

Submission to Queensland Productivity Commission – Draft Electricity Pricing Report

Introduction

This submission is provided in response to the Queensland Productivity Commission's (QPC) draft report on its Electricity Pricing Inquiry. The submission identifies several aspects of the draft report which warrant the QPC's consideration and potential amendment with respect to the final report.

Section 5 of draft report – Solar Bonus Scheme (pages 84-93)

The draft report makes a number of statements about the solar bonus scheme (SBS). Draft findings include:¹

- The costs associated with the SBS will contribute \$89 to a typical Queensland residential electricity bill in 2015-16.
- The total cost of the SBS over the life of the scheme is expected to be around \$4.4 billion, with more than \$3 billion to be incurred between 2016-17 and 2027-28.
- Low-income and disadvantaged households are disproportionately impacted by the SBS.

The draft report also includes the following statements:

*The ToR asked us to consider key drivers of electricity prices, including the contribution that environmental schemes, such as the Solar Bonus Scheme, make to electricity prices.*²

*When introduced in 2008, costs associated with the SBS were funded by the electricity distribution businesses, and subsequently recovered from all electricity consumers, including large industrial and business customers, through higher regulated network charges. These higher network charges were incurred by all customers, including those without a solar PV system, and resulted in commensurately higher retail electricity prices.*³

*The QCA has previously indicated concerns about the inequity in the SBS cost recovery arrangements, given that: ... electricity customers who may not be able to afford (or who choose not to invest in) a solar PV installation are forced to pay the feed-in tariff to those customers who choose to install solar panels, without receiving any benefit in return.*⁴

*This inequity has been exacerbated by the volumetric nature of network and retail tariffs, which has allowed solar PV customers to largely avoid their share of network costs.*⁵

*Low-income and disadvantaged households are disproportionately impacted by the SBS.*⁶

*Low-income and disadvantaged households often have little capacity to improve their circumstances, for example, by investing in energy efficient technology or a solar PV system to reduce their electricity costs. With little discretionary income, many find the upfront capital costs unaffordable.*⁷

¹ QPC draft report, p. 84

² Ibid, p. 84 (emphasised text added)

³ Ibid, p. 86 (emphasised text added)

⁴ Ibid, p. 86 (emphasised text added)

⁵ Ibid, p. 86 (emphasised text added)

⁶ Ibid, p. 87 (emphasised text added)

⁷ Ibid, p. 87 (emphasised text added)

For 2015-16, the cost of the SBS is forecast to be around \$312 million. However, over time, as the circumstances of participants change and they lose eligibility for continued participation in the SBS, for example by moving premises, these annual costs are expected to fall. In 2013, the QCA estimated that the total nominal cost of SBS FIT payments over the life of the scheme would be around \$3.4 billion. However, more recent data provided to QPC by Energex and Ergon Energy, illustrated in Figure 42, suggests that this amount could be much higher, at approximately \$4.4 billion ... This means the SBS will continue to impact on electricity prices in Queensland until 2028.⁸

... any decision by the Queensland Government to revise the conditions of the SBS needs to balance the interests of electricity customers, participants in the Scheme and the State. We note the past and likely future impact of the SBS on electricity prices, and the inequity arising from the recovery of FIT costs from all electricity customers, rather than just those who directly benefit from the scheme. We agree with the QCA that: “... there is no magic pudding when it comes to electricity prices. If one group of consumers enjoys a benefit in excess of the true savings they make, or enjoys prices below the cost of their consumption, other electricity customers have to pay the price of those excess benefits or lower prices. When those doing the paying are likely those least able to afford it and those enjoying the benefits are those likely to be most able to afford to meet their true costs, then something is truly wrong.”⁹

*While all solar PV systems eligible for participation in the SBS needed to have been installed by 30 June 2013, our modelling suggests that, based on the FIT remaining at 44 c/kWh and the continued payment of voluntary contributions from retailers, the majority of system owners should have recovered their capital costs by July 2020.*¹⁰

Consequently, the report’s draft recommendation was for the Government to consider the merits of an earlier end to the SBS than the planned 2028 scheme closure.¹¹

