

6 May 2026

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

By online form: <https://www.qca.org.au/submissions/>

Dear Mr Millstead

Submission to the QCA Regulated retail electricity prices in regional Queensland for 2026-27 draft determination

Thank you for the opportunity to provide feedback in relation to the Queensland Competition Authority's (QCA's) draft determination on regulated retail electricity prices ('Notified Prices') to apply in the Ergon Energy area (regional and rural Queensland) from 1 July 2026 to 30 June 2027. The draft determination is in response to a delegation from the Queensland Minister for Energy ('the Minister').

The Queensland Council of Social Service (QCOSS) has engaged Etrog Consulting to provide detailed technical advice to inform our submission, and this advice is provided as an attachment. This submission builds on our submission to the QCA interim consultation on 2026-27 Notified Prices, which was informed by an earlier report by Etrog Consulting. We appreciate QCA's considered engagement with that submission as evident by references and responses to QCOSS' submission in QCA's draft determination.

In preparing this submission, QCOSS has also engaged with members of our Essential Services Consultative Group (ESCG), which meets on a quarterly basis. QCOSS' ESCG provides a channel for community organisations to contribute to energy policy, including consumer reforms.

Following the publication of QCA's draft determination on 27 March 2026, the ESCG met on 7 April 2026 to discuss the draft determination. This included a presentation and workshop from David Prins from Etrog Consulting to inform the technical report as well as this QCOSS submission.

QCOSS has also welcomed the opportunity to be further informed about the QCA's draft determination and to provide feedback through the QCA information session held in Brisbane on 16 April 2026, and at the QCA Consumer Advisory Committee meeting on 27 April 2026.

About QCOSS

Queensland Council of Social Service (QCOSS) is Queensland's peak body for the social service sector. Our vision is to achieve equality, opportunity, and wellbeing for all Queenslanders. As part of that vision, we see every household confidently using the energy they need to stay well without taking on debt or making trade-offs between essentials such as healthcare, energy, food, and housing.



Contact
(07) 3004 6900
qcooss@qcooss.org.au
www.qcooss.org.au

Postal Address
PO Box 3786
South Brisbane

Street Address
Ground Floor,
20 Pidgeon Close,
West End, QLD, 4101

**Queensland Council
of Social Service Ltd**
ABN 11 781 477 447
ACN 169 502 032

As noted above, this submission has been guided by consumer and community representatives through QCOSS' ESCG. The ESCG draws on the community service sector's experience in supporting people with lived experience of poverty and vulnerability.

QCOSS' position

QCOSS' research, including our [2025 Living Affordability in Queensland Report](#), has found that many Queensland households do not have enough money to get by, especially those in regional areas or on low incomes. Regulatory pricing decisions relating to essential services, such as energy, materially impact people's financial wellbeing and their opportunities to engage and participate in employment and the community. The cost of energy remains a key issue for communities across regional Queensland and must be front of mind for the QCA.

QCOSS broadly welcomes the draft determination, which would see residential customer bills in regional Queensland decrease by between 9.2 per cent and 9.7 per cent (and by between \$212 and \$232) relative to 2025-26 Notified Prices. This is essentially due to the 2026-27 south east Queensland (SEQ) Default Market Offer (DMO) set by the Australian Energy Regulator (AER) being set as a cap as per the Minister's delegation to the QCA in determining 2026-27 Notified Prices for regional Queensland. This is in line with the retail pricing policy as set out in the Terms of Reference for the Minister's delegation to QCA, highlighting the role of the Uniform Tariff Policy (UTP) in this pricing process:

*"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 be able to pay for their electricity via similar common price structures, regardless of their geographic location."*¹

This understanding of the purpose and intent of the UTP is central to QCOSS' concerns related to key elements of the draft determination.

This submission outlines QCOSS' recommendations in relation to the key elements of the draft determination, namely: the Solar Sharer Offer (SSO); an Electric Vehicle (EV) tariff; the Standing Offer Adjustment (SOA); the DMO comparison; using DMO prices in the Ergon Energy area; updating retail costs; and comparing actual prices in the Energex area. Some recommendations are intended to inform QCA's final determination for 2026-27 Notified Prices (e.g., introducing a Solar Sharer tariff), while others are focused on improving the approach to determining Notified Prices in 2027-28 and beyond (e.g., removing the SOA and updating retail cost estimates).

