because the network and service charges now belittle the volume of electricity charges. This situation is clearly illustrated in a letter published in *the Cairns Post on Friday 9 January 2015 and reflects the consequences of this tariff breakup – “--- It is all rubbish that politicians talk about electricity prices going down. My last bill increased by \$35 to \$180. I am a single pensioner living alone. I spoke with a lady at Ergon Energy and asked why. She told me it was not the price of electricity”, it was the increasing cost of supply. She told me I use less electricity, but the bill keeps going up because of the 'cost of supply' going*

up. Can you or someone ask politicians or Ergon why cost of supply? I have cold showers, do not use lights, do not use ceiling fans ----“.”

According to your Legislative Requirement you must *‘ensure that the interest of customers are protected’* We ask that you take steps to protect the needs of the above aging / low income customers through the structure of the domestic electricity tariff. These people are not seeking nor will they accept social handouts. The problem they face is caused by the change to the domestic tariff.

Your publications indicate you seek to justify the continuous rises in electricity tariffs on the ‘myth’ that the monies recovered are below ‘actual costs of supply’. It is an acknowledged fact that Queensland electricity for a number of years had much greater levels and rates of increase in capital expenditure than other states (except NSW) and that in QCA seeking to set the tariffs to the expenditure it is rewarding inefficiencies and ineffective management.

Adding 5% competition incentive on top of the SEQ Standing Offer Price is “double dipping”. The rate of return on Capital for the past regulatory control period was 9.7%and Ergon is seeking over 8% for the next 5 years on the Capital. This is a significantly greater effective return on capital than a privatised transmission/distribution business would earn and therefore is a clear incentive for private investment. The addition of a further 5% is not justified but simply acts as a positive incentive for Ergon to overspend.

We can but wonder why QCA deliberately projects the benevolence of the State Government in supplying electricity to Regional Queensland at a uniform state tariff policy and identifies the associated subsidy but not the profits the government extracts from the electricity industry especially the fact that the government also enjoys the benefit of tax equivalent payments. No recognition or costing benefits exist for the fact that much of the power generation consumed by south east Queensland occurs in Regional Queensland

We had not realised that a decision had been made to open the South East Queensland ENERGEX AREA OF SUPPLY to fully competition from 1 July 2015 and the outcome for QCA is that your tariff work is now restricted to the ERGON AREA OF SUPPLY in Regional Queensland. This raises the question of why QCA should continue in the tariff review role as the base for the ERGON tariffs is the ‘SEQ standing offer price’ and the other costs incorporated in the tariffs are determined by others. Also we understand the ‘add on costs’ in the tariffs such as ‘metering costs’ will no longer be part of the regulated prices. Our recent experience is there are too many players in the electricity distribution industry.

We understand that under the new State Government the ‘power distributors Ergon, Energex and Powerlink will be merged’. This will further complicate the situation and challenges for QCA.

In summary, we ask QCA to :

- (a) Recommend to Government the removal of the 5% competitive topping on the tariff
- (b) Seek a solution to the domestic tariff that will allow consumers (non-solar) to have full control over their electricity bill by varying consumption and possibly doing without.

Phil Pollard and Des Reppel (Past President)