Queensland Government response to the Queensland Productivity Commission Electricity Pricing Inquiry

NOVEMBER 2016

Queensland Government

In April 2015, the Queensland Government tasked the Queensland Productivity Commission (the Commission) with undertaking a public inquiry into electricity pricing in Queensland. In undertaking the inquiry, Government asked the Commission to consider a range of issues including the competitive electricity market, productivity growth, efficiency and reliability, environmental outcomes, vulnerable customers and responsible management of the State's finances.

The Commission presented its final report 'Electricity Pricing Inquiry' to Government on 31 May 2016. The report contained 52 recommendations that relate to all major aspects of the electricity sector in Queensland.

Government action to stabilise electricity prices

Since issuing the Terms of Reference, the Government has taken firm action to stabilise electricity prices across Queensland, including by directing the network businesses, Energex and Ergon Energy, not to challenge the decision by the Australian Energy Regulator to reduce network revenues.

Due in part to this action, under the first two years of the Palaszczuk Government, the average annual electricity price increase for households will be just 1.2 per cent, which is below inflation, and compares to an increase of 43 per cent over the full term of the previous LNP Government. For small businesses, the average annual increase is just 3.8 per cent, compared with an increase of 21.9 per cent over the term of the LNP Government. This is proof that the Government's efforts to stabilise electricity prices are working.

The Government has also merged Energex and Ergon Energy into Energy Queensland Limited (Energy Queensland), to form a single energy distribution business servicing all of Queensland. The merger will achieve significant savings and have positive impacts for energy customers across the state. It is also part of the Government's broader plan to make the electricity sector more efficient and create an energy business for the future, while retaining public ownership of the State's electricity assets.

Government response to final report

The Government accepts the majority of the Commission's recommendations. This will ensure that Queensland's policy and regulatory environment remains able to support the efficient supply of electricity in the short, medium and longer terms, while at the same time facilitating innovation to the benefit of customers.

Following the release of the Commission's draft report, the Queensland Government acted quickly to remove price regulation in south-east Queensland, to ensure customers could benefit from a more competitive market. This also followed the Palaszczuk Government undertaking necessary groundwork to make sure that vulnerable customers could successfully transition through the change, including by funding organisations such as the Queensland Council of Social Service (QCOSS) to help deliver information about energy pricing, guide people to hardship assistance, and give them the tools they need to shop around and negotiate with retailers for the best energy deals available.

Many residents have already received significant benefit from the shift to a more competitive market, with a leading consumer choice website (www.energymadeeasy.gov.au) showing that some retailers are offering discounts of over 10 per cent. The Government is also delivering a comprehensive Consumer Education Campaign to enable customers to capture the benefits of a competitive market.

In its report, the Commission noted that while prices are stabilising, there are particular customer groups who face poorer outcomes due to geographical location, outdated pricing models, or socio-economic vulnerability.

In response to the Commission's recommendations, the Government will:

- provide funding starting at $48 million per annum ($170.1 million over the FE period) to extend the electricity rebate to improve outcomes for low income customers from 1 January 2017; and
- provide $10 million over two years for a support package for regional business customers to deliver better access to digital metering, provide more information about tariff options and provide co-contributions to help customers invest in operation and equipment changes to manage bill impacts.

Recommendations concerning tariff reform and barriers to demand-side participation are also accepted. Government (with Energy Queensland) is taking a range of actions to understand how different tariff structures affect customers and investigate ways to address barriers to energy efficiency. The majority of recommendations concerning oversight of Government owned Corporations by shareholder Ministers are also accepted and will be achieved through work undertaken on the corporate framework underpinning the merger of Energex and Ergon Energy.

Government's decision not to accept a small number of the recommendations is supported by a sound policy rationale based on strategic goals and the need to remain flexible and responsive to emerging sectoral challenges. In particular, Government does not accept recommendations concerning generator rebidding behaviour in the wholesale electricity market, has ruled out early closure of the Solar Bonus Scheme, and will not remove access to electricity concessions for Queensland Seniors Card holders.

A number of recommendations will require further consideration by Government, including those relating to the Community Service Obligation (CSO) and how to best achieve the benefits of competition in regional Queensland.

Reform of energy concessions

In line with the Commission's recommendations, Government has made a commitment to reform the Queensland energy concessions framework to improve support to vulnerable customers by extending eligibility for the existing Electricity Rebate to include Commonwealth Health Care Card holders and asylum seekers. Newly eligible customers can apply to their retailer for the Rebate from 1 April 2017, with payments back-dated to 1 January 2017.

The Palaszczuk Government has not accepted the Commission's recommendation to remove access to the general Electricity Rebate for Queensland Seniors Card holders, and will retain eligibility for holders of a Queensland Seniors Card, Pensioner Concession Card, or Department of Veterans Affairs Gold Card, to receive the Electricity Rebate.

Government has allocated additional funding starting at $48 million per annum to cover the cost of extending the Electricity Rebate in this way. This represents a funding increase of $170.1 million over the Forward Estimates to 2019-20 that will provide assistance to low income families who are at higher risk of hardship due to high energy consumption.

