



Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Our Ref: MN07763-2021

16 DEC 2021

Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001
By email: carola.hofmann@qca.org.au

1 William Street
Brisbane Queensland
GPO Box 2457 Brisbane
Queensland 4001 Australia
Telephone [REDACTED]
E: epw@ministerial.qld.gov.au

Dear Professor Menezes *Flavio*

Pursuant to section 90AA of the *Electricity Act 1994* (the Act), I have delegated to the Queensland Competition Authority (QCA) my functions under section 90(1) of the Act for the determination of regulated retail electricity prices in regional Queensland for 2022-23.

The Queensland Government is committed to delivering affordable electricity for households and businesses which is fundamental to driving economic recovery in regional Queensland, especially given the ongoing COVID-19 pandemic.

I note the State-wide rollout and integration of electric vehicles (EVs) into Queensland will be an area of key focus in the upcoming 10-year Energy Plan and the Zero Emissions Vehicle Strategy. Pricing, infrastructure, network impacts and access to EVs will be considered as part of these strategies.

Charging is set to introduce new load onto the system and EV users will make decisions that will impact the electricity network in new ways. Uptake of EVs is growing quickly and Queensland wants to encourage this uptake in a sustainable way that limits adverse impacts on the system.

There is much uncertainty around technology costs, consumer preferences and the ability to positively manage the impacts of EVs on the system. Electricity tariffs are being deployed worldwide seeking to encourage the shift of load from peak periods to those of low demand. In Queensland, with the impressive uptake of solar power systems at both household and utility scale, demand is now consistently low during daylight hours. Modelling by the Australian Energy Market Operator suggests that if left unchecked this may present challenges to the reliability of our electricity network over the medium term.

With the introduction of Tariff 12B from 1 January 2021, regional Queensland is setting the pace in encouraging greater use of our abundant renewable energy. This new 'solar-soaker' tariff flips the old way of thinking about electricity prices with the cheapest rate of just 16.13 cents per kilowatt-hour (c/kWh) being available from 9:00am to 4:00pm. I am advised Tariff 12B has a cheap daytime off-peak network component of 4.24 c/kWh, however the energy cost component is flat across all time periods and does not reflect actual underlying energy cost structures that vary across the day. While this tariff will be reviewed under this delegation in a standard manner, I will also look to a new time-of-use tariff with improved price signals and I intend to provide a separate delegation in early 2022.

The Department of Energy and Public Works (the department) is already working with the QCA and other stakeholders on a new direction for tariffs that would inform and reflect this new approach. Vehicle to grid capability is also expected to further change how EVs and batteries interact with the network with two-way flows of electricity becoming more common. These represent valuable consumer-owned sources of flexible demand and supply.

As part of the price determination process, I would greatly appreciate QCA considering how tariffs could be structured to better guide customer behaviour. This will be critical in encouraging the charging of EVs in periods of low network demand and high renewable energy generation. It is important to manage costs to customers and minimise the need for new electricity infrastructure to cope with the switch from petroleum fuels to electricity as Queensland's EV fleet grows. The QCA may include commentaries about the need for new retail tariffs with different structures to those currently available and also incentives for customers to respond to stronger pricing signals within tariffs. This advice will inform a separate delegation for new tariffs suitable for EV customers which I intend to issue to the QCA in early 2022.

The 10-year Energy Plan and the Zero Emissions Vehicle Strategy will assist in setting direction for key stakeholders through to 2030. The department will work closely with its electricity distributors to ensure the right mix of network tariffs are in place, building the platforms from which regulated retail tariffs will be developed for regional Queensland, and market driven retail products developed for South East Queensland (SEQ).

Realising a future that benefits all electricity users hinges on providing effective motivations, rewards and incentives for customers to move their electricity consumption. Solar-soaker and time-of-use tariffs are critical policy levers that can be used to support integrating a range of technologies like EVs, batteries, solar power and home energy management systems into Queensland's electricity network.

The enclosed delegation and terms of reference for 2022-23 are generally consistent with the approaches of previous delegations. The Queensland Government's Uniform Tariff Policy (UTP) as described in the delegation continues to capture the need for consideration of the Default Market Offer (DMO) by QCA in its determination. Given the DMO process is currently under review at the national level, I consider it appropriate that QCA conduct its usual process to determine all the associated costs that contribute to notified prices under the Queensland Government's long standing UTP. For small customers, this also means considering all costs and benefits associated with standing offers in SEQ.

Customers and stakeholders in regional Queensland have a long-standing preference for simplicity and choice with regards to electricity pricing. However, it is important that the Tariff Schedule reflect and provide appropriate and meaningful tariff options for customers, relative to their tariff class. As such, I ask QCA to consider reviewing the existing tariff offers with a view to rationalising them as it considers appropriate as part its 2022-23 price setting process.

