

1 May 2026

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

Dear Mr Millstead

Ergon Energy Retail submission to the Regulated Retail Electricity Prices for 2026-27 Draft Determination

Ergon Energy Queensland Pty Ltd (EEQ) welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) on its Regulated Retail Electricity Prices for 2026-27 Draft Determination (Draft Determination).

EEQ provides the following comments in relation to the draft determination, proposing refinements to the inputs used to determine the Notified Prices and suggestions for the tariff suite.

1) Retail Costs

EEQ acknowledges the QCA derives retail costs from a benchmarking methodology that estimates the costs an efficient retailer would incur. The most recent review of the benchmark allowances occurred in 2021. Annual adjustments to the retail cost allowances are indexed using the Reserve Bank of Australia's forecast of the Consumer Price Index (CPI).

EEQ notes that inflation remains persistently high and following recent events in the Middle East, considers it likely that the *actual* CPI will exceed the 2.9 per cent assumption applied in the draft determination. EEQ suggests that any variance should be reflected through an upward adjustment in the final retail cost allowance to maintain cost reflectivity. EEQ requests the QCA review its proposed inflation metric having regard to actual and expected inflation outcomes over the next 12 months.

EEQ is concerned that the existing approach to determining retail costs provides limited transparency over the underlying cost components. In particular, unavoidable and externally imposed costs, such as payment processing fees and increases in Australia Post charges, which exceed CPI, are material elements of a retailer's cost-to-serve and should be addressed transparently. The absence of visibility over these components risks understating efficient retail costs and constraining retailers' ability to recover prudently incurred expenses.

EEQ considers that greater transparency over retail cost allowances would improve confidence for both retailers and customers that notified prices appropriately reflect the efficient cost of retail service delivery.

2) Wholesale Energy Costs (WEC) Allowance

EEQ supports the QCA's approach to recognising the asymmetric risk of wholesale price increases. While EEQ acknowledges that the notified price methodology is not intended to replicate individual retailer behaviour, it does not reflect the practical reality faced by retailers. EEQ notes that multiple retailers have raised the same concern with the Australian Energy Regulator (AER) in submissions to the Default Market Offer (DMO).

EEQ also acknowledges that the QCA seeks to address retailer shape exposure through a combination of notified prices and the regional FiT. However, as set out in EEQ's submission to the Initial Consultation Paper, the current regulatory framework materially constrains EEQ's ability to manage shape risk in a manner consistent with a prudent retailer operating in SEQ or regional Queensland. While the regional FiT, considered alongside notified prices, attempts to proxy the shape impacts of solar exports, it does not adequately capture EEQ's exposure to an increasingly peaky load profile. EEQ therefore considers that the unique regional Queensland regulatory environment warrants an additional adjustment factor to appropriately reflect this risk.

3) Metering Costs

EEQ has identified three issues with the way the QCA determines metering costs:

Reliance on the AER DMO methodology

EEQ remains concerned with the QCA's reliance on the AER's DMO methodology to determine metering costs in regional Queensland. EEQ maintains that the DMO methodology understates efficient metering costs and, if adopted by the QCA, results in an under-recovery of for EEQ. Requiring retailers to absorb this impact presents a material risk to financial sustainability.

Misapplication of the Uniform Tariff Policy (UTP)

EEQ supports the QCA's objective of ensuring customers in regional Queensland do not pay more for metering services than customers in SEQ, consistent with the UTP. However, the current approach misapplies the UTP and departs from how it is applied to other tariff components and to notified prices more broadly.

The appropriate approach is to first calculate the actual cost of delivering metering services in regional Queensland. Where those costs are higher than SEQ and would otherwise result in notified prices exceeding the AER DMO, the difference should be addressed through the Standing Offer Adjustment (SOA). Using the SEQ ADM cost directly into the regional tariff building block obscures true costs and improperly applies the UTP.

This approach is not only more transparent, but it is also explicitly contemplated by the Ministerial Delegation, which states that the SEQ DMO should operate as a cap, with a negative SOA applied where needed to give effect to the UTP. EEQ considers this change essential to ensure notified prices are constructed in a manner that is consistent with both the Ministerial Delegation and the intent of the Uniform Tariff Policy.

