



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

Ref CTS 27475/18

1 William Street Brisbane  
PO Box 15216 City East  
Queensland 4002 Australia  
Telephone +61 7 3719 7360  
Email [nrm@ministerial.qld.gov.au](mailto:nrm@ministerial.qld.gov.au)  
[www.dnrme.qld.gov.au](http://www.dnrme.qld.gov.au)

Professor Flavio Menezes  
Chair  
Queensland Competition Authority  
Level 27, 145 Ann Street  
BRISBANE QLD 4000

Dear Professor Menezes

I write to you to issue a delegation and terms of reference to the Queensland Competition Authority (QCA) for the determination of regulated retail electricity prices in regional Queensland for 2019–20 under section 90AA(1) of the *Electricity Act 1994*.

The 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. The attached delegation and terms of reference for 2019–20 are generally consistent with the approaches in my delegation and terms of reference for 2018–19, however, there are some additional considerations. These include more clearly defining the intent of the standing offer adjustment, excluding the determination of metering charges for small customers, the status of transitional tariffs and clarifying the approach for Tariff 15.

The government is aware of the divergence in standing offers and market offers in the South East Queensland (SEQ) electricity market, as identified in your quarterly SEQ market monitoring reports. As such, I consider that standing offer prices in the SEQ market no longer provide an appropriate reference point for setting prices in regional Queensland. However, the government holds the view that standard contracts provide additional value to customers compared to market contracts, for example, through additional protections contained in the terms and conditions of standard contracts.

In order to reflect the intent of the UTP, the QCA should give consideration to including an adjustment in notified prices that appropriately reflects the additional value of the terms and conditions of standard retail contracts. I also consider the standing offer adjustment made by the QCA in previous determinations appropriately reflects this additional value and as such, the QCA should consider including an adjustment of a similar magnitude in notified prices for 2019–20.

Under Power of Choice reforms, all new and replacement meters must be advanced digital meters. Due to my concerns about the impact the cost of these meters would have on customers, on 26 April 2018, I asked the QCA to provide advice on the charges regional residential and small business customers should face on the basis of advanced digital meter costs being spread across those customers. This contrasted to the alternative approach of applying those costs only to customers receiving the new meters. As the government remains concerned about the cost of digital meters for small customers, this delegation excludes the determination of notified prices for retail metering services for residential and small business customers. I am separately issuing a direction notice to the QCA seeking advice similar to that I sought in April 2018.

The government is committed to customers in regional Queensland having more choice in electricity tariffs while maintaining the UTP. With this in mind, the government supports efforts by Ergon Energy to develop new tariff structures in regional Queensland. The government encourages the QCA and Ergon Energy to consult closely in determining charges for Tariff 15.

In addition to customers having more choice in tariffs, the government also considers more choice in products to be equally important. Last year, the government introduced EasyPay Reward, which was designed to provide regional electricity customers with another product in the market where households and small business customers could make real savings. The government is committed to delivering lower electricity bills, is further investigating options for regional customers and will consult with the QCA on specific wording for the 2019–20 gazette, while ensuring regional customers continue to benefit from the electricity cost protection provided by the UTP.

I understand that since 2012–13, the QCA has been gradually phasing-out legacy retail tariffs for businesses in regional Queensland, as they are not based on the actual costs of supplying electricity. Transitional tariffs are set to expire in 2019–20 and all customers on transitional tariffs will need to switch to a standard business tariff before 1 July 2020. To assist in this process and ensure new businesses make investment decisions based on the cost of standard business tariffs, the QCA should consider making all transitional tariffs 'obsolete' so that new customers cannot access these tariffs for the short remaining period of 2019–20. The government recognises that some customers currently accessing transitional tariffs will face challenges adjusting to standard business tariffs. To assist these customers, the government is delivering a range of programs including the \$20 Million Business Energy Savers Program, as part of our Affordable Energy Plan. In addition, these customers will continue to be supported through the UTP.

Public consultation is a vital part of the QCA's process for determining retail electricity prices. In this regard, the terms of reference requires the draft determination to be issued in February 2019, consultation to occur and a final determination to be delivered by 31 May 2019.

If you have any questions, please contact Ms Gayle Leaver, General Manager, Consumer Strategy and Innovation, Department of Natural Resources, Mines and Energy who will be pleased to assist you and can be contacted on 3199 4907.

Yours sincerely



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

Att

**ELECTRICITY ACT 1994**  
**Section 90AA(1)**

**DELEGATION**

I, Anthony Lynham, the Minister for Natural Resources, Mines and Energy, in accordance with the power of delegation in section 90AA(1) of the *Electricity Act 1994* (the Act), delegate to the Queensland Competition Authority (QCA) the function under section 90(1) of the Act of deciding the prices that a retail entity may charge its Standard Contract Customers for customer retail services in Queensland, other than those in the Energex distribution area, for the tariff year 1 July 2019 to 30 June 2020.

