



The Honourable Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Ref: CTS 10959/18

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26 APR 2018

Professor Roy Green
Chair
Queensland Competition Authority
Level 27
45 Ann Street
BRISBANE QLD 4000

Dear Professor Green

I write to you to issue a Delegation and Terms of Reference (ToR) to the Queensland Competition Authority (QCA) for the determination of regulated retail electricity prices in regional Queensland for 2018–19 under section 90AA(1) of the *Electricity Act 1994* (the Act).

While recognising that the prices outlined in the 2018–19 Draft Determination on 28 February 2018 were developed in accordance with the requirements under the Act and result from the recent national Power of Choice reforms, the Government is very concerned about the impact on small consumers that will result from the advanced digital meter prices. As such, I am issuing a new Delegation, attached to this letter excluding the setting of notified prices for residential and small business customer retail metering services.

The new Delegation retains the previously specified methodology used to calculate the regulated retail electricity prices for 2018–19 and the matters the QCA must consider with a revision clarifying the application of the Ergon Energy Queensland Pty Ltd EasyPay Reward scheme.

Because there are no methodology changes, I consider the existing rounds of public consultation already undertaken by the QCA to be satisfactory. In accordance with section 90AA(3)(e) of the Act, further public consultation is not required.

The Government's Uniform Tariff Policy and promoting greater levels of retail competition remain important considerations when setting regulated retail electricity prices in regional Queensland.

The deregulation of retail electricity prices for small customers in south east Queensland (SEQ) on 1 July 2016 removed a reference point for the determination of prices in regional Queensland. The Government retains its view that a Standing Offer adjustment continues to be an important component of notified prices ensuring that regulated prices for small customers in regional Queensland should broadly reflect the expected prices for small customers on Standing Offers in SEQ. The Government considers that a Standing Offer contract provides additional value for consumers compared to a Market Offer, for example through additional protections to consumers contained in the terms and conditions in a Standing Offer contract, as well as providing a signal for retail competition in regional Queensland. Therefore, the QCA should continue to give consideration to maintaining the Standing Offer adjustment at the current level. The QCA should also consider the impact of CleanCo, where relevant, when determining regulated retail electricity prices for 2018–19.

My department will separately forward some suggestions for minor changes to the Tariff Schedule for the QCA's consideration. These are predominantly administrative in nature.

The new Delegation requires that the QCA issue its Final Determination by 31 May 2018.

If you have any questions please contact, Mr Ben Barr, Deputy Director-General, Energy, Department of Natural Resources, Mines and Energy who will be pleased to assist you and can be contacted on telephone 3199 4977.

Yours sincerely

Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Att

ELECTRICITY ACT 1994
Section 90AA(1)

DELEGATION

I, Honourable Dr Anthony Lynham, Minister for Natural Resources, Mines and Energy, in accordance with the power of delegation in section 90AA(1) of the *Electricity Act 1994* (the Act), delegate to the Queensland Competition Authority (QCA) the function under section 90(1) of the Act of deciding the prices that a retail entity may charge its Standard Contract Customers for customer retail services in Queensland, other than those in the Energex distribution area, for the tariff year 1 July 2018 to 30 June 2019.

The following are the Terms of Reference of the price determination:

Terms of Reference

1. These Terms of Reference apply for the tariff year 1 July 2018 to 30 June 2019.
2. The QCA is to calculate the notified prices, other than the notified prices associated with the provision of residential and small business customer retail metering services, and publish an annual price determination, in the form of a tariff schedule, in accordance with these Terms of Reference.
3. In accordance with section 90(5)(a) of the Act, in making a price determination for each tariff year the QCA must have regard to the matters set out in paragraph 5 of these Terms of Reference.
4. In accordance with section 90(5)(b) of the Act, the QCA may have regard to any other matter that the QCA considers relevant.
5. The matters that the QCA is required by this delegation to consider are:
 - (a) On 1 July 2016, price regulation in the Energex distribution area was removed for small customers. This means that notified prices do not apply to customers in the Energex distribution area;
 - (b) Uniform Tariff Policy - QCA must consider the Government's Uniform Tariff Policy, which provides that, wherever possible, Standard Contract Customers of the same class should pay no more for their electricity, regardless of their geographic location;
 - (c) Framework – use of the Network (N) plus Retail (R) cost build-up methodology when working out the notified prices and making the price determination, where N (network cost) is treated as a pass-through and R (energy and retail cost) is determined by the QCA;