Recommendation 1: Introduce a Solar Sharer tariff in regional Queensland in 2026-27

Under the Minister's direction, QCA should establish a program of consultation with energy consumers and other stakeholders in regional Queensland on introducing a tariff equivalent to the SSO that will be available to residential customers in SEQ from 1 July 2026 under the Australian Energy Regulator's DMO for 2026-27.

If it is not feasible to introduce a Solar Sharer tariff in regional Queensland from 1 July 2026, we would urge QCA to aim for this new tariff to be available to residential customers from 1 October 2026.

¹ Queensland Treasury. (2026). *Electricity (Ministerial) Delegation (No. 1) 2026*, to the Queensland Competition Authority, p 3. <https://www.qca.org.au/wp-content/uploads/2025/12/notified-prices-delegation.pdf>

Recommendation 2: Consult with residential energy consumers to ensure a low-cost, opt-in EV tariff in regional Queensland with adequate consumer protections

In line with the Minister's delegation, Ergon Energy has proposed an EV tariff for regional Queensland which it sees as fitting within the UTP given the availability of EV tariffs in the competitive SEQ retail electricity market. Ergon Energy also cite the Queensland Government's Energy Roadmap which refers to:

"Ergon Retail trialling a new retail tariff for low-cost EV charging. By encouraging EV charging during the day, Queensland can better utilise its distribution network, make the most of its high uptake in rooftop solar and delay costly network upgrades from increasing periods of peak demand."²

There is also a clear alignment of logic in terms of introducing a Solar Sharer tariff in regional Queensland based on both the UTP (equivalence with the SEQ DMO SSO) and the Energy Roadmap (shifting energy consumption during the day).

Recommendation 3: Remove the Standing Offer Adjustment from QCA's pricing methodology

We recommend that QCA remove the Standing Offer Adjustment (SOA) from its method of determining Notified Prices in future determinations commencing 2027-28.

QCA incorporated the SOA into Notified Prices prior to undertaking the DMO comparison. The draft determination notes that:

"Based on our assessment of 2024–25 market data, small customers on market contracts in SEQ can incur additional fees of, on average, \$54.18 per year, equivalent to around 3.09% of a typical small customer's annual bill.

Accordingly, we consider a SOA of 3.09% (of total costs) to be appropriate for inclusion in small customer notified prices."³

We argue that all retail costs should be addressed in QCA's retail cost calculation under the Network plus Retail (N+R) methodology, making the SOA redundant.

Ahead of QCA's 2027-28 Notified Prices determination, we would welcome consultation with consumer representatives on the value and validity of retaining the SOA as part of determining regulated retail electricity prices in regional Queensland.

Recommendation 4: QCA should apply a DMO adjustment without the need for a negative SOA adjustment

We support QCA continuing to adopt an N+R approach to setting Notified Prices that includes a DMO adjustment in view of the DMO acting as a price cap, with standard flat rate tariffs in regional Queensland to be set no higher than the equivalent SEQ DMO.

² The State of Queensland (Queensland Treasury). (2025). *Energy roadmap: improving our energy assets while building what we need for the future*, p 53. <https://www.treasury.qld.gov.au/files/Queensland-Energy-Roadmap-2025-25-043.pdf>

³ Queensland Competition Authority. (2026). *Regulated retail electricity prices in regional Queensland for 2026-27 draft determination*, p 47. <https://www.qca.org.au/wp-content/uploads/2025/12/draft-determination-notified-prices-2026-27.pdf>

In line with Recommendation 3, the DMO adjustment would remove the need for undertaking the SOA and a subsequent SOA adjustment as has been done in the 2026-27 draft determination. The QCA's draft determination proposes an SOA adjustment that would reduce the 3.09 per cent SOA to -5.62 per cent for all residential customer tariffs to meet the SEQ DMO price cap.

Recommendation 5: QCA undertake a full bottom-up reanalysis of retail costs

A full bottom-up reanalysis of retail costs should occur as soon as practicable, in advance of the 2027-28 Notified Prices determination. The retail costs should then be set at the lower of:

- re-application of the previous year's methodology; and
- new bottom-up assessment.

The reanalysis should consider the fact that customers are increasingly encouraged to move to 'self-service'.

