9 February 2021

Mr Charles Millsteed
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Millsteed

Energy Queensland submission to the Interim Consultation Paper for Regulated Retail Electricity Prices for 2021-22

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) on its Interim Consultation Paper for Regulated Retail Electricity Prices for 2021-22 (Interim Consultation Paper).

This submission is provided by Energy Queensland, on behalf of its related entities Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon Energy Network), Ergon Energy Queensland Pty Ltd (Ergon Energy Retail) and Yurika Pty Ltd (Yurika).

Energy Queensland broadly supports the Minister's delegation to the QCA outlining the key matters the QCA must consider when determining the notified prices for 2021-22.

Energy Queensland would welcome the opportunity to discuss these matters further with the QCA. In the meantime, should the QCA require additional information in relation to any aspect of this submission, please contact me on 0409 031 882 or Trudy Fraser on 0467 782 350.

Yours sincerely

Karen Stafford
General Manager
Legal, Regulation & Pricing
Telephone: 0409 031 882
Email: karen.stafford@energyq.com.au

Encl: Energy Queensland Response to QCA Interim Consultation Paper

Energy Queensland Submission on the Regulated retail electricity prices for 2021-22

Interim Consultation Paper

Energy Queensland Limited

9 February 2021

About Energy Queensland

Energy Queensland Limited (Energy Queensland) is a Queensland Government Owned Corporation that operates businesses providing energy services across Queensland, including:

- Distribution Network Service Providers, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy Network);
- a regional service delivery retailer, Ergon Energy Queensland Proprietary Limited (Ergon Energy Retail); and
- affiliated contestable business, Yurika Proprietary Limited (Yurika), and its subsidiaries, including Yurika Metering.

Energy Queensland's purpose is to 'safely deliver secure, affordable and sustainable energy solutions with our communities and customers' and is focused on working across its portfolio of activities to deliver customers lower, more predictable power bills while maintaining a safe and reliable supply and a great customer experience.

Our distribution businesses, Energex and Ergon Energy Network, cover 1.7 million km^2 and supply 34,000GWh of energy to 2.25 million homes and businesses each year.

Ergon Energy Retail sells electricity to 738,000 customers in regional Queensland.

Energy Queensland also includes Yurika, an energy services business creating innovative solutions to deliver customers greater choice and control over their energy needs and access to new solutions and technologies. Yurika Metering is a registered Metering Coordinator, Metering Provider, Metering Data Provider and Embedded Network Manager. Yurika is a key pillar to ensuring that Energy Queensland is able to meet and adapt to changes and developments in the rapidly evolving energy market.

Contact details

Energy Queensland Limited
Trudy Fraser
Phone: 0467 782 350
Email: trudy.fraser@energyq.com.au

PO Box 1090, Townsville QLD 4810
Level 6, 420 Flinders Street, Townsville QLD 4810
www.energyq.com.au

Energy Queensland Limited ABN 96 612 535 583

1 Introduction

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) on its Regulated Retail Electricity Prices for 2021-22 Interim Consultation Paper (the Interim Consultation Paper). This submission is provided by Energy Queensland, on behalf of its related entities Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon Energy Network), Ergon Energy Queensland Proprietary Limited (Ergon Energy Retail) and Yurika Proprietary Limited (Yurika).

In response to the Queensland Competition Authority's (QCA's) invitation to provide comments on the Interim Consultation Paper, Energy Queensland has provided responses to the questions raised in the Interim Consultation Paper, in section 2 of this submission.

Energy Queensland is available to discuss this submission or provide further detail regarding the issues raised, should the QCA require.

