

# Queensland Competition Authority

Interim consultation paper

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## Regulated retail electricity prices for 2023–24

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December 2022

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## Submissions

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Closing date for submissions: 18 January 2023

Public involvement is an important element of the decision-making processes of the Queensland Competition Authority (QCA). Therefore submissions are invited from interested parties concerning the assessment of regulated retail electricity prices for regional Queensland in 2023–24.

Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority  
GPO Box 2257  
Brisbane Q 4001  
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[www.qca.org.au/submissions](http://www.qca.org.au/submissions)

### Confidentiality

In the interests of transparency and to promote informed discussion and consultation, the QCA intends to make all submissions publicly available. However, if a person making a submission believes that information in the submission is confidential, that person should claim confidentiality in respect of the document (or the relevant part of the document) at the time the submission is given to the QCA and state the basis for the confidentiality claim.

The assessment of confidentiality claims will be made by the QCA in accordance with the *Queensland Competition Authority Act 1997*, including an assessment of whether disclosure of the information would damage the person's commercial activities and considerations of the public interest.

Claims for confidentiality should be clearly noted on the front page of the submission. The relevant sections of the submission should also be marked as confidential, so that the remainder of the document can be made publicly available. It would also be appreciated if two versions of the submission (i.e. a complete version and another excising confidential information) could be provided.

A confidentiality claim template is available on request. We encourage stakeholders to use this template when making confidentiality claims. The confidentiality claim template provides guidance on the type of information that would assist our assessment of claims for confidentiality.

### Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at our Brisbane office, or on our website at [www.qca.org.au](http://www.qca.org.au). If you experience any difficulty gaining access to documents please contact us on (07) 3222 0555.

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# 1 ABOUT OUR REVIEW

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## 1.1 Setting notified prices for customers in regional Queensland

We have received two delegations from the Minister for Energy, Renewables and Hydrogen (the Minister) to set regulated retail electricity prices (notified prices) and new retail tariffs to apply in regional Queensland in 2023–24. The delegations were issued in accordance with the Electricity Act 1994 (Qld) (Electricity Act)<sup>1</sup>.

### Matters within the scope of our review

The purpose of this review is to set notified prices and new retail tariffs to apply in 2023–24, having regard to relevant factors in the Electricity Act<sup>2</sup>, namely:

- the actual costs of making, producing or supplying the goods or services
- the effect of the price determination on competition in the Queensland retail electricity market
- any matter we are required by delegation to consider.<sup>3</sup>

The Minister's delegations<sup>4</sup> state the terms of reference for our review, including:

- the period—the price determination is to apply from 1 July 2023 to 30 June 2024
- the timeframes—for publishing reports and making the draft and final price determinations (noting the final price determination must be made by 9 June 2023)
- particular policies or principles—we are to set notified prices having regard to, among other matters, the Queensland Government's uniform tariff policy
- the pricing methodology—we are to set notified prices having regard to the network plus retail (N+R) cost build-up methodology, with some additional considerations applicable to the new retail tariffs (discussed in section 2.3.1)
- consultation—we are required to consult at various stages before making the final determination.

## 1.2 Review process and consultation

Consultation is an integral part of our decision-making process, and we invite all stakeholders, including members of the community, to participate in our review. This interim consultation paper (ICP) is the first step in our price determination process. It provides information on key issues we are considering in the context of setting notified prices for 2023–24.

Stakeholders are invited to make a written submission on the key issues raised in the ICP, or any other issues relevant to our review. Information on making a submission, as well as our online submission form, is available on our [website](#).

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<sup>1</sup> Section 90(AA) of the Electricity Act.

<sup>2</sup> Section 90(5)(a) of the Electricity Act.

<sup>3</sup> We may also have regard to any other matter we consider relevant (s. 90(5)(b) of the Electricity Act).

<sup>4</sup> Both delegations are provided in Appendix A.



Submissions on the ICP are due by 18 January 2023

### Indicative consultation timetable

The dates below provide an indication of when we will publish reports, hold stakeholder information sessions and seek further stakeholder submissions.<sup>5</sup>



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<sup>5</sup> Stakeholders can also [subscribe to our email alerts](#) to keep up to date with the latest developments.

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## 2 OVERARCHING FRAMEWORK

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This chapter provides our views on key issues to consider in this year's price determination, including overarching framework matters that affect the cost level, structure and availability of tariffs, and approach for setting notified prices for 2023–24.

The key issues largely consist of matters included in the Minister's delegations (and terms of reference) that we must consider when setting notified prices. For instance, the Minister has included additional matters for us to consider that support broader Queensland Government initiatives relevant to developing new retail tariffs and setting advanced digital meter (ADM) charges. In addition, we have provided information on current energy market developments relevant in the context of our review.

The matters discussed are:

- context and market environment (section 2.1)
- the approach for setting notified prices (section 2.2)
- additional matters for the new retail tariffs and metering charges (section 2.3)

We will consider stakeholder views on these matters and other matters that stakeholders identify as relevant to our review.

### 2.1 Context and market environment

There are several factors that impact the electricity market, including volatility caused by global and domestic events and changes brought about by ongoing reforms. Although these factors are out of our control, they are important as they affect the market environment and conditions in the National Electricity Market (NEM) more broadly, including the notified prices we set.

#### Rising energy costs

The first half of 2022 was marked by extraordinary volatility and uncertainty across the NEM. Wholesale energy costs in Queensland reached record highs, likely driven by generation shortfalls, high fuel costs faced by thermal generators and high electricity demand. For instance, Queensland was the NEM's highest priced region in the June quarter of 2022, with average quarterly spot prices reaching \$344/MWh.<sup>6</sup>

Several international and domestic factors contributed to upward pressure on wholesale energy prices in Queensland, including<sup>7</sup>:

- a tighter supply–demand balance—due to a slowdown of renewable energy generators coming online (compared to recent years) and the reduced availability of thermal generators (such as the continued outage of Callide C (unit 4))
- higher gas and coal prices—thermal generators face higher fuel costs, due to prevailing high domestic gas prices to date, higher international commodity prices and difficulties sourcing coal due to heavy rain impacting open cut mines in New South Wales and Queensland

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<sup>6</sup> AER – [Wholesale markets quarterly](#) – Q2 2022, p 3.

<sup>7</sup> QCA, *SEQ retail electricity market monitoring 2021-22 report*, December 2022, p 148.

- weather-related high demand—resulting from continuous periods of warm weather and humidity in northern Queensland. Also, cold fronts in June drove up heating demand and coincided with record maximum demand in Queensland.<sup>8</sup>

We are mindful that electricity prices are a primary concern for stakeholders. Relevantly, the wholesale energy market conditions are likely to impact electricity prices for all customers in Queensland in the coming year, including the notified prices we set in regional Queensland.

We will continue to have regard to the Queensland Government’s uniform tariff policy, which is the policy mechanism available to help deliver more affordable electricity prices to customers in regional Queensland. However, this will not necessarily shield customers from those impacts arising from increased market volatility and higher energy costs as described above.