While the Treasurer has reportedly indicated that the Government will not be supporting this draft recommendation,¹² the inclusion of such comments and statements in the draft report can give a misleading impression for a reader since they fail to recognise important facts. In this regard the following points are made:

1. The draft report states that the QPC’s terms of reference for its inquiry required it to consider key drivers of electricity prices, including the contribution that environmental schemes, such as the Solar Bonus Scheme, make to electricity prices. However, the terms of reference did not exclude the QPC from considering other key drivers for pushing up the costs of electricity. One particular driver not considered by the QPC’s draft report was the former LNP Government’s decision to freeze and then unfreeze the tariff 11 charge. This had a significant impact in terms of increasing electricity prices.¹³ It has been reported that in the year after the tariff 11 freeze was lifted, “... power prices jumped by about 22.6 per cent or just under \$270 with about \$70 of that attributed

⁸ Ibid, p. 88 (emphasised text added)

⁹ Ibid, p. 89 (emphasised text added)

¹⁰ Ibid, p. 93 (emphasis added)

¹¹ Ibid, pp. 84, 93

¹² <<http://www.brisbanetimes.com.au/queensland/pitt-responds-to-power-commission-findings-20160203-gmkhcc.html>>

¹³ <<http://www.brisbanetimes.com.au/queensland/electric-shock-power-bills-to-soar-up-to-23-per-cent-20130222-2ex2z.html>>;

<<http://www.couriermail.com.au/news/power-prices-in-queensland-set-to-soar-more-than-predicted-government-gazette-reveals/comments-e6freon6-1226654417980>>;

<<http://www.couriermail.com.au/news/queensland/electricity-bill-shock/story-e6freoof-1226583094724>>;

<<http://www.brisbanetimes.com.au/queensland/solar-users-lose-guaranteed-8-cent-tariff-20140522-zrko8.html>>;

<<http://www.brisbanetimes.com.au/queensland/electricity-bills-set-to-rise-about-200-a-year-20140530-zrjlc.html>>;

<<http://www.brisbanetimes.com.au/queensland/queensland-can-expect-electricity-prices-to-increase-over-next-few-years-20141211-125b24.html>>;

<<http://www.brisbanetimes.com.au/queensland/premier-rules-out-statewide-electricity-rebates-20130602-2njlkz.html>>

to the 2012-13 tariff 11 freeze".¹⁴ The QPC's draft report mentioned the former government's tariff 11 freeze (p. 219) but not the corresponding adverse price impact on electricity costs which occurred when the freeze was lifted. For the sake of the record and completeness, it is suggested that the QPC's draft report on this point needs to be rewritten to include consideration of the effect which the tariff 11 freeze and unfreeze had on the increase in electricity costs.

2. In Section 5, the QPC's draft report interchangeably refers to "vulnerable", "disadvantaged" and "low-income" groups or households. However, no definition is provided as to what constitutes a vulnerable, disadvantaged or low-income group. This means that when such terms are used within the report they will take on the meaning assumed by the reader. Accordingly, the meaning of these terms will then vary from reader to reader depending on their own individual interpretations. For Section 12 of the draft report, the term "vulnerable customer" is defined.¹⁵ To ensure consistency of understanding Section 5 of the draft report also needs to include clarification as to what is meant by such terms.
3. The QPC's draft report makes a number of comments and statements about how well-off households are purportedly benefitting from the SBS at the expense of low-income households who are characterised as being unable to afford (or otherwise unwilling) to install solar panels. The previous LNP Government expressed similar views.¹⁶ However, the report makes such comments and statements without supporting them by providing clear, specific data on the number of low-income people who are allegedly disadvantaged by the SBS. Indeed, no clear independent data is provided in the draft report to confirm/substantiate its statements that the SBS is a widespread problem in terms of the claimed adverse impact on low-income groups. The comments and statements in question are made simply as if they were a self-evident fact. However, the reality is that many solar panel owners are from fixed and lower income households.¹⁷ Furthermore, as noted in the QPC's Solar Feed-In Pricing Issues Paper (p. 4), the cost of installing solar panels has fallen rapidly over recent times. This price decrease has enabled solar panel ownership to be within the reach of many more people including those from lower income households. For those people who genuinely struggle to meet the costs of electricity, it should be an accepted community response/obligation for them to receive support and relief with meeting their energy costs rather than laying blame on those who receive the SBS for the "pressures" faced by "vulnerable customers ... in paying for their energy".¹⁸ Indeed, there seems to be an entire "culture of blame" developing around this issue and it needs to be repudiated at the earliest opportunity because of its potential to generate damaging community divisions and harm. It is suggested that the QPC's draft report needs to be rewritten to provide a more balanced perspective on these points.
4. Contrary to the draft report's statement that "*electricity customers who may not be able to afford (or who choose not to invest in) a solar PV installation are forced to pay the feed-in tariff to those customers who choose to install solar panels, without receiving any benefit in return*",¹⁹ the fact is that the energy exported to the grid by solar panel owners greatly helps to reduce pressure on the network during periods of peak demand such as the height of summer. This means that