Recommendation 6: QCA should set Notified Prices with reference to prices paid by the vast majority of SEQ electricity customers on market offers

In line with the UTP, Notified Prices in regional Queensland should not only be set with reference to the SEQ DMO, but also with reference to the market offers which 91 per cent of SEQ residential electricity customers are signed up to. QCA's [SEQ Retail Electricity Market Monitoring Report 2024-25](#) notes that over the past 10 years the weighted average standing offer bill was always higher than the weighted average market offer bill.⁴

If retained, an SOA should be re-directed to ensuring that Notified Prices for residential electricity customers in regional Queensland are adjusted so that they are in line with what the majority of SEQ customers pay in a competitive retail market where this is below the SEQ DMO.

Recommendation 7: QCA should provide advice to the Queensland Government regarding the need for energy literacy programs to assist households to understand the tariff choices available to them

Especially with the potential introduction of two new tariffs in 2026-27 (i.e., EV and Solar Sharer tariffs), there is an ongoing and additional need to ensure that energy consumers – especially vulnerable or disadvantaged consumers – have access to independent and trusted information, advice and guidance as to the choices that are available to them and their appropriateness based on their circumstances.

QCOSS' [2026-27 Pre-budget Submission](#) calls for funding to help improve the energy literacy and engagement of Queenslanders in the electricity system by continuing and growing successful energy literacy programs, such as the Enable Grants Program and establishing a network of community power hubs.⁵

⁴ Queensland Competition Authority. (2026). *SEQ retail electricity market monitoring 2024-25 report*. <https://www.qca.org.au/wp-content/uploads/2025/09/seq-retail-electricity-market-monitoring-2024-25-report.pdf>

⁵ QCOSS. (2026). *Queensland Budget 2026-27: our pre-budget submission*. <https://www.qcoSS.org.au/wp-content/uploads/2026/02/QCOSS-2026-2027-Budget-Submission.pdf>

Conclusion

Electricity is an essential service and equity in pricing should be an enduring feature of Queensland's energy system.

This submission has sought to highlight key areas in which QCA's final determination for 2026-27 and future determinations can best ensure equity in pricing for residential electricity customers in regional Queensland. In 2026-27 this would be achieved by ensuring the introduction of a Solar Sharer tariff in line with the SSO that will be available to SEQ customers through the DMO from 1 July 2026.

Future determinations would benefit from consultation with consumer representatives and other stakeholders on whether the SOA should be abandoned and whether Notified Prices in regional Queensland should be determined with reference to prices paid by the vast majority of SEQ residential electricity customers on market offers. Such consultation would help ensure that Notified Prices are in line with the UTP "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."

Thank you again for the opportunity to provide our submission. We would welcome further engagement on the issues we have raised and the recommendations we have made.

Yours sincerely



Aimee McVeigh
Chief Executive Officer



Contact

(07) 3004 6900
qcoSS@qcoSS.org.au
www.qcoSS.org.au

Postal Address

PO Box 3786
South Brisbane

Street Address

Ground Floor,
20 Pidgeon Close,
West End, QLD, 4101

Queensland Council of Social Service Ltd

ABN 11 781 477 447
ACN 169 502 032



REPORT

Prepared for:

Queensland Council of Social Service (QCOSS)

20 Pidgeon Close

West End QLD 4101

Notified Prices 2026-27 Response to QCA Draft Determination

Prepared by:

Etrog Consulting Pty Ltd

Melbourne VIC

Australia

+61 403 444141

dprins@etrogconsulting.com.au

www.etrogconsulting.com.au

Date: 30 April 2026

Author(s): David Prins

30 April 2026

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The information in this report is of a general nature. It is not intended to be relied upon for the making of specific financial decisions.

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

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1. INTRODUCTION

This report is a response to a draft determination issued by Queensland Competition Authority (QCA) regarding regulated retail prices, known as “notified” prices, to apply in the Ergon Energy area (regional and rural Queensland) from 1 July 2026 to 30 June 2027.¹ QCOSS has previously provided a response to the QCA’s interim consultation paper regarding notified prices for 2026-27, which included a report from Etrog Consulting.

This is a report to QCOSS, to be used by QCOSS to form a submission to QCA on behalf of a consortium comprising the following Queensland-based community organisations:

- QCOSS
- COTA Queensland
- Energetic Communities Association
- Financial Counselling Queensland
- First Nations Clean Energy Network
- Queensland Consumers Association

This report has been informed in part by discussion of the QCA’s draft determination with consumer and community representatives at a meeting of the QCOSS Essential Services Consultative Group on 7 April 2026.

