



CCIQ SUBMISSION

Interim Consultation Paper

Regulated Retail Electricity Prices for 2018-19

▶ Queensland Competition Authority

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

16 January 2018

Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide a response to the Queensland Competition Authority (QCA) on the *Interim Consultation Paper (the Paper)*.
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 414,000 Queensland businesses on local, state, and federal issues that matter to them. Our guiding focus is to develop and advocate policies that are in the best interests of Queensland businesses, the Queensland economy, and the Queensland community.
3. CCIQ understands the parameters, as set by the Queensland government delegation, with which the QCA must operate within to develop the draft and final determinations for regulated prices can be restrictive. As per the delegation, the QCA must consider the Uniform Tariff Policy (UTP) to ensure regional users, both small and large, are, where possible, paying no more than their equivalents in the south east, as to ensure no geographic penalty.

Pricing Approach

4. As discussed on page 5 and 6 of the Paper, the QCA considers it appropriate to continue basing notified prices for residential and small businesses on the cost of supply in south east Queensland, in the deregulated market (Energex distribution zone). CCIQ supports the principle of not penalising regional, rural and remote small businesses for their geographic location, however continuing to subsidise at a cost of over a half a billion dollars annually is not a sustainable long-term solution.
5. In the short term, CCIQ believes it appropriate to continue with the method used in the 2017-18 financial year to set notified prices. However, we encourage the QCA and the Department of Natural Resources, Mining and Energy to consider more fiscally sustainable options for future determinations. Such an option may include introducing further competition into regional Queensland to encourage downward pressure on prices through market mechanisms.

Costs

6. Network costs are considered a pass-through expense by the QCA when determining the N factor of the methodology. Basing network charges on Energex costs however is flawed. As the Energex region caters to a significantly greater number of consumers in a smaller region, the consumer profile is vastly different as well as the demand and supply ratio.

7. CCIQ recognises the efforts QCA undertakes to mitigate these flaws where possible in the methodology calculations and the restraints due to the UTP. CCIQ encourages the QCA to use a lowest cost model methodology to put downward pressure on regional electricity prices for all users.
8. The standing offer differential is also flawed. Due to recent directions by the Federal Government to retailers to move consumers onto market offers, or 'cheaper deals' to battle rising electricity prices, it would be inequitable to base notified prices on the standing offers in Queensland as a larger portion of consumers are on market offers. CCIQ advocates for the QCA to determine the median between the standing offer and average market offer to determine the notified price. If QCA sets prices for Ergon's customers at the median price available to customers in the Energex network, Ergon's customers will be paying higher prices for electricity than would be available in a competitive market.

Conclusion

9. CCIQ thanks QCA for the opportunity to provide commentary to the Paper and look forward to reviewing the draft determination, to be released later this year. If there are any questions in relation to the submission please contact Policy Advisor, Joseph Kelly on jkelly@cciq.com.au.