- (d) When determining the N components for each regulated retail tariff:
- (i) For residential and small business customer tariffs (with the exception of Tariffs 12A, 14, 22A and 24) - basing the network cost component on the network charges to be levied by Energex and the relevant Energex tariff structures;
 - (ii) For Tariff 12A (residential time-of-use), Tariff 14 (residential seasonal time-of-use); Tariff 22A (small business time-of-use) and Tariff 24 (business seasonal time-of-use demand) - basing the network cost component on the price level of network charges to be levied by Energex, but utilising the relevant EECL tariff structures, in order to strengthen or enhance the underlying network price signals and encourage customers to switch to time-of-use and demand tariffs and reduce their energy consumption during peak times; and
 - (iii) For large business customers who consume 100MWh or more per annum - basing the network cost component on the network charges to be levied by EECL;
- (e) Transitional Arrangements - maintaining transitional arrangements for tariffs classed as transitional or obsolete (i.e. farming, irrigation, declining block, non-domestic heating and large business customer tariffs).
- (f) Tariff trial - to offer a voluntary trial tariff, based on the structure of any new cost reflective residential network tariff that is submitted to the Australian Energy Regulator (AER) in the 2018-19 Ergon Energy Pricing Proposal. Ergon Energy will adjust the rates to align with the Uniform Tariff Policy and Long-Run Marginal Cost (LRMC) pricing principles.
- (g) Enabling retailers to also charge Standard Contract Customers for the following customer retail service that is not included in regulated retail tariffs:
- Amounts in accordance with a program or scheme for the purchase of electricity from renewable or environmentally-friendly sources (whether or not those additional amounts are calculated on the basis of the customer's electricity usage), but only if:
- (a) the customer voluntarily participates in such program or scheme;
 - (b) the additional amount is payable under the program or scheme; and

- (c) the retailer gives the customer prior written notice of any change to the additional amount payable under the program or scheme.
- (h) Continuing Ergon Energy Queensland Pty Ltd's Easy Pay Reward scheme to give the following effect:

Easy Pay Reward

From 1 December 2017 until 30 June 2020, small customers of Ergon Energy who participate in the Easy Pay Reward Scheme will receive annual reward amounts in the form of deferred payments.

The Easy Pay Reward Scheme will operate as follows:

1. An eligible customer opts-in to the Easy Pay Reward Scheme, and becomes a participating customer, by notifying Ergon Energy that it agrees to comply with all the participation requirements.
2. Subject to paragraph 3, if Ergon Energy receives a notice mentioned in paragraph 1 it must include the relevant annual amount for the participating customer in:
 - (a) the first bill it issues to the customer after receiving the notice under paragraph 1, or otherwise, as soon as reasonably practicable thereafter; and
 - (b) thereafter until the Easy Pay Reward Scheme ends on 30 June 2020—the bill Ergon Energy issues to the customer after each anniversary of the date the customer became a participating customer.

The following table illustrates how the scheme is intended to operate for participating customers other than small, non-reversionary customers:

	Customers who opt in on or before 30.06.18	Customers who opt in after 30.06.18 but before 01.01.19	Customers who opt in before 01.01.20
Number of relevant annual amounts invoiced	3	2	1

3. However, Ergon Energy must ensure that any small non-reversionary customer who becomes a participating customer within six months after a relevant NERL amendment comes into force, receives three relevant annual amounts.
4. Subject to paragraph 5, a participating customer's obligation to pay each relevant annual amount:
 - (a) is deferred for the initial period; and

- (b) ceases to exist when the initial period ends.
5. However, the relevant annual amount may become payable to Ergon Energy if, on or before the end of the initial period:
- a) the participating customer opts out of having opted in;
 - b) the participating customer does not maintain payment of bills by direct debit or CentrePay (as relevant); or
 - c) the participating customer no longer agrees to comply with 1 or more of the participation requirements.