This change will provide support to an additional 157,000 low income families, bringing the total number of households assisted in Queensland to approximately 688,000 in 2016-17. There will be no changes for Pensioner Concession card, Department of Veterans' Affairs card, and Queensland Seniors Card holders.

As per the Commission's recommendations, Government is also working with the community sector and industry to continue to build awareness of existing entitlements for customers in Card Operated Meter areas and those that are on-sold electricity in embedded networks, as well as to streamline and promote the assistance available through the Home Energy Emergency Assistance Scheme.

Government is also providing additional support for vulnerable and disadvantaged consumers throughout Queensland by:

- providing $1.162 million in funding to the Queensland Council of Social Service over the next four years to advocate for vulnerable energy and water consumers; and
- implementing the Queensland Financial Inclusion Plan, a key deliverable of which includes the commitment of $25 million over four years for the development and roll-out of a Financial Resilience program that will fund 30 financial counselling and financial resilience workers, provide continued emergency relief and provide further financial literacy initiatives to support vulnerable Queenslanders, including energy consumers.

Regional business customer support package

There are around 42,000 regional businesses currently transitioning from 'transitional and obsolete' tariffs to standard cost-reflective tariffs by 1 July 2020, under an arrangement established in 2013. The Government subsidises the cost of supplying electricity to all regional customers via the Community Service Obligation (CSO), with $561.2 million allocated in 2016-17. Customers on transitional and obsolete tariffs benefit from the CSO, with many receiving prices which are below the level of other regional business customers on standard tariffs.

The Commission identified that while many customers would be better off as a result of the transition, some customers will require additional targeted support to manage bill impacts. The Commission therefore recommended the Government use eligibility criteria to direct financial support to affected customers to help them make structural adjustments, including through energy efficiency, demand management and renewable energy and storage.

In response, the Government will deliver a package which includes:

- Up to $2 million for the targeted deployment of new meters to allow large business customers to identify specific bill impacts across tariff options;
- $0.4 million for a Small Customer Impacts Trial and $0.5 million to build greater capacity to convey electricity bill impacts to each customer under different tariff options, to facilitate improved customer understanding of electricity bill impacts
- $0.5 million in funding to enhance and promote existing energy audit services to help customers understand how to lower their electricity bills; and
- $4–6 million in funding to undertake a trial to test the benefits of Government co-contributions to help business customers on transitional and obsolete tariffs to invest in operational and equipment changes to manage bill impacts.

The support package demonstrates Government's commitment to regional Queensland, will deliver better outcomes for regional businesses, and will promote renewable energy and storage options.

Renewable energy policy

In line with the Commission's recommendations, Government will continue to work through the Council of Australian Governments (COAG) Energy Council to advocate for integrated national energy and climate change policies. However, the Government considers that Australia's current targets and policies for emission reductions are not sufficient to meet globally-agreed targets and in that context, States have a role in driving additional action on climate change.

Accordingly, the Queensland Government has a clear commitment to increasing the contribution of renewable energy to Queensland's energy mix, with a 50 per cent Renewable Energy Target (RET) by 2030. Critical to this commitment is building on Queensland's world leading uptake of solar energy.

We have set a target for one million rooftops or 3,000 megawatts (MW) of solar PV in Queensland by 2020. By including a capacity target, we will harness Queensland's potential to grow solar PV on businesses, community buildings and large commercial or industrial sites. In setting this target, Government is mindful of the potential impacts on electricity prices.

As part of our commitment to renewable energy, Government is also driving the deployment of large-scale renewable energy. Our commitment at the election was to facilitate the development of 40 MW of large-scale renewables in Queensland. Since then, the Palaszczuk Government has exceeded this commitment by collaborating with the Australian Renewable Energy Agency (ARENA) as part of its 200MW auction for large-scale solar generation. Through this initiative, Government has been able to provide support for almost 150MW of large-scale solar projects in Queensland, which will help drive down the cost of large-scale solar. Importantly, this project will be supported directly through budget funding and will not impact electricity prices.

We have also established a Renewable Energy Expert Panel (the Expert Panel) comprised of independent expert energy, environmental and business leaders, to identify credible pathways to our Renewable Energy Target. The Terms of Reference for the Expert Panel were consistent with the aspects the QPC identified in its Final Report.

The Expert Panel released its draft report on 12 October 2016, which outlines its initial findings and options, including three credible pathways for Government to achieve its renewable energy goals. Consideration of electricity network security and affordability were central to the draft report which found that Queensland can meet a 50 per cent renewable energy target while maintaining electricity security and reliability over the next 14 years, and without imposing additional costs on Queensland electricity consumers.

The Government notes the Commission undertook indicative, high level modelling of the subsidy payments required to achieve a 50 per cent renewable energy target in Queensland, estimating a requirement of $10.8 billion. However, the Commission's modelling was undertaken in 2015 and relied on technology cost assumptions which are now out of date, used previous demand forecasts and included costs which are not required to reach 50 per cent target under the Expert Panel's approach. We note the Expert Panel's more recent modelling found much lower subsidy costs of $500-900 million (Net Present Value).

The Expert Panel's final report is due to Government by the end of 2016. Government will then consider the findings before providing a response.

Government response to specific recommendations

The following table provides a detailed, line-by-line response to the Commission's final report recommendations.

