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ELECTRICITY PRICE HIKES QCA figures fail fairness test

The Queensland Competition Authority (QCA) retail electricity price determination 2016-17 will see electricity prices for irrigation tariffs increase by 12.3% from 1 July 2016. The price increase is largely due to an increase in the retail component of electricity prices.

Why has this occurred? A key reason is a change in QCA's retail cost calculation methodology. It's not due to a real increase in the cost of Ergon delivering retail services to its customers.

This is another example of out-of-control electricity price increases being delivered by a broken electricity pricing framework.

CANEGROWERS' concerns with the QCA decision are that:

- *increases in notified retail electricity prices for 2016-17 of 12.3% for transitional irrigation tariffs are not consistent with the requirements of the Electricity Act 1994,*
- *QCA has used an inappropriate definition of costs in the calculation of the "R" component of retail prices,*
- *QCA has substantially over-estimated the actual cost of supplying wholesale energy in the Ergon retail market, and*
- *the proposed allowance for retailer costs in the draft determination is excessive.*

CANEGROWERS engaged the Sapere Research Group in a project funded by Energy Consumers Australia to quantify the errors in allowances for wholesale and retail electricity costs contained in QCA's draft determination for 2016-17. Sapere shows that the regulated prices QCA has determined for 2016-17 are substantially in excess of efficient costs (outlined in the adjacent table).

Separately, CANEGROWERS commissioned Sapere to independently and objectively assess the Tariff Structure Statement (TSS) proposal Ergon made to the Australian Energy Regulator (AER). Sapere found that Ergon's TSS fails to meet the mandatory

requirements set out in the Network Pricing rules and the National Electricity Objective. CANEGROWERS has called on the AER to reject Ergon's TSS and rework it in accordance with the mandatory requirements of the Network Pricing rules and the National Electricity Objective.

Adoption of this recommendation would extend the network tariff reform process.

However, the extra time taken to improve the tariff structure is preferable to accepting the consequences of Ergon's flawed and inefficient TSS proposal.

It would also provide an opportunity for Ergon to take account of the tariff design options prepared by the Alternative Technology Association (ATA) Energy Projects Team (part of a project funded by Energy Consumers Australia) that will support the continuation of efficient retail tariffs that meet the needs of irrigators.

To date, Ergon has dismissed this well-founded work on procedural grounds.

The electricity pricing system is broken. Regulated electricity prices, spiralling ever higher, are out of control. Excessive electricity prices are enabling Ergon, Energex and Powerlink to achieve extraordinary profits at the expense of electricity users and the Queensland economy.

Continuing our work to address the problem of unsustainably high electricity prices based on sound economic analysis, not political rhetoric, CANEGROWERS has engaged independent experts to model and prepare comprehensive analyses of the electricity pricing system and has provided these documents to QCA, AER, Ergon and the Department of Energy and Water Supply.

So far, little account has been taken of this expert analysis.

CANEGROWERS is now calling on the Queensland Parliament to step in and take action to rein in prices, lift the burden on electricity users and support Queensland's economic growth and development.

	QCA 2015	QCA DD 2015	QCA change from 2015	Sapere (mid)	Sapere change from 2015
Wholesale	\$79.9	\$92.4	\$12.5	\$80.5	\$0.6
RET	\$8.7	\$11.2	\$2.5	\$9.7	\$0.9
Retail	\$21.7	\$36.9	\$15.2	\$21.0	-\$0.6
Total	\$110.3	\$140.5	\$30.2	\$111.2	\$0.9

Source: QCA, Sapere analysis. Note numbers above have been rounded to nearest \$0.1 / MWh.