¹⁴ <<http://www.brisbanetimes.com.au/queensland/solar-users-lose-guaranteed-8-cent-tariff-20140522-zrko8.html>>

¹⁵ QPC draft report, pp. 216-218

¹⁶ For instance, former Treasurer Tim Nicholls reportedly described those who had invested in the SBS as "*champagne sippers and the latte set*" and recipients of "*middle class welfare*." The former Treasurer's attitude was that solar panel owners who received the 44c Feed-In Tariff unfairly penalised other people "*who could least afford to install solar power*." (see

<<http://www.brisbanetimes.com.au/queensland/solar-users-the-champagne-and-latte-sipping-set-tim-nicholls-20140605-zrz9f.html>>)

¹⁷ <<http://www.abc.net.au/news/2013-08-05/new-report-shows-rapid-take-up-of-solar-panels/4864954>>;

<<http://www.brisbanetimes.com.au/queensland/solar-users-the-champagne-and-latte-sipping-set-tim-nicholls-20140605-zrz9f.html>>;

<<http://www.abc.net.au/news/2015-06-16/connor-voters-are-backing-solar-power/6548438>>

¹⁸ QPC draft report, p. 87

¹⁹ Ibid, p. 86 (emphasised text added)

additional capacity does not have to be built which reduces electricity costs for everyone including people without solar panels.²⁰ Evidence provided by submitters to the QPC's Solar Feed-in Pricing Inquiry confirms this point.²¹ However, the significant value and contribution by solar panel owners towards reducing overall electricity costs including for people without solar panels is not acknowledged by the draft report. The draft report takes great pains to emphasise the purported impact of the SBS in escalating the costs of electricity (e.g. pp. viii, 88), but fails to mention the role of solar power in decreasing the overall cost of electricity including for non-solar customers. It is suggested that the draft report needs rewriting to provide a more balanced perspective on these points.

5. The QPC's draft report states that the costs associated with the SBS will contribute \$89 to a typical Queensland residential electricity bill in 2015-16. Based on the QPC's Solar Feed-In Pricing Issues Paper (p. 5) it is assumed that what the draft report is suggesting is that the extra \$89 is the annual cost of the SBS. If so, then the draft report needs to be clearer that the figure of \$89 is spread out over the course of the whole 2015-16 year to avoid readers mistakenly thinking that they will be paying an extra \$89 on each electricity bill they receive in the year. As well, when viewed in this light the claimed SBS cost is quite minimal.²² It is suggested that the draft report needs rewriting to be more precise on these points.
6. A related point is that many low-income households may be eligible to receive a range of government financial assistance measures and benefits that are not available to people in other households. Therefore, the cost of the SBS on low-income households (which as noted in paragraph 5 is \$89 over the course of the entire 2015-16 year) can be significantly off-set by these assistance measures. The availability of this assistance does not appear to have been factored into the draft report's assertions about the extent of the alleged inequitable impact of the SBS on such households.
7. The QPC's draft report states, "*... circumstances of participants change and they lose eligibility for continued participation in the SBS, for example by moving premises, these annual costs are expected to fall.*" However, no information is provided by the draft report as to the numbers which may be involved of those who will cease to become eligible for the SBS or the extent of the monetary savings that could be expected. Nor is it explained by the report how the more recent data provided by Energex and Ergon Energy, which suggests that the SBS costs could be much higher, is feasible if more and more people are gradually becoming ineligible to receive the SBS. This may be contrasted with the very specific detail included in the draft report about the ongoing "costs" of the SBS, even until the close of the SBS in 2028. It is suggested that the draft report needs to be rewritten on these points so as to provide a more balanced perspective.