Recently, the Commonwealth Government proposed an Energy Price Relief Plan with measures to address the higher energy costs.<sup>9</sup> These include temporary price caps for gas and coal which are key inputs for thermal generators. As gas price caps were approved by the Australian Parliament on 15 December 2022, our wholesale energy cost methodology would capture the potential impacts of these caps, including through our spot price analysis and the incorporation of ASX contract prices.<sup>10</sup>

It is important to note that our methodology reflects how retailers manage some of their spot price risk in practice, where retailers lock-in a price (or a maximum price<sup>11</sup>) in advance for a proportion of their electricity via trading in ASX contracts. In other words, retailers have already locked-in a portion of their costs for 2023–24 prior to the commencement of the temporary price caps.

### Ongoing reforms

In recent years, electricity markets have undergone significant structural reforms, and further reforms are planned as the market continues to evolve. The reforms are expected to have ongoing impacts on the electricity market, including how market participants operate and manage risks, and manage the changes to support future technologies, services and innovations.

Some key reforms impacting the energy market in Queensland include:

- the default market offer (DMO)—since 2019, the Australian Energy Regulator (AER) has set a DMO, which caps the price retailers can charge small customers on standard retail contracts in south east Queensland (SEQ). The DMO price for 2023–24 will be published in May 2023.
- the network tariff reforms—in recent years, the AER approved new network tariffs for Queensland distributors (Energex and Ergon Distribution) with more complex, cost-reflective tariff structures.<sup>12</sup> We have introduced 15 new retail tariffs underpinned by these new network tariffs for customers in regional Queensland.

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<sup>8</sup> AEMO, *Quarterly energy dynamics Q2 2022*, 2022.

<sup>9</sup> Commonwealth Government, *Energy price relief plan*, Commonwealth Government website, media release on 9 December 2022.

<sup>10</sup> The ASX contract prices would reflect the market participants' views of the impacts of the temporary price caps for coal and gas on the NEM.

<sup>11</sup> Retailers can lock in the maximum price for future electricity purchases by trading in ASX cap contracts.

<sup>12</sup> As part of the 2020–25 regulatory determinations for Queensland distributors (Energex and Ergon Distribution).



- Queensland Government initiatives—to facilitate and accelerate the transition to renewable energy in the future, including the uptake of electric vehicles (EVs) and targeting of 100 per cent penetration of ADMs by 2030.<sup>13,14</sup>

The Minister’s delegations have included matters relating to the DMO (see section 3.3), as well as specific matters for developing the new retail tariffs and setting the metering charges to support broader Queensland Government initiatives (see section 2.3). More broadly, we expect the rising energy costs to impact the energy cost component of notified prices (see section 3.2).

## 2.2 Approach for setting notified prices

The terms of the delegations require us to consider:

- the Queensland Government’s uniform tariff policy (UTP), which provides that, wherever possible, customers of the same class should pay no more for their electricity, and should pay for their electricity via similar price structures, regardless of their geographic location
- using the network plus retail (N+R) cost build-up methodology to set notified prices, where the N component (network cost) is treated as a pass-through and the R component (energy and retail costs) is determined by us.

The delegations are consistent with previous years, and our approach to setting notified prices in previous determinations. On that basis, we are considering setting notified prices using the same approach this year, having regard to:

- the UTP, noting we have previously set notified prices:
  - for small customers—based on the costs of supply in south-east Queensland (SEQ)
  - for large business customers—based on the cost of supply in the Ergon region with the lowest cost of supply that is connected to the NEM<sup>15</sup>
- using the N+R methodology—where the network prices and tariff structures approved by the AER are used as the base (i.e. passing through the N component) and adding the R component (i.e. energy and retail costs) which we determine.

This approach has benefited most customers in previous price determinations through:

- lower electricity prices—having regard to the UTP allows us to set notified prices for most customers at a level lower than the actual cost of supply. The cost difference is met by the Queensland Government through the payment of a community service obligation subsidy to Ergon Energy Queensland (expected to be \$568 million in 2022–23)<sup>16</sup>
- access to additional tariff options—we have introduced 15 new retail tariffs in recent years (underpinned by new network tariffs introduced as part of the network tariff reforms). This has provided customers in regional Queensland with additional tariff options, including

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<sup>13</sup> The Queensland Energy and Jobs Plan outlines how Queensland’s energy system will transform to deliver clean, reliable and affordable power for generations. For more information, see Queensland Government, *Queensland Energy and Jobs Plan*, Department of Energy and Public Works website, n.d., viewed 5 December 2022. Similarly, the AEMC recently recommended a similar target of a universal uptake of ADMs by 2030 in NEM (AEMC, *Review of the regulatory framework for metering services* [draft report], November 2022, pp ii, 19).

<sup>14</sup> Queensland Government, *Queensland’s new Zero Emission Vehicle Strategy*, Queensland Government website, updated 20 September 2022, viewed 5 December 2022.

<sup>15</sup> This region is the Ergon Distribution east zone, transmission region one.

<sup>16</sup> Queensland Government, *Budget Strategy and Outlook 2022–23* [Budget Paper 2], 2022, p 202.

access to some tariffs that other retailers may not have made available to customers in the SEQ retail electricity market.

Further information on the individual cost components, and our approach to setting these, is discussed in chapter 3.

## 2.3 Additional matters

### 2.3.1 New retail tariffs

The terms of the delegation require us to consider developing two new retail tariffs that build on the existing small customer time-of-use (TOU) tariffs 12B and 22B (the ‘solar-soaker’ tariffs), namely:

- a residential 3-rate time of use energy tariff
- a small business 3-rate time of use energy tariff.

The delegation includes specific pricing considerations for setting the energy costs for the new retail tariffs which the Minister said would ‘provide sharper retail tariff price signals’ compared to the existing TOU tariffs 12B and 22B.<sup>17</sup> On this, the Minister said EV and battery storage electricity pricing is important in the context of the Queensland Government’s initiatives aimed at supporting the use of more renewable energy, to ensure suitable tariff options are in place for customers to make the most of charging options during the day (when network utilisation is low, and solar PV generation is high).<sup>18</sup>

Developing new retail tariffs in this manner, including having regard to the additional pricing considerations, was initially canvassed (and generally supported by stakeholders) as part of last year’s notified price review. As the new retail tariffs are underpinned by existing small customer tariffs, they will be similar in structure and overall cost to the notified prices we set as part of this review (for residential tariff 12B and small business customer tariff 22B). We note that the new retail tariffs will be developed in addition to the existing retail tariffs (not replacing them).

However, setting the R component to influence customer behaviour would require us to set new retail tariffs that have time-varying energy costs, which does not reflect how retailers are likely to incur their costs. For instance, we currently include a flat-rate energy cost component in notified prices, which best reflects how retailers are likely to incur costs in practice.<sup>19</sup>

While this would be a departure from the N+R methodology we usually apply, it would be consistent with the policy guidance from the Minister and was generally supported by stakeholders in our last notified price review. It is also reflective of the evolving market conditions, with the accelerated roll-out of ADMs giving customers the ability to manage their energy use and consumption patterns more efficiently.<sup>20</sup> This means that time-varying wholesale energy costs are likely to be more appropriate as the penetration of ADMs increases.

