



RIS Ref: DNRME957-1218

File Ref: DOC19/693

20 June 2019

Ms Elizabeth Riegler
Principal Policy Officer
Department of Natural Resources, Mines and Energy
1 William Street
BRISBANE QLD 4000

Dear Ms Riegler

Consultation RIS—Enabling embedded network customers access to the Energy Ombudsman

Thank you for your enquiry of 4 December 2018, and further information provided 15 February, 15 March, 29 March 2019 and 20 June 2019 seeking advice on the adequacy of the 'Enabling residential customers, supplied energy through embedded networks, access to the Energy and Water Ombudsman Queensland' consultation regulatory impact statement (RIS).

Overview

All residential customers and all small business customers consuming up to 160 MWh per annum of electricity who purchase their power directly from an energy retailer have access to the Energy and Water Ombudsman Queensland's (Energy Ombudsman) dispute resolution services. Customers of embedded networks, however, do not have access to this service as they do not purchase energy directly from an energy retailer.

Embedded networks are privately owned infrastructure that deliver energy to customers. The owner of an embedded network (exempt seller) buys energy from a retailer and 'on-sells' the energy to the customers. The retailer's direct relationship is with the exempt sellers, who can access the Energy Ombudsman's services.

The Department of Natural Resources, Mines and Energy (the department) advises that in November 2017 the Australian Energy Market Commission (AEMC) recommended that jurisdictions work with Ombudsmen to increase access to energy specific, independent dispute resolution services for embedded network customers.

Proposal

The consultation RIS assesses the implications of enabling embedded network customers in Queensland access to the Energy Ombudsman's dispute resolution services and considers options for fees—payable by exempt sellers—to recover the additional costs to the Energy Ombudsman. The fee options include:

- Option 1—fees to achieve full cost recovery
- Option 2—maximum fee per complaint based on a capped fee for each case type (less than 50 per cent full cost recovery)
- Option 3—maximum fee per complaint based on a sliding scale that relates to the number of customers that the exempt seller has (less than full cost recovery).

The consultation RIS concludes that option 3 should be adopted because it better reflects exempt sellers' ability to pay and minimises the risk of increased costs being passed through to embedded network customers.



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The department proposes to suspend the application of the fees for 12 months to provide time for exempt sellers to adapt and time to get a clearer picture of the resource implications for the Energy Ombudsman.

Assessment

In undertaking its assessment of the adequacy of a consultation RIS as fit for public consultation, the Queensland Productivity Commission (the Commission) must consider the 'criteria for assessment' in the Queensland Government Guide to Better Regulation (the guidelines).

Based on these criteria and noting the department's advice that fees will be reviewed prior to implementation in light of refined cost estimates developed over the first 12 months, the Commission considers the consultation RIS is adequate for the purposes of public consultation. The Commission notes:

- the purpose of the RIS and the objectives of government action are clearly presented
- the RIS considers the impacts on embedded network customers, exempt sellers, energy retailers and the Energy Ombudsman of extending access to the Energy Ombudsman for embedded network customers
- different exempt seller fee options are evaluated including applying the existing fee structure
- there is an explanation for why option 3 is the preferred option
- the RIS includes considerations related to the implementation and evaluation of fees.

The consultation RIS does not provide a detailed breakdown of the cost to the Energy Ombudsman of the increased workload. However, consultation with stakeholders and information gathered during the initial 12 month no fee period, will enable more accurate estimates of the cost implications for the Energy Ombudsman. The department advises that the fees will be reviewed after a year and may be amended in light of any new evidence. The Commission strongly supports developing improved estimates of the cost to the Energy Ombudsman to ensure the fees are set with regard to the full cost of providing the service.

Consistent with the guidelines, the consultation RIS and this letter of adequacy will be published on the Commission's website once the consultation RIS is approved for release. After consultation has concluded, a decision RIS, incorporating the consideration of public comments, should be provided to the Commission for assessment before the matter is finally referred to Cabinet for decision.

Please contact Dominic O'Neill, Senior Analyst on (07) 3015 5164 if you require any additional information or guidance in relation to the above comments or the guidelines in general.

Yours sincerely



Christine Tozer
Team Leader