²⁰ <<http://www.news.com.au/money/cost-of-living/research-by-energy-supply-association-of-australia-reveals-hidden-costs-of-solar-panels/story-fnagkbpv-1226645936534>>;
 <<http://www.abc.net.au/news/2014-10-13/newman-accused-of-demonising-solar-to-boost-asset-privatisation/5809212?section=qld>>;
 <<http://www.abc.net.au/environment/articles/2015/03/05/4191229.htm>>;
 <<http://www.abc.net.au/news/2013-08-05/new-report-shows-rapid-take-up-of-solar-panels/4864954>>;
 <<http://statements.qld.gov.au/Statement/2015/3/6/electricity-demand-reaches-record-high>>;
 <<http://www.solarchoice.net.au/blog/queensland-solar-bonus-feed-in-tariff-reduction-reactions/>>;
 <<http://www.couriermail.com.au/news/queensland/solar-panels-turn-suburban-homes-into-queenslands-fourth-biggest-power-station/story-fnihsrf2-1226779235364>>

²¹ For example, the Australian Solar Council & Energy Storage Council noted the "*... beneficial impact of household PV in reducing network losses and by effectively augmenting capacity by pushing electricity back into the grid*" and "*avoidance of the need to build additional power plant capacity to meet peak energy needs*" (p. 2) (<http://www.qpc.qld.gov.au/files/uploads/2015/11/Solar-Inquiry-Submission_Australian-Solar-Council-Energy-Storage-Council.pdf>)

²² Also see <<http://www.brisbanetimes.com.au/business/sunday-explainer-why-is-electricity-so-expensive-20150925-gjvdrj.html>>;
 <<http://www.smh.com.au/business/high-power-rates-its-a-poles-and-wires-story-20120611-20603.html>>

8. The QPC's draft report states, "*We note the past and likely future impact of the SBS on electricity prices, and the inequity arising from the recovery of FiT costs from all electricity customers, rather than just those who directly benefit from the scheme.*" However, the contrary view which is not expressed in the draft report is that as all electricity customers (including those without solar panels) benefit from Queensland's high level of solar panel ownership,²³ then it is only reasonable and fair for all to share in the costs (which over the course of the whole year are quite minimal) that may be associated with the SBS. If non-solar customers are receiving a benefit in terms of lower overall electricity costs as a result of the high levels of solar panel ownership in Queensland, then they should rightly participate in contributing to any costs that may be involved in achieving that reduction. This is consistent with the QPC's Solar Feed-In Pricing Inquiry Issues Paper which supported the need for individuals and businesses that use a good or service to pay the cost of that good or service.²⁴ It is suggested that the draft report needs rewriting to recognise this point.
9. The QPC's draft report states: "*This inequity has been exacerbated by the volumetric nature of network and retail tariffs, which has allowed solar PV customers to largely avoid their share of network costs.*" This statement about solar panel owners "largely avoiding their share of network costs" is similar to others which have been made by some in the electricity industry who have accused solar panel owners of free riding.²⁵ However, the report's statement is very misleading since what is not mentioned is how Queensland's high level of solar panel ownership actually offsets the overall costs of electricity including for people without solar panels.²⁶ As well, the draft report does not provide any indication as to what the costs of electricity would be if Queensland did not have its current level of solar panel ownership. It is suggested that the draft report needs rewriting to recognise, and to provide greater balance, on these points.
10. The draft report recommends that the SBS be finalised sooner than the scheduled 2028 cessation date partly on the basis of QPC modelling that the "majority" of system owners should have recovered their capital costs by July 2020.²⁷ However, what about those who may not have recovered their capital costs by this time? If one of the reasons of the SBS was to allow recipients "*... to recover the costs associated with their investment in solar infrastructure,*"²⁸ then is it fair or equitable that those who have not recovered their capital costs by July 2020 should be forced to accept this loss? This is a very curious rationale for finalising the SBS eight years earlier than stipulated particularly since the report was elsewhere highly critical about the alleged inequity of the SBS on low-income and vulnerable groups. How is it that the report can be so concerned about a perceived unfairness of vulnerable groups being "*forced*" to contribute to the costs of the SBS "*without receiving any benefit in return*",²⁹ while at the same time suggesting it is acceptable that other community members should potentially accept losses on their solar infrastructure investment just so the SBS can be wound up in contravention of a Government commitment which recipients had accepted in good faith? There appears to be a double standard in the draft report on this point which has not been explained or justified and needs to be redressed.
11. As it is currently written, Section 5 of the draft report (Solar Bonus Scheme) appears to pre-empt the submissions to, and outcomes of, the yet-to-be-released draft report of the QPC's Solar Feed-