The Hon. Curtis Pitt MP

Treasurer

Minister for Aboriginal and Torres Strait Islander Partnerships

The Hon. Mark Bailey MP

Minister for Main Roads, Road Safety and Ports

Minister for Energy, Biofuels and Water Supply

Queensland Government positions on QPC recommendations

■ Accepted ■ Not accepted or for further consideration

QPC Ref	Recommendation	Government response
Productivity in electricity supply		
1	To ensure the development of an efficient electricity market, the Queensland Government should not favour any technology over another, and allow the market to meet consumer demand.	*Accepted-in-principle* The Queensland Government supports a diversified electricity market underpinned by multiple sources of supply, while recognising the State's comparative advantages and the need to support low emissions technology and achieve a 50 per cent renewable energy target.
2	The Queensland Government should implement a periodic review of emerging technology, in conjunction with the industry.	*Accepted-in-principle* The Queensland Government has established an independent expert panel to advise on credible pathways to achieving a 50 per cent renewable energy by 2030. The panel has given consideration to emerging technologies in its draft report. The Government actively engages with industry and universities to understand new technologies entering the supply chains of the Electricity and Gas markets.
3	To ensure the development of an efficient electricity market, government intervention should be limited to circumstances of market failure, with any government intervention occurring where the benefits outweigh the costs.	*Accepted-in-principle* The Government will continue to implement energy policies which seek to balance outcomes for consumers, the environment, the market, the economy and Government.
4	The Queensland Government should advocate at the COAG Energy Council to drive national reforms for the benefit of Queensland electricity consumers.	*Accepted* Queensland plays a pro-active role in the COAG Energy Council and its associated working groups, and is co-chairing the Energy Market Transformation Project Team tasked with responding to emerging technologies and trends. The Government also actively seeks input from Queensland stakeholders to ensure that their views are represented.
Generation		
5	The Queensland Government should not merge CS Energy and Stanwell, given the reduction in competition in Queensland's wholesale electricity market potentially resulting in higher wholesale electricity prices.	*Accepted* This finding is consistent with the Government's previous decision on this matter. Government completed a detailed review of possible merger options for the Government owned corporation (GOC) energy businesses. One of the outcomes of this review was a decision not merge CS Energy and Stanwell.
6	The Queensland Government requirement for CS Energy and Stanwell to achieve operating efficiencies should be complemented by a strengthening of the shareholder oversight role to ensure clear targets for improving performance are set and achieved.	*Accepted* The Government accepts this recommendation. The GOC Governance Review and Improvement Project is identifying improvements to the governance arrangements for all energy GOCs that will strengthen shareholder oversight.

QPC Ref	Recommendation	Government response
7	To reduce the combined market concentration of CS Energy and Stanwell, the Queensland Government should confirm that it does not intend to increase the net size of the existing GOC generation capacity.	*Accepted* The Government has developed Shareholder Mandates for the generation GOCs. The mandates include the expectation that CS Energy and Stanwell not develop, invest, or own new generation capacity.
8	The Queensland Government should require CS Energy and Stanwell to develop and adhere to a voluntary Code of Conduct in respect of their rebidding behaviour.	*Not accepted* The intent of this recommendation is met by new National Electricity Rules to better manage rebidding behaviours that came into effect from 1 July 2016. The new rules replace the requirement that offers be made in good faith with a prohibition against making false or misleading offers. Rebids must be made as soon as practicable and reasons for rebids must be provided by the generator to the Australian Energy Regulator.
9	The Queensland Government should require CS Energy and Stanwell to annually report all late rebids submitted to the Australian Energy Market Operator. This report should be independently audited.	*Not accepted* The Government believes all generators in the market should be treated on an equal basis. Imposing additional reporting and auditing requirements on GOCs will create additional costs and may promote overly conservative bidding behaviour, which could place them at a competitive disadvantage.
10	The Queensland Government's Renewable Energy Expert Panel should consider: • the costs and benefits of a Queensland target, including impacts on prices, Government finances and GSP; • the interaction with national targets and the implications of an inter-jurisdictional approach to emissions reduction policy; • the impacts on reliability and network costs of changes in the generation mix; • the merits of including small-scale solar in a renewable energy target; and • the relative emissions intensity and efficiency of carbon generators.	*Accepted* The Government has issued the Expert Panel with broad-ranging terms of reference that cover the intent of the QPC's recommendations. The Panel's draft report, released on 12 October 2016, addresses all of these issues. The final report is due to Government by the end of 2016. The Government will then consider the findings before providing a response.
11	In order to achieve least-cost carbon abatement, the Queensland Government should advocate at the COAG Energy Council for collaboration on carbon policy, as an alternative to pursuing independent action.	*Accepted in part* The Government will continue to work through the COAG Energy Council to advocate for integrated national energy and climate change policies. However, the Government considers that Australia's current targets and policies for emission reductions are not sufficient to meet globally-agreed targets and in that context States have a role in driving additional action on climate change.