2 Table of detailed comments

Consultation Paper Feedback Question	Energy Queensland Comment
Approach for setting notified prices	
1. We seek stakeholders' views on the key issues we identified on our approach to setting notified prices, as well as any other matters considered relevant.	Energy Queensland agrees with the continued use of the N+R (network plus retail) cost build-up methodology for determining the 2021-22 notified prices (hereafter referred to as the retail prices). We also agree that small customer retail prices should, where possible, be based on the cost of supply in south east Queensland (SEQ), and the large customer retail prices should be based on the costs of supply in the Ergon Energy Network East zone, transmission region 1. Energy Queensland notes the Minister's intent for a Default Market Offer (DMO) adjustment to be applied to retail tariffs 11[1] and 20[2]. We also note the Minister's new requirement that the QCA also discount the value for other tariffs of the type available in the customer class. We have taken this to mean that should the QCA make an adjustment to, for example, tariff 20, then all small business tariffs would similarly be adjusted. Energy Queensland points out that the DMO does not apply to all tariffs equally (for example, the DMO is not applied to demand tariffs) and any adjustment made to a business tariff and then reflected in a demand tariff would not be aligned to the Uniform Tariff Policy (UTP). That is, in our view, the DMO adjustment should be aligned to only those tariff types which have a DMO price set by the Australian Energy Regulator (AER). We are also concerned with the continued use of a flat R (of the N+R price build up) to determine retail prices. Ergon Energy Retail is continuing to see a substantial reduction in customer demand in the middle of the day, and a steepening in the ramp to evening peak.

[1] Retail tariff 11 – Residential flat-rate primary tariff

[2] Retail tariff 20 – Small business flat-rate primary tariff

Consultation Paper Feedback Question	Energy Queensland Comment
	In our view the appropriate response is for the QCA to sharpen customer price signals by using a time-of-use (ToU) R to shift load away from peak and into the middle of the day. This would soak up the glut of solar energy feeding into the grid and assist in resolving both the wholesale trading issue and the emerging minimum demand issue on the distribution networks. In our view, this is a positive outcome for customers in terms of cheaper prices, for retailers in terms of wholesale market impacts, and for the distribution networks in terms of network security. With respect to the N component for retail tariffs that do not have an underlying network tariff, we agree with the Minister's delegated approach to index the N component. However, given the limited number of customers on these tariffs and the substantial retail tariff choice now available, we recommend that tariffs 12A, 14, 22A, 24 and 41[3] be immediately closed to new entrants with the intent that the tariffs be made obsolete from 30 June 2022.
New retail tariffs – based on transitional network prices	
2. We seek stakeholders' views on the key issues we identified for setting these new retail tariffs, as well as any other matters considered relevant.	Ergon Energy Retail is finalising its approach to managing customers that remain on the obsolete tariffs at 30 June 2021. In part, our view will depend on the eligibility rules associated with the new tariffs. We caution that backdating eligibility to 1 July 2017 may be problematic for retailers and confusing for customers. Energy Queensland therefore suggests the QCA explore alternative options such as backdating the tariff to when it was made obsolete or allowing access to those customers who were supplied on an irrigation tariff as at 30 June 2021 which may be simpler to implement. We also believe that it is in the best interests of existing retail customers if the QCA does not mandate the link to the underlying network tariff. In other words, we suggest that the QCA does not stipulate that the customer must be assigned to the equivalent network tariff. This is because Ergon Energy Network's Tariff Structure Statement (TSS), limits eligibility for these tariffs at a network level to customers in the East region and not all Ergon Energy customers.

[3] We note tariff 41 has an underlying network tariff but essentially has been replaced by new tariffs 24A and 24B.