There are several aspects to the setting of notified prices in 2026-27 which have not been present in previous years, including:

- Substantial uptake of storage batteries in households, funded through the Federal Government’s Cheaper Home Batteries Program;² and
- The Federal Government’s proposed Solar Sharer Offer (SSO),³ which is to be implemented in various jurisdictions, including south-east Queensland (SEQ) (the Energex network area) from 1 July 2026 as part of a reformed Default Market Offer (DMO) administered by the Australian Energy Regulator (AER).⁴

¹ Documentation regarding notified prices for 2026-27 and links to previous years’ processes can be found on the QCA website at <https://www.qca.org.au/project/customers/electricity-prices/regulated-electricity-prices-for-regional-queensland-2026-27>

² See <https://www.dcceew.gov.au/energy/programs/cheaper-home-batteries>

³ See <https://www.energy.gov.au/news/solar-sharer-offer-cut-electricity-bills>

⁴ See <https://minister.dcceew.gov.au/bowen/media-releases/next-steps-solar-sharer-offer>

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2. ISSUES CONSIDERED IN THIS REPORT

This submission focuses on a selection of the issues raised in the QCA's draft determination that pertain to residential customers, and particularly those customers who may be experiencing vulnerability or hardship.

These issues are:

- Consideration of incorporating a solar sharer offer (SSO) in notified prices in 2026-27;
- Electric Vehicle (EV) tariffs;
- Standing offer adjustment (SOA);
- Default Market Offer (DMO) comparison;
- Using DMO prices in the Ergon Energy area;
- Retail costs update; and
- Comparison of actual prices in the Ergon Energy area versus the Energex area.

Research has shown that customers want simplicity wherever possible.

New tariff structures must be opt-in and adequately explained to customers to allow customers to make informed choices regarding how they use electricity, what investments they choose to make in Consumer Energy Resources (CER), and how they pay for electricity.

Tariffs should incentivise efficient energy use and efficient investments.

2.1. SOLAR SHARER OFFER (SSO)

Following update of the relevant regulations,⁵ the AER is to implement a Solar Sharer Offer (SSO) in the DMO to take effect from 1 July 2026. The SSO will offer zero priced energy during three hours each day.⁶

We understand that the SSO is aimed at providing the benefits of solar PV to those customers who do not have solar PV, and this is welcomed if it is actually achieved. On the other hand, there is a risk that the benefits could largely accrue to those with storage batteries to which vulnerable customers and renters are unlikely to have access.

In Victoria, it has been announced that consumers will be able to access three hours of free power in the middle of the day, every day of the week, via Victoria's Midday Power Saver offer which will be available from 1 October 2026.⁷

⁵ Competition and Consumer (Industry Code – Electricity Retail) Amendment Regulations 2026; see <https://www.legislation.gov.au/F2026L00215/asmade/downloads>

⁶ See the AER's draft determination at <https://www.aer.gov.au/industry/registers/resources/reviews/default-market-offer-2026-27/draft-determination>

⁷ See <https://www.premier.vic.gov.au/three-hours-free-power-every-day>

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This means that a tariff that offers three hours of free electricity in the middle of the day has been announced to be available to customers in all National Electricity Market (NEM) jurisdictions by 1 October 2026 (and in most cases from 1 July 2026) – except for customers in the Ergon Energy area.

It would be inequitable for such a tariff to be available to Energex area customers as well as to customers in all other jurisdictions in the NEM, but not Ergon Energy area customers. It would also contradict the retail pricing policy in the Minister's delegation:

Retail pricing policy:

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 be able to pay for their electricity via similar common price structures, regardless of their geographic location.

Ergon Energy refers to this retail pricing policy in its proposed EV tariff (which is discussed in the next section below):

This approach is consistent with the Uniform Tariff Policy (UTP) which provides that customers of the same class should, where possible, pay no more for electricity and should have access to similar tariff structures irrespective of geographic location. Smart EV charging options exist in SEQ, and regional customers should have access to equivalent options through the notified price framework.⁸

Analogously, in this case in the absence of a Solar Sharer Offer in the Ergon Energy area, customers in the Energex area will be able to pay for their electricity via a pricing structure that includes free midday electricity, but Ergon Energy area customers will not. This would directly contradict the retail pricing policy in the Minister's delegation.