On this basis, and subject to stakeholder comments, we intend to develop the new retail tariffs consistent with the delegation. We have set out the proposed approach for setting energy costs for the new retail tariffs, including ways to provide the sharper price signals desired, in section 3.2.1.

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<sup>17</sup> Clause 2(b) of the terms of reference for the new retail tariffs, Appendix A.

<sup>18</sup> Appendix A: Minister’s cover letter.

<sup>19</sup> Further information on how we set energy costs is discussed in section 3.2.

<sup>20</sup> See section 3.2.2 of the notified prices [final determination 2022–23](#), which discusses emerging issues and pricing options in the context of electric vehicles.

### 2.3.2 Metering charges

The delegation requires us to consider:<sup>21</sup>

- setting advanced digital meter (ADM) charges for small customers based on:
  - Energex (SEQ) metering costs
  - forecast deployment rates for advanced digital meters in regional Queensland
  - cost recovery, as an element of the R components, across all standard retail contract customers for each regulated tariff
- setting a retail charge based on Ergon Energy Retail’s average costs of manually reading a type 4A meter, for customers who have voluntarily disabled the remote communication function of their ADM.

The delegation contains different matters for us to consider when setting ADM charges this year.<sup>22</sup> The Minister’s cover letter noted that enabling retailers to recover the costs associated with the provision of all metering services is important in the context of the Queensland Government broader energy plans, which targets 100 per cent penetration of ADMs devices by 2030.<sup>23</sup> The Minister also said it is important to ensure similar customers do not pay different amounts simply based on the type of meter they have (consistent with the UTP).<sup>24</sup>

We are considering setting the metering charges consistent with the delegation, which reflect broader Queensland Government initiatives. This approach would result in:

- setting ADM charges that reflect the actual cost to retailers’ of providing metering services, including the additional costs of manual meter reads
- all customers paying a similar amount for metering charges (consistent with the UTP), with the cost of the ongoing roll-out of ADMs shared among all customers.

#### Overarching framework matters

We seek stakeholders' views on the key issues we identified relating to:

- our approach for setting notified prices
- developing the new retail tariffs and setting metering charges.



<sup>21</sup> Appendix A: Minister's delegation, terms of reference, paragraph 2(d).

<sup>22</sup> We first set ADM charges as part of the 2020–21 final determination of notified prices. Prior to this, metering charges for small customers were set separately by the Minister following our determination of notified prices.

<sup>23</sup> Queensland Government, *Queensland Energy and Jobs Plan: Power for generations—70% Renewable Energy by 2032*, September 2022, p 36.

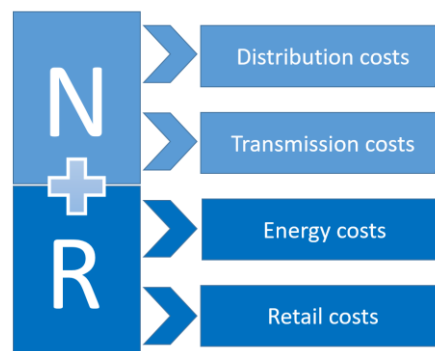
<sup>24</sup> See our final price determinations for 2020–21, 2021–22 and 2022–23 on our [Regional electricity prices](#) web page.

## 3 INDIVIDUAL COST COMPONENTS

This chapter outlines the individual components that make up a retail tariff and identifies some key matters relevant to this year's review. Many of these matters are identified in the delegation, which we must consider when setting notified prices. The individual components include:

- the N component—distribution and transmission costs associated with transporting electricity to customers (section 3.1)
- the R component—the costs of buying and selling electricity to customers (section 3.2)
- the standing offer adjustment for small customer notified prices (section 3.3).

There are also some new matters in the delegation relevant to setting the R component of the new retail tariffs (discussed under section 3.2.1).



### 3.1 Network component

The prices charged for transporting electricity through transmission and distribution networks are regulated by the Australian Energy Regulator (AER). In addition to recovering their own distribution network costs, distributors also pass through Powerlink's transmission network charges<sup>25</sup> to customers as part of the network prices.

The delegation<sup>26</sup> requires us to consider setting the N component in a manner that is consistent with the overarching framework—that is, the UTP and N+R methodology (see chapter 2). More specifically, basing the N component:

- for small customers on:
  - flat and secondary load control tariffs—the relevant Energex network prices (being the charges and tariff structures levied by Energex that apply in SEQ)
  - tariffs 62A, 65A and 66A (limited access obsolete tariffs)—the relevant network prices for Ergon Distribution's east zone, transmission region one<sup>27</sup>
  - all other retail tariffs—the price level of the relevant Energex charges but utilising Ergon Distribution tariff structures
- for large customer retail tariffs—the relevant network prices for Ergon Distribution's east zone, transmission region one
- for the new retail tariffs—the N component determined for existing small customers on tariffs 12B and 22B (in the manner set out above).

<sup>25</sup> These charges are also approved by the AER.

<sup>26</sup> Appendix A: Minister's delegation, terms of reference, paragraph 2(d).

<sup>27</sup> Being the Ergon Distribution pricing region with the lowest cost of supply that is connected to the NEM.

The delegation is broadly consistent with previous years, and how we have set the N component in notified prices in the past. As such, we intend set the N component for notified prices (including the new retail tariffs) in the manner described above.

## 3.2 Retail component

### 3.2.1 Energy costs

Energy costs relate to the costs that retailers incur when purchasing electricity to meet the demands of customers. These costs include wholesale energy costs, other energy costs (including the Renewable Energy Target) and energy losses.

#### Wholesale energy costs

Retailers incur wholesale energy costs when purchasing electricity from the NEM to meet the electricity demand of their customers. Retailers typically adopt a range of hedging strategies to reduce their exposure to rapidly changing wholesale electricity prices when purchasing from the NEM, including through the purchase of ASX financial derivatives.<sup>28</sup>

In previous determinations, we estimated wholesale energy costs using a market hedging approach, which takes into account retailers' hedging strategies. We consider this approach is still appropriate, as it best reflects the actual costs retailers incur when purchasing electricity from the NEM.<sup>29</sup>

Consistent with previous reviews, we intend to use market data up until January 2023 for our draft determination. This ensures our draft determination uses the most current information (including any developments that occur over the potentially volatile summer period), while still meeting our draft determination deadline.<sup>30</sup>

We also intend to consider the ongoing roll-out of ADMs and, if it is possible (and appropriate), using ADM data when estimating wholesale energy costs. This is particularly relevant given that penetration of ADMs is likely to continue to increase.<sup>31</sup>

To date, we have not used ADM data to inform our wholesale cost estimates, including because:

- most customers in Queensland are on accumulation meters (around 80 per cent of small customers<sup>32</sup>)
- there is no publicly available information (given demand profiles of ADMs are not published by AEMO)
- due to the low penetration of ADMs, it is unlikely to have material impacts on retailers' hedging strategies and the costs they incur when purchasing electricity from the NEM.