Consultation Paper Feedback Question	Energy Queensland Comment
	It should be noted that at the network level, Ergon Energy Network will continue to assign customers in accordance with the tariff assignment rules as stated in their 2020-25 TSS. Customers that do not meet the eligibility criteria for the three transitional tariffs, i.e. SAC small business customers in the East pricing zone, will remain on their existing network tariffs.
Other new retail tariffs	
3 We seek stakeholders' views on the key issues identified for setting these new retail tariffs, particularly on whether there is a need for us to introduce a new retail tariff based on the residential network tariff.	Energy Queensland does not consider that there is a need for a new retail tariff to support the network Residential customer (Basic) >100MWh per annum tariff. In our view there is no benefit in this tariff, and as such, there will be limited (if any) customer uptake. Rather, residential customers will remain on tariff 11. We also query whether there is a continued need for retail tariff 20A (Small business inclining-band primary tariff) as there has been no customer interest in this tariff since it was made available. As such, the QCA should strongly consider removing this tariff from the tariff schedule.
Metering	
4 We seek stakeholders' views on our approach to setting small customer advanced digital metering charges.	Energy Queensland notes the Minister's view in the covering letter to the QCA relating to the equitable pricing of metering services.
Network tariff requirements	
5 We seek stakeholders' views on any network tariff requirements: • Not currently reflected in the tariff schedule, including any amendments to incorporate any such requirements • Not reasonable and practical from a retail perspective and that should be removed from (or not included in) the tariff schedule.	Energy Queensland supports the principle of a stand-alone retail tariff schedule and the intent to remove network tariff requirements which are not necessary in the retail tariff schedule. However, it may be appropriate for network tariff conditions to remain where there is a legitimate need to mirror the technical requirements, such as, the network availability of supply conditions as provided for in interruptible supply tariffs. Despite this view, we consider that the following section should remain in the retail price gazette: *Distribution entities may have specific eligibility criteria in addition to retail tariff eligibility requirements set out in the Tariff Schedule, e.g. the types of loads and how they are connected to interruptible*

Consultation Paper Feedback Question	Energy Queensland Comment
	supply tariffs. Retailers will advise customers of any applicable distribution entity requirements upon tariff assignment or customer request
Service provider discretions	
6 We seek stakeholders' views on any issues they consider may arise from removing service provider discretions from the tariff schedule. *Each of these discretions are spelled out below for specific comment.	While Energy Queensland does not believe there are strategic or financial consequences in agreeing to the removal of certain conditions, Ergon Energy Retail is investigating this more closely and will report if issues arise if service provider discretions are removed.
CAC or ICC customers can only access tariffs where specifically stated in the tariff description, or as agreed by the retailer.	
We seek information on the circumstances in which a CAC or ICC would not seek to access a CAC or ICC retail tariff.	Historically, ICCs and CACs have sought to access tariffs other than those designated as ICC/CAC tariffs to avoid charges that are specific to these tariffs such as capacity and connection unit charges. This is particularly true of ICCs/CACs with seasonal operations where the operation may have very little consumption for many months of the year. However, these tariffs still expose them to the type of fixed charges noted above.
What is the number of CAC and ICC customers currently accessing retail tariffs that are not identified for CAC or ICC access?	This data is commercial in confidence and will be provided to the QCA separately.
What are the implications of removing this discretion for CACs and ICCs and whether transitional arrangements would be needed for existing affected customers if this discretion was removed?	Energy Queensland supports the removal of this discretion. Our preference is for CACs and ICCs to be on tariffs which have been developed specifically for these customer types.

<table>
<tr><th>Consultation Paper Feedback Question</th><th>Energy Queensland Comment</th></tr>
<tr><td colspan="2">The retailer, at its absolute discretion, may switch a customer to an obsolete tariff only once, if that customer:
Is participating in the Drought Relief from Electricity Charges Scheme (DRECS) on 30 June 2019 and is accessing a tariff classified as obsolete from 1 July 2019; and
Loses eligibility for DRECS before 30 June 2021; and
Nominates to return to the tariff now classified as obsolete that they were accessing immediately before their current period of participation in the DRECS.</td></tr>
<tr><td>We seek information on whether there is a continuing need for this discretion.</td><td>Energy Queensland cannot adequately consider this request for information on the basis that Ergon Energy Retail does not yet know of the associated conditions. As such, we seek to further engage with the QCA once this is known.</td></tr>
<tr><td colspan="2">Customers on an obsolete tariff on its scheduled phase-out date whom have not notified their retailer of their preferred applicable standard tariff, will be transferred to an applicable standard tariff at the discretion of the retailer upon the tariff being discontinued.</td></tr>
<tr><td>We seek stakeholder views on what practical impact the removal of this discretion would have for customers on expiring obsolete tariffs who do not nominate a new tariff upon the discontinuation of the obsolete tariff.</td><td>Energy Queensland notes a further two retail tariffs (retail tariffs 47 and 48) are scheduled to expire on 30 June 2022. In addition, the new (replacement) irrigation tariffs are expected to be immediately grandfathered. Similar to the response above, Energy Queensland seeks further engagement with the QCA once the associated conditions are known.</td></tr>
<tr><td colspan="2">Where a customer’s aggregate load that is connected to an interruptible supply tariff exceeds 20 amperes per phase, additional load control equipment must be installed in accordance with the QECMM. Such equipment must be installed at the customer’s expense unless otherwise agreed with the metering service provider.</td></tr>
<tr><td></td><td>Energy Queensland suggests that this condition be retained to make explicitly clear that the customer is responsible for this cost so there is no customer confusion or distress.</td></tr>
</table>