Ergon Energy reserves the right to recover the deferred amount from the customer on their next bill.

Definitions for Easy Pay Reward Scheme

eligible customer means a small customer who has a new or existing account with Ergon Energy under a standard retail contract and who is up to date with their bill payments. A customer with an arrears component or any overdue amount is not eligible for the Scheme.

Ergon Energy means Ergon Energy Queensland Pty Ltd (ABN 11 121 177 802)

initial period means for a period of six months from the date that Ergon Energy issues the bill that includes the first relevant annual amount.

participating customer means a small customer under a standard retail contract with Ergon Energy who has opted in to the Scheme.

participation requirements means each of the following:

- a) agreeing to the receive relevant annual amount in the form of a deferred payment;
- b) agreeing to receive, and receiving, only electronic bills;
- c) agreeing to pay, and paying, bills by direct debit or CentrePay;
- d) agreeing to make, and making, weekly, fortnightly or monthly payments (as agreed) under a *smoothpay* arrangement.

non-reversionary customer means a person to whom an assigned retailer, prior to the commencement of a relevant amendment, could not provide customer retail services because of section 19C(1)(b)(ii) of the *National Energy Retail Law (Queensland)*.

relevant NERL amendment means an amendment to section 19C(1)(b)(ii) of the *National Energy Retail Law (Queensland)* that inserts the words 'if the customer is a large customer' before the words 'the financially responsible retailer for the premises' in section 19C(1)(b)(ii).

relevant annual amount, for a participating customer, means:

- a) if the participating customer is a residential customer—\$75; or
- b) if the participating customer is a business customer—\$120.

Interim Consultation Paper

- 6. The Interim Consultation Paper published 22 December 2017, and resulting considerations by the QCA in accordance with the original delegation for 2018-19 remain relevant for this delegation. In accordance with section 90AA(3)(e) of the Act, a new Interim Consultation Paper is not required.

Consultation Timetable

- 7. As the methodology to determine retail tariffs is the same as that contained in the original delegation for 2018-19, the consultations and considerations by the QCA in accordance with the original delegation remain relevant for this delegation. In accordance with section 90AA(3)(e) of the Act, a new consultation timetable is not required.

Workshops and additional consultation

- 8. The workshops and additional consultation conducted under the original delegation for 2018-19 and resulting considerations by the QCA in accordance with the original delegation remain relevant for this delegation. In accordance with section 90AA(3)(e) of the Act, a new round of workshops and additional consultation is not required.

Draft Price Determination

- 9. The draft determination published 28 February 2018 by the QCA in accordance with the original delegation for 2018-19 remains relevant for this delegation. In accordance with section 90AA(3)(b) of the Act, the QCA is not required to publish a draft determination based on this delegation.

Final Price Determination

- 10. The QCA must investigate and publish its final price determination on regulated retail electricity tariffs, with each tariff presented as bundled prices appropriate to the retail tariff structure, and gazette the retail tariffs.

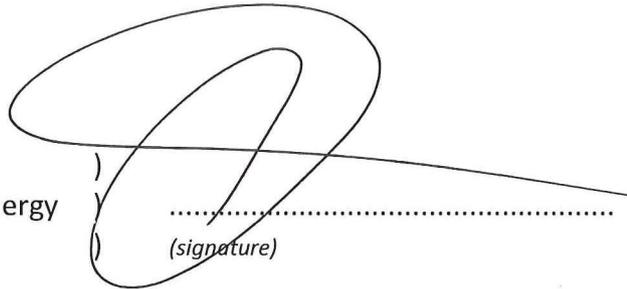
Timing

- 11. The QCA must publish the final price determination on regulated retail electricity tariffs for the 2018–19 tariff year, and have the retail tariffs gazetted, no later than 31 May 2018.

12. This Delegation supersedes the previous Delegation issued on 18 December 2017.

DATED this 26th day of APR. 2018.

SIGNED by the Hon Dr Anthony Lynham,
Minister for Natural Resources, Mines and Energy



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(signature)