QCA should establish a program of consultation with consumers and other stakeholders on a tariff that offers free electricity in the middle of the day, for implementation by 1 October 2026, in order to comply with the retail pricing policy in the Minister's delegation.

In implementing a Solar Sharer tariff in the Ergon Energy area, QCA should take note and act on the following:

- It could be inequitable for this tariff structure to be available only to customers with smart meters if there are barriers to installation of smart meters that are difficult for customers (especially vulnerable customers) to overcome. These barriers may include costs of upgrading meter boards and customers in rental accommodation who do not have agency.

⁸ Proposed Electric Vehicle (EV) tariff, Submission to the Queensland Competition Authority, Ergon Energy Queensland Pty Ltd (EEQ), Ergon Energy Queensland Pty Ltd (EEQ), page 4

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- It seems from the DMO draft determination that retailers will recover costs associated with free electricity periods through higher usage charges at other times of the day rather than higher fixed charges. We are concerned that in the alternative, higher fixed charges could negate savings to households, and remove incentives and cost benefits of energy efficiency and demand response. QCA should exclude unfair and counterproductive cost recovery in its methodology.
- QCA should provide advice to the Queensland Government regarding the need for an energy literacy program which would assist vulnerable residential customers to understand the tariff choices available to them, and enable them to choose a tariff that is most appropriate for their circumstances.

2.2. ELECTRIC VEHICLE (EV) TARIFFS

We welcome the fact that Ergon Energy's proposed EV tariff will be an opt-in tariff. This is consistent with our view that any EV tariff should be an additional tariff, not mandatory for EV users. Importantly, it should add to, and not take away from, consumer choice. That way, there should be no customer detriment that results from having an additional EV tariff in place.

In its draft determination, the QCA has stated that Ergon Energy has submitted its EV tariff proposal to commence from 1 November 2026, and QCA has published the EV tariff proposal on its website. Our review of what is called a tariff proposal is not actually a tariff proposal, given that it does not propose any tariff rates. Rather it comprises a tariff structure proposal and various tariff conditions.

Determining tariff rates for an Ergon Energy area EV tariff will not be straightforward. Ergon Energy's EV tariff states:⁹

EEQ recommends the rate be no more than Tariff 31 and be otherwise aligned with what retailers in the competitive Southeast Queensland (SEQ) market reasonably offer.

EEQ needs to propose an EV tariff that is an equivalent option in comparison to SEQ when there is no standard EV tariff. EEQ must take into account the Queensland Energy Roadmap 2025, which refers to the new Ergon Retail EV tariff as delivering "low-cost EV charging", "encouraging EV charging during the day" so that "Queensland can better utilise its distribution network, make the most of its high uptake in rooftop solar and delay costly network upgrades from increasing periods of peak demand".¹⁰

The EV tariff is not required to apply the N+R methodology that is used to determine notified prices, and the Community Service Obligation (CSO) implications are unknown – requiring transparency in determining SEQ equivalence, low-cost, and cost to Queensland taxpayers due to CSO implications.

⁹ Proposed Electric Vehicle (EV) tariff, Submission to the Queensland Competition Authority, Ergon Energy Queensland Pty Ltd (EEQ), Ergon Energy Queensland Pty Ltd (EEQ), page 2

¹⁰ The Roadmap is available at <https://www.treasury.qld.gov.au/policies-and-programs/energy/energy-roadmap>. See Policy settings, demand side management, tariff structures, page 53

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We are concerned that the proposed Ergon Energy EV tariff terms and conditions will require users of the tariff to download and access an app in order to take advantage of the tariff. We understand that EV drivers are already distressed at the large number of apps they need to download in order to access different charging infrastructure, and do not want yet another app, especially if it may overlap in functionality with other existing apps. Apps require Internet access to function, and Internet access can be patchy at best in regional and rural areas in the Ergon Energy network.

Further, there is mention in the proposed EV tariff that Ergon Energy will consult with Treasury regarding the tariff. It is a significant omission that there is no mention of any consultation with customers / EV drivers either to date or planned for the future.

Before QCA approves this or any other Ergon Energy Retail EV tariff, QCA and Ergon Energy Retail should undertake a full consultative process with consumers / EV drivers, which would encompass consultation on the actual tariff rates as well as tariff structure and tariff terms and conditions. The consultation should include the methodology for determining tariff charges and tariff structure which has SEQ equivalence; consideration of low cost to tariff users vs CSO implications; the customer protections customers will be afforded on this tariff, accessibility; and the desirability and need for an additional app from the perspective of consumers / EV drivers.

