



The Honourable Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Our Reference: CTS 26070/17

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Professor Roy Green
Chair
Queensland Competition Authority
Level 27
45 Ann Street
BRISBANE QLD 4000

Dear Professor Green

Re: Determination of Regulated Retail Electricity Prices for 2018–19

I write to you to issue a Delegation and Terms of Reference (ToR) to the Queensland Competition Authority (QCA) for the determination of regulated retail electricity prices in regional Queensland for 2018–19 under section 90AA(1) of the *Electricity Act 1994*.

The Queensland Government's Uniform Tariff Policy (UTP) and promoting greater levels of retail competition are important considerations when setting regulated retail electricity prices in regional Queensland. While the attached Delegation and ToR for 2018–19 are generally consistent with the approaches in the Delegation and ToR for 2017–18, there are some additional considerations. These include:

- Clarifying the arrangements for regional Queensland customers on Essential Energy's network to ensure they receive the same price protections as other regional customers under the UTP;
- Enabling the QCA to consider the benefits in allowing new customers to access transitional tariffs over the next two years; and
- Continuing the inclusion of Ergon Energy retail's Easy Pay Reward scheme, and allowing Ergon Energy to offer a voluntary tariff trial in 2018-19 based on network tariffs approved by the Australian Energy Regulator.

The deregulation of retail electricity prices for small customers in South East Queensland (SEQ) on 1 July 2016 removed a reference point for the determination of prices in regional Queensland. As you will be aware, the Delegation for the setting of prices in 2017–18 identified that Government considered that regulated prices for small customers in regional Queensland should broadly reflect the expected prices for small customers on Standing Offers in SEQ.

The Government is of the view that a Standing Offer adjustment continues to be an important component of notified prices. The Government considers that a Standing Offer contract provides additional value for consumers compared to a Market Offer, for example through additional protections to consumers contained in the terms and conditions in a Standing Offer contract, as well as providing a signal for retail competition in regional Queensland. As such, the QCA should give consideration to maintaining the Standing Offer adjustment at the current level.

The Queensland Government has committed to the establishment of 'CleanCo' which will involve a restructuring of the two publicly-owned electricity generation companies into three with a strategic portfolio of low and no emission power generation assets. One of the objectives of CleanCo is to increase competition in the wholesale market and the QCA should consider the impact of CleanCo, where relevant, when determining regulated retail electricity prices for 2018–19.

Public consultation is a vital part of the QCA's process for determining retail electricity prices. As such, the ToR requires the Draft Determination to be issued in February 2018. I trust this provides sufficient time to undertake the necessary consultation to support the Draft Determination and to allow for delivery of the Final Determination by 31 May 2018.

If your officers have any questions regarding the Delegation and ToR, please contact Ms Kathie Standen, Acting Deputy Director-General, Energy Division on 07 3181 5113 or via email at: kathie.standen@dews.qld.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to be 'A. Lynham', with a long horizontal flourish extending to the right.

Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Att: Delegation and ToR – Determination of Regulated Retail Electricity Prices for 2018–19