Consultation Paper Feedback Question	Energy Queensland Comment
Tariff 31 ***Times when supply is available is subject to variation at the absolute discretion of the distribution entity. In general, this supply will be between the hours of 10.00pm and 7.00am.***	
	Energy Queensland suggests that this condition be retained to make explicitly clear to the customer that the timeframes of supply will vary subject to the distribution entity's discretion (based on local network conditions).
Tariff 33 ***Times when supply is available is subject to variation at the absolute discretion of the distribution entity.***	
	Energy Queensland suggests that this condition be retained to make explicitly clear to the customer that the timeframes of supply will vary subject to the distribution entity's discretion (based on local network conditions).
Tariffs 34, 60A and 60B ***Times when supply is available is subject to variation at the absolute discretion of the distribution entity.***	
	Energy Queensland suggests that this condition be retained to make explicitly clear to the customer that the timeframes of supply will vary subject to the distribution entity's discretion (based on local network conditions).

Consultation Paper Feedback Question	Energy Queensland Comment
Tariffs 31, 33 and 60B ***These tariffs are applicable where there is no provision to supply approved apparatus, or any specified part of an approved apparatus connected to an interruptible supply tariff, via another tariff (e.g. via a change over switch to a primary tariff), except as agreed by the retailer, and electricity supply is:*** • ***Connected to approved apparatus (limited to electric vehicle supply equipment (residential only), and pool filtration systems) via a socket outlet as approved by the retailer; or*** • ***Permanently connected to approved apparatus (e.g. electric hot water system, battery energy storage system, solar power system), or approved specified parts of apparatus (e.g. hot water system booster heating unit) as approved by the retailer. Where the retailer has approved the connection of a specified part of apparatus to another tariff (e.g. for a one-shot booster for a solar hot water system), the specified part must be metered under and charged at the primary tariff of the premises concerned, or if more than one primary tariff exists, the tariff applicable to general power usage at the premises.***	
	Energy Queensland suggests that this condition be retained as it relates to tariffs 31, 33 and 60B as described above. This exclusion has been amended over time and in direct response to customer and retailer feedback.
Tariff 33 ***This tariff is applicable as a primary residential tariff at the absolute discretion of the retailer.***	
We seek information on the number of residential customers currently accessing this tariff as a primary tariff.	This data is commercial in confidence and will be provided to the QCA separately.
We seek views on, if this discretion was removed, what an appropriate sunset date (e.g. 6 or 12 months) would be for existing customers to be transitioned to an alternative tariff.	Given experience with moving customers off obsolete tariffs, our view is that twelve months should be allowed to enable Ergon Energy Retail to work with the customer and move them to the most appropriate tariff based on their individual circumstances.

Consultation Paper Feedback Question	Energy Queensland Comment
Tariff 91 **It is available only to customers with small loads other than streetlights as approved by the retailer, and applies where:** **a) The load pattern is predictable;** **b) For the purposes of settlements, the load pattern (including load and on/off time) can be reasonably calculated by a relevant method set out in the metrology procedure; and** **c) It would not be cost effective to meter the connection point taking into account:** **i. The small magnitude of the load;** **ii. The connection arrangements; and** **The geographical and physical location.**	
We seek information on the need for this discretion and on the customers that would be affected (and potential impacts to those customers) if it was removed.	Energy Queensland suggests that this condition should be retained. The unmetered supply network tariff will be determined at the time of connection by the distribution entity.
Tariff changes ***Customers on seasonal time-of-use tariffs cannot change to another tariff less than one year from the application of the tariff to the customer's account without the retailer's agreement unless expressly allowed or permitted by energy law.***	
	Energy Queensland agrees to the removal of this condition as described above.
Tariffs in this Schedule can only be accessed by customers taking supply at low voltage as set out in the Electricity Regulation 2006 unless it is a designated high voltage tariff, or otherwise agreed with the retailer.	
We seek further information on the circumstances in which this discretion may be needed.	Energy Queensland supports the removal of this tariff condition as we are of the view that "HV" is no longer an issue given the SAC/CAC/ICC designations.