2.3. STANDING OFFER ADJUSTMENT (SOA)

In recent years, QCA has incorporated into notified prices a standing offer adjustment (SOA), supposedly “to reflect the value of more favourable terms and conditions in standard contracts relative to market contracts”.¹¹

We have not supported the idea of SOA since its inception. It has no transparency, and there is no basis of fact that customers attribute this or any value to standard contracts as against market contracts.

Further, all costs to retailers should be addressed in the retail costs calculation under the N+R methodology, making an SOA that also addresses an element of retail costs redundant. The role of the SOA should be limited to matching the DMO cap, which as we set out in the next section below we propose should be renamed to “DMO adjustment”.

In its draft determination for 2026-27, QCA says:

We estimate the SOA using an established method that draws on SEQ retail market information to assess the costs associated with market contracts (e.g. the fees and charges a typical SEQ customer may incur). This market data acts as a proxy for estimating **the value of standard contract terms for customers** in regional Queensland¹²

¹¹ This wording has been present in QCA’s reports over several years. Most recently prior to this year, see QCA’s Final Determination of notified prices for 2025-26, section 5.1, page 30.

¹² QCA draft determination for 2026-27, section 5.1 – Standing offer adjustment – small customers, page 46

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...

Importantly, the SOA **does not attempt to measure the value customers themselves place on standard contract terms and conditions**, which may vary across customers and may in some cases be zero. Instead, it reflects the value retailers place on these terms, as evidenced by the fees and charges applied under market contracts when customers do not comply with certain contract conditions. These fees provide observable market evidence of **the cost retailers associate** with removing or relaxing these conditions. As such, it is appropriate to recognise the additional **value** of the more favourable and certain terms and conditions available under standard retail contracts.¹³

There seems to be contradiction between the words we have highlighted in bold.

We share the view that the charges that retailers choose to apply for provision of these services bears no relation to the value of the services to customers. We also strongly contest the view that the prices that retailers choose to charge for providing certain optional services can serve as being a proxy for the value of the services to customers.

The **value of standard contract terms for customers** can only be determined by customers, not by anyone else. We agree with the QCA that customers may value these contract terms at **zero**. The method that QCA is using to estimate the SOA has nothing to do with the **value of standard contract terms for customers**, but rather it is based on charges that retailers concoct to provide optional services that customers may not want to opt into at any price.

It is inequitable to ask customers to pay more for contract terms simply because retailers might want to charge for additional services that are included at no extra cost in standard contract terms. Further, there is no evidence that customers are interested to receive these services, and there is no evidence that customers ascribe non-zero value to the services. It is also inconsistent with the retail pricing policy set out in the Minister's delegation, as quoted above:

Retail pricing policy:

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 be able to pay for their electricity via similar common price structures, regardless of their geographic location.

The SOA (before adjustment for DMO) adds costs to Ergon Energy customers that Energex area customers do not pay, thus forcing customers in the Ergon Energex area to pay more than customers of the same class in the Energex area.

The Standing Offer Adjustment (SOA) should be removed from the notified prices determination for 2026-27.

¹³ QCA draft determination for 2026-27, section 5.1 – Standing offer adjustment – small customers, page 47

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2.4. DEFAULT MARKET OFFER (DMO) COMPARISON

In previous years, the notified prices calculations undertaken by QCA have been found to reach a level higher than the equivalent DMO prices set by AER in the Energex area. On that basis, QCA has adjusted the notified prices to lower them by making an adjustment to the SOA. This approach is also taken in the QCA’s 2026-27 draft determination.¹⁴

QCA should continue to adopt an N+R approach to setting notified prices, with DMO adjustment, but it has nothing to do with the SOA.

QCA should continue to apply a DMO adjustment, but divorce it from the SOA which would cease to exist, and instead the DMO adjustment can be called simply DMO adjustment which restores transparency.

We emphasise that the Minister’s Delegation and Letter only point to SOA as being a mechanism for DMO adjustment for Uniform Tariff Policy (UTP) purposes. There is no merit or delegation basis for retaining the SOA for any other purpose than for DMO parity for the UTP.¹⁵

This is compatible with the letter from the Minister accompanying the delegation which refers to adjustment of the notified prices so they are not higher than the equivalent SEQ DMO. While the letter refers to applying a “SOA adjustment”, replacing this with a “DMO adjustment” is mathematically identical.

