



Office of the

Minister for Energy and Water Supply

QLD COMPETITION AUTHORITY

01 SEP 2014

CLLO CIC-14109

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29 August 2014

Dr Malcolm Roberts
Chairman
Queensland Competition Authority
GPO BOX 2257
BRISBANE QLD 4001

Dear Dr Roberts

I refer to the current Delegation and Terms of Reference (ToR), issued to the Queensland Competition Authority (QCA) on 12 February 2013, for determining regulated retail electricity (notified) prices for the three-year delegation period 2013-14 to 2015-16, as authorised under section 90AA(1) of the *Electricity Act 1994*.

As you would be aware, the Queensland Government is undertaking wide-ranging reform of the electricity sector. These reforms, announced in June 2013, have been established with the objectives of ensuring:

1. electricity in Queensland is delivered in a cost-effective manner for customers;
2. Queensland has a viable, sustainable and competitive electricity industry; and
3. electricity is delivered in a financially sustainable manner from the government's perspective.

The introduction of market monitoring in South East Queensland (SEQ) by 1 July 2015, subject to a number of pre-conditions being met, is a key reform to the electricity sector designed to improve competition and reduce pressure on prices. To facilitate this, on 20 May 2014, the *National Energy Retail Law (Queensland) Bill 2014* and the *Electricity Competition and Protection Legislation Amendment Bill 2014* were introduced into the Legislative Assembly.

However, this Government remains committed to the Uniform Tariff Policy (UTP) and the QCA will continue to set notified prices for the Ergon Energy Corporation Limited distribution region, while Government finalises a strategy for introducing competition into regional Queensland in the future.

In this context, I thank the QCA for the advice provided in April 2014, on matters relating to the UTP and options for retail price regulation in regional Queensland. Government has considered the QCA's advice and I have attached a new Delegation and ToR on the matters the QCA is required to consider in its regional price determination process for 2015-16. Following Government consideration, this report can now be publically released and there may be benefit in releasing it concurrently with the QCA's Interim Consultation Paper on 2015-16 regulated regional prices.

The new Delegation and ToR will assist in building on the measures already undertaken to deliver on Government's longer term reform objectives. The ToR will provide a platform for improved competition in regional Queensland and in the longer term, consumer benefits that will flow from this.

I would like to take this opportunity to thank the QCA for its ongoing work on regulated retail electricity prices.

Should you require anything further, please contact Mr Benn Barr, General Manager- Energy Pricing, Consumer and Retail, on (07) 3199 4901, or email benn.barr@dews.qld.gov.au.

Yours sincerely



Mark McArdle
Minister for Energy and Water Supply

Att: Delegation and Terms of Reference