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12	The Queensland Government should not intervene in the solar PV feed-in tariffs or provide subsidies to achieve a 3,000 MW capacity target for solar PV uptake in Queensland by 2020.	*Accepted* The Government has previously ruled out re-introducing a premium feed-in tariff for residential systems. The Government will continue to monitor progress towards its solar PV target.
Networks		
13	The Queensland Government should ensure the existing regulatory frameworks are optimised for the future: • by advocating at the COAG Energy Council for a prompt and effective response to new technologies and business models; and • by removing State based regulatory impediments to implementing new technologies or non-network solutions.	*Accepted* Queensland is playing a central role in the COAG Energy Council and is co-chairing the Energy Market Transformation Project Team tasked with responding to emerging technologies and trends. Queensland will continue to take a pro-active role in this working group and the COAG Energy Council.
14	The Queensland Government should not revalue the Regulated Asset Bases (RABs) of Energex or Ergon Energy, or direct them to recover less than their Maximum Allowable Revenue, for the purpose of reducing electricity prices.	*Accepted-in-principle* Under the National Electricity Law and Rules there is limited scope to review or change the existing regulated asset bases (RABs) of network entities. This limitation was set up to avoid investment uncertainty and ensure consistent pricing outcomes for customers. The Government has no current plans to revalue the RABs of the network businesses. The Government will give further consideration to the interaction between the RAB and the Community Service Obligation as part of its consideration of the QPC's recommendations concerning regional competition and future management of the CSO.
15	Distribution businesses should continue to minimise or defer network capital expenditure by pursuing both tariff and non-tariff demand management programs (including discounts or rebates) for customers who shift their load to off-peak periods or are subject to interruptability of supply.	*Accepted* Both network businesses have demand management plans in place that pursue a range of programs and initiatives designed to improve network utilisation. Queensland will continue to play an active role through its participation in national discussions on demand management, including initiatives being considered by the Australian Energy Market Commission, Australian Energy Regulator and the COAG Energy Council.

QPC Ref	Recommendation	Government response
16	The Queensland Government's planned merger of the distribution network businesses to achieve efficiencies should be complemented by: • strengthening the shareholder oversight role to ensure clear targets for improving performance and financial outcomes are set and achieved; and • undertaking an organisation structure review to ensure that service delivery is maintained while achieving the savings from the merger.	*Accepted-in-principle* A key part of the merger process is to build an organisational structure that has clear role responsibilities and accountabilities. The Queensland Government is developing Shareholder Mandates for all businesses (generation, transmission and the distribution) to clearly set out its expectations over the next three years. The Government is currently implementing a strengthened shareholder oversight role as part of the network merger work. In particular: • A Governance Review and Improvement Project will seek to improve the accountability framework between Shareholding Ministers and the GOCs. • A Shareholder Mandate which will clearly outline areas for improvement/savings, and performance goals for the merged entity to achieve. • Improved governance framework combined with the Shareholder Mandate will drive improved efficiency within the new merged entity. The Government accepts in-principle the recommendation relating to organisational change, and notes: • Organisational change is likely to occur as a consequence of the efficiency improvements identified in the mandate and by the new merged entity board. • However, organisational change needs to be driven from within by the new GOC board, which will be held accountable for delivery of improvements/efficiency gains.
17	Where network businesses are engaged in potentially competitive functions, the holding company should: • ensure priority is given to the core activities of the businesses being the provision of electricity network services; • ensure there is robust ring-fencing between the competitive and monopoly functions; • undertake market testing of any commercial interactions between the functions; and • consider a longer-term strategy of full structural separation of the energy services business and the natural monopoly distribution businesses.	*Accepted* The Government accepts that priority should be given to the core activities of the electricity network businesses, and notes that it is proposed that the Shareholder Mandate for the merged entity will incorporate this priority. The Government accepts robust ring-fencing arrangements should be established within the new merged electricity network entity, and further work will be undertaken to determine the scope of any implemented ring fencing arrangements. The Australian Energy Regulator AER has commenced the development of an electricity distribution ring-fencing guideline that will apply across the NEM. The purpose of ring-fencing is to separate the competitive and regulated parts of network businesses to protect the long term interests of consumers. The guideline will support the development of competitive markets for energy services and efficient investment in network and customer services. The guideline will result in a move away from State-based ring-fencing arrangements toward a national approach.