2.5. USING DMO PRICES IN THE ERGON ENERGY AREA

The Minister’s letter contemplated an option (which is not the Minister’s stated preferred approach) for DMO tariffs to be used directly in the Ergon Energy area, instead of QCA calculations that are then adjusted.

We consider that going forward DMO tariffs are not fit for purpose for notified prices in the Ergon Energy area:

- Retail energy pricing is fundamental to economic development, sustainability, cost of living and viability of residential and small business customers. Uniquely in the NEM, in the Ergon Energy area there is no effective retail competition in the supply of electricity, which is an essential service. Reflecting this unique position, it is important for retail price regulation in the Ergon Energy area to be retained under Queensland jurisdiction, in accord with the Australian Energy Market Agreement (AEMA).¹⁶

¹⁴ QCA draft determination for 2026-27, section 5.1.1 – DMO comparison, pages 47-50

¹⁵ Under the UTP in operation in Queensland, subsidies of \$604 million were provided in 2024-25 through Community Service Obligations (CSO), so that regional consumers can access electricity on a fair and reasonable basis (including \$94 million for isolated communities).

¹⁶ See <https://www.energy.gov.au/energy-and-climate-change-ministerial-council/energy-ministers-publications/australian-energy-market-agreement-amended-december-2013>, which included “Agreement that the AER will be responsible for the regulation of distribution and retailing (other than retail pricing)”.

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- DMO tariffs are designed for use where there is full effective competition (i.e. where customers have a real choice between competitive market offers). This is a small proportion of customers. DMO tariffs are not designed for customers who have no effective competitive market offer choice, as in the Ergon Energy area.
- There is no certainty that the DMO will continue, especially if the number of customers on standing offers decreases further. It may be considered in future that (as was the case in the past) retail competition is effective, and no retail price regulation is required in DMO jurisdictions. In contrast, notified prices are needed while there is no effective competition in the Ergon Energy area and all residential and small business customers are affected.

The QCA's draft determination agreed with our position as stated above.¹⁷

In accord with the Minister's stated preferred approach, QCA should continue to adopt a Network plus Retail (N+R) approach to setting notified prices, with a DMO adjustment replacing the negative SOA adjustment currently being used to meet the DMO cap. This is in accord with QCA's draft determination for 2026-27.

2.6. RETAIL COSTS UPDATE

Retail costs relate to the costs of running a retail business. They include:

- Operating costs: the administrative costs of servicing existing customers and acquiring new customers (e.g. costs related to operating call centres, operating billing systems and collecting revenue); and
- A retail margin: the return to investors for a retailer's exposure to systematic risk associated with providing retail electricity services.

QCA established benchmark retail cost allowances in 2016-17. QCA then reviewed the benchmarks in its 2021-22 notified price review, and revised the small customer allowances using updated market information.

Using this benchmark, QCA has estimated retail costs for small customers each year with fixed and variable components:¹⁸

- The fixed component was set by QCA in its 2021-22 notified price review, and it has been adjusted for inflation each year since.
- The variable component was maintained each year at 7.25% for residential customers.

In its draft determination for 2026-27, QCA states:¹⁹

We engaged ACIL to apply the established benchmarking methodology to recent 2025-26 SEQ market offers.

¹⁷ QCA draft determination for 2026-27, section 5.1.1 – DMO comparison, pages 47-50

¹⁸ Source: QCA's Final Determination of notified prices for 2025-26, section 4.2.2 – Retail costs, page 25

¹⁹ QCA draft determination for 2026-27, section 4.2.2 – Retail costs – small customers, page 38

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Under this method, retail costs are derived as a residual – that is, after subtracting the following from observed market offer prices:

- regulated wholesale energy costs,
- regulated network costs, and
- regulated retail-related metering costs.

We commend QCA for attempting to update the old benchmarks, but we are unsurprised that basing on SEQ market offers gave wide variation across retailers. In some cases, the implied retail cost was negative.²⁰

We agree with the following statement of QCA:

The benchmarking approach works best where market prices reflect a reasonably consistent recovery of underlying costs. Current market conditions in SEQ suggest this may not be the case.

