Cairns and District Branch of Australians in Retirement

(Formerly Association of Independent Retirees)

: Submission on "draft decision on electricity prices 2014-2015

Thank you for the opportunity to attend the QCA workshop in Cairns on 13 February and to participate in the discussion on the further significant increases proposed to the regulated retail electricity prices.

The combination of the very high domestic electricity tariff scurrently applied as a result of the large rise last year and the prolonged hot weather has caused our members to incur increases in their electricity accounts of over 100% and the impact of further price increases will be severe.

Because of the age of our members who are pensioners and self- funded retirees the effects of high temperature combined with high to very high humidity severely affects their health and they are highly dependent on the benefits of electricity 24/7. They are mostly domestically contained and have no way of escaping the huge electricity cost increases and members have told us their accounts received from Ergon identify that they are consuming 150% of the average..

The seriousness of the situation with the cost of electricity on aged people was not identified in your presentation at the Workshop revealing that this situation has not been fully appreciated by you and the Government.

"Payday lenders" are now listing electricity accounts' as one of their loan products. The interest rate they charge is over eight times that earned on the normal bank savings accounts of our members.

In making this submission we ask that you consider the following before adoption and or finalising your submission to government:

(a). We have concern that state government has transferred the responsibility for setting notified prices for the Ergon area to QCA. Politicisation of energy policy for monetary gains to help offset budget deficit continues to contribute to high electricity prices ,although Tasmanian government has identified a 5% reduction if it is re-elected. It appears no guide lines were given to QCA in regard to hardship considerations, returns of overcharging built into last tariff rises through over-estimates of network costs.

No consideration appears to have been given to the returns earned through operational profits and asset sales by State Network and Generating entities. We understand the aggregate of these profits earned from the network distributors exceeded $1 billion and none of this profit has been written back into the capital works expenditure or operational costs for 2014-2015.

The best sleight of hand occurs with numbers and because the QCA brief from the Minster excludes any consequential judgement and you are deliberately isolated. No doubt our politicians will again appear surprised at the tariff increases.

The overview we left the Workshop on 13 February with was that QCA could not be held accountable for the outcome of the review of electricity tariffs because it was caused by others. QCA and their consultant processed the figures provided by National and State Electrical Authorities including the likes of R.E.T. in line with the Minister's letter of engagement.

(b). The Grattan Institute's new report identifies that excess profits have been earned by setting tariffs that are too high given the low risk the suppliers face as monopolies. Acknowledging that the RBA continues to set interest rates below 3%, how much profit has been built into the tariffs that will be applied by Ergon? Will Ergon customers again be burdened with a competition incentive percentage of 5% on top of the 9+profit % built into the network costs?

(c). Because the Prime Minister has clearly stated his government intends to remove the' carbon tax 'and the political status indicates this should occur before or about July this year, we ask that the carbon tax component or the overall tariff increase be held over until the government decision is passed. If as has been mentioned the tax removal is retrospective, will you refund the charges within that respective time? Federal Parliament has resumed and the government will endeavour to repeal the carbon tax asap..

.(d) We understand Ergon and Energex in their 2012/2013 budget made significant over-provision for capital works which would have built into the last regulated tariff increase that incorporated these budgets. You acknowledged this when questioned at the Workshop. We are not able to find where you have returned this money taken from electricity consumers through the inclusion of the over provision. We guess there was also a profit component for this over provision built into the tariff.

(e) The Grattan Institute report further reinforces our belief that our members like other consumers in Queensland are being financially punished for allowing the government to grant approval for the government electrical entities in Queensland to 'gold plate' the power networks. The provision for capital expenditure on networks for 2014/2015 should be severely cut and adjusted to the real power needs.

(f). We suspect that your Association made the original tariff (Queensland) recommendations to government on the solar roof-top panel installations which are having increasing impact on the regulated domestic electricity tariffs. This was clearly ill-thought out and a misjudgement for which our members and other domestic consumers are now paying.

The Abbot government has an upcoming review of the RET and will be examining the payments already made to renewable energy projects. It is expected they will wind back the projected growth of solar installations. We understand many overseas countries are underway with the reduction process. Will the tariffs be immediately adjusted when this wind back occurs?

Why are the units of electricity generated by the roof top solar installations not considered as part of and costed at the electricity market price and subsidies from network profits by state government for the over-pricing in the individual contracts.

(g). Has consideration been given to how tariffs would be adjusted if private sector funding of energy assets as outcomes of the Rothchild& Bank of America scoping studies occurs ??

(h). Have the budget figures you used from Ergon and Energex incorporated the expected savings from the current re-organisation of these distributors? We asked this question at the Workshop but received no clear answer.

(i) Our Members consider themselves firstly to be Australians and within that National identity "Queenslanders".

The structure of the electricity distribution in Queensland separates south east Queensland from the remainder of the State and is not a natural division. It may have seemed logical when the seven regional electricity boards were merged but it is now dividing the electricity consumers in a way that people in SEQ have been led to believe they are being forced to subsidise people outside of SEQ to the order of $1000 per consumer per year.

QCA is continuing to cultivate this separation and subsidy concept that is dividing the state and seems to be now embedded in State Government thinking.

There should be "no" separation as the source materials for electricity generation – coal, gas, water and wind – are predominately sourced throughout the state and the majority of the generating stations are not located in SEQ.

With access to data and the level of professional consultancy used by QCA it could be shown that SEQ is being subsidised when the whole process from source material to the electricity consumer is assessed without putting a $ value on the environment consequences.

The action of Stanwell in announcing it would mothball its biggest gas-fired power station so it could sell gas rather than use it in electricity generation illustrates how this subsidising has and is taking place.

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