QUEENSLAND CONSUMERS ASSOCIATION

**A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland**

*Secretary:*
*Max Howard*
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# SUBMISSION ON QCA INTERIM CONSULTATION PAPER ON REGULATED ELECTRICITY PRICES 2018-19

## BACKGROUND

The Queensland Consumers' Association (the Association) is a non-profit organisation which exists to advance the interests of Queensland consumers. The Association's members work in a voluntary capacity and specialise in particular policy areas, including energy. The Association is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups and is represented on the Queensland Competition Authority's Consumer Consultative Committee and the Energy and Water Queensland Ombudsman's Advisory Council. The Association is also a member of the Queensland Council of Social Service's Essential Services Consultative Group.

The Association welcomes the opportunity to make this brief submission.

***The contact person for this submission is: Ian Jarratt, email ijarratt@australiamail.com***

## GENERAL COMMENTS

### Scope of comments

Our comments relate only to household customers.

### Potential pricing approaches

We support basing notified prices on the cost of supply in south east Queensland (SEQ). However, they should be based only on the cost of **efficient** supply in SEQ and should not be influenced by any implications for the government subsidy needed to meet the difference between the notified prices and the actual cost of supply.

Although not QCA's responsibility, we also consider that it would be beneficial if the UTP policy was reviewed before the start of the process for setting the regulated prices for 2019-20.

### Voluntary trial tariffs

We support the introduction of voluntary tariffs for voluntary retail trials by Ergon Retail based on proposed network tariffs submitted by Ergon Distribution to the AER.

### Energy costs

We support extending the energy cost data cut-off date to the end of January.

### Retail costs

Given, the limited amount of time available for this exercise, we support using the approach used in the 2017-18 price determination. However, we consider that retail costs should not be increased by the CPI change unless there is evidence that costs have increased by this amount. In this regard we note that SEQ retailers are increasingly seeking to reduce costs by encouraging or requiring consumers to have electronic billing and payment and contact with them, as well as to pay by direct debit.

Further, because of the rapidity of changes in retailing methods and the format of retail offers/plans in SEQ we consider that the current estimated retail cost allowances should be reviewed prior to the start of the 2019-20 tariff setting process.

**The standing offer differential**

We are not in favour of using the differential between standing and market offer prices in the SEQ market as the differential to apply to the process for regulating standing offer prices outside SEQ for 2018-19.

This is because we have major concerns about the extent to which standing offer prices in SEQ reflect the efficient cost of supply. For example, many SEQ consumers on standing offers are less price-sensitive and more loyal to their existing retailer than are market contract consumers and this is likely to be reflected in standing offer prices.

Also, since standing offer prices are used by many retailers as the base from which discounts are offered for market contracts, there is an incentive for retailers to set the highest possible standing offer prices in order to be able to advertise high % discounts and other incentives.

We also have concerns about the validity of the delegation’s assumption that a standing offer contract provides additional value for consumers compared to a market offer.

Therefore, for this determination we believe that any differential applied by QCA should definitely not be greater than that applied for 2017-18 and preferably should be considerably lower.

Because of the above issues, and the increased diversity of the types of market offers in SEQ and the declining proportion of SEQ consumers on standing offers, we also consider that before the start of the 2019-20 determination process there should be a comprehensive review of the current policy of linking the determined regional prices to standing offer prices in SEQ.