QPC Ref	Recommendation	Government response
17		The Government agrees in-principle that GOCs should be responsible to undertake activities as efficiently as possible, which also means considering whether activities can be done more efficiently by the private sector. However, the Government needs to consider how market testing should fit within the broader commercial strategy of the merged entity. The Government believes that further work needs to occur before committing to any proposal to structurally separate the energy services business and the natural monopoly distribution businesses. Under the merged structure, the network business will be ring-fenced from all other activities. The Australian Energy Regulator is currently consulting on draft National Ring-fencing Guidelines for electricity. These Guidelines will be finalised by the end of 2016. The Queensland network businesses will need to comply with these Guidelines.
Solar Bonus Scheme		
18	The Queensland Government should consider the merits of ending the Solar Bonus Scheme earlier than the planned 2028 scheme closure.	*Not accepted* As noted in the QPC's report, the Queensland Government does not accept this recommendation. Customers who maintain their eligibility for the Solar Bonus Scheme will continue to receive the premium feed-in tariff until 2028.
19	The Queensland Government should consider amending the eligibility criteria for the Solar Bonus Scheme to exclude existing Scheme participants who install a storage device.	*Not accepted* The Government will consider how to accommodate the uptake of new technology such as battery storage alongside the Solar Bonus Scheme.
Retail markets and consumers		
20	The Queensland Government's role in the retail market should be limited to: • only matters of significant industry change (e.g. deregulation in SEQ, tariff reform); and • support for vulnerable customers in collaboration with community partners.	*Accepted-in-principle* The Government no longer regulates prices in SEQ but will continue to play a role in monitoring the market. Government will also continue to set prices for regional Queensland (and maintain the UTP). The Government also remains committed to progressing tariff reform and supporting the needs of vulnerable energy consumers.
21	The Queensland Government should consider increased funding of financial counselling services for vulnerable and disadvantaged electricity consumers.	*Accepted* The *Queensland Financial Inclusion Plan* has been developed to inform policy, program and service delivery to vulnerable Queenslanders and respond to issues arising from financial stress and exclusion. A key action under the plan is the commitment of $25 million over four years to develop and implement the Financial Resilience program. This program, led by the Department of Communities, Child Safety and Disability Services (DCCSDS), will fund 30 financial counselling and financial resilience workers, continued emergency relief and will provide further financial literacy initiatives to support vulnerable Queenslanders, including energy consumers through the establishment of two Good Money Stores in Cairns and on the Gold Coast.

QPC Ref	Recommendation	Government response
22	The Queensland Government, potentially as part of its review of the National Energy Retail Law (NERL), should consider: • whether the information electricity retailers are required to publish sufficiently facilitates consumer choice; • the merits of continuing the Queensland derogations; • options to improve the effectiveness of the standing offers; and • whether existing regulatory protections offer sufficient consumer protection or limit competition or product innovation.	*Accepted* The Queensland Government will consider these issues as part of its review of the NERL (to be finalised January 2018). In the notice directing the QCA to monitor and report on the operation of the SEQ retail electricity market, the Minister for Energy and Water Supply has directed the QCA to comment on any significant issues that have emerged in SEQ concerning the Queensland-specific derogations to the National Energy Customer Framework concerning price deregulation that the QCA is responsible for.
Shareholder interests		
23	The Queensland Government should consider consolidating responsibility: • for electricity GOCs to a single Shareholding Minister; and • for performance monitoring, and all other matters related to electricity GOCs, within Government.	*Not accepted* Dual Shareholding Minister oversight is warranted given the significant value of the GOC businesses and the scope of issues involved.
24	The Queensland Government should consider improving the performance of the electricity GOCs by: • establishing a common Statement of Corporate Intent framework; • engaging external expertise to advise the Shareholding Minister in determining GOC performance targets; • reviewing the annual performance of the electricity GOCs with the Chairs, including: • a review of the actual achievement of its performance targets as advised by its Statement of Corporate Intent; - a review of the Board; and - a review of its Chief Executive Officer; - implementing a robust performance management reporting framework; and • ensuring the merit-based selection of non-executive directors includes a suitable mix of skills.	*Accepted* The Government accepts this recommendation noting that this work is already occurring as part of the network merger. In particular, external expertise has been engaged to provide advice on GOC performance targets and a Governance Review and Improvement Project will seek to improve the accountability framework between Shareholding Ministers and the GOCs.

QPC Ref	Recommendation	Government response
Deregulation in South East Queensland		
25	Full deregulation of the SEQ retail electricity market should commence on 1 July 2016.	*Accepted* The Government deregulated the SEQ retail electricity market from 1 July 2016.
26	To support the move to price deregulation and promote greater customer participation in the SEQ retail electricity market, the forthcoming customer engagement campaign should: • provide sufficient information to assist consumers in understanding and comparing competing offers; and • provide assistance to non-government organisations to assist vulnerable consumers to fully participate in the market.	*Accepted* A Consumer Education Campaign to support electricity price deregulation commenced in July 2016, to motivate customers to shop around more often for a better electricity deal. Media channels were selected based on their ability to reach target audiences (including vulnerable audiences), and deliver the campaign objectives of educating and equipping customers with the skills necessary to engage with the electricity retail market over the long term. Supplementing this campaign is a Vulnerable Consumer Support Initiative, which includes a $500,000 grants program, funded by retailer AGL, targeting vulnerable consumer groups to improve their ability to assist, educate and empower disengaged and vulnerable electricity customers and ensure these customers do not miss out on the benefits of deregulation. Training of grant recipient community groups is also provided as part of this initiative to ensure community and social workers have the technical content necessary to assist vulnerable customers to respond to deregulation. Further, our $1.162 million funding agreement with the Queensland Council of Social Service over the next four years will help build the capacity of the community sector to better manage their electricity costs, and help ensure vulnerable customers are empowered to access the tools and information they need to compare offers and get the best energy deal available.
27	The currently proposed market monitoring arrangements for price deregulation in SEQ are largely adequate. However, the Queensland Government should ensure: • the efficiency and effectiveness of standing offers form part of the monitoring arrangements; and • the impacts of deregulation on vulnerable and low income customers are monitored, particularly in relation to: • consumer understanding of contract terms and benefits, including percentage discounts off standing offers; • late payment penalties; and • the quality and accessibility of retailers' hardship programs.	*Accepted* Under the legislative framework established to support price deregulation in SEQ, the Minister has directed the QCA to monitor and report on the operation of the retail electricity market in SEQ for residential and small business customers for the period of 1 July 2016 to 30 June 2017. This includes price comparisons across standing offers and market offers, variations to market offers, types of discounts, savings and benefits (including Solar FiTs where relevant), and trends in prices. The QCA will also focus on impacts for vulnerable customers, including movements from standing to market offers and the characteristics of these customers, the number of customers on standing offers and market offers, and the standing offer prices and market offer prices they paid.
28	Adequate consumer protections exist to support customers in the transition to deregulation, and we have therefore not recommended additional protections.	*Accepted* Following the deregulation of prices, independent market monitoring by the QCA will inform Government of any instances of market failure and will help to ensure that customer protections are in line with community expectations. Government will also retain specific customer protection mechanisms post-deregulation, including the power to re-regulate prices in the event that an independent review (e.g. by the AEMC) deems competition to no longer be effective in SEQ.