Consultation Paper Feedback Question	Energy Queensland Comment
Meter wiring and equipment to house meters is the customer's responsibility and must be installed and maintained at the customer's expense unless otherwise agreed with the metering service provider.	
	Energy Queensland supports the removal of this tariff condition as described above.
Card-operated meter customers ***If a customer is an excluded customer (as defined in section 23 of the Electricity Act), the distribution entity may at its absolute discretion agree with the relevant local government authority on behalf of the customer, and the customer's retailer, that the electricity used by the customer is to be measured and charged by means of a card-operated meter.***	
	Energy Queensland supports the removal of this tariff condition as described above.
Voltage discounts	
7 We seek stakeholders' views on whether the inclusion of the voltage discount provision remains appropriate in the tariff schedule.	Energy Queensland supports the removal of the voltage discount provisions from the tariff schedule as: 1. the voltage discounts have been replaced by customers moving to the ICC and CAC tariffs; 2. the distribution network service provider removed the SAC HV network tariffs several years ago meaning at the SAC level they do not discount based on connection arrangements; and 3. ICC and CAC retail tariffs do not attract HV rebates.
Threshold amounts used in CAC and ICC definitions	
8 We seek stakeholders' views on whether there would be any issues with updating the thresholds in the tariff schedule to generally reflect the equivalent network tariff threshold.	Energy Queensland supports the alignment of the CAC and ICC definitions to the network definitions to remove the potential for confusion.

Consultation Paper Feedback Question	Energy Queensland Comment
Network cost component	
9 We seek stakeholders' views on the key issues we identified for setting the N component of notified prices, as well as any other matters considered relevant.	Energy Queensland reiterates comments outlined in response to question 1 above, that the Seasonal ToU demand tariffs (retail tariffs 12A, 14, 22A and 24) be closed to new entrants with the intent to make these tariffs obsolete from 30 June 2022 so as to reduce the need for future indexation of the N component given there is no underlying network tariff. Retail tariff 41 should also be closed with the intent to make the tariff obsolete as it has been replaced by retail tariffs 24A and 24B.
Retail cost component	
10 We seek stakeholders' views on our approach for estimating energy costs, as well as any other matters considered relevant.	Energy Queensland acknowledges and supports the continuation of the same methodology to set the wholesale component of the retail costs as used in previous year determinations. However, while Energy Queensland supports the methodology in principle, this methodology for 2020-21 has produced inflated wholesale spot prices when compared to actual year to date (YTD) outcomes. The average Queensland time weighted spot price from 1 July 2020 to 28 January 2021 is $38.80/MWh. This is tracking well below the range forecast by ACIL Allen. Further, the YTD actual price of 38.08/MWh is tracking nearly 20% below the lowest time weighted average of the ACIL Allen simulations of $48.01/MWh. Energy Queensland therefore requests that ACIL Allen and the QCA consider the following in determining the wholesale cost component for 2021-22: 1. For the spot price simulations: a. consideration of the forecast accuracy of the 2020-21 spot price simulations compared to actual outcomes and whether any adjustments to approach are required; and b. consideration of the increasing frequency of negative spot prices driven by rooftop and large-scale solar PV installations. Note that the actual YTD spot price duration curve shows that nearly 5% of trading intervals have negative prices. This is a materially higher proportion of negative prices compared to the proportion shown by the ACIL Allen simulations for 2020-21. 2. The commencement of the five-minute settlement (5MS) rule in October 2021 means caps are not currently being traded on the Australian Stock Exchange (ASX). As electricity retailers will have already put in place electricity contracts for financial year 2021-22, the assumed use of cap contracts