²³ See footnotes 20 and 21 for sources

²⁴ QPC Solar Feed-In Pricing Inquiry Issues Paper, p. 11

²⁵ <<http://www.brisbanetimes.com.au/business/electricity-price-reform-essential-says-united-energy-chief-executive-hugh-gleeson-20140919-10jcw.html>>

²⁶ See footnotes 20 and 21 for sources

²⁷ QPC draft report, p. 93 (emphasis added)

²⁸ Ibid, p. 85

²⁹ Ibid, p. 86

In Pricing Inquiry.³⁰ It is the view of the writer of this submission that Section 5 would benefit from being rewritten in consideration of the observations outlined above as well as the outcomes of the Solar Feed-In Pricing inquiry together with the issues raised and evidence provided by the various submitters to that inquiry.

Section 8 of draft report – Deregulation in SEQ (pages 115-145)

The draft report stated:

*As it stands, retail price regulation in SEQ is to be replaced with a market monitoring regime from 1 July 2016 in accordance with the Electricity Act. The Terms of Reference (ToR) asks us to provide advice on the costs and benefits of retail price deregulation. The ToR also asks us to consider whether the proposed market monitoring arrangements and the consumer protections (which commenced on 1 July 2015) are sufficient to allow price controls in SEQ to be removed.*³¹

The draft report then asserted that:

*Continuing price regulation presents a barrier to increased competition and efficiency in the SEQ retail electricity market, whereas there are benefits from deregulation proceeding on 1 July 2016.*³²

The draft report subsequently recommended that:

*Deregulation of the SEQ retail electricity market should commence as planned on 1 July 2016.*³³

Earlier in the draft report it was explicitly stated that the recommendation was for “electricity prices” to be deregulated in SEQ from 1 July 2016.³⁴

The draft report points out that unless further Government action is taken, price deregulation in SEQ will automatically commence on 1 July 2016.³⁵

By way of background, it is noted that the proposed SEQ electricity price deregulation will occur under the provisions of the *Electricity Competition and Protection Legislation Amendment Act 2014* (ECPLAA).³⁶ The ECPLAA was introduced by the former LNP Government in line with its philosophy to minimise government involvement in society.³⁷ With respect to this legislation the former Government’s stated intention was to “increase competition in SEQ by replacing retail price controls with a more light-handed market monitoring approach.”³⁸ On the other hand, the philosophy of the current ALP Government is for government to take a more proactive role in society.³⁹ In its capacity as the then Opposition, the current Government opposed the ECPLAA.⁴⁰ Following its 2015 election,

³⁰ Which would appear to be contrary to the statement on page xx of the draft report that “...the two inquiries will have regard to each other as relevant.” This submission would contend that it was indeed relevant for Section 5 of the draft report to have been written in consideration of the evidence provided in submissions to the Solar Feed-In Pricing Inquiry. For instance, a number of these submissions pointed out how the Solar Feed-In Pricing Inquiry Issues Paper failed to give due recognition of the value contributed by solar panel owners in reducing overall electricity costs for all customers including those without solar panels.

³¹ QPC draft report, p. 115

³² Ibid, p. 115

³³ Ibid, p. 116

³⁴ Ibid, p. xi

³⁵ Ibid, p. 118

³⁶ Ibid, p. 118

³⁷ The former LNP Government’s philosophy about the role of government in society was: “Government operates only in areas where it can provide results that cannot be provided by the private or community sector” (Queensland Plan, 2014, p. 84). The former Government sought to reduce the role of government to that of an “enabler” not a “doer” (LNP, *Strong Choices Final Plan for State Asset Leasing*, 2014, p. 23).