<table>
<tr><th>QPC Ref</th><th>Recommendation</th><th>Government response</th></tr>
<tr><td colspan="3">Increasing retail competition in regional Queensland</td></tr>
<tr><td>29</td><td>The Queensland Government should make the UTP arrangements transparent by:
reporting on how the UTP CSO is defined and calculated; and
annual disclosure of the distribution of the CSO by customer category, region and industry sector and subsector (where possible).</td><td>Accepted in-principle

The Government accepts in principle this recommendation noting that care must be taken to not release commercial in confidence information, which would place the GOC at an unfair disadvantage in the market.</td></tr>
<tr><td>30</td><td>The Queensland Government should implement a network CSO to allow for expansion of retail competition in regional Queensland, subject to identifying:
productivity benefits to Queensland commensurate with any increased costs; and/or
opportunities to mitigate the financial impact to the Queensland Government of moving to a network CSO.
Should the Queensland Government decide to move to a network CSO, a date of no later than 1 July 2019 should be considered for implementation.</td><td>For further consideration

The Government is undertaking further work to fully understand the options available to improve value for electricity customers in regional Queensland. A network CSO would have a significant impact on the level of CSO payments and costs to Government.</td></tr>
<tr><td>31</td><td>Structural reform is required to the government owned retailer, Ergon Energy (Retail), prior to the implementation of regional competition. As part of this Ergon Energy (Retail) should be fully separated from the distribution businesses.</td><td>Not accepted

Structural issues, including appropriate ring fencing arrangements, have already been considered as part of work undertaken concerning the merger of Energex and Ergon Energy and the establishment of the Energy Services business.</td></tr>
<tr><td>32</td><td>The ‘non-reversion’ policy and the restriction on Ergon Energy (Retail) competing to retain existing customers should be removed.</td><td>For further consideration

The Government accepts that the non-reversion policy has had limited effect in supporting the expansion of competition in regional Queensland. However, removal of non-reversion will need to be considered in the context of broader CSO and competition reforms.</td></tr>
<tr><td colspan="3">Rural and regional industries - transitional and obsolete tariffs</td></tr>
<tr><td>33</td><td>The QCA should extend the transition period for large customers on Tariff 37 to mid-2025 to allow them further time to adjust to cost-reflective prices.</td><td>Not accepted

The Government considers it is important that all customers move towards cost-reflective prices and considers that the current transition period (i.e. to 2020) is appropriate.

As an alternative to changing the transition period, the Government is actively supporting large customers by allocating up to $6 million in CSO payments to undertake a trial to test the benefits of funding step changes in large customers’ operations and equipment, to help minimise customer electricity bills and reduce the Government’s longer-term CSO subsidy.</td></tr>
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QPC Ref	Recommendation	Government response
34	Ergon Energy should provide information to customers on transitional and obsolete tariffs that facilitates their choice to either remain on existing tariffs or change to a standard tariff. That information should be accessible, understandable, available online and in print, and describe the financial implications of all available choices.	*Accepted* As part of the package of targeted support, the Government will work with Ergon and industry/business groups to build greater capacity to convey electricity bill impacts to each customer under different tariff options. The Government has also allocated $0.5 million to enhance Ergon's online EnergyCheck platform to serve customers on transitional and obsolete tariffs, and to conduct an awareness campaign.
35	The Queensland Government should ensure that all customers on transitional and obsolete tariffs have electricity meters capable of providing sufficient data to support the customer's choice to remain on existing tariffs or change to a standard tariff.	*Accepted-in-part* The Government has allocated up to $2 million to fund the roll-out of smart meters for large customers by Ergon to identify specific bill impacts across tariff options. The Government has also allocated $0.4 million to investigate the case for similar support for at least part of the small customer base, including through a Small Customer Impacts Trial (SCIT) to better understand how the price signals of standard tariffs affect the electricity bills of small agricultural customers. The Queensland Government supports the digital metering national rule changes that take effect in late 2017.
36	The Queensland Government should consider offering financial support to facilitate the structural adjustment of business customers transitioning to standard electricity tariffs by 2020 that: • provides one-off financial co-contributions to support energy audits and customer investment in energy efficiency, demand management and renewable energy and storage; • uses eligibility criteria to target the most impacted customers and ensure taxpayer funding is spent efficiently and effectively; • considers whether to provide additional adjustment assistance for particular communities (as opposed to individual businesses) outside of electricity prices; and • is strictly time-bound, confined to circumstances where the adjustment costs are significantly higher than those experienced by other businesses and workers, and minimises efficiency and distributional impacts on the wider Queensland community.	*Accepted-in-part* To support regional businesses, the Government has allocated $0.5 million to work with Ergon and industry/businesses to promote existing energy audit services and results to help customers understand how to lower their electricity bills. This also includes funding for a position to investigate opportunities to utilise solar PV for water pumping and irrigation and provide a report to Government. The Government has also allocated up to $6 million to undertake a Large Customer Adjustment Trial (LCAT) to test the case for funding step changes in key large customers' operations and equipment to lower their electricity bills with the aim of reducing future CSO costs. This will be the foundation for the Government's subsequent development of plans to reach a broader base of customers on transitional and obsolete tariffs in 2017–18.
37	To the extent that the Queensland Government accepts Recommendations 33 through 36, those recommendations should be implemented sufficiently in advance of mid-2020 so that affected customers have time to adjust.	*Accepted* The Government is mindful of the limited time remaining before the end of the transition period. The targeted package of support for regional businesses will therefore commence immediately.