QCA should consider if individual tariffs are meeting customer needs, and balance competing factors including the impact extinguishing a tariff would have on customers and their options, along with other matters QCA considers relevant. Consistent with application of UTP, this should be informed by the price structures commonly available in the deregulated SEQ electricity market and with a view to future needs for a variety of tariffs to be available as customer preferences, needs and technologies change.

I consider it necessary to retain at a minimum the existing flat-rate and controlled load tariffs for both residential and small business customers, and careful consideration should be given to retaining any tariffs compatible with the future wide-spread uptake of EVs and other technologies. In the event any tariff is to be extinguished, QCA should consider setting a suitable phase-out period that affords affected customers reasonable time to assess their remaining tariff options and to choose the most suitable ongoing standard tariff for their circumstances.

Another important policy consideration relates to the equitable pricing of metering services for customers. Consistent with the 2021-22 financial year, I ask QCA to consider and set the charges that apply to the provision of advanced digital metering services.

Public consultation has long formed a vital part of QCA's process for determining retail electricity prices. The terms of reference set out the consultation needs and requires QCA to publish its draft determination in February 2022 and its final determination by 31 May 2022.

To ensure regional customers continue to benefit from the electricity cost protection provided by UTP, and the benefits of owning our own assets, the department will be available to consult with QCA on the 2022-23 price determination and Tariff Schedule.

If you have any questions, [REDACTED] Executive Director, Energy Division, Department of Energy and Public Works, can be contacted on [REDACTED] or by email [REDACTED]

Yours sincerely



Mick de Brenni MP
**Minister for Energy, Renewables and Hydrogen and
Minister for Public Works and Procurement**

Encl: Section 90AA Delegation and Terms of Reference

DEPARTMENT OF ENERGY AND PUBLIC WORKS

Electricity Act 1994

ELECTRICITY (MINISTERIAL) DELEGATION (NO. 1) 2021
to the Queensland Competition Authority (QCA)

Preliminary matters

1. The preliminary matters form part of this delegation.
2. **QCA** means the Queensland Competition Authority established under the *Queensland Competition Authority Act 1997*.
3. Section 89A of the *Electricity Act 1994* (the Act) relevantly provides:
price determination see section 90(1).
pricing entity means—
 - (a) the Minister; or
 - (b) QCA, if the Minister delegates a function of the Minister under section 90(1) to QCA.
4. Section 90(1) of the Act provides:
*The Minister must, for each tariff year, decide (a **price determination**) the prices, or the methodology for fixing the prices, that a retailer may charge its standard contract customers for all or any of the following—*
 - (a) *customer retail services;*
 - (b) *charges or fees relating to customer retail services;**Examples—*
 - *charges or fees for late or dishonoured payments*
 - *credit card surcharges for payments for the services*
 - (c) *other goods and services prescribed under a regulation.*
5. Section 90(5) provides:
In making a price determination, the pricing entity—
 - (a) must have regard to all of the following—
 - (i) the actual costs of making, producing or supplying the goods or services;
 - (ii) the effect of the price determination on competition in the Queensland retail electricity market;
 - (iii) if QCA is the pricing entity—any matter the pricing entity is required by delegation to consider; and
 - (b) may have regard to any other matter the pricing entity considers relevant.
6. Section 90AA(1) of the Act provides that the Minister may delegate to the QCA all or any of the Minister's functions under section 90(1) of the Act.
7. Section 90AA(2) of the Act provides that delegation to the QCA may state the terms of reference of the price determination.
8. Section 90AA(3) of the Act provides what the terms of reference may specify and how the terms of reference may apply.

9. The terms of reference provided for in sections 90AA(2) and (3) of the Act are contained in the Schedule to this delegation and comprise the matters under section 90(5)(a)(iii) of the Act that the QCA as the pricing entity is required by delegation to consider.

Powers delegated

10. Subject to the conditions of this delegation, I delegate all of the Minister's functions under section 90(1) of the Act to the QCA for the tariff year 1 July 2022 to 30 June 2023.

Conditions of delegation

11. The delegated functions of the Minister must only be exercised for the purpose of deciding the prices, or the methodology for fixing the prices that a retail entity may charge its Standard Contract Customers in Queensland, other than Standard Contract Customers in the Energex distribution area.
12. In exercising the delegated functions under section 89A, the QCA, as the pricing entity, must have regard to all of the matters set out in section 90(5)(a) of the Act, which includes the terms of reference in the Schedule to this delegation.
13. In exercising the delegated functions, the QCA must have regard to all relevant statutory provisions, whether referred to in this delegation or not.

Revocation

14. All earlier delegations of the Minister's powers under section 90(1) of the Act are revoked.
15. Unless earlier revoked in writing, this delegation ceases upon gazettal by the QCA of its final price determination on regulated retail electricity tariffs for the 2022–23 tariff year under section 90AB of the Act.

