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A Submission to the Queensland Competition Authority on Electricity Prices for the 2015-2016 year

From the Cairns and District Branch of Australians in Retirement

18th May 2015

We wish to take up the opportunity offered in your e-mail of 4 May 2015 of a further submission on the "QCA Review of Regulated Retail Electricity Prices in Queensland". Under 2.2 of your 'Draft Determination 'paper you state '--- ***We consider that the impact on consumers is a very relevant factor*** **–'but there continues to be no evidence you have given any consideration of the 'impact 'of changes in the tariff structure on domestic consumers". The 'rebalancing of the fixed and variable components of the residential tariff' may seem a brilliant way of addressing the impact of roof top solar generation on the revenue of the distributor and to provide costing divisions that allow for separation of price adjustments for network and services but the consequences were overlooked. Below is a relevant extract from the submission we made to Ergon on their tariff review:**
"***Unfortunately our members, who are Ergon consumers, are pensioners, on part pension or trying to survive on low income from savings which are being eroded because of the drop in interest rates (these rates are now the lowest level in the memory of our members). Because of their circumstances they are not able to change their usage of electricity pattern or align their demand usage with non-peak demand tariffs.***

The changes Ergon Energy is making to the domestic electricity tariffs do not indicate that Ergon Energy has considered the consequences of the changes on low income consumers who are in retirement ,are disabled, on pensions and for medical reasons are house bound. Some depend on air conditioning 24/7. There is no reference in any publication we have obtained that reveals any consideration has been given to this grouping of consumers. Very few people in this group had the money to take up the State Government over-generous offer on the feed-in tariff for solar cell roof top installations. Also many who live in units did not have the opportunity.

It appears Ergon Energy is deliberately modifying the domestic tariff structure to offset the impact of Solar cell roof top installations and protect revenue and has ignored the consequences on consumers in changing from "volume of electricity billing" to a divided bill. Under this new billing structure our members and others on low income have no means of reducing their electricity bill because the network and service charges now belittle the volume of electricity charges. The future addition of metering charges will worsen the burden. This situation is clearly illustrated in a letter published in the Cairns Post on Friday 9 January 2015 and reflects the consequences of this tariff breakup – *"--- It is all rubbish that politicians talk about electricity prices going down. My last bill increased by $35 to $180. I am a single pensioner living alone. I spoke with a lady at Ergon Energy and asked why. She told me it was* *not the price of electricity", it was the increasing cost of supply. She told me I use less electricity, but the bill keeps going up because of the 'cost of supply' going up. Can you or someone ask politicians or Ergon why cost of supply? I have cold showers, do not use lights, do not use ceiling fans ----"."*

According to your Legislative Requirement you must '*ensure that the interest of consumers are protected* '. To protect the interest of consumers electricity must be affordable and this affordability must apply to all consumers: low income consumers, industry, farmers etc. We ask that you take steps to ensure the aged / pensioners/low income consumers can afford electricity essential to their well-being through the structure of the domestic electricity tariff. These people are not seeking nor will they accept social handouts. The critical issue from the pensioners and retirees point of view is the *retail cost of their electricity bill. We have concern that you have not taken steps to ensure the statistics on hardships are produced and assessed as required under the code.*

Your publications indicate you seek to justify the continuous rises in electricity tariffs on the 'myth'' that the monies recovered are below 'actual costs of supply'. It is an acknowledged fact that Queensland electricity for a number of years had much greater levels and rates of increase in capital expenditure than other states (except NSW) and that in QCA seeking to set the tariffs to the expenditure it is rewarding inefficiencies and ineffective management and rewarded networks for spending as much as possible.

. The addition of a further 5% competition incentive loading on top of the SEQ Standing offer price is 'double dipping'. The rate of return set by AER in their Preliminary Determination continues to include a significant incentive for private investment / competition in a business that is a monopoly with AAA rating. The bottom line is that there is no justification in continuing to apply this 5% loading. The assumptions you appear to have made to justify the retention of this loading defies the "principle of sufficient reasoning".

We can but wonder why QCA deliberately projects the benevolence of the State Government in supplying electricity to Regional Queensland at a uniform state tariff policy and identifies the associated subsidy but not the profits the government extracts from the electricity industry especially the fact that the government also enjoys the benefit of tax equivalent payments. No recognition or costing benefits exist for the fact that much of the power generation consumed by south east Queensland occurs in Regional Queensland.

We also note that QCA incorrectly makes reference to the AER Preliminary Determination as a 'draft'. We understand the Preliminary Determination is a binding determination not a 'draft'. We ask you to take note of the recommendations in this report especially the lowering of the WAAC and other measures that will lead to lower electricity prices. There is strong community belief that electricity prices must fall; even a small increase would be very unpopular.

In common with so many rushed actions of the past associated with the electricity supply in Queensland (ex. 44cent per unit for PV generated units)we understand the Queensland Government has entered into a framework agreement with AER that allows AER to issue licences to commercial entities to issue "Solar Power Purchase Agreements" in Queensland after 1 July 2015. We predict if QCA increases tariffs in 2015 that this action will result in companies offering PV installation without the property incurring capital outlay resulting in a major down turn in the use of the 'poles and wires network' resulting in a significant drop in revenue from domestic consumers. We have found no evidence that QCA is aware of this threat to the revenue of Ergon and possibly Energex

from their determination. This will also have a huge impact on the value of the 'poles and wires' network.

We understand that under the new State Government the 'power distributors Ergon, Energex and Powerlink will be merged'. This will further complicate the situation and challenges for QCA.

In summary, we ask QCA to:

(a) recommend to Government the removal of the 5% competitive topping on the tariff

(b) Seek a solution to the domestic tariff that will allow consumers (non-solar) to have full control over their electricity bill by varying consumption and possibly doing without.

(c) Take action to understand the potential consequences of QCA decision to increase the electricity tariffs. This could trigger a 'death spiral' for the poles and wires.

Phil Pollard and Des Reppel (Past President)