The following are the Terms of Reference of the price determination:

**Terms of Reference**

1. These Terms of Reference apply for the tariff year 1 July 2019 to 30 June 2020.
2. The QCA is to calculate the notified prices, other than the notified prices associated with the provision of residential and small business customer retail metering services, and publish an annual price determination, in the form of a tariff schedule, in accordance with these Terms of Reference.
3. In accordance with section 90(5)(a) of the Act, in making a price determination for each tariff year the QCA must have regard to the matters set out in paragraph 5 of these Terms of Reference.
4. In accordance with section 90(5)(b) of the Act, the QCA may have regard to any other matter that the QCA considers relevant.
5. The matters that the QCA is required by this delegation to consider are:
  - (a) On 1 July 2016, price regulation in the Energex distribution area was removed for small customers. This means that notified prices do not apply to customers in the Energex distribution area;
  - (b) Uniform Tariff Policy—QCA must consider the Government’s Uniform Tariff Policy, which provides that, wherever possible, customers of the same class should pay no more for their electricity, regardless of their geographic location. However, as residential and small business customers paying notified prices are on standard retail contracts, the Government is of the view that QCA must consider incorporating into notified prices, an appropriate value reflecting the more favourable terms and conditions of standard retail contracts compared to market contracts;

- 
- (c) Framework – use of the Network (N) plus Retail (R) cost build-up methodology when working out the notified prices and making the price determination, where N (network cost) is treated as a pass-through and R (energy and retail cost) is determined by the QCA;
- (d) When determining the N components for each regulated retail tariff:
- (i) For residential and small business customer tariffs (with the exception of Tariffs 12A, 14, 15, 22A and 24) - basing the network cost component on the network charges to be levied by Energex and the relevant Energex tariff structures;
  - (ii) For Tariffs 12A, 14, 15, 22A and 24 - basing the network cost component on the price level of network charges to be levied by Energex, but utilising the relevant EECL tariff structures, in order to strengthen or enhance the underlying network price signals and encourage customers to switch to time-of-use and demand tariffs and reduce their energy consumption during peak times; and
  - (iii) For large business customers who consume 100MWh or more per annum - basing the network cost component on the network charges to be levied by EECL;
- (e) Transitional Arrangements – The QCA should consider reclassifying transitional tariffs as obsolete tariffs (i.e. Tariffs 20 (large), 21, 22 (small and large), 37, 62, 65, and 66).
- (f) Continue enabling retailers to also charge Standard Contract Customers for the following customer retail services that are not included in regulated retail tariffs:
- (i) Amounts in accordance with a program or scheme for the purchase of electricity from renewable or environmentally-friendly sources (whether or not those additional amounts are calculated on the basis of the customer's electricity usage), but only if:
    - (a) the customer voluntarily participates in such program or scheme;
    - (b) the additional amount is payable under the program or scheme; and
    - (c) the retailer gives the customer prior written notice of any change to the additional amount payable under the program or scheme;
- (g) Continuing Ergon Energy Queensland Pty Ltd's EasyPay Reward scheme.
-

---

### *Interim Consultation Paper*

6. The QCA must publish an interim consultation paper identifying key issues to be considered when making the price determination.
7. The QCA must publish a written notice inviting submissions about the interim consultation paper. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the price determination.
8. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

### *Consultation Timetable*

9. The QCA must publish an annual consultation timetable within two weeks after submissions on the interim consultation paper are due, which can be revised at the discretion of the QCA, detailing any proposed additional public papers and workshops that the QCA considers would assist the consultation process.

### *Workshops and additional consultation*

10. As part of the interim consultation paper and in consideration of submissions in response to the interim consultation paper, the QCA must consider the merits of additional public consultation (workshops and papers) on identified key issues.

### *Draft Price Determination*

11. The QCA must investigate and publish its draft price determination on regulated retail electricity tariffs, with each tariff to be presented as bundled prices appropriate to the retail tariff structure.
12. The QCA must publish a written notice inviting submissions about the draft price determination. The notice must state a period during which anyone can make written submissions to the QCA about issues relevant to the draft price determination.
13. The QCA must consider any submissions received within the consultation period and make them available to the public, subject to normal confidentiality considerations.

### *Final Price Determination*

14. The QCA must investigate and publish its final price determination on regulated retail electricity tariffs, with each tariff to be presented as bundled prices appropriate to the retail tariff structure, and gazette the retail tariffs.

### *Timing*

---

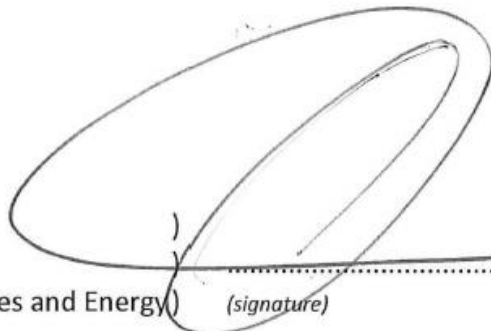
- 
15. The QCA must make its reports available to the public and, at a minimum, publicly release the papers and price determinations listed in paragraphs 6 to 14.
  16. The QCA must publish the interim consultation paper for the 2019–20 tariff year no later than one month after the date of this Delegation.
  17. The QCA must publish the draft price determination on regulated retail electricity tariffs in February 2019.
  18. The QCA must publish the final price determination on regulated retail electricity tariffs for the 2019–20 tariff year, and have the retail tariffs gazetted, no later than 31 May 2019.

DATED this

17/12/18

day of MMMM 2018.

SIGNED by the Honourable  
Anthony Lynham,  
Minister Natural Resources, Mines and Energy



(signature)