QPC Ref	Recommendation	Government response
Role of local service providers		
38	The Queensland Government should advocate at the COAG Energy Council for national frameworks for network regulation to facilitate orderly development of local electricity supply arrangements.	*Accepted* Queensland is playing an active role in the current consideration by the COAG Energy Council of the regulatory frameworks that should apply to localised solutions such as stand-alone communities.
39	The Queensland Government should facilitate least-cost electricity supply arrangements in Ergon Energy's isolated and west price zone by including in the Statement of Corporate Intent of the new electricity distribution holding company or Ergon Energy the requirement to: • investigate affordable lowest cost electricity supply; and • identify and pilot at least one potentially viable third party electricity supply arrangement.	*Accepted-in-principle* The Government agrees that the new merged network business should always be seeking to be efficient in the supply of electricity to any region within the state. The Government also agrees that the new SCI for the merged entity should include efficiency KPIs to establish the correct business drivers to reduce costs and provide the lowest cost electricity supply. However, consideration needs to be given to the appropriate KPIs to be included in the SCI, and whether a pilot is the most appropriate response. It is noted that this review is being undertaken as part the merger implementation work.
40	The Queensland Government should publish the CSO subsidies for each isolated system and west price zone local government area to facilitate third party electricity supply participation.	*Accepted-in-principle* The Government will consider further the most appropriate mechanisms to facilitate third party involvement in remote electricity supply.
Electricity concessions framework		
41	The Queensland Government should determine a clear policy intent for its electricity concessions framework and assess the design of the framework against the principles of adequacy, equity, adaptability and transparency.	*Accepted* Government recognises the need for a clear objective for the concessions framework with a focus on more targeted support for those customers who need it most. Such an objective will assist Government to provide clear messages to consumers about the aims of the energy rebates.
42	The Queensland Government should develop a better understanding of the impact of electricity costs on vulnerable consumers to improve future support initiatives and policy development. This should be done jointly with consumer advocates, electricity retailers and electricity distributors.	*Accepted* The Department of Energy and Water Supply (DEWS) currently provides funding to the Queensland Council of Social Service (QCOSS) and the Chamber of Commerce and Industry Queensland to advocate for low income, residential and small business consumers. DEWS has recently signed a new four-year agreement with QCOSS to represent the interests of vulnerable consumers. A key deliverable under this agreement is a report which help to identify and target policies for vulnerable consumers. DEWS will continue to work with consumer advocates, electricity retailers and electricity distributors through these Agreements and other relevant projects to engage vulnerable consumers and encourage their active participation in the energy market.