However, we have commenced obtaining the relevant demand profiles from AEMO and continue to investigate the robustness of these data sets. It is also unclear how retailers would hedge in practice when there are different demand profiles for accumulation meters and ADMs.

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<sup>28</sup> Generally, the purchase of hedging contracts from generators or ASX financial derivatives enables retailers to lock in a price, or a maximum price (in the case of caps), at which a given volume of electricity will be transacted at a future date.

<sup>29</sup> For more information on how these costs were estimated, see Appendix C and ACIL's reports for the [2022–23 determination](#).

<sup>30</sup> Our final determination will include market data up until May 2023.

<sup>31</sup> The Queensland Government initiative for 100 per cent penetration of ADMs by 2030 is discussed in section 2.3.2.

<sup>32</sup> AEMC, *Review of the regulatory framework for metering services* [directions paper], September 2021, p 44.

### Other energy costs and losses

Retailers incur other energy cost when purchasing electricity from the NEM, namely:

- Renewable Energy Target (RET) costs—costs associated with the purchase of certificates to meet the targets mandated under the RET<sup>33</sup>
- NEM management fees and ancillary services charges—the costs levied by the Australian Energy Market Operator (AEMO) to cover the costs of operating the NEM and services used to manage power system safety, security and reliability
- Reliability and Emergency Reserve Trader (RERT) scheme charges—charges levied by AEMO to cover the costs of maintaining power system reliability and security using reserve contracts. The RERT scheme allows AEMO to contract for emergency reserves, such as generation or demand response outside of the NEM
- prudential capital costs—the costs a retailer incurs to provide financial guarantees to AEMO and to lodge initial margins with the ASX for futures contracts.

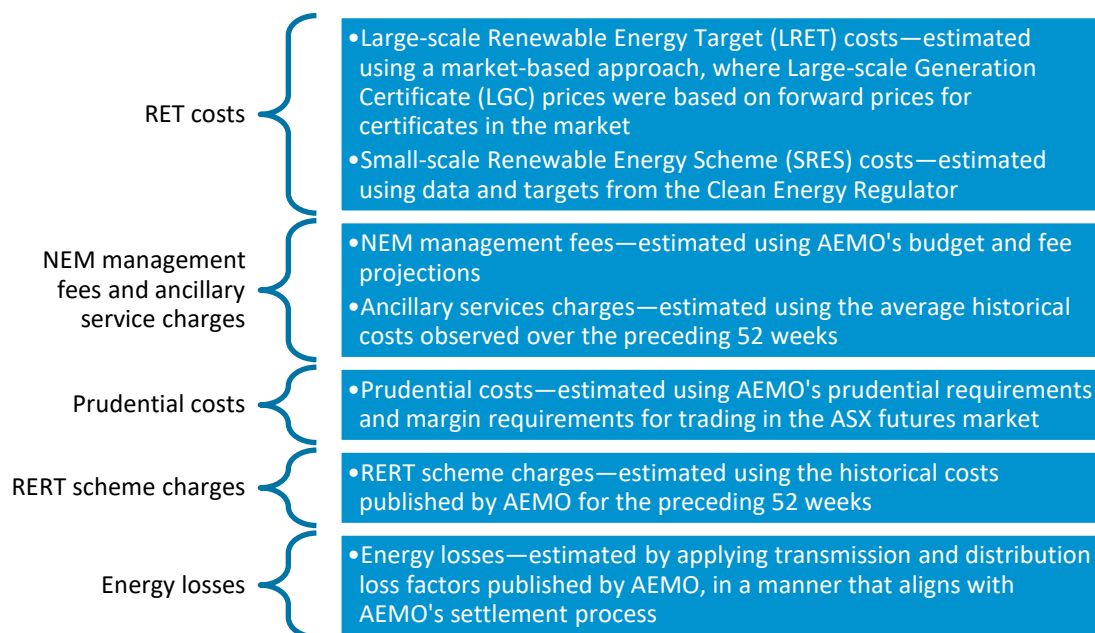
Retailers also incur costs associated with energy losses. This is because retailers need to purchase more electricity than is demanded by customers to allow for losses that occur when electricity is transported (via transmission and distribution networks).

We also intend to consider any costs incurred due to market events during 2022, particularly in relation to the trigger of the administered price cap and suspension of the wholesale market by AEMO (from 15 to 24 June 2022). If this resulted in additional costs being incurred (and if there is evidence to support this), it could be appropriate to consider incorporating these into our estimates.

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<sup>33</sup> The RET, comprising the Large-scale Renewable Energy Target (LRET) and Small-scale Renewable Energy Scheme (SRES), provides incentives for the electricity sector to increase generation from renewable sources and reduce greenhouse gas emissions.

In previous determinations, we estimated other energy costs and losses based on reliable sources of information to ensure these costs appropriately reflected those likely to be incurred by retailers.<sup>34</sup>



Subject to stakeholder views, we intend to adopt the same approach for 2023–24.

#### Methodology for new retail tariffs

In section 2.3.1, we set out information on the two new retail tariffs we have been asked to develop this year. In particular, we have been asked to develop a methodology for setting the energy component of the new retail tariffs to provide greater price differentials between peak and non-peak periods (compared to the existing tariffs 12B and 22B on which the new retail tariffs will be based). These price differentials are meant to incentivise customers to use more energy during non-peak periods (i.e. during the day when network utilisation is low, and solar PV generation is high).

We are considering an approach that involves:

- using the wholesale cost estimate for existing small customer tariffs 12B and 22B
- deriving a set of weightings for different time periods based on the distribution of spot price variations throughout the day (which are typically lower during non-peak periods, i.e. daytime hours). Applying these weightings to the wholesale cost estimate to set rates that are lower during non-peak periods and higher during peak periods.<sup>35</sup>

Using this approach maintains the same level of energy costs (as tariffs 12B and 22B) but changes the way costs are recovered throughout the day to encourage consumption in a specific way. This approach is likely to provide stronger price signals than existing TOU tariffs and, as the Minister said, could incentivise customers to take up charging during non-peak period (i.e. when network utilisation is low and rooftop solar PV generation is high).

<sup>34</sup> For further information on how these costs were estimated, see Appendix C and ACIL's reports for the [2022–23 determination](#).

<sup>35</sup> For more information on this approach, see section 3.2.2 of the notified prices [final determination 2022–23](#).

### 3.2.2 Retail costs

Retail costs are the costs of running a retail electricity business. They include:

- retail operating costs, such as administrative costs and costs related to operating call centres, operating billing systems and collecting revenue
- a retail margin, which is the return to investors for retailers' exposure to systematic risks associated with providing retail electricity services.

