

17 December 2015

Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

Dear Sir/Madam,

Toowoomba Regional Council has provided several submissions to the Queensland Competition Authority, the Queensland Productivity Commission and the Minister for Energy and Water Supply over the past 3 years with regard to Qld regulated retail electricity prices. Council appreciates the opportunity to provide further comments on *Regulated Retail Electricity Prices for 2016-17*.

As previously noted in the above correspondence, Toowoomba Regional Council is one of Ergon's largest customers, having over 600 commercial accounts with a total expenditure of \$11 million in 2014/15 and a combined consumption of 45 GWh. Four of those accounts are Connection Asset Customers (CAC) servicing three very large bulk water supply pump stations and half of Toowoomba city's wastewater treatment plant (WWTP). Council has a further 26 *Large* accounts, with the bulk of our accounts being classed as *Small* commercial customers.

As a result of both the recent tariff restructure and the exceptionally high annual price rises over the past 8 years, Council has seen its total annual electricity costs almost double, from \$6 mill in 2007/08 to \$11 mill in 2014/15. The loss of access to time-of-use tariffs for CAC accounts will see Council's electricity costs jump significantly again at the expiration of the transition period in 2020, as outlined in our previous submissions dated 4 May and 16 October 2012. Consequently, future electricity costs are a significant concern for Council and its ratepayers.

Toowoomba Regional Council is pleased to note that the QCA is mindful of these recent unprecedented electricity price rises in considering 2016/17 prices. It would encourage the QCA to allow the transition period to run its full course to allow Council and others to continue to explore demand reduction measures. It would also support the QCA's proposal to base notified prices for *Small* commercial customers on south east Queensland costs for the time being, in order to prevent any more unprecedented cost rises. As indicated above, over the past 8 years or so electricity prices have risen far in excess of the CPI. These exceptionally high annual cost increases have been exacerbated by the 2012 tariff restructure and the introduction of demand based tariffs. The combined financial impost has resulted in higher than anticipated cost increases which has exceeded Council's planned budget forecasts. Council has no choice but to pass on these additional costs by way of increased water charges, which adds additional pressure on general costs of living.

However, Council is disappointed to note that both Ergon and the QCA have ignored our previous requests for a review of the policy on restricting access to time-of-use tariffs for *Large* and *Very Large* customers. As noted in our previous correspondence, Council has previously, at the request of Ergon, run its three largest bulk water pumping stations almost exclusively during off-peak hours. The removal of time-of-use incentives for *CAC* and *Large* commercial customers would seem to contradict broader government objectives to reduce peak demand. With negligible financial incentives to run these pumps exclusively after hours, the continuation of such an operating protocol may no longer be viable as Council is forced to find cost savings elsewhere. Collectively with other organisations and irrigators in a similar situation across regional Queensland, this shift in consumption has the potential to significantly affect peak demand. Council does not believe the QCA and Ergon have adequately considered such impacts on the network.

As already raised in an earlier submission, Toowoomba Regional Council also questions the competitiveness of the retail market outside SEQ and believes any privately negotiated supply contract would be at a higher cost than notified prices, and on this basis does not support the removal of access to notified prices for any class of regional customer at this stage. Council would like to reiterate that it would require at least 12 months' notice to complete the requisite purchasing process for any privately negotiated supply contract due to the meticulous and lengthy procurement process necessitated in following the rigid rules stipulated within the *Local Government Act*.

With regards to Network costs, Council supports the proposal to continue with the approach adopted for 2015/16 for both *Small* and *Large* customers.

With regards to retail operating costs (ROC), Council questions the finding that the cost to serve *Large* and *Very Large* customers is higher than for *Small* and residential customers. In fact Council believes the opposite to be true. *Large* and *Very Large* accounts are likely to be controlled by organisations with multiple accounts and hence availing themselves of electronically issued consolidated invoices. Whereas *Small* and residential customers are invoiced on paper for each individual account. Council considers that the cost to administer a *Large* or *Very Large* account would be similar if not less than the cost to administer a *Small* account, and hence does not support the proposal to continue to charge larger accounts with a higher ROC. Council also believes the ROC should be a fixed rate for each account and should not be linked with consumption and hence the variable cost component.

Council trusts the above comments are given due consideration and looks forward to further discussions with both the QCA and Ergon regarding these issues.

Yours faithfully



John Mills  
**Manager Water Operations**