Note to delegation

16. Statutory references are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to and all regulations, rules, by-laws, local laws, proclamations, orders, prescribed forms and other authorities pursuant thereto.

This delegation is made by **The Honourable Mick de Brenni MP**
Minister for Energy, Renewables and Hydrogen and
Minister for Public Works and Procurement:

Signed:



The Honourable Mick de Brenni MP
**Minister for Energy, Renewables and Hydrogen and
Minister for Public Works and Procurement**

Dated:

16/12/2021

SCHEDULE
Terms of Reference
Section 90(5)(a)(iii) and 90AA of the Act

Period for which the price determinations will apply (section 90AA(3)(a) of the Act)

1. These Terms of Reference apply for the tariff year 1 July 2022 to 30 June 2023.

Policies, principles and other matters the QCA must consider when working out the notified prices and making the price determination (sections 90(5)(a)(iii), 90AA(3)(c) and 90AA(3)(d) of the Act)

2. The policies, principles and other matters that the QCA is required by this delegation to consider are:
 - (a) Uniform Tariff Policy — the Government's Uniform Tariff Policy, which provides that, wherever possible, customers of the same class should pay no more for their electricity, and should be able to pay for their electricity via similar common price structures, regardless of their geographic location;
 - (b) Reviewing existing available tariffs with a view to rationalising and extinguishing any tariffs no longer considered appropriate, including the introduction of suitable transition arrangements for any impacted customers, if required;
 - (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 generally 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, where retained:
 - (i) For residential and small business customer Tariffs 11 and 20, 31 and 33 - basing the network cost component on the relevant Energex network charges to be levied by Energex and the relevant Energex tariff structures;
 - (ii) For residential and small business customer Tariffs 12A, 14, 22A and 24, use of a price indexation methodology applied to the N component used in the 2020–21 price determination on the basis that these tariffs no longer have an underlying network tariff;
 - (iii) For all other residential and small business customer tariffs, except for those set out in d(iv) below - basing the network cost component on the price level of the relevant Energex network charges to be levied by

Energex, but utilising the relevant Ergon Energy Corporation Limited (EECL) tariff structures;

- (iv) For tariffs 62A, 65A, 66A and all large customer tariffs – basing the network cost component on the relevant EECL network charges to be levied by EECL in the 'East distribution pricing zone - Transmission pricing zone T1';
- (e) For all retained Standard tariffs as set out in Part 2 of the current Tariff Schedule – maintaining these tariffs including price structures and access criteria unless otherwise set out in this delegation;
- (f) Setting small customer advanced digital metering service charges at the Energex rate for standard Type 6 small customer metering services;
- (g) Default tariffs – maintaining the existing nomination of a primary tariff for each class of small customer to apply to a customer's electricity account in the event the customer does not nominate a primary tariff when opening an electricity account;
- (h) Continue enabling retailers to also charge Standard Contract Customers for the following customer retail services that are not included in regulated retail tariffs:
 - (i) 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.

Consultation Requirements (section 90AA(3)(e) of the Act)

Interim Consultation Paper

3. The QCA must publish an interim consultation paper identifying key issues to be considered when making the price determination.
4. The QCA must publish a written notice inviting submissions about the interim consultation paper. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the price determination.
5. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

Consultation Timetable

6. The QCA must publish an annual consultation timetable within two weeks after submissions on the interim consultation paper are due, which can be revised at the discretion of the QCA, detailing any proposed additional public papers and workshops that the QCA considers would assist the consultation process.

Workshops and Additional Consultation

7. As part of the interim consultation paper and in consideration of submissions in response to the interim consultation paper, the QCA must consider the merits of additional public consultation (workshops and papers) on identified key issues.

Draft Price Determination

8. The QCA must investigate and publish its draft price determination on regulated retail electricity tariffs, with each tariff (to the extent practicable) to be presented as bundled prices appropriate to the retail tariff structure.
9. The QCA must publish a written notice inviting submissions about the draft price determination. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the draft price determination.
10. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

Final Price Determination

11. The QCA must investigate and publish its final price determination on regulated retail electricity tariffs, with each tariff (to the extent practicable) to be presented as bundled prices appropriate to the retail tariff structure, and gazette the retail tariffs in the form of a Tariff Schedule.

Time frame for QCA to make and publish reports (section 90AA(3)(b) of the Act)

12. The QCA must make its reports available to the public and, at a minimum, publicly release the papers and price determinations listed in paragraphs 3 to 11.
13. The QCA must publish the interim consultation paper for the 2022–23 tariff year no later than one month after the date of this Delegation.
14. The QCA must publish the draft price determination on regulated retail electricity tariffs no later than February 2022.
15. The QCA must publish the final price determination on regulated retail electricity tariffs for the 2022–23 tariff year and have the retail tariffs gazetted no later than 31 May 2022.

(SCHEDULE ENDS)