In 2021–22, we undertook a fulsome review of retail cost allowances for small and large customers. This review used market data and considered potential changes in costs resulting from productivity improvements and covid-19.<sup>36</sup> As a result of this review, we:

- updated the retail cost allowances for small customers to include recent market information
- maintained the existing retail cost allowance for large customers (adjusted for inflation), as there was insufficient evidence to vary the allowance for this customer class.

Given this recent review, we are considering maintaining our approach and using existing retail cost allowances, adjusted for inflation (using the CPI).

In addition, we intend to incorporate metering charges for small customers into the R component this year (discussed in section 2.3.2).

### 3.3 Standing offer adjustment

Consistent with previous years, the Minister has asked us to consider the costs and benefits associated with standing offers (standard contracts) in SEQ and the effects of the AER's DMO on notified prices.<sup>37</sup> In our previous determinations, such considerations led us to:

- incorporate a standing offer adjustment (SOA) in notified prices for small customers, intended to reflect the value of more favourable terms and conditions in standard contracts relative to market contracts. In our last determination, we applied an adjustment of 3.7 per cent (of total costs) based on an assessment of the potential fees incurred by small customers on market contracts in SEQ. These fees served as a proxy for the value of the SOA as they represented the costs that customers would avoid by being on a standard contract relative a market contract.<sup>38</sup>
- compare the notified price bill (including a SOA) to the equivalent DMO reference bill in SEQ. We considered discounting the value of the SOA if the SOA resulted in a notified price bill that exceeded the equivalent DMO bill (provided the value of the SOA is not discounted below zero). In our last determination, no adjustment was necessary as none of the notified price bills exceeded the equivalent DMO bills.<sup>39</sup>

We plan to adopt this approach again to determine whether an adjustment of 3.7 per cent remains appropriate.

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<sup>36</sup> For more information on this methodology, see Appendix C and ACIL's reports for our [2021–22 determination](#).

<sup>37</sup> Appendix A: Minister's delegation, covering letter.

<sup>38</sup> For more information on this methodology, see chapter 5 of our [2022–23 determination](#).

<sup>39</sup> For more information on this analysis, see chapter 5 of the [2022–23 determination](#).



The AER intends to publish a draft determination of the DMO prices for 2023–24 in February 2023, with a final determination to be published in May 2023.<sup>40</sup> We will consider the implications of this and update stakeholders in the draft determination.

### Individual cost components and other adjustments



We seek stakeholders' views on the issues we identified for:

- setting the individual cost components of notified prices, including the methodology we intend to use to set time-varying energy costs for the new retail tariffs
- the standing offer adjustment, relevant for small customer notified prices.

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<sup>40</sup> AER, [Default market offer prices 2023–24](#), AER website, 3 November 2022, viewed 5 December 2022.

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## GLOSSARY

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ADM	Advanced digital metering
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CPI	Consumer price index
Delegation	The delegation issued by the Minister for Energy, Renewables and Hydrogen (see Appendix A)
DMO	Default market offer
Energex	Energex Distribution
Ergon Distribution	Ergon Energy Corporation Limited (electricity distribution arm)
Electricity Act	Electricity Act 1994 (Qld)
ICP	Interim consultation paper
LRET	Large-scale renewable energy target
N	Network costs
NEM	National Electricity Market
Notified prices	Regulated retail electricity prices
N+R	Network + retail cost build-up methodology
QCA	Queensland Competition Authority
R	Energy and retail costs
RERT	Reliability and Emergency Reserve Trader
RET	Renewable energy target
SEQ	South east Queensland
SOA	standing offer adjustment
SRES	Small-scale renewable energy scheme
TOU	Time of use
UTP	Uniform Tariff Policy

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## APPENDIX A: MINISTER'S DELEGATION

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Minister for Energy, Renewables and Hydrogen  
Minister for Public Works and Procurement

Our Ref: MN09299-2022

15 DEC 2022

Professor Flavio Menezes  
Chair  
Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001  
By email: carola.hofmann@qca.org.au

1 William Street  
Brisbane Queensland  
GPO Box 2457 Brisbane  
Queensland 4001 Australia  
Telephone: [REDACTED]  
E: epw@ministerial.qld.gov.au

Dear Professor Menezes *Flavio*

Pursuant to section 90AA of the *Electricity Act 1994* (the Act), I have delegated to the Queensland Competition Authority (QCA) the functions under section 90(1) of the Act for the determination of regulated retail electricity prices in regional Queensland for 2023-24. I am doing this in the form of two separate delegations for the 2023-24 tariff year. Delegation No. 1 is for the setting of notified prices for existing retail tariffs in the usual manner. Delegation No. 2 requests QCA make new electric vehicle (EV) tariffs aimed at further reducing the costs of operating EV's in regional Queensland by incentivising electricity use during the day. To achieve this, I ask QCA to consider modifying part of its cost build-up methodology for these tariffs. I also recognise this is a significant step for QCA so have quarantined this request from the standard annual delegation.

I also direct QCA under section 93 of the Act to decide the feed-in tariff (FIT) rate for the tariff year 1 July 2023 to 30 June 2024.

The Queensland Government is committed to ensuring affordable electricity prices for Queensland households and businesses. The Queensland Energy and Jobs Plan (the Plan) outlines how Queensland's energy system will transform to deliver clean, reliable and affordable power for generations. It leverages Queensland's natural advantages to:

- build a clean and competitive energy system for the Queensland economy and industries as a platform for accelerating growth
- deliver affordable energy for households and businesses, and support more rooftop solar and batteries
- drive better outcomes for workers and communities as partners in the energy transformation.

#### General Price Setting

The enclosed Delegation No. 1 and terms of reference for 2023-24 are generally consistent with the approaches of previous delegations. The Queensland Government's Uniform Tariff Policy (UTP) as described in the delegation continues to capture the need for consideration of the Default Market Offer (DMO) by QCA in its determination. Given the change in timing of the Australian Energy Regulator's final DMO decisions to late May each year, I recognise QCA will need extra time to consider the interplay of the South-East Queensland (SEQ) DMO with its own decision. Further, I consider it appropriate QCA conduct its usual process to determine all costs that contribute to notified prices, including considering all costs and benefits associated with small customer standing offers in SEQ.

The Plan sets a target of 100 per cent penetration of smart meters by 2030, hastening the rollout to help evolve Queensland's energy system. This target is flagged for replication nationally by the Australian Energy Market Commission in its recently released draft metering review. The target substantively addresses my earlier concerns about the slow deployment of smart meters in Queensland. I ask QCA to consider how it may enable retailers to recover costs associated with the provision of all metering services. However, as customers do not choose which meter they have it is important this is done in a fair and equitable way that is consistent with UTP so that similar customers do not pay different amounts simply based on the type of meter they have. QCA should set a retail fee for the additional costs of manually reading smart meters for customers who have voluntarily chosen to have the meter's remote communications functions disabled. This will ensure other customers are not paying for those private choices.

#### New EV tariffs

Thank you for the analysis on tariffs for EVs provided in QCA's final determination for regulated electricity prices for 2022-23. In consideration of this advice, Delegation No. 2 seeks the development of additional and new solar-soaker EV tariffs similar in structure to existing tariffs 12B and 22B, but with a larger differentiation between peak and daytime energy rates, to set clearer signals to consumers as when is the most cost-effective time to charge an EV.

