

Sent: Tuesday, 4 March 2014 3:14 PM
To: [REDACTED]
Subject: FW: Submission on Draft Determination Regulated Retail Electricity Prices 2014-15

Dear QCA

I am concerned about the methodology that may have been applied to the re-balancing of fixed and variable charges included in the Draft Determination. The methodology is not made clear but I presume that total fixed charges are likely to have been divided by total demand and then applied to a distribution of household demands, resulting for example in a proposed increase to "frugal single persons" of 19%.

If this methodology has been applied then a reduction in demand would be the cause of an increase in fixed charges per household which would appear, on the face of it, to be a reasonable outcome. Such an approach means that all consumers share the increase as a result of an average increase applied to all consumers, being some \$121 per annum.

The effect of that increase, as noted in the Draft Determination, inevitably result in a higher overall increase for lower usage consumers than for higher usage consumers.

However, it appears that causes of demand reduction may not have been sufficiently addressed. From press reports, some 180,000 consumers have taken up the Solar Bonus Scheme. Your data will be more accurate than mine, but that appears to represent approximately 10% of Queensland households. Were these consumers to be previously average consumers, then the demand reduction (assuming all consumption were offset) would be 10%.

My understanding is that QLD electricity demand has decreased by substantially less than 10%, implying that non-solar bonus scheme consumers have overall increased their demand, and total demand has been partially offset by demand reduction from solar bonus scheme participants.

If so, the increase in fixed charges per consumer should equally be disproportionately apportioned to solar bonus scheme participants. Indeed, the implication that non-solar bonus scheme consumers' demand has in fact increased suggests that solar bonus scheme participants should bear all of the necessary increase in fixed charges. To do otherwise, as the current Draft Determination does, results in a cross subsidy from low consumers without solar to low consumers who have solar installations.

Assuming 1.8m households with a proposed increase of \$121 in fixed charged implies a fixed charge recovery of approximately \$218m. If this were applied to the cause of demand reduction, namely solar bonus scheme participants, then they would face an increase in fixed charge of some \$1200.

Failure to apply the re balancing of fixed charges on this basis would not result in meeting the Minister's direction to make prices cost reflective. The current Draft Determination instead recovers the cost across all consumers, causing a disproportionate wealth transfer from non-solar low consumers to solar consumers.

I suspect, though have no direct evidence, that the Draft Determination also results in a wealth transfer from the poorer (those who have not installed solar) to the wealthier (those who have installed solar).

I ask that the QCA follows the Minister's direction to make prices cost reflective and assesses whether its current Draft Determination actually causes non-solar low consumers to increase their cross subsidy (over and above the cross subsidy that arises from the Solar Bonus Scheme itself) to solar bonus scheme consumers. If the QCA does assess that this cross subsidy exists, I propose that the \$218m increased recovery in fixed charges be

applied to those who have caused the need for it, namely consumers who have installed solar.

As an employee of the energy industry I ask that my name and address not be published as my personal views may not reflect those of my employer.

Regards