³⁸ Explanatory Notes to the *Electricity Competition and Protection Legislation Amendment Bill 2014*, p. 1

³⁹ ALP Policy Platform 2015, p. 9

⁴⁰ Queensland Parliamentary Hansard, 10 September 2014, p. 3147

the Government delayed the commencement of the SEQ price deregulation component of the ECPLAA to enable the QPC to conduct this inquiry.

There are valid concerns about the proposal to deregulate SEQ electricity prices which have not been satisfactorily acknowledged or addressed by the draft report.

It is generally accepted that electricity is a “natural monopoly”. The concern with natural monopolies is that they can lead to instances of market failure, such as in the event of “... *when the market has a small number of firms that can use their market power to materially reduce community welfare.*”⁴¹ It is noted that former Premier Campbell Newman also acknowledged that “... *electricity ‘is a natural monopoly’, implying the potential for excessive private profits at the expense of customers.*”⁴² The electricity deregulation experience in Victoria, which promised that consumers would benefit from increased retail competition, has seen prices actually increased by more than 200 per cent.⁴³ Indeed, of the Victorian deregulation experience one study has found that households in States that have retained some price controls may be better off than in Victoria.⁴⁴ In South Australia, the deregulation experience has seen high electricity prices and high rates of disconnections for failing to pay bills on time.⁴⁵ Even the draft report has conceded that for SEQ “... *there is no guarantee that all customers will benefit from price deregulation.*”⁴⁶ While the report subsequently attempted to mitigate this statement, the comment is nevertheless highly ironic given the report’s earlier interest in minimising the alleged inequitable impact of the SBS on vulnerable groups.⁴⁷

A deregulated environment potentially provides a strong opportunity and incentive for a business entity to maximise their profits without due consideration of the interests of consumers, or even at the expense of consumers’ interests,⁴⁸ unless there are countervailing forces in play that are strong enough to dissuade the entity from taking this approach. While the draft report is highly supportive of energy industry studies which favour the removal of electricity price regulation and is confident that deregulation “... *has great potential to boost productivity growth and market efficiency,*”⁴⁹ others are far less confident given the many adverse electricity price deregulation experiences which have occurred to date.⁵⁰ Indeed, as the noted economics commentator Ross Gittins has noted, “*So whether [electricity] businesses are publicly or privately owned, the prices they charge have to be regulated to prevent them overcharging.*”⁵¹

⁴¹ QPC Solar Feed-In Pricing Inquiry Issues Paper, p. 8

⁴² <<http://www.couriermail.com.au/news/opinion/newmans-power-play-is-admirable/story-e6frerdf-1226632543815>>

It is noted that the former LNP Government subsequently promised that its electricity asset privatisation plan would reduce electricity prices although the then Treasurer, Tim Nicholls, “... *could not guarantee the potential change in ownership of the energy assets would improve a household’s electricity bill*” (<<http://www.abc.net.au/news/2014-10-12/lnp-vows-electricity-price-relief-if-reelected-in-queensland/5807494?section=qld>>; <<http://www.couriermail.com.au/news/queensland/campbell-newman-mulls-over-asset-sales-to-pay-down-debt/story-fnihsrf2-1226774600097>>).

⁴³ <<http://www.businessspectator.com.au/article/2015/7/8/energy-markets/how-consumers-pay-more-under-our-deregulated-retail-electricity>>;

<<http://www.theage.com.au/comment/electricity-charges-for-some-victorian-households-up-to-800-more-than-they-need-to-be-20150319-1m2qtd.html>>;

<<https://grattan.edu.au/news/electricity-charges-for-some-victorian-households-up-to-800-more-than-they-need-to-be/>>

⁴⁴ <<http://www.smh.com.au/business/energy-deregulation-no-benefit-to-power-consumers-study-finds-20140202-31v11.html>>