Ensuring the state-wide rollout and integration of EVs is managed in a way that minimises the need for significant network infrastructure upgrades and makes use of existing spare capacity is essential to Queensland's electricity future. The Queensland Government has released the *Queensland's Zero Emission Vehicle Strategy 2022-2032* with EVs the key focus. These issues have also informed actions the Queensland Government has committed to in the Plan.

Battery charging is set to introduce new load onto the system and EV users will make decisions that will impact the electricity network in new ways. Uptake of EVs is growing quickly and the Queensland Government wants to encourage this uptake in a sustainable way that maximises beneficial outcomes for the electricity system and other electricity customers.

Regional Queensland is setting the pace in encouraging greater use of the abundant renewable energy. The improvement of solar-soaker tariffs that make the cheapest rate available from 9am to 4pm are critical. The Queensland Government's commitment to target 100 per cent smart meter uptake will enable more customers to adopt these types of tariffs. Although the structure of these tariffs offers incentives for customers, your advice confirmed the wholesale energy cost components used by QCA in setting notified prices are flat across all time periods. This includes during the day when there is typically a lot more energy generation from household and utility-scale solar photovoltaic systems.

Lowering retail energy charges during the day to better reflect the wholesale energy spot market, perhaps by using a weighting methodology as you advised would be your preferred approach, could create even greater savings for customers potentially further incentivising favourable charging behaviour when electricity supply is abundant, and cheaper. Sharper retail tariff price signals could be more attractive to many EV and battery owners, limiting the need for distribution network investment and benefitting all customers through bill savings. A key objective of these new solar-soaker tariffs is to incentivise households to charge EVs and batteries during the day when there is generally more available network capacity and renewable energy generation, and supply their household needs from their EV or battery during peak periods and ultimately reduce the charging costs for EV's in regional Queensland. It is anticipated the new tariffs will do this by providing stronger price signals and will lay the platform for commercial charge point operators to adopt similar time-based tariffs to incentivise charging behaviour.

#### FiT

The enclosed section 93 direction and associated terms of reference impose conditions and timeframes on QCA when undertaking its investigation. QCA is required to decide a FiT rate for 2023-24 using an avoided cost methodology.

However, I note in QCA's recent monitoring report on solar FiTs in SEQ for 2021-22 (October 2022), QCA identifies the average SEQ residential FiT in the June quarter 2022 was 5.7 cents per kilowatt-hour. In contrast the regional FiT for 2022-23 is 9.3 cents per kilowatt-hour. I ask QCA to consider if the methodology used in previous years remains appropriate and continues to reasonably reflect actual avoided costs to retailers when purchasing energy from small customers. I anticipate this will necessitate public consultation in deciding the 2023-24 FiT.

Public consultation has long formed a vital part of QCA's process for determining retail electricity prices. The terms of reference of both delegations set out the consultation needs and requires QCA to publish its draft determinations in February 2023 and its final determinations by 9 June 2023. I anticipate the processes for both delegations will run simultaneously and appear seamless to stakeholders.

Regional customers continue to benefit from the electricity cost protection provided by UTP and the benefits of Queensland-owned assets. The Plan is a plan for all Queenslanders – a Plan for the future that will deliver clean, reliable and affordable power for generations and position the State for growth and prosperity.

The Department of Energy and Public Works (DEPW) will be available to consult with QCA on the 2023-24 price determination and Tariff Schedule. If you need more information or help with this matter, [REDACTED] Executive Director, Energy, DEPW can be contacted on [REDACTED] or [REDACTED].

Yours sincerely



Mick de Brenni MP  
**Minister for Energy, Renewables and Hydrogen**  
**Minister for Public Works and Procurement**

Encl. Section 90AA Delegation No. 1 and Terms of Reference  
Section 90AA Delegation No. 2 and Terms of Reference  
Section 93 Direction and Terms of Reference

## DELEGATION TO QCA

## DEPARTMENT OF ENERGY AND PUBLIC WORKS

*Electricity Act 1994*ELECTRICITY (MINISTERIAL) DELEGATION (NO. 1) 2022  
to the Queensland Competition Authority (QCA)**Preliminary matters**

1. The preliminary matters form part of this delegation.
2. **QCA** means the Queensland Competition Authority established under the *Queensland Competition Authority Act 1997*.
3. Section 89A of the *Electricity Act 1994* (the Act) relevantly provides:  
**price determination** see section 90(1).  
**pricing entity** means—
  - (a) the Minister; or
  - (b) QCA, if the Minister delegates a function of the Minister under section 90(1) to QCA.
4. Section 90(1) of the Act provides:  
*The Minister must, for each tariff year, decide (a **price determination**) the prices, or the methodology for fixing the prices, that a retailer may charge its standard contract customers for all or any of the following—*
  - (a) *customer retail services;*
  - (b) *charges or fees relating to customer retail services;**Examples—*
  - *charges or fees for late or dishonoured payments*
  - *credit card surcharges for payments for the services*
  - (c) *other goods and services prescribed under a regulation.*
5. Section 90(5) provides:  
In making a price determination, the pricing entity—
  - (a) must have regard to all of the following—
    - (i) the actual costs of making, producing or supplying the goods or services;
    - (ii) the effect of the price determination on competition in the Queensland retail electricity market;
    - (iii) if QCA is the pricing entity—any matter the pricing entity is required by delegation to consider; and
  - (b) may have regard to any other matter the pricing entity considers relevant.
6. Section 90AA(1) of the Act provides that the Minister may delegate to the QCA all or any of the Minister's functions under section 90(1) of the Act.
7. Section 90AA(2) of the Act provides that delegation to the QCA may state the terms of reference of the price determination.
8. Section 90AA(3) of the Act provides what the terms of reference may specify and how the terms of reference may apply.

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**DELEGATION TO QCA**

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9. The terms of reference provided for in sections 90AA(2) and (3) of the Act are contained in the Schedule to this delegation and comprise the matters under section 90(5)(a)(iii) of the Act that the QCA as the pricing entity is required by delegation to consider.

**Powers delegated**

10. Subject to the conditions of this delegation, I delegate all of the Minister's functions under section 90(1) of the Act to the QCA for the tariff year 1 July 2023 to 30 June 2024.

**Conditions of delegation**

11. The delegated functions of the Minister must only be exercised for the purpose of deciding the prices, or the methodology for fixing the prices that a retail entity may charge its Standard Contract Customers in Queensland, other than Standard Contract Customers in the Energex distribution area.
12. In exercising the delegated functions under section 89A, the QCA, as the pricing entity, must have regard to all of the matters set out in section 90(5)(a) of the Act, which includes the terms of reference in the Schedule to this delegation.
13. In exercising the delegated functions, the QCA must have regard to all relevant statutory provisions, whether referred to in this delegation or not.