Consultation Paper Feedback Question	Energy Queensland Comment
	and their price may need to be amended in the ACIL Allen hedging model to reflect the current unavailability of cap products. 3. We note the AER's DMO methodology consultation paper has proposed significant changes to the ACIL Allen methodology compared to the methodology they have been using for the QCA price determination. In particular, Energy Queensland notes that the DMO methodology selects a hedging portfolio that delivers the lowest net hedged cost and that this portfolio is selected after the spot price simulations have been completed. This is akin to an electricity retailer selecting a hedging strategy after a trading period has been completed and spot price outcomes are known. This could result in unusual hedging portfolios that would not be representative of hedging portfolios actually adopted by electricity retailers. For example, the hedging portfolio set out in the DMO methodology consultation paper had an unusually high weighting of caps (80%) which would be high risk for an electricity retailer that did not know in advance what the spot price outcome would be. Given that the ASX is not trading caps for 2021-22, a high weighting of caps is not appropriate for estimating energy costs for 2021-22 retail prices. 4. The COVID-19 pandemic has impacted (and will likely continue to impact) the load of many business and residential customers.
Retail costs	
11 We seek stakeholders' views on our approach for estimating retail costs, particularly on the methodology set out in ACIL Allen's report.	Energy Queensland acknowledges the challenges in estimating a retail cost component for a regulated retail price based on publicly available data. Nonetheless, we are concerned with the methodology ACIL Allen has proposed to set the retail costs within a very short timeframe. In particular, the methodology proposed to set the retail costs for small customers using a formula where R = market offer – network costs – wholesale costs appears overly simplistic and lacks attention to detail. That is, such a methodology fails to consider the different operating models of contestable retailers such as those offering digital platforms only, or those who offshore retail activities such as contact centres or billing (options unavailable to Ergon Energy Retail). We also suggest that ACIL Allen and the QCA must consider (with the intent to preclude): • the pricing strategies of new entrants who initially offer very low prices to establish market share; and

Consultation Paper Feedback Question	Energy Queensland Comment
	• the pricing strategies of established retailers who respond to new entrants by artificially lowering their prices so as to protect market share. Under the proposed formula, these pricing strategies would artificially lower retail costs well beyond their real value. We also reiterate our commentary provided to the QCA in responding to their large customer data request that Ergon Energy Retail has needed to forecast much of the data for the 2020-21 financial year, which introduces additional risk to the large customer retail cost calculation. The intent to use the 2020-21 financial year as the base year for the retail cost analysis is of significant concern. We note the impacts of the COVID 19 pandemic and Government stimulus packages have skewed certain customer metrics which are a key input in setting retail costs for the next five years. We also point out that retailers such as Ergon Energy Retail are operating under restricted debt recovery provisions as per the AER's Statement of Expectations, yet are carrying the cash-flow risk for the entire electricity supply chain while simultaneously experiencing a further deterioration in payment arrears as Government stimulus measures cease. We are unclear on how ACIL Allen intends to factor these costs and risks into the retail cost component. We therefore suggest a more preferable approach given the uniqueness of the 2020-21 financial year is to limit the application of this retail cost review to the 2021-22 retail price determination, and for the QCA to undertake a more comprehensive review of retail costs outside the retail price determination process similar to reviews undertaken in other jurisdictions.[4] **Regulatory Reform** We note the review makes no real effort to consider the costs of regulatory reform which retailers such as Ergon Energy Retail are absorbing. Since the last retail cost review in 2016, we have been forced to invest in large systems and processes in response to major regulatory initiatives such as Power of Choice (PoC), 5MS

[4] For example, the Australian Capital Territory's Independent Competition and Regulatory Commission (ICRC)'s *Retail Electricity Price Investigation 2020-24*

