QCOSS Queensland Council of Social Service

18 May 2015

Charles Millsteed
Director, Economic Regulation
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001
www.qca.org.au/submissions

Dear Mr Millsteed,

Re: Retail Electricity Prices for Queensland 2015-16

We thank the QCA for the opportunity to represent the interests of low income and disadvantaged Queensland households in this important consultation process on retail electricity prices for Queensland in 2015-16. We would like to reiterate the arguments that we raised in our submission to the QCA's Draft Determination in February 2015, including:

- The allowances for headroom and the retail margin combined are too high. The inclusion of headroom as well as a designated retail margin of 5.7 per cent (which also attracts headroom) means the effective level of margin above the costs of supply is higher than 11 per cent. This is excessive. It is not economically justifiable at that level, and it is an unnecessary cost burden on top of the high prices households across the state are currently paying following significant price increases over several years.

- The proposed increase in fixed charges for 2015-16, inclusive of metering costs, is approximately 42 per cent. This comes on top of a 66 per cent increase in the fixed charge in 2014-15 and almost 50 per cent in 2013-14. While increases in the fixed charge will be offset by lower volume charges for some customers, many customers will not consume enough to reap any benefit and will pay more. It is our concern that low income and vulnerable consumers with low usage will be most significantly affected by these fixed charge increases.

  We encourage the QCA to consider these issues in the setting of prices in 2015-16, as well as in the analysis of customer impacts, which should include information about the number and characteristics of households affected. For example, while the QCA has provided information on the percentage price impact at various consumption levels, it is not clear how many households across Queensland fit into each consumption band and, therefore, there is insufficient information to assess the impact on the Queensland community as a whole. Also, given the high uptake of controlled load tariffs in Queensland, households with a mix of tariffs (such as Tariff 31 and 33) should also be included in this analysis, particularly as wholesale costs and metering charges are likely to have a different impact on these customers compared to those with Tariff 11 only.

- We support the QCA's assessment in the Further Consultation Paper (May 2015) that a separate allowance for prudential capital costs is not appropriate because they are already accounted for in the retail operating cost (ROC) allowance. We believe that the QCA should maintain this view for the Final Determination.

- There is an urgent need for clarity from the Queensland Government on whether the metering costs for regional customers will be subsidised as part of the Uniform Tariff Policy arrangements. While we understand metering is no longer part of the notified prices from 1 July 2015, the significant cost impact that Ergon's metering charges could have on regional households must be addressed for 2015-16. This is a critical issue which must be resolved prior to the QCA's release of its Final Determination on 12 June 2015.

Please refer to our submission to the QCA's Draft Determination for further information on the above points.

In regards to Ergon Energy's proposal to introduce a Seasonal Time of Use Demand (STOUD) tariff in 2015-16, we agree with the QCA that there are issues around timing of the Australian Energy Regulator's tariff approval processes and allowing sufficient opportunity for analysis of the customer impacts and potential implications of this. While it would be beneficial to allow Ergon Energy to conduct trials of their STOUD tariffs, it should be possible for trials to be undertaken with volunteer customers without the QCA including the STOUD tariff in notified prices.

Thank you again for the opportunity to make this further submission.

Yours sincerely,

Mark Henley
Chief Executive Officer

Queensland Council of Social Service Ltd
River Tower, Ground Floor, 20 Pidgeon Close, West End QLD 4101
PO Box 3786, South Brisbane QLD 4101
RECEPTION (07) 3004 6900 FAX (07) 3004 6999 EMAIL qcoss@qcoss.org.au ABN 11 781 477 447 ACN 169 502 032 www.qcoss.org.au