⁴⁵ Page i,

<http://www.sacoss.org.au/sites/default/files/public/documents/Reports/140516_State%20of%20the%20South%20Australian%20Retail%20Energy%20Market%202013.pdf>

⁴⁶ QPC draft report, p. 124

⁴⁷ Ibid, p. 87

⁴⁸ In fact, the QPC’s draft report noted the concerns raised by some consumer groups that the removal of retail price controls in Victoria has allowed retailers to increase their profit margins with retail prices now being inexplicably high (p. 125). Ross Gittins’ article, *The motivation myth and why government incentives result in greedy behaviour*, provides some interesting insights into such behaviours (<<http://www.brisbanetimes.com.au/business/the-motivation-myth-and-why-government-incentives-result-in-greedy-behaviour-20151224-glun6t.html>>).

⁴⁹ QPC draft report, p. 126

⁵⁰ For example, see: <<http://arena.org.au/a-world-gone-mad-marketisation-and-deregulation-of-electricity/>>

⁵¹ <<http://www.brisbanetimes.com.au/business/why-electricity-prices-continue-to-shock-people-20140613-3a2va.html>>

Therefore, strong doubts remain as to the credibility of the draft report's claims and predictions about the benefits of electricity price deregulation for SEQ.

If despite these reservations it is still insisted for deregulation to proceed, then SEQ electricity customers will need protections greater than those which the draft report confidently predicts will protect customers against excessive charging by electricity providers. In this regard the draft report asserted that the National Energy Customer Framework (NECF), including the Queensland-specific modifications, "... provides an appropriate level of protection and support for SEQ consumers, particularly vulnerable customers, in the event retail price deregulation proceeds."⁵² Elsewhere, the draft report confidently stated, "We consider that any potential price-related risks of deregulation can be managed through robust and transparent market monitoring, as currently proposed, to ensure price movements over time remain broadly consistent with changes in underlying supply costs."⁵³ Consequently, the draft report recommended that "Should retail price deregulation in SEQ proceed, adequate consumer protections exist, and we have therefore not recommended additional protections to those already developed."⁵⁴

However, the draft report conceded that many stakeholders have expressed concern that the NECF has not been keeping up with changes in the energy market.⁵⁵ The draft report also acknowledged "... that in its current form the NECF is unlikely to respond to emerging retail models and new technologies. We also note the concern of stakeholders that government policy considerations are failing to keep pace with changes in the market."⁵⁶ Such admissions and concessions hardly inspire confidence in the sufficiency and adequacy of the consumer protections that will be available for SEQ customers in the "brave new world" of electricity price deregulation.

Therefore, if deregulation does still proceed then Queenslanders will expect to receive greater assurance about the protection of their consumer rights against unreasonable and excessive action by electricity providers. In particular, an independent agency would need to be available for a customer to approach in the event they were dissatisfied with/aggrieved by the service and/or charging by their electricity provider. Such an agency would need to have strong powers (including investigation, direction, prosecution powers) as opposed to just being able to "monitor and report". Individual consumers would need to have access to such an agency since on their own they would not have sufficient bargaining power to be able to negotiate with electricity providers on an equitable footing. The existence of such an entity would also provide an added incentive for electricity providers to act responsibly and reasonably towards their customers. Unless an electricity consumer protection agency along these lines is available, the proposed consumer protections advocated in the draft report will not be sufficient to allow price controls in SEQ to be removed. Unless stronger consumer protections are in place, public confidence in the SEQ electricity deregulation experiment will highly likely also suffer.

The final observation which should be made is that if the draft report's recommendation is adopted and the deregulation of electricity prices in SEQ automatically commences on 1 July 2016, then this will mean that SEQ consumers will be forced to participate in the electricity deregulation experiment whether they wish to or not. Again, this is a very curious result given the draft report's earlier criticism of certain vulnerable groups being "forced" to contribute to the costs of the SBS.

In conclusion, it is strongly suggested for the relevant sections of the draft report to be rewritten in consideration of, and to provide greater balance with respect to, the issues identified above.

⁵² QPC draft report, p. 115

⁵³ Ibid, p. 126

⁵⁴ Ibid, p. 116

⁵⁵ Ibid, p. 102

⁵⁶ Ibid, p. 103