**Revocation**

14. All earlier delegations of the Minister's powers under section 90(1) of the Act are revoked.
15. Unless earlier revoked in writing, this delegation ceases upon gazettal by the QCA of its final price determination on regulated retail electricity tariffs for the 2023–24 tariff year under section 90AB of the Act.

**Note to delegation**

16. Statutory references are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to and all regulations, rules, by-laws, local laws, proclamations, orders, prescribed forms and other authorities pursuant thereto.

This delegation is made by **The Honourable Mick de Brenni MP**  
Minister for Energy, Renewables and Hydrogen and  
Minister for Public Works and Procurement:

**Signed:**



The Honourable Mick de Brenni MP  
**Minister for Energy, Renewables and Hydrogen and  
Minister for Public Works and Procurement**

**Dated:** 14/12/2022

## DELEGATION TO QCA

**SCHEDULE**  
**Terms of Reference**  
**Section 90(5)(a)(iii) and 90AA of the Act**

***Period for which the price determinations will apply (section 90AA(3)(a) of the Act)***

1. These Terms of Reference apply for the tariff year 1 July 2023 to 30 June 2024.

***Policies, principles and other matters the QCA must consider when working out the notified prices and making the price determination (sections 90(5)(a)(iii), 90AA(3)(c) and 90AA(3)(d) of the Act)***

2. The policies, principles and other matters that the QCA is required by this delegation to consider are:
- (a) Uniform Tariff Policy — the Government's Uniform Tariff Policy, which provides that, wherever possible, customers of the same class should pay no more for their electricity, and should be able to pay for their electricity via similar common price structures, regardless of their geographic location;
  - (b) Framework – use of 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 generally treated as a pass-through and R (energy and retail cost) is determined by the QCA;
  - (c) When determining the N components for each regulated retail tariff, where retained:
    - (i) For residential and small business customer Tariffs 11, 20, 31 and 33 - basing the network cost component on the relevant Energex network charges to be levied by Energex and the relevant Energex tariff structures;
    - (ii) For all other residential and small business customer tariffs, except for those set out in c(iii) below - basing the network cost component on the price level of the relevant Energex network charges to be levied by Energex, but utilising the relevant Ergon Energy Corporation Limited (EECL) tariff structures;
    - (iii) For tariffs 62A, 65A, 66A and all large customer tariffs – basing the network cost component on the relevant EECL network charges to be levied by EECL in the 'East distribution pricing zone - Transmission pricing zone T1';
  - (d) Small customer metering costs:
    - (i) Basing small customer retail metering service costs, an element of R components for each regulated tariff, on the Energex rate for standard



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**DELEGATION TO QCA**


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Type 6 small customer metering services plus costs incurred by retailers operating in the Energex distribution area for small customer advanced digital metering services while having regard to the rate of replacement of distributor meters with advanced digital meters; and

- (ii) Setting a retail charge based on Ergon Energy Retail's averaged costs of manually reading a Type 4A meter to apply to Standard Contract Customers who have voluntarily chosen to have the remote communication function of the advanced digital metering installed at their premises disabled.
- (e) Default tariffs – maintaining the existing nomination of a primary tariff for each class of small customer to apply to a customer's electricity account in the event the customer does not nominate a primary tariff when opening an electricity account;
- (f) Continue enabling retailers to also charge Standard Contract Customers for the following customer retail services that are not included in regulated retail tariffs:
  - (i) Amounts in accordance with a program or scheme for the purchase of electricity from renewable or environmentally-friendly sources (whether or not those additional amounts are calculated on the basis of the customer's electricity usage), but only if:
    - (a) the customer voluntarily participates in such program or scheme;
    - (b) the additional amount is payable under the program or scheme; and
    - (c) the retailer gives the customer prior written notice of any change to the additional amount payable under the program or scheme.

**Consultation Requirements (section 90AA(3)(e) of the Act)**
*Interim Consultation Paper*

3. The QCA must publish an interim consultation paper identifying key issues to be considered when making the price determination.
4. The QCA must publish a written notice inviting submissions about the interim consultation paper. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the price determination.
5. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

*Consultation Timetable*

6. The QCA must publish an annual consultation timetable within two weeks after submissions on the interim consultation paper are due, which can be revised at the

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**DELEGATION TO QCA**

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discretion of the QCA, detailing any proposed additional public papers and information sessions that the QCA considers would assist the consultation process.

***Information Sessions and Additional Consultation***

7. As part of the interim consultation paper and in consideration of submissions in response to the interim consultation paper, the QCA must consider the merits of additional public consultation (information sessions and papers) on identified key issues.

***Draft Price Determination***

8. The QCA must investigate and publish its draft price determination on regulated retail electricity tariffs, with each tariff (to the extent practicable) to be presented as bundled prices appropriate to the retail tariff structure.
9. The QCA must publish a written notice inviting submissions about the draft price determination. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the draft price determination.
10. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

***Final Price Determination***

11. The QCA must investigate and publish its final price determination on regulated retail electricity tariffs, with each tariff (to the extent practicable) to be presented as bundled prices appropriate to the retail tariff structure, and gazette the retail tariffs in the form of a Tariff Schedule.

***Time frame for QCA to make and publish reports (section 90AA(3)(b) of the Act)***

12. The QCA must make its reports available to the public and, at a minimum, publicly release the papers and price determinations listed in paragraphs 3 to 11.
13. The QCA must publish the interim consultation paper for the 2023–24 tariff year no later than one month after the date of this Delegation.
14. The QCA must publish the draft price determination on regulated retail electricity tariffs no later than February 2023.
15. The QCA must publish the final price determination on regulated retail electricity tariffs for the 2023–24 tariff year and have the retail tariffs gazetted no later than 9 June 2023.

(SCHEDULE ENDS)

## DELEGATION TO QCA

## DEPARTMENT OF ENERGY AND PUBLIC WORKS

*Electricity Act 1994*ELECTRICITY (MINISTERIAL) DELEGATION (NO. 2) 2022  
to the Queensland Competition Authority (QCA)**Preliminary matters**

1. The preliminary matters form part of this delegation.
2. **QCA** means the Queensland Competition Authority established under the *Queensland Competition Authority Act 1997*.
3. Section 89A of the *Electricity Act 1994* (the Act) relevantly provides:  
**price determination** see section 90(1).  
**pricing entity** means—
  - (a) the Minister; or
  - (b) QCA, if the Minister delegates a function of the Minister under section 90(1) to QCA.
4. Section 90(1) of the Act provides:  
*The Minister must, for each tariff year, decide (a **price determination**) the prices, or the methodology for fixing the prices, that a retailer may charge its standard contract customers for all or any of the following—*
  - (a) *customer retail services;*
  - (b) *charges or fees relating to customer retail services;**Examples—*
  - *charges or fees for late or dishonoured payments*
  - *credit card surcharges for payments for the services*
  - (c) *other goods and services prescribed under a regulation.*
5. Section 90(5) provides:  
In making a price determination, the pricing entity—
  - (a) must have regard to all of the following—
    - (i) the actual costs of making, producing or supplying the goods or services;
    - (ii) the effect of the price determination on competition in the Queensland retail electricity market;
    - (iii) if QCA is the pricing entity—any matter the pricing entity is required by delegation to consider; and
  - (b) may have regard to any other matter the pricing entity considers relevant.
6. Section 90AA(1) of the Act provides that the Minister may delegate to the QCA all or any of the Minister's functions under section 90(1) of the Act.
7. Section 90AA(2) of the Act provides that delegation to the QCA may state the terms of reference of the price determination.
8. Section 90AA(3) of the Act provides what the terms of reference may specify and how the terms of reference may apply.

