



Minister for Main Roads, Road Safety and Ports
Minister for Energy and Water Supply

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Mr Kim Wood
Queensland Productivity Commission
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Via email: enquiry@qpc.qld.gov.au

Dear Mr ^{Kim,} Wood

Re: Queensland Productivity Commission Electricity Pricing Inquiry and Solar Feed-In Pricing Inquiry Issues Papers

Thank you for the opportunity to provide a submission on the Queensland Productivity Commission's (the Commission) Electricity Pricing Inquiry Issues Paper (the Issues Paper) and the Solar Feed-in Pricing Inquiry Issues Paper (the Solar Issues Paper).

Electricity prices for the average Queensland electricity customer rose by 43 per cent over the last three years and the Queensland Government is concerned about the impact of these increases on household and business budgets.

In recognition of these impacts, the Government recently directed Energex and Ergon Energy to accept the Australian Energy Regulator's (AER) final revenue determination which has reduced network costs over the period 2015-16 to 2019-20. The Government's decision will help to deliver more stable electricity prices over the next four years.

Since issuing the Terms of Reference, the Government has also made progress on a number of key energy policies and this letter provides the Commission with further details on these policies.

Strategic Energy Objectives

The Issues Paper highlights the complexity of the electricity market and the way that different parts of the market are influenced, in some way, by Government policy. The electricity market is also changing rapidly, with a range of new technologies, products and services.

To help navigate this complexity, five strategic energy objectives have been developed to guide the Government's decision-making on energy-related policy. Taken as a whole, these objectives are complementary and set out a framework to achieve the Government's vision of an adaptive, resilient energy sector that powers consumer value and choice and Queensland's economic growth and prosperity:

- 1) *Better functioning energy markets* – an efficient market will drive competition and innovation and encourage new products that compete on price, service and quality, while improving customer outcomes;
- 2) *Enhancing customer value* - creating an environment where Queenslanders have access to reliable and cost-effective energy from a market that enables choice and provides consumer protection. Individuals will be able to confidently choose options that meet their energy needs in a way that matters most to them;
- 3) *Facilitating economic growth and innovation* – Government will strive to unlock the State's energy potential to create new industries and jobs while driving broader productivity improvements across the energy sector to underpin Queensland's economic growth;
- 4) *Protecting the environment* - responsible environmental stewardship to reduce emissions, increase energy efficiency and transition to a cleaner energy economy; and
- 5) *Improving Government effectiveness* - Government will deliver simple and effective regulation to support the efficient operation of the energy sector while meeting the needs of the community and will maximise the value and productivity of its own operations.

The Government will consider all recommendations made by the Commission with reference to these objectives.

Renewable Energy Policy

The Government has a clear commitment to increasing the contribution of renewable energy to Queensland's energy mix. 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 3000 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, the Government is mindful of the potential impacts on electricity prices. That is why the Government has specifically asked the Commission, as part of its Fair Price for Solar Inquiry, to ensure that a "fair price" does not have an unreasonable impact on network costs for non-solar users.

As part of our commitment to renewable energy, the 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 Government has exceeded this commitment by collaborating with the Australian Renewable Energy Agency (ARENA) as part of its 200 MW auction for large-scale solar generation. The Government will support up to 60 MW of large-scale solar projects in Queensland and help drive down the cost of large-scale solar. Importantly, this project will be supported directly through budget funding and will not impact on electricity prices.

The Government will be undertaking a Renewable Energy Study, including an independent public inquiry into a 50 per cent renewable energy target by 2030. The public inquiry will be delivered by a panel of experts from the renewable energy and broader energy industries.

The Renewable Energy Study will enable the Government to develop a transition to renewable energy that balances cost with economic and environmental outcomes. While the primary focus of this study will be the potential to expand Queensland's renewable energy sector and reduce greenhouse gas emissions, the Government will consider broader outcomes.

Decisions on the approach for any target and the mechanisms to deliver it will be made based on the outcomes of the Inquiry and the Study. These decisions will be informed by a detailed analysis of range of factors including the impact on electricity prices and the broader economic benefits (including job creation and skills development).

Retail Price Deregulation in South-East Queensland

In April 2015, the Government decided to delay the deregulation of retail electricity prices for small customers in South-East Queensland (SEQ) until 1 July 2016. The Government looks forward to receiving the views of the QPC on the costs and benefits of deregulation to ensure the framework is right to maximise the benefits for consumers.

As part of preparing for deregulation, the Government will begin its consumer education program to support consumers to shop around and get a better deal in the market. Underlining our commitment to engage with consumers, the Government has allocated \$3.3 million to undertake this program. The program comprises three parts:

- 1) *Educate and equip*: this part focuses on increasing consumer understanding of their needs and how to meet them;
- 2) *Motivate action*: this part builds upon the first to trigger an increase in the number of consumers regularly "shopping around" for a plan which suits them; and
- 3) *Support*: this part will ensure vulnerable and hard to reach customers do not miss out on the benefits of active participation in the market.

A broad, mass market engagement campaign will be developed to educate, equip and motivate consumers across SEQ. It will target a large audience through use of social and mainstream media. The Government will also be giving consideration to how to sustain the benefits of this campaign in the long-term as the market continues to evolve. My Department is working with consumer and industry groups to help develop the program and I am happy to offer a briefing to the Commission on the program.

The Government is also committed to having appropriate monitoring and protection frameworks in place to support deregulation. The Commission may wish to consider options to ensure that customers who remain on standing offers do not miss out on the benefits. For example, the St Vincent de Paul Society has proposed that competitive tension in standing offers (as well as market contracts) should be encouraged by requiring retailers to post their standing offers at the same time.

To allow for sufficient time to prepare for deregulation, Government is directing the Queensland Competition Authority to regulate prices in regional Queensland only from 1 July 2016 (as per the current legislation).

A Fair Price for Solar Inquiry

The Government considers the inquiry into a fair price for solar to be an exciting opportunity to look at pricing solar exports in a way that has never been considered in Australia. As solar continues to be installed on thousands of homes each month in Queensland it is clear that this is a technology that excites Queenslanders and has been embraced accordingly. With new technologies such as energy storage soon to enter the Queensland market, it is more important than ever to have a price for solar which is carefully designed with the future in mind.

There are many innovative options available when designing a fair price for solar which allow the full range of benefits that solar energy provides to society to be captured, while also delivering on the Government's objectives for renewable energy. The Government looks forward to the

Commission's release of its draft report on a fair price for solar exploring all of the options available to stimulate a robust discussion with stakeholders ahead of the final report.

Once again, thank you for the opportunity to respond to the Issues Papers and I look forward to seeing the responses from stakeholders to the questions you have posed.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Mark Bailey', with a long, sweeping tail that extends downwards and to the right.

Mark Bailey MP
**Minister for Main Roads, Road Safety and Ports and
Minister for Energy and Water Supply**