Methodology used to determine the cost of Type 4A meter reads

With respect to Type 4A manual meter reads, EEQ advises that the average additional cost \$232.48 per annum. This higher-than-average cost reflects the geographic footprint of EEQ's customer base, which includes a significant proportion of rural and remote locations. The cost of providing manual meter reading services in these areas is materially higher than in metropolitan regions due to increased travel distances, reduced reading density and logistical challenges. EEQ's customer and geographic profile is fundamentally different from that of retailers predominantly operating in urban centres, such as Brisbane, where meter reading efficiencies are substantially higher and per read costs are materially lower.

4) New retail tariffs

a) Electric Vehicle Tariff

EEQ does not have authority to set tariff prices. Pricing authority sits with the Energy Minister under section 90 of the Electricity Act 1994, or with the QCA under delegation pursuant to section 90AA.

Given the availability of EV-specific tariffs in other jurisdictions, including SEQ, EEQ sought QCA determination of pricing for a regional Queensland EV tariff. EEQ recognises the challenges of developing an EV tariff within the existing N+R framework and encourages the QCA to consider the innovation framework in the Ministerial Delegation. Where policy intent is unclear, EEQ suggests that direct engagement with the Queensland Government is appropriate, noting the tariff's inclusion in the Ministerial Delegation and its consistency with the Queensland Energy Roadmap.

If the QCA is unable to determine a specific EV tariff rate, EEQ maintains its proposal to use Tariff 31 to price the EV tariff. While above comparable market offers in SEQ, the differential between the draft Tariff 31 rate and the draft rate for Tariff 11 provides a clear and meaningful incentive for EV charging at preferred times without the need for further investment by the customer. EEQ submits this approach is suitable for implementation as a trial, with pricing refined over time based on observed outcomes noting Australian EV uptake has significantly accelerated in recent months.

Metering would rely on EV or charger functionality to communicate consumption via EEQ's Kraken retail platform, with total premises consumption continuing to be measured by the existing meter. EEQ also confirms it has consulted Queensland Treasury on potential CSO impacts, consistent with the Ministerial Delegation.

b) A Solar Sharer Offer in regional Queensland

EEQ acknowledges the compressed timeframe between the release of the AER's draft DMO and the QCA's draft Notified Prices determination. Notwithstanding this constraint, it is critical that tariff development remains grounded in cost reflectivity, particularly where pricing signals influence customer behaviour and long-term outcomes.

EEQ supports customers in regional Queensland having access to products broadly equivalent to those available in SEQ, including the Solar Sharer tariff. This tariff provides a clear opportunity to support customers who are able to shift demand to reduce their energy costs and respond to cost-of-living pressures.

However, following review of the AER's draft pricing for the Solar Sharer Offer (SSO), EEQ considers the SSO should be apply to residential customers only, consistent with the AER DMO in SEQ.

EEQ therefore encourages the QCA to implement a Solar Sharer tariff in regional Queensland in 2026-27 and ensure Solar Sharer pricing is fit-for-purpose and sustainably implemented.

c) Large Customer Transitional Tariffs

EEQ acknowledges the QCA's position that it considers further policy development is required before these tariffs can be progressed. EEQ supports the underlying objective of the transitional tariffs to assist lower-consuming large customers, while recognising the design challenges and N+R methodology issues identified by the QCA.

EEQ welcomes ongoing engagement with the QCA and the Queensland Government and is able to provide customer insights and practical market evidence as needed.

d) Large Customer Solar Soaker Tariff

EEQ supports the introduction of Retail Tariff 50C as a solar-soaking tariff that improves price signals and supports customers able to shift load to periods of high solar generation.

Given the very low uptake of Tariff 50B, which has an identical structure, EEQ recommends applying the draft Tariff 50C rates to existing Tariff 50B customers rather than retaining duplicate tariffs. EEQ similarly recommends retiring Tariffs 12D and 22D from 30 June 2026, noting that Tariffs 12E and 22E have the same structure and materially higher uptake.

EEQ also recommends retiring Tariff 49, as its design, particularly the high fixed charge, makes it unlikely to be adopted. Retaining underutilised and non-viable tariffs adds unnecessary complexity without delivering meaningful customer or market benefits.

Conclusion

EEQ would welcome the opportunity to discuss the matters contained within this submission with the QCA.

Should the QCA require additional information in relation to any aspects of this submission, please contact Andrea Wold, Manager Retail Policy Compliance & Assurance, on 0428 384 448.

Yours sincerely



Ayesha Razzaq

Executive General Manager Retail