

Our Reference:

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Queensland Competition Authority GPO Box 2257 Brisbane QLD 4001

Dear Sir/Madam

Comments – Interim Consultation Paper Regulated Electricity Prices for 2014-15, July 2013

Toowoomba Regional Council has previously provided the Queensland Competition Authority (QCA) with comments in relation to the 2012-13 and 2013-14 Regulated Retail Electricity Prices determination process. Council's concerns lie primarily with the loss of time of use pricing signals for large electricity users, the consequent potentially large impacts on Council's cost structure and the flow through of increased costs to ratepayers in the form of significantly increased rates, particularly water rates. Details of the potential impacts have been provided to the QCA in previous submissions. Council has indicated that the removal of off-peak cost savings would likely result in Council reverting to a business hours based bulk water pumping regime would have significant load and demand consequences for the Ergon Energy network.

Until Ergon Energy makes a decision about the introduction of time-of-use network tariffs, any transitional arrangements for large customer tariffs beyond 2014-15 must, at best, be considered tentative.

Council has reviewed the July 2013 Interim Consultation Paper and wishes to provide the following specific comment.

The Authority seeks stakeholder's views on the following:

- (a) the suitability of Energex's network tariffs as the basis of retail tariffs for residential and small business customers;
- (b) the suitability of Ergon Energy's network tariffs as the basis for retail tariffs for large customers and, in particular;
 - (i) whether notified process for large customers should be based on network charges in Ergon Energy's East pricing zone, Transmission Region 1 and, if not, what should they be based on?
 - (ii) what better options, if any, are there for network charge(s) to be used as the basis for notified prices for very large Ergon Energy customers?

Council has no specific position with regard to the use of Energex network tariffs as the basis for residential and small business customer tariffs. In relation to retail tariffs for large customer tariffs:

- (i) The use of Ergon Energy's East pricing zone, Transmission Region 1 network tariffs is considered appropriate, provided that these network tariffs are appropriately revised in the near future to incorporate strong time-of-use pricing signals.
- (ii) If it is assumed that notified prices for very large Ergon Energy customers are to be retained, there appears to be no practicable alternative to the current practice, unless the Authority wishes to consider introducing a notified retail pricing component to be applied on top of sitespecific network charges.

The Authority seeks stakeholders' views on the following:

- (a) How should obsolete and transitional tariffs be increased towards cost-reflectivity, given the 10% increase applied in 2013-14?
- (b) Any other suggestions on how customers might be transitioned to cost-reflective prices over the remaining six years of the transition period.

The Authority should **not** attempt to make up the 2013-14 shortfall by increasing the 2013-14 prices to the level they would have been at had the Authority's decision not been over-ruled, and then calculate prices for 2014-15 using the same escalation method as used for 2013-14. The option of not undertaking any catch-up and applying the 2013-14 escalation method to the capped 2013-14 prices is preferred. As has been previously advised, Council must pass any significant increase in electricity prices on to ratepayers through higher water rates. The additional cost pressures imposed by attempting to catch-up the 2013-14 capped price shortfall would result in an unacceptably large increase, particularly given that the expected introduction of time-of-use network tariffs under Ergon Energy's review is likely to result in a very different transitional endpoint for Council's large water and wastewater accounts.

In addition to responding to the Authority's specific feedback questions, Council wishes to make comment on the matter of Street Lighting Tariffs which were discussed in the Interim Consultation Paper, but for which responses were not specifically requested.

Council currently operates about 14,000 street lights and spends approximately \$3.5 M annually on electricity charges for street lighting and traffic signals. The introduction from 1 July 2014 of non-energy lighting charges has the potential to significantly further impact on Council's operating costs, as is the case with water pumping costs. Council's only short term option is to recover additional electricity costs from residents in the form of increased rates charges. Increased charges should be phased in over a number of years to lessen the immediate financial impact.

Yours faithfully,

Kevin Flanagan

GENERAL MANAGER WATER & WASTE SERVICES