

# Terms of Reference

## Review of Regulated Retail Electricity Tariffs and Prices for 2014-15

### Assessment of Energy Costs

16 July 2013

#### 1. Project Background

On 12 February 2013, the Minister for Energy and Water Supply provided the Authority a Delegation requiring it to determine regulated retail electricity prices (notified prices) for a three-year period from 1 July 2013 to 30 June 2016. While the task is delegated for three years (rather than a one-year period as previously), the Authority is still required to determine prices annually.

The Authority requires the assistance of a consultant to estimate the cost of energy for these annual reviews.

ACIL Allen (then ACIL Tasman) undertook this work for the Authority for its 2013-14 review. At that time, the Authority offered an 'in principle' agreement for ACIL Allen to be engaged to provide similar advice for its 2014-15 and 2015-16 reviews subject to it not undertaking work that might be seen as a conflict of interest and to the proposed costs being reasonable.

The Authority is about to initiate its 2014-15 review and invites ACIL Allen to provide it with a proposal to meet the requirements of this terms of reference.

#### 2. Outline of Consultancy

The consultant will be required to provide expert advice to the Authority on the energy costs to be incurred by a retailer to supply customers on notified prices for 2014-15. In preparing its advice, the consultant must have regard to the actual costs of making, producing or supplying the goods or service.

The Authority will require 2014-15 estimates for:

- (a) wholesale energy costs;
- (b) the costs of complying with state and federal government policies such as the Enhanced Renewable Energy Target Scheme and the carbon tax;
- (c) NEM fees, ancillary services charges and prudential costs; and
- (d) losses in the transmission and distribution of electricity to customers.

#### 3. Deliverables

The consultant will be required to provide a series of deliverables and take part in workshops, consultations and meetings. While Table 1 outlines the mandatory deliverables for the consultancy, there may be additional requests made of the consultants from time to time as needed by the Authority.

**Table 1: Timetable for the Consultancy**

<i>Deliverable</i>	<i>Task</i>	<i>Due date</i>
Stakeholder Workshop	<ul style="list-style-type: none"> <li>Conduct a workshop with interested parties on the consultant's proposed approach to calculating energy costs</li> </ul>	Late September
Draft Report	<ul style="list-style-type: none"> <li>Address submissions on the Authority's Interim Consultation Paper and issues raised in the Stakeholder Workshop</li> <li>Outline the consultant's approach</li> <li>Provide draft cost estimates</li> </ul>	18 October 2013
Stakeholder Workshop	<ul style="list-style-type: none"> <li>Conduct a workshop with interested parties on changes to the consultant's proposed approach, following feedback on the Draft Determination</li> </ul>	To be negotiated.
Final Report	<ul style="list-style-type: none"> <li>Address submissions on the Draft Report</li> <li>Outline the consultant's final approach</li> <li>Provide final cost estimates</li> </ul>	4 April 2014

#### **4. Resources/Data Provided**

The consultant will be required to source modelling data and information independently.

Additional information relevant to this consultancy may be found in the Authority's publications which can be obtained from the Authority's website.

#### **5. Project Time Frame**

The consultancy will commence in late July 2013 and is expected to be completed by 31 May 2014.

#### **6. Proposal Specifications and Fees**

The proposal should:

- include the name, address and legal status of the tenderer;
- provide the proposed methods and approach to be applied;
- provide a fixed price quote for the provision of the services detailed herein; and
- nominate the key personnel who will be engaged on the assignment together with the following information:
  - name;

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- professional qualifications;
  - general experience and experience which is directly relevant to this assignment;
  - expected time each consultant will work on the project; and
  - standard fee rates for any contract variations.

The fee quoted is to be inclusive of all expenses and disbursements. A full breakdown of consultancy costs is required with staff costs reconciled to the consultancy work plan.

Total payment will be made within 28 days of receiving an invoice at the conclusion of the consultancy.

## **7. Contractual Arrangements**

This consultancy will be offered in accordance with the Authority's standard contractual agreement.

This agreement can be viewed at <http://www.qca.org.au/about/consultancyagreement.php>

## **8. Reporting**

The consultant will be required to provide the Authority with progress reports on an "as needs" basis or at least weekly and drafts of final reports will be required prior to project completion. If necessary, the consultant should advise at the earliest opportunity any critical issues that may impede progress of the consultancy, particularly issues that impact on the successful delivery of the consultancy requirements outlined in Section 2 above.

## **9. Confidentiality**

Under no circumstance is the selected consultant to divulge any information obtained from any distributor, retailer or the Authority for the purposes of this consultancy to any party, other than with the express permission of the distributor or retailer concerned, and the Authority.

## **10. Conflicts of Interest**

For the purpose of this consultancy, the consultant is required to affirm that there is no, and will not be any, conflict of interest as a result of this consultancy.

## **11. Authority Assessment of Proposal**

The proposal will be assessed against the following criteria:

- understanding of the project;
- skills and experience of the firm and team;
- the proposed methods and approach;
- capacity to fulfil the project's timing requirements; and
- value for money.

In making its assessment against the criteria, the Authority will place most weight on relevant experience of the team members involved and the proposed method for the completion of the task.

**12. Insurance**

The consultant must hold all necessary workcover and professional indemnity insurance.

**13. Quality Assurance**

The consultant is required to include details of quality assurance procedures to be applied to all information and outputs provided to the Authority.

**14. Lodgement of Proposals**

Proposals are to be lodged with the Authority by 26 July 2013.

For further information concerning this consultancy, please contact Rimu Nelson on (07) 3222 0577.

**Proposals should be submitted to:**

Rimu Nelson

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GPO Box 2257  
Brisbane Qld 4001

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