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**DELEGATION TO QCA**

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9. The terms of reference provided for in sections 90AA(2) and (3) of the Act are contained in the Schedule to this delegation and comprise the matters under section 90(5)(a)(iii) of the Act that the QCA as the pricing entity is required by delegation to consider.

**Power to delegate**

10. Under section 90AA(1) of the Act, the Minister may delegate to the QCA all or any of the Minister's functions under section 90(1) of the Act.

**Powers delegated**

11. I delegate the functions of the Minister under section 90(1) of the Act to the QCA for the 2023-24 tariff year, in respect of the following matters:
- (a) developing up to two new standard retail tariffs (together, the **new tariffs**) to be included in the 2023-24 Tariff Schedule, to be amended if required, based on the residential and small business network tariffs that underpin existing retail standard tariffs 12B and 22B:
    - (i) a residential 3-rate time of use energy tariff; and
    - (ii) a small business 3-rate time of use energy tariff.
  - (b) deciding the prices, or the methodology for fixing the prices, for the new tariffs developed under paragraph 11(a) that a retail entity may charge its Standard Contract Customers in Queensland (other than Standard Contract Customers in the Energex distribution area) for the new retail tariffs; and
  - (c) adding the new tariffs as standard tariffs to the Tariff Schedule pursuant to section 90(3)(c) of the Act.
12. The new retail tariffs must take effect on 1 July 2023 for the 2023-24 tariff year.
13. Pursuant to section 90(5)(a)(iii) of the Act, in exercising the functions specified in paragraph 11 above, the QCA must have regard to the terms of reference in the schedule.

**Conditions of delegation**

14. The delegated functions of the Minister must only be exercised for the purpose of deciding the prices, or the methodology for fixing the prices that a retail entity may charge its Standard Contract Customers in Queensland, other than Standard Contract Customers in the Energex distribution area.
15. In exercising the delegated functions under section 90, the QCA, as the pricing entity, must have regard to all of the matters set out in section 90(5) of the Act, and the terms of reference in the Schedule to this delegation.
16. In exercising the delegated functions, the QCA must have regard to all relevant statutory provisions, whether referred to in this delegation or not.

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**DELEGATION TO QCA**

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**Revocation**

17. This delegation operates concurrently with any previous delegations to the QCA still in force. This delegation prevails over any previous delegations in force to the extent of any inconsistency.
18. Unless earlier revoked in writing, this delegation ceases upon gazettal by the QCA of its final price determination on the regulated retail electricity matters set out in paragraph 11 for the 2023-24 tariff year under section 90AB of the Act.

**Note to delegation**

19. Statutory references are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to and all regulations, rules, by-laws, local laws, proclamations, orders, prescribed forms and other authorities pursuant thereto.

This delegation is made by the Honourable Mick de Brenni MP  
Minister for Energy, Renewables and Hydrogen and  
Minister for Public Works and Procurement:

**Signed:**



The Honourable Mick de Brenni MP  
**Minister for Energy, Renewables and Hydrogen and  
Minister for Public Works and Procurement**

**Dated:**

14/12/2022

## DELEGATION TO QCA

**SCHEDULE**  
**Terms of Reference**  
**Section 90(5)(a)(iii) and 90AA of the Act**

***Period for which the price determinations will apply (section 90AA(3)(a) of the Act)***

1. The price determination for the new tariffs takes effect from 1 July 2023 and remains in force until the end of the 2023-24 tariff year.

***Policies, principles and other matters the QCA must consider when working out the notified prices and making the price determination (sections 90(5)(a)(iii), 90AA(3)(c) and 90AA(3)(d) of the Act)***

2. The policies, principles and other matters that the QCA is required by this delegation to consider for the new retail tariffs are:
  - (a) Uniform Tariff Policy — the Government's Uniform Tariff Policy, which provides that, wherever possible, customers of the same class should pay no more for their electricity, and should be able to pay for their electricity via similar common price structures, regardless of their geographic location;
  - (b) For the new tariffs:
    - i. Framework – use of 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 generally treated as a pass-through and R (energy and retail cost) is determined by the QCA;
    - ii. When determining the N components, basing the network cost component on the price level of the relevant Energex network charges to be levied by Energex, but using the relevant Ergon Energy Corporation Limited (EECL) tariff structures; and
    - iii. When determining the R component, use of relevant data and assumptions developed and applied under the *Electricity (Ministerial) Delegation (No. 1) 2022 to the Queensland Competition Authority (QCA)*, and application of a methodology whereby the R component delivers greater price differentials between peak and non-peak periods compared to Tariffs 12B and 22B, in a way that may encourage more energy use during the day;

***Consultation Requirements (section 90AA(3)(e) of the Act)******Interim Consultation Paper***

3. The QCA must publish an interim consultation paper identifying key issues to be considered when making the price determination.
4. The QCA must publish a written notice inviting submissions about the interim consultation paper. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the price determination.

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**DELEGATION TO QCA**

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5. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

*Consultation Timetable*

6. The QCA must publish a consultation timetable within two weeks after submissions on the interim consultation paper are due, which can be revised at the discretion of the QCA, detailing any proposed additional public papers and information sessions that the QCA considers would assist the consultation process.

*Information Sessions and Additional Consultation*

7. As part of the consultation process and in consideration of any relevant consultation already undertaken, the QCA must consider the merits of additional public consultation (information sessions and papers) on identified key issues.

*Draft Price Determination*

8. The QCA must investigate and publish its draft price determination on the new tariffs with each tariff (to the extent practicable) to be presented as bundled prices appropriate to the retail tariff structure.
9. The QCA must publish a written notice inviting submissions about the draft price determination. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the draft price determination.
10. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

*Final Price Determination*

11. The QCA must investigate and publish its final price determination on the new tariffs with each tariff (to the extent practicable) to be presented as bundled prices appropriate to the retail tariff structure and gazette the retail tariffs in the form of a Tariff Schedule.

*Time frame for QCA to make and publish reports (section 90AA(3)(b) of the Act)*

12. The QCA must make its reports available to the public and, at a minimum, publicly release the papers and price determinations listed in paragraphs 3 to 11.
13. The QCA must publish the draft price determination on regulated retail electricity tariffs no later than February 2023.
14. The QCA must publish the full 2023-24 Tariff Schedule, amended as required to include the new tariffs in the Queensland Government gazette no later than 9 June 2023.

(SCHEDULE ENDS)