



The Honourable Mark Bailey MP
Minister for Main Roads, Road Safety and Ports
Minister for Energy, Biofuels and Water Supply

Our Reference: CTS14406/17

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31 MAY 2017

Professor Roy Green
Chair
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE OLD 4000

Dear Professor Green

Re: New Delegation to determine Regulated Retail Electricity Prices for 2017–18

I write to you to issue a new Delegation and Terms of Reference to the Queensland Competition Authority (QCA) for the determination of regulated retail electricity prices in regional Queensland for 2017–18 under section 90AA(1) of the *Electricity Act 1994* (the Act).

While recognising that the prices outlined in the 2017-18 Final Determination on 31 May 2017 were developed in accordance with the requirements under the Act, the Government is very concerned about the impact on consumers that will result from these prices. As such, the Government has taken steps to deliver price relief for Queensland electricity consumers by directing Energy Queensland to remove charges for the Solar Bonus Scheme from network prices, over the three years through to 2019-20. This action will assist in mitigating the impact of rising wholesale prices which are impacting retail electricity prices across the National Electricity Market (NEM), including Queensland.

I am issuing a new Delegation, attached to this letter, so the QCA can incorporate those revised network tariffs into its Final Determination. The new Delegation retains the previously specified methodology used to calculate the regulated retail electricity prices for 2017-18, and the matters the QCA must consider.

Because there are no methodology changes, I consider the existing rounds of public consultation already undertaken by the QCA to be satisfactory. In accordance with section 90AA(3)(e) of the Act, further public consultation is not required.

The Government's Uniform Tariff Policy and promoting greater levels of retail competition remain important considerations when setting regulated retail electricity prices in regional Queensland.

The deregulation of retail electricity prices for small customers in South East Queensland (SEQ) on 1 July 2016 removed a reference point for the determination of prices in regional Queensland. To maintain consistency with the regulation of prices in previous years, the Government considers that regulated prices for small customers in regional Queensland should continue to broadly reflect the expected prices for small customers on standing offers in SEQ.

The new Delegation requires that the QCA issue its Final Determination by 16 June 2017.

If you require further information please contact Mr Benn Barr, Deputy Director-General - Energy on (07) 3199 4977.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mark Bailey', is positioned below the text 'Yours sincerely'.

Mark Bailey MP
**Minister for Main Roads, Road Safety and Ports and
Minister for Energy, Biofuels and Water Supply**

Att: New Delegation and Terms of Reference – Determination of Regulated Retail Electricity
Prices for 2017-18

ELECTRICITY ACT 1994
Section 90AA(1)

DELEGATION

I, Mark Bailey, the Minister for Energy, Biofuels and Water Supply, in accordance with the power of delegation in section 90AA(1) of the *Electricity Act 1994* (the Act), delegate to the Queensland Competition Authority (QCA) the function under section 90(1) of the Act of deciding the prices that a retail entity may charge its standard contract customers for customer retail services in the Ergon Energy Corporation Limited (EECL) distribution area for the tariff year 1 July 2017 to 30 June 2018.

The following are the Terms of Reference of the price determination:

Terms of Reference

1. These Terms of Reference apply for the tariff year 1 July 2017 to 30 June 2018.
2. The QCA is to calculate the notified prices and publish an annual price determination, in the form of a tariff schedule, in accordance with these Terms of Reference.
3. In accordance with section 90(5)(a) of the Act, in making a price determination for each tariff year QCA must have regard to the matters set out in paragraph 5 of these Terms of Reference.
4. In accordance with section 90(5)(b) of the Act, QCA may have regard to any other matter that QCA considers relevant.
5. The matters that QCA is required by this delegation to consider are:
 - (a) On 1 July 2016, price regulation in the Energex distribution area was removed for small customers. This means that notified prices only apply to customers in the EECL distribution area;
 - (b) Uniform Tariff Policy - QCA must consider the Government's Uniform Tariff Policy, which provides that, wherever possible, small standard retail contract customers and large non-market customers of the same class should pay no more for their electricity, regardless of their geographic location;
 - (c) Framework - QCA must use 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 treated as a pass-through and R (energy and retail cost) is determined by QCA;

- (d) When determining the N components for each regulated retail tariff, QCA must consider the following:
- (i) For residential and small business customer tariffs (with the exception of Tariffs 12A, 14, 22A and 24) - basing the network cost component on the network charges to be levied by Energex and the relevant Energex tariff structures;
 - (ii) For Tariff 12A (residential time-of-use), Tariff 14 (residential seasonal time-of-use), Tariff 22A (small business time-of-use) and Tariff 24 (business seasonal time-of-use demand) - basing the network cost component on the price level of network charges to be levied by Energex, but utilising the relevant EECL tariff structures, in order to strengthen or enhance the underlying network price signals and encourage customers to switch to time-of-use and demand tariffs and reduce their energy consumption during peak times; and
 - (iii) For large business customers who consume 100MWh or more per annum - basing the network cost component on the network charges to be levied by EECL.
- (e) Transitional Arrangements - QCA must consider:
- (i) maintaining transitional arrangements for tariffs classed as transitional or obsolete (i.e. farming, irrigation, declining block, non-domestic heating and large business customer tariffs), and
 - (ii) continuing to allow all EECL customers access to tariffs designated as transitional in 2013–14.

Interim Consultation Paper

6. The Interim Consultation Paper published 16 November 2016, and resulting considerations by the QCA in accordance with the original delegation for 2017-18 remain relevant for this delegation. In accordance with section 90AA(3)(e) of the Act, a new Interim Consultation Paper is not required.

Consultation Timetable

9. As the methodology to determine retail tariffs is the same as that contained in the original delegation for 2017-18, the consultations and considerations by the QCA in accordance with the original delegation remain relevant for this delegation. In accordance with section 90AA(3)(e) of the Act, a new consultation timetable is not required.

Workshops and additional consultation

10. The workshops and additional consultation conducted under the original delegation for 2017-18 and resulting considerations by the QCA in accordance with the original delegation remain relevant for this delegation. In accordance with section 90AA(3)(e) of the Act, a new round of workshops and additional consultation is not required.

Draft Price Determination

11. The draft determination published on 24 February 2017 by the QCA in accordance with the original delegation for 2017-18 remains relevant for this delegation. In accordance with section 90AA(3)(b) of the Act, the QCA is not required to publish a draft determination based the new delegation.

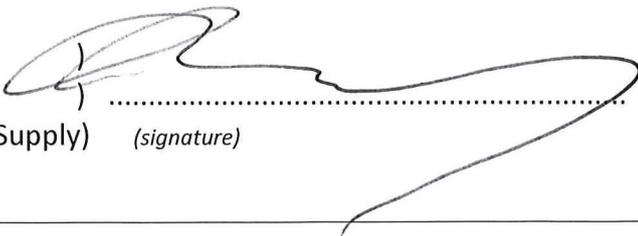
Final Price Determination

14. QCA must investigate and publish its final price determination on regulated retail electricity tariffs, with each tariff to be presented as a bundled price, and gazette the bundled retail tariffs.

Timing

18. QCA must publish the final price determination on regulated retail electricity tariffs for the 2017–18 tariff year, and have the bundled retail tariffs gazetted, no later than 16 June 2017.
19. This Delegation supersedes the previous Delegation issued on 10 November 2016.

DATED this 31st day of May 2017.

SIGNED by the Honourable
Mark Bailey,
Minister for Energy, Biofuels and Water Supply) 
(signature)