We would strengthen that to say that the approaches of retailers to setting market prices have evolved over the years such that market prices do not consistently set such a framework that allows retail costs to be derived as a residual after subtracting other costs from observed market offer prices. We do not believe that this approach of using the residual to derive retail costs is fit for purpose. Nor do we have confidence that this approach will be fit for purpose in future.

In 2013 the AEMC recommended that regulators use both benchmarking and a bottom-up assessment as tools in assessing an efficient retailer operating cost.²¹

We also note that ACIL Allen wrote:²²

We continue to be of the view that, in theory, the benchmarking approach continues to be an appropriate methodology for the QCA to adopt.

Where we disagree is in considering that allowing retail costs to be derived as a residual after subtracting other costs from observed market offer prices is an appropriate benchmarking approach. It isn't, and that method should no longer be used by QCA.

²⁰ QCA draft determination for 2026-27, section 4.2.2 – Retail costs – small customers, page 38

²¹ Australian Energy Market Commission, Advice on best practice retail price methodology, Final report, 27 September 2013, page 60

²² ACIL Allen, 2026-27 notified prices review, Retail costs update, Draft report, 11 March 2026, section 7.1 – Updated retail cost, small customers, page 36

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The benchmarks on which QCA has been relying to estimate retail costs are somewhat old and outdated, and the benchmarking approach of calculating retail costs as a residual after subtracting other costs from observed market offer prices is no longer fit for purpose.

QCA should now undertake a full bottom-up reanalysis of retail costs for 2026-27, rather than simply reapplying the previous years' benchmarks and methodology for annual update. The retail costs should then be set at the lower of

- Re-application of the previous years' methodology; and
- New bottom-up assessment.

It is noted that customers are nowadays encouraged to move to increasing "self-service", and this should be taken into account in re-evaluation of retail costs.

2.7. COMPARISON OF ACTUAL PRICES IN THE ERGON ENERGY AREA VS THE ENERGEX AREA

On 26 May 2025, the AER reported that only 8.9% of residential customers in SEQ are on standing offers.²³

QCA has been monitoring the SEQ retail electricity market annually since 2016-17.²⁴ QCA's latest SEQ retail electricity market monitoring report states:²⁵

We compared and assessed trends in bills for residential and small business customers from 2015-16 to 2024-25, based on annual bills (in nominal dollars) weighted by retailer market share. Weighted average standing offer bills were always higher than weighted average market offer bills.²⁶

Standing offers in the Ergon Energy area have been set at the level of the DMO applicable in the Energex area. As quoted above, QCA's own market monitoring shows that weighted average standing offer bills in SEQ were always higher than weighted average market offer bills, and thus notified prices (paid by Ergon Energy customers) are always higher than the weighted average bills of the 91% of customers in the Energex area who are on market offers.

We submitted the above points to the QCA's interim consultation paper and we thank QCA for stating:²⁷

We acknowledge these concerns regarding electricity prices and affordability.

²³ Source: <https://www.aer.gov.au/news/articles/news-releases/final-determination-2025-26-safety-net-prices-nsw-sa-and-se-qld>

²⁴ See <https://www.qca.org.au/project/customers/seq-market-monitoring>

²⁵ SEQ retail electricity market monitoring 2024-25, Report, published December 2025

²⁶ See page 1 of the report

²⁷ QCA draft determination for 2026-27, section 3 – Overarching framework, page 12

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In its draft determination, QCA states that the UTP

seeks to ensure that customers of the same class have access to similar price structures and that regional customers do not pay more than the relevant regulated benchmark in SEQ.²⁸

However, this differs in a subtle but significant way from what the Minister's delegation stated:

Retail pricing policy:

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 be able to pay for their electricity via similar common price structures, regardless of their geographic location.

The Minister's delegation required that Ergon Energy customers should pay no more for their electricity than Energex area customers. We do not read this as saying that Ergon Energy customers should pay no more for their electricity than the relevant regulated benchmark in SEQ. This is not at all the same thing. The Minister's delegation requires QCA to pay heed to what Energex area customers are actually paying for their electricity, not specifically to the relevant regulated benchmark in SEQ which in May 2025 was only relevant to 8.9% of residential customers in SEQ.

In accord with the retail pricing policy in the Minister's delegation, QCA should set notified prices in the Ergon Energy area no higher than the prices paid by 91% of customers in the Energex area, rather than no higher than the prices paid by only 8.9% of customers in the Energex area.

²⁸ QCA draft determination for 2026-27, section 3 – Overarching framework, page 12