



11 March 2016

Mr Kim Wood  
Principal Commissioner  
Queensland Productivity Commission  
PO Box 12112  
George Street QLD 4003

Dear Mr Wood,

**Queensland Productivity Commission's Draft Report: Electricity Pricing Inquiry.**

Thank you for the opportunity to comment on the Draft Report for the Queensland Productivity Commission's (QPC) Electricity Pricing Inquiry.

Local government assets provide a range of services, many of which are essential to Queensland's communities. These assets include local roads, water supply and distribution networks, reticulated sewage treatment systems, stormwater management, and parks – among others. Many of these assets, in one way or another, rely upon the safe, reliable and cost-effective supply of electricity to function.

The 54 recommendations contained in the QPC's Draft Report cover a broad range of matters that influence electricity pricing. Many of these recommendations cover the issues raised by the Local Government Association of Queensland (LGAQ) and its subsidiary Local Government Infrastructure Services (LGIS) in their November 2015 submissions on the QPC's Electricity Inquiry Issues Paper. Noting the recommendations in the Draft Report, LGAQ wishes to offer additional comments as follows:

**Recommendation 16** – LGAQ agrees that distribution entities should seek to minimise or defer network capital expenditure. During the recent regulatory reset, LGAQ's representations noted that the distribution entities should seek to maximise arrangements to utilise local government infrastructure to curtail load during periods of peak demand.

**Recommendation 29** – LGAQ supports greater transparency of Uniform Tariff Policy (UTP) calculations along with the introduction of annual reporting of Community Service Obligation (CSO) payments by recipient category and industry sector. Such transparency and reporting would assist in identifying changes in CSO calculation and their potential impacts upon the local government sector.

**Recommendations 30 and 31** – LGAQ supports the mitigated transition of the CSO payment from the 'Retail' arm to the 'Network' arm of Ergon Energy in order to facilitate retail competition in regional Queensland.

**Recommendation 35** – In line with our November 2015 submission, LGAQ strongly supports the recommendation for the removal of the 'non-reversion' policy from the *Electricity Act 1994*.

**Recommendation 41 and 43** – LGAQ strongly supports the encouragement of least-cost innovative solutions in isolated systems. As noted in the LGIS submission to the Issues Paper, local government is very well placed to deliver these solutions, and would be highly capable of providing a third party arrangement as recommended in the Draft Report. In order to fully assess the role for local government in the provision of electricity supply arrangements through community-based solutions, the identification of CSO arrangements for isolated systems is crucial. Only through a fully informed business case, can such investments be considered.

**Recommendations 37 and 52** – LGAQ supports the use of improved data to determine the impacts of network tariff reform. During the recent regulatory reset, and in response to Tariff Structure Statement consultation undertaken by both Energex and Ergon Energy, LGAQ’s representations noted the need for necessary metering upgrades as a first step towards mitigating any potential impacts arising from the implementation of demand charging particularly at the lower limit of the Standard Asset Customer threshold. Improved data would not only assist in determining impacts of network tariff reform, it would also enable councils to implement appropriate rectification measures at affected sites.

**Recommendation 54** – LGAQ supports the recommendation provided that a long-term transition plan to mitigate cost pressures on councils with community housing stocks is established. In relation to the funding and implementation of an assistance program, LGIS has a wealth of experience from its successful delivery of the Climate Smart Home Service that could be drawn upon in the design and delivery of any program.

LGAQ’s November 2015 submission also raised concerns regarding the implementation of demand charging particularly at sites with uncontrollable demand. This creates disproportionately higher cost impacts for Queensland councils with similar sites that, while classified as large, ultimately have relatively low kW/h consumption. In order to alleviate these concerns the LGAQ requests that the QPC, in its final report, recommend that the Queensland Government make appropriate legislative changes such that the 100MWh threshold contained in the *Electricity Amendment Regulation (No.3) 2007* is amended to reflect the 160MWh threshold in New South Wales.

Should further information on any aspect of LGAQ’s response be required, please don’t hesitate to contact Mr Scott Britton, Principal Advisor – Roads, Transport and Infrastructure on 1300 542 700 or [scott\\_britton@lgaq.asn.au](mailto:scott_britton@lgaq.asn.au).

Yours sincerely,



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GENERAL MANAGER – ADVOCACY