Consultation Paper Feedback Question	Energy Queensland Comment
	and Global Settlements (GS). This is in addition to the increasing trend in rule changes and other reforms both made and underway (e.g. the Consumer Data Right, the Wholesale Demand Response Mechanism, Meter Installation Timeframes, Better Bills and Maintaining Life Support Customer Registration etc.). The cost of implementing these constant changes, together with ongoing material compliance costs, must be factored into retail costs as failure to comply with these reforms results in significant civil penalties and reputational risks. We note that over the last few years, Ergon Energy Retail has requested the QCA consider the implementation and on-going costs of PoC, metering installation timeframes, 5MS and GS, and new hardship requirements and life support obligations. Unfortunately, no adjustment was made to allow for these costs. This presents an unacceptable risk, particularly to Ergon Energy Retail, who is unable to adjust its retail prices to respond to new cost imposts. While we have recommended that the current retail costs review apply for a period of 12 months only, following this and for all subsequent reviews, we would support a three year period for the setting of retail costs which we consider is a more appropriate determination period. **Productivity Improvement Estimate** Energy Queensland continually strives to improve its operational efficiency by identifying new and innovative ways of working, leveraging our internal talents across the Energy Queensland portfolio and investing in on-line portals to improve customer experience. However, despite these improvements Ergon Energy Retail faces increasing retail operating costs due to significant and on-going market reform, regulatory interventions and the impacts of COVID-19. We note that the AER is considering whether it is appropriate to include a productivity improvement factor in the DMO price setting for 2022 to account for efficiency improvements. Retailers across the NEM have expressed concern to the AER that despite best endeavours to reduce costs, the impost of market and regulatory reform, combined with the impact of the COVID-19 pandemic, has led to an overall increase in retail costs. Consequently, Energy Queensland cautions against imposing a productivity factor in the current economic climate and during a period of material regulatory change. **Conclusion** In conclusion we recommend both the QCA and ACIL Allen consider the unique characteristics of regional Queensland and the expectations applied only to Ergon Energy Retail as the Local Area Retailer including (but not limited to) the:

Consultation Paper Feedback Question	Energy Queensland Comment
	• imperative to service remote and isolated customers; • affordability issues faced by regional and remote customers; and • policy mechanisms such as the delivery of drought relief programs and the Community Service Obligation.
Standing offer adjustment	
12 We seek stakeholders' views on the key issues raised in relation to the standing offer adjustment and DMO considerations, including potential approaches that may be appropriate in circumstances where a further adjustment is required.	Energy Queensland supports the continuation of a standing offer adjustment to reflect the additional value that standard contracts provide when compared to market contracts. The standing offer adjustment should consider the retail costs review and what costs are captured in the updated retail cost component to ensure no duplication of cost recovery between these two cost components.
Competition and headroom – large business customers	
13 We seek stakeholders' views on the headroom allowance, including whether the approach of not including a headroom allowance remains appropriate this year.	Energy Queensland provides no comment.

Consultation Paper Feedback Question	Energy Queensland Comment
Other issues identified by Energy Queensland	
a) Minister’s Delegation (n): Removing expired transitional customer choice provisions on the application of kW and kVA demand charges	While not specifically identified by the QCA in its Interim Consultation Paper, Energy Queensland notes the Minister’s delegation to the QCA which requires the removal of the transitional customer choice provisions on the application of kW and kVA demand charges. The provision in the Gazette is that customers had a choice of kW and kVA demand charges until 30 June 2021 and would be charged kVA from 1 July 2021, except in two situations: a) MI with type 6 metering – kW b) MI with type 6 metering replaced with type 1 to 4 due to fault, age, distributor-initiated customer reclassification or other action not initiated by the customer – kW or kVA at customer choice until first anniversary of meter replacement, then kVA Energy Queensland recommends that both exceptions be retained in the retail price Gazette, so customers have 12 months of data prior to the application of kVA charging.
b) Consolidation of Retail Tariffs	Energy Queensland reiterates previous advice that in the interests of efficiency and to reduce customer confusion, there is a strong need to rationalise the existing retail tariff suite, closing a number of tariffs to new customers with the intent of making these tariffs obsolete by 30 June 2022.
c) EasyPay Rewards scheme references	Energy Queensland supports the removal of all references to the former EasyPay Rewards scheme from the Tariff Schedule now that all obligations under this scheme have been finalised.