

**ELECTRICITY ACT 1994**  
**Section 90AA(1)**

**DELEGATION**

I, Mark McArdle, the Minister for Energy and Water Supply, in accordance with the power of delegation in section 90AA(1) of the *Electricity Act 1994* (the Act), delegate to the Queensland Competition Authority (QCA) the function under section 90(1) of the Act of deciding the prices that a retail entity may charge its non-market customers for customer retail services in the Ergon Energy Corporation Limited (EECL) distribution area for the tariff year 1 July 2015 to 30 June 2016.

The following are the Terms of Reference of the price determination:

**Terms of Reference**

1. These Terms of Reference apply for the tariff year 1 July 2015 to 30 June 2016.
2. The QCA is to calculate the notified prices and publish an annual price determination, in the form of a tariff schedule, in accordance with these Terms of Reference.
3. In accordance with section 90(5)(a) of the Act, in making a price determination for each tariff year QCA must have regard to the matters set out in paragraph 5 of these Terms of Reference.
4. In accordance with section 90(5)(b) of the Act, QCA may have regard to any other matter that QCA considers relevant.
5. The matters that QCA is required by this delegation to consider are:
  - (a) It is the Government's intention, that from 1 July 2015, price regulation in the Energex distribution area will be removed for small customers and replaced with a market monitoring approach. This will mean that notified prices will only apply to customers in the EECL distribution area;
  - (b) Uniform Tariff Policy Review - As part of Government's longer term electricity sector reform program a review of the effectiveness and objectives of the Uniform Tariff Policy and Community Service Obligation, and options for improved regional competition is currently being undertaken;
  - (c) Framework - QCA must use 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 treated as a pass-through and R (energy and retail cost) is determined by QCA;

- (d) When determining the N components for each regulated retail tariff, QCA must consider the following:
  - (i) For residential and small business customer tariffs (with the exception of Tariffs 12 and 22) in the EECL distribution area - basing the network cost component on the network charges to be levied by Energex and the relevant Energex tariff structures;
  - (ii) For Tariff 12 residential time-of-use and Tariff 22 small business time-of-use tariffs in the EECL distribution area - basing the network cost component on the network charges to be levied by Energex, but utilising the relevant EECL tariff structures, in order to strengthen or enhance the underlying network price signals and encourage customers to switch to time-of-use tariffs and reduce their energy consumption during peak times;
  - (iii) For Tariff 13 residential peaksmart time-of-use, as EECL does not have a network tariff for this tariff, and no customers access the tariff, it is proposed that this tariff be removed from the tariff schedule; and
  - (iv) For large business customers in the EECL distribution area who consume 100MWh or more per annum - basing the network cost component on the network charges to be levied by EECL.
- (e) Transitional Arrangements - QCA must consider:
  - (i) for the standard regulated residential tariff (Tariff 11), complete the rebalancing of the fixed and variable components of Tariff 11 using the approach established in the 2013-14 Determination;
  - (ii) maintaining transitional arrangements for tariffs classed as transitional or obsolete (i.e. farming, irrigation, declining block, non-domestic heating and large business customer tariffs), and
  - (iii) continuing to allow all EECL customers access to tariffs designated as transitional in 2013-14.

*Interim Consultation Paper*

6. QCA must publish an interim consultation paper identifying key issues to be considered when calculating the N and R components of each regulated retail electricity tariff and transitioning relevant retail tariffs.

7. 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 QCA about issues relevant to the price determination.
8. QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

#### *Consultation Timetable*

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

#### *Workshops and additional consultation*

10. 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 (workshops and papers) on identified key issues.

#### *Draft Price Determination*

11. QCA must investigate and publish its draft price determination on regulated retail electricity tariffs, with each tariff to be presented as a bundled price.
12. 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 QCA about issues relevant to the draft price determination.
13. 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*

14. QCA must investigate and publish its final price determination on regulated retail electricity tariffs, with each tariff to be presented as a bundled price, and gazette the bundled retail tariffs.

#### *Timing*

15. QCA must make its reports available to the public and, at a minimum, publicly release the papers and price determinations listed in paragraphs 6 to 14.
16. QCA must publish the interim consultation paper for the 2015-16 tariff year no later than one month after the date of this Delegation.

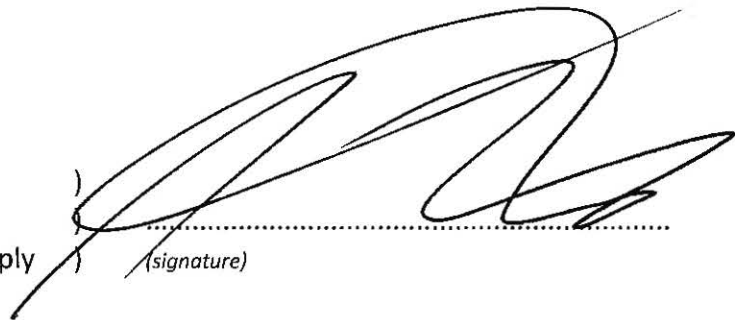
17. QCA must publish the draft price determination on regulated retail electricity tariffs no later than 12 December 2014.
18. QCA must publish the final price determination on regulated retail electricity tariffs for the 2015-16 tariff year, and have the bundled retail tariffs gazetted, no later than 31 May 2015.
19. This Delegation revokes my previous Delegation issued on 12 February 2013.

DATED this

28th

August 2014  
day of XX 2014.

SIGNED by the Honourable  
Mark McArdle,  
Minister for Energy and Water Supply



(signature)