LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND

20 April 2016

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

www.qca.org.au/submissions

To whom it may concern,

Thank you for the opportunity to provide a submission in response to the Queensland Competition Authority's (QCA) Draft Determination for Regulated Retail Electricity Prices for 2016/17.

Local government assets provide a range of services, many of which are essential to Queensland's communities. These assets include local roads, water supply and distribution networks, reticulated sewage treatment systems, stormwater management, and parks – among others. Many of these assets, in one way or another, rely upon the safe, reliable and cost-effective supply of electricity to function.

The Local Government Association of Queensland (the Association) is concerned by the increases in consumption charges proposed by the QCA for the range of tariffs accessed by councils. The Association's own Council Cost Index (CCI), which reflects a broader range of cost movements than represented by the Consumer Price Index (CPI) alone, shows that for the 12 month period to December 2015 councils faced an indicative increase in costs of +1.9%, compared with +1.7% for CPI.

Council budgets are under continuous pressure from a wide-range of external cost drivers. The QCA's proposed cost increases, if confirmed in its final determination, are just another example of such pressures upon council finances. Consequently, councils will need to either reduce existing services, with potential flow on effects for employment in rural and remote areas, or pass on these increased costs through higher rates and utilities charges at a time when rural and remote communities are already experiencing increasing costs of living.

The pending expiry of Tariff 22A small

Councils operate a significant number of facilities that currently access Tariff 22 small due to the 24/7 nature of operations. Further to concerns regarding the proposed year-on-year tariff increases noted above, the Association is deeply concerned by the impact that would arise should Tariff 22 small expire as intended on 30 June 2017. Any move towards cost-reflective prices would have adverse price impacts, particularly for council facilities where demand is uncontrollable, such as sewage pumping stations. For example, the transition of sites to a Seasonal Time of Use tariff (Tariff 22A small) will expose councils to a tariff where the proposed peak kW/h charge in 2016/17 is almost **double** that of the peak kW/h charge for the existing tariff in 2015/16 (Tariff 22 small).

More flexibility in tariff structures is required in order to enable opportunities to transfer load to off-peak periods, thus reducing demand during peak periods, rather than simply transferring sites connected to Tariff 22 small to either the Seasonal Time of Use tariff (Tariff 22A small) or the Seasonal Demand tariff (Tariff 24 Small). Such flexibility would also encourage off-grid infrastructure upgrades to reduce overall demand. Relatively small contributions, from existing Ergon Energy (Network) programs, towards the cost to upgrade to more efficient equipment also present significant opportunities when compared to their large network augmentation programs (for example, contributions towards the cost of more efficient pumping equipment).

Metering Issues

It should also be noted that a significant number of council sites may not have meters that are capable of reading demand.

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In some cases demand metering is installed, however the demand data is not easily retrievable due to metering configurations. In its recent submission on Ergon Energy's Tariff Structure Statement, the Association highlighted the need for Ergon Energy (Retail) to work with councils where metering upgrades or reconfigurations of existing electronic meters are necessary. Any necessary metering upgrades are an essential first step in preparing council sites for charging on the basis of time of use or demand and the Association believes these upgrades should be completed at the retailer's cost. As such, the Association believes **councils should not be forced to transition to an alternate tariff (either Tariff 22A small or Tariff 24 small) until such time that these upgrades have been completed**.

Furthermore, the implementation of interval meters capable of being read remotely, for both Tariff 22A small and Tariff 24 small, will lead to significant cost increases for councils through the imposition of an additional charge for the remote collection of data. Based on the experiences of councils in South-East Queensland, this charge is in the order of $2 per day. For a medium to large size council in the Ergon Energy distribution area with some 250 potentially impacted sites, this charge would equate to approximately $182,500 per annum. As such, the Association believes **the costs of remotely reading all interval meters, that are not on a contestable market contract, should also be at the retailers cost**.

Determination of Demand Charges

In relation to the peak component of the Seasonal Demand tariff (Tariff 24 small), the Association welcomes the determination of charges based on the average kW over the four highest demand days in the month as this would alleviate cost pressures faced by councils from assets with uncontrollable demand. Furthermore, the Association believes this approach should also be adopted for the off-peak component of this tariff, which instead uses any one maximum half hour period for determination of monthly demand charges leaving council sites, with uncontrollable demand, exposed to unpredictable costs due to issues outside of their control. It should also be noted that such events may not occur in usual network peak periods.

Impacts of the Draft Determination upon Street lighting charges

The Association welcomes the proposed 5% decrease in the daily charge per street light. However, the Association is very concerned by the proposed increase in the kWh charge for Tariff 71 street light electricity consumption which, by our calculations, would increase by approximately 18%. This proposed increase is greater than those proposed for many of the demand tariffs, both small and large, which are designed, in part, to encourage the transition of consumption to off-peak periods - in which the vast majority of street light electricity consumption occurs.

Further to the initial pass through of 10% of the Alternate Control Service (ACS) charge on 1 July 2014, the Association has been working with the Department of Energy and Water Supply to determine the price path for the transfer of the remaining 90% of the ACS charge. This price path, once determined, along with the large proposed increases in the consumption charge will result in very high cost increases under the N(network)+R(retail) approach. As a rule of thumb, the full impact of the ACS pass through alone will result in the **doubling** of total street lighting charges payable by councils in the Ergon Energy distribution area.

If you have any questions or require further details in relation to the above submission, please do not hesitate to contact either Scott Britton, Principal Advisor – Roads, Transport and Infrastructure or Michael Fullelove, Category Manager – Energy, Local Buy, 1300 572 700 or at scott_britton@lgaq.asn.au and mfullelove@localbuy.net.au respectively.

Yours sincerely,

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