

# QUEENSLAND INDUSTRY ENERGY ALLIANCE

*Powering  
Queensland  
Energy Potential*

## POWER PRINCIPLES

How to reduce Queensland's  
skyrocketing electricity bills



The Chamber of Commerce and Industry Queensland, Canegrowers, and the Queensland Farmers' Federation have joined forces to call on all candidates in the lead up to the next State Election to make genuine policy commitments to industry to ensure immediate electricity price relief. Rising electricity costs are the number one issue for Queensland businesses. The following policy recommendations, if adopted, will immediately put downward pressure on electricity prices, thereby boosting productivity, employment, and small business growth.

## 1 SET PRICES FOR QLD NETWORKS AT EFFICIENT LEVELS

**Pricing of Queensland's electricity networks is highly inefficient due to its asset base being overvalued.**

The AER's annual benchmarking reports show that productivity of electricity distribution and transmission networks has declined because industry inputs, particularly capital inputs, have increased at a greater rate than outputs since 2007.<sup>1</sup>

To provide consumer relief from excessive prices, we urge the Queensland government to direct the transmission and distribution networks to collect revenues below the maximum revenue cap.<sup>2</sup>

The Queensland Government must reduce electricity prices by one-third from 2015-16 Gazetted levels by writing down the Regulated Asset Base (RAB) by 50%, removing assets that are not used or useful.

## 2 REMOVE HIDDEN TAXES

**Competitive Neutrality (CN) is the policy that a public sector business, or agency, should not have a competitive advantage over a private sector business due to government ownership.<sup>3</sup>**

A CN payment should only be required in markets where private and public markets exist. As Queensland's transmission and distribution networks are 100% Queensland owned, with no private competition, the additional competitive neutrality charge must be removed to provide immediate price relief.

The Queensland Government must not subject its government owned natural monopolies to CN payments.

## 3 REMOVE SOLAR BONUS FROM A NETWORK CHARGE

**The Solar Bonus Scheme (SBS) should remain a cost under consolidated revenues; not a cost to small businesses.**

We support initiatives that reduce emissions, however affordability must be the key focus of electricity reform in Queensland.

As demonstrated by recent Queensland Government intervention, removing the SBS from consumers' bills and absorbing the costs into government revenue reduced the expected electricity price increase by 50%.

The Queensland Productivity Commission (QPC) clearly identified the overly generous solar bonus scheme as one driver of Queensland's electricity price increases.<sup>4</sup>

The Queensland Government must continue to fund the scheme from consolidated revenue.

## 4 INTRODUCE FIVE (5) MINUTE SETTLEMENT PERIOD

**The majority of wholesale price spikes in recent years have not been due to supply shortfalls, but are due to the generators' bidding practices.**

The 30-minute settlement period incentivises generators to withhold capacity and push up prices in the final five-minute bidding periods to guarantee a high overall price for the 30-minute settlement period.

The Queensland Government must support introduction of the five-minute settlement period.

## 5 EFFICIENT TARIFF DESIGN

**Infrastructure 'gold plating' and inefficient tariffs, which do not truly reflect the cost of supplying electricity, have been responsible for price rises in small business bills.**

Irrigators and other businesses must not bear the costs of investments made to overcome congestion caused by urban and industrial users in other parts of the network.

The Queensland Government must instruct Energy Queensland to resubmit network tariffs for non-congested distribution areas.



1 Australia Energy Regulatory, [2016], Annual benchmarking Reports, see (<https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/annual-benchmarking-report-2016>).

2 The Tasmanian Government has passed legislation that caps electricity prices in the state.

3 The Australian Government's approach to implementing competitive neutrality is set out in its 1996 *Competitive Neutrality Policy Statement*.

4 Queensland Productivity Commission [2016], *Electricity Pricing Inquiry Final Report*, p vi.