QPC Ref	Recommendation	Government response
43	The Queensland Government should: • retain eligibility for the general Electricity Rebate to recipients of the Commonwealth Pension Concession Card and the Department of Veterans' Affairs Gold Card; • extend eligibility for the general Electricity Rebate to recipients of the Commonwealth Government Health Care Card as soon as practicable; and • remove access to the general Electricity Rebate for Queensland Seniors Card holders. Consideration could be given to grandfathering eligibility for existing Queensland Seniors Card holders.	*Accepted-in-part* The Queensland Government will extend eligibility for the general Electricity Rebate, which in 2016 provides assistance of $330 per annum, to include Commonwealth Health Care Card holders and asylum seekers from 1 January 2017. This reform will provide vital cost-of-living assistance to an extra 157,000 vulnerable Queensland households and help address the growing problem of energy hardship. However, the Queensland Government does not accept the QPC's recommendation that access be removed for holders of a Queensland Seniors Card. As such, holders of a Queensland Seniors Card, Pensioner Concession Card, or Department of Veterans' Affairs Gold Card will continue to receive the Electricity Rebate.
44	The Queensland Government should maintain the current flat rate structure for the general Electricity Rebate.	*Accepted* The current approach of providing a flat rate rebate will be maintained for all recipients of the electricity rebate.
45	The Queensland Government should undertake a review of the Medical Cooling and Heating Electricity Concession Scheme and the Electricity Life Support Rebate to consider eligibility, and the level and delivery of support.	*Accepted* DEWS is currently working with relevant departments, including the Department of Health and the Department of Communities, Child Safety and Disability Services, to further investigate this issue and determine an adequate level of support for eligible medical concessions recipients.
46	The Queensland Government should: • ensure that there is broad community awareness and uptake of electricity rebates and concessions for eligible families, including those in remote communities; • ensure there is broad community awareness and uptake of the Home Energy Emergency Assistance Scheme; and	*Accepted* DEWS is currently working with Ergon Energy, consumer advocacy groups and other departments across the Queensland Government to increase the numbers of customers accessing the electricity rebate in card operated meter communities. DEWS is currently considering improvements to the Home Energy Emergency Assistance Scheme (HEEAS) process, including streamlining the process and making the Scheme more accessible for Queenslanders in energy hardship who are in financial difficulty due to unexpected, emergency expenses. DEWS is also working with the DCCSDS to include access to HEEAS and energy literacy information as a key component of the rollout of financial literacy and resilience services across the state.
	• transfer responsibility for policy development for medical concessions to Queensland Health.	*Accepted-in-principle* Relevant Queensland Government departments will continue to work collaboratively on medical energy concessions to ensure that support is provided to those most in need of assistance. As part of the investigation noted in Recommendation 45, consideration will be given to what administrative and policy arrangements will best facilitate the delivery of this support to eligible Queenslanders.

QPC Ref	Recommendation	Government response
47	The Queensland Government should advocate at the COAG Energy Council for the administration of energy concessions to be incorporated into the broader Australian Government social security system.	*Accepted-in-principle* The Queensland Government supports the long-term goal of a complementary and consistent concessions framework across jurisdictions, particularly in the context of increasing population mobility between states. It was disappointing that the previous Abbott LNP Government decided to cease funding of concessions, announcing its decision to end the National Partnership Agreement on Certain Concessions for Pensioner Concession Card and Seniors Card Holders (the NPA) from 1 July 2014, in its 2014-15 Budget. As a result, Queensland lost access to funding worth $223.2 million across a range of concessions, including the electricity rebate, for the period 2014-15 to 2017-18. Moving forward the Council of Australian Governments is best placed to consider this as part of their broader agenda, and Queensland has a role in advocating for a harmonised concessions framework in the longer term. However, it is also recognised that the development of any harmonised concessions scheme will take time, and as such the Queensland Government will not delay decisions regarding the administration or eligibility for current Queensland energy concessions on these grounds.
Impacts of network tariff reform and impediments to demand-side participation		
48	The Queensland Government should ensure concessions are well-targeted (as per our recommendations in Chapter 12) to help address the impacts of tariff reform on low income customers who struggle to pay their bills.	*Accepted* The expansion of the Electricity Rebate to Commonwealth Health Care card holders and asylum seekers in early 2017 will provide significant cost of living assistance to an extra 157,000 low-income Queensland households. The Queensland Government will continue to monitor the impact of market reforms to ensure the needs of vulnerable energy consumers are met through targeted assistance and support where required.
49	To better understand the impacts of network tariff reform on customers, the Queensland Government should facilitate the availability of data by ensuring: • metering is in place to gather sufficient load profile data; • representative samples of customers, including customers considered vulnerable, are included in Energex and Ergon Energy's upcoming tariff studies; and • government, customer representatives and network and retail businesses aggregate the necessary load profile and demographic data.	*Accepted* To be delivered in conjunction with Recommendation 50. The Government has worked closely with Ergon and Energex in the development of its tariff studies. The Queensland Government is supportive of the national rule changes taking effect in late 2017 relating to the deployment of digital meters. These meters have the capability to capture detailed load profile data.

QPC Ref	Recommendation	Government response
50	To help better manage impacts, the Queensland Government should establish a working group involving network and retail businesses and relevant customer representatives to: • develop new tools to help customers understand the costs and benefits of demand tariffs; • identify low income customers who struggle to pay their electricity bills and are vulnerable to the impacts of tariff reform; and • investigate the requirement for support.	*Accepted* DEWS will expand its existing Tariff Reform Working Group to include a focus on assisting vulnerable consumers to manage the impacts of tariff reform.
51	The Queensland Government should investigate opportunities to improve the energy efficiency of both public and private rental housing stock, including the requirement for landlords to ensure rental housing meets minimum mandated energy efficiency standards.	*Accepted* The Government is developing a 10-year Queensland Housing Strategy which will provide a pathway to safe, appropriate, and affordable housing for Queenslanders. As well, the Government is releasing a Queensland Building Plan to drive liveable, innovative and sustainable buildings and houses for Queenslanders. The Housing Strategy and the Queensland Building Plan will be closely linked and will work together to deliver improved sustainability of homes.
52	The Queensland Government should consider whether there is a case for additional assistance for vulnerable customers to either purchase energy efficient appliances or other forms of support.	*Accepted* The Government has announced a $5.5 million program to support vulnerable regional households. The first enabler will be the installation of a digital meter to enable a household to better understand their energy use. Additional support programs will be rolled out.

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