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6 March 2013

Queensland Competition Authority  
GPO Box 2257  
Brisbane 4001

Dear Sir / Madam,

**RE: Draft Determination: Regulated Retail Electricity Prices 2013-14**

The Clean Energy Council (CEC) welcomes the opportunity to respond to the Queensland Competition Authority's Draft Determination: Regulated Retail Electricity Prices 2013-14.

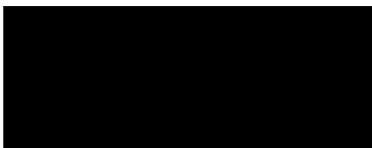
The CEC is the peak body representing Australia's clean energy and energy efficiency industries. Its priorities are to:

- Create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies;
- Develop effective legislation and regulation to improve energy efficiency; and
- Work to reduce costs and remove all other barriers to accessing clean energy.

The CEC works with governments and over 600 member organisations to identify and address the barriers to efficient industry development in the clean energy sector. The clean energy industry contributes to the generation of electricity using wind, hydro, solar, biomass, geothermal and marine energy as well as emerging technologies and service providers in the energy efficiency sector.

For further information regarding this submission please contact Darren Gladman at [DGladman@cleanenergycouncil.org.au](mailto:DGladman@cleanenergycouncil.org.au).

Yours sincerely,



Russell Marsh  
Director, Policy

# Clean Energy Council submission to the QCA Draft Determination: Regulated Retail Electricity Prices 2013-14

## Executive Summary

The Clean Energy Council (CEC) welcomes the opportunity to provide a submission to the Queensland Competition Authority (QCA) report titled 'Draft Determination: Regulated Retail Electricity Prices, 2013-14' (QCA, 2013).

Our primary concern regarding the Draft Determination is that the QCA appears to have overestimated the cost of compliance with the Small-scale Renewable Energy Scheme (SRES).

We urge the QCA to consider adopting the approach used by ACT's Independent Competition and Regulatory Commission (ICRC) to estimate the cost of SRES compliance.

If the QCA were to adopt the ICRC approach to SRES compliance it would save Queensland electricity consumers **more than \$70 million** per year.

## Cost of SRES compliance

The QCA has calculated the cost of compliance with the SRES on the basis of an assumed Small-scale Technology Certificate (STC) price of \$40. This is an overestimate. In the second half of 2012 STC spot prices ranged from \$20 to \$33 per certificate, with prices averaging around \$30 (Green Energy Markets, 2012).

The ICRC determines the cost of SRES compliance by basing the cost of STCs on a forward price (reflecting an imputed holding cost) over a 12-month period (ICRC, 2012). Under such an approach, it is appropriate to apply a holding cost at a funding rate of 10% per annum. On this basis, we have estimated the cost of SRES compliance at a certificate price of \$33 (\$30 plus 10%).

Using an assumed STC price of \$33 per certificate would save Queensland electricity consumers more than \$70 million per year, as outlined below:

1. The Small-scale Technology Percentage (STP) for the 2012 is 23.96%, which is equivalent to 44.786 million STCs (source: <http://ret.cleanenergyregulator.gov.au/For-Industry/Liable-Entities/Small-scale-Technology-Percentage/stp>)
2. Queensland electricity consumption in 2010-11 comprised approximately 22.8% of national electricity consumption (source: <http://www.bree.gov.au/publications/aes-2012.html>)
3. Using the ICRC approach to estimating the cost of SRES compliance reduces costs to consumers by \$7 per certificate.

If the QCA were to adopt the ICRC approach to estimating the cost of SRES compliance the total savings for all Queensland electricity consumers can be calculated as follows:

$$\begin{aligned}\text{Total Qld savings} &= \text{national STP} * \text{proportion of electricity consumed in Qld} * \text{savings per STC} \\ &= 44,786,000 * 0.228 * \$7 \\ &= \$71.48 \text{ million}\end{aligned}$$

## References

Green Energy Markets (2012), *The Solar Report*, Green Energy Markets: Hawthorn, Victoria. December 2012

Independent Competition and Regulatory Commission (2012), *Final Report: Retail prices for franchise electricity customers: 2012-14*, ICRC: Canberra. June 2012

Queensland Competition Authority (2013), *Draft Determination: Regulated Retail Electricity Prices: 2013-14*, QCA: Brisbane. February 2013