

## ELECTRICITY PRICE REFORM AMENDMENT BILL

### First Reading

 **Hon. S ROBERTSON** (Stretton—ALP) (Minister for Energy and Water Utilities) (12.31 pm): I present a bill for an act to amend the Electricity Act 1994 and the Electricity Regulation 2006. I present the explanatory notes, and I move—

That the bill be now read a first time.

Question put—That the bill be now read a first time.

Motion agreed to.

Bill read a first time.

*Tabled paper:* Electricity Price Reform Amendment Bill.

*Tabled paper:* Electricity Price Reform Amendment Bill, explanatory notes.

### Second Reading

 **Hon. S ROBERTSON** (Stretton—ALP) (Minister for Energy and Water Utilities) (12.31 pm): I move—

That the bill be now read a second time.

The Electricity Price Reform Bill 2011 seeks to introduce amendments to the Electricity Act 1994 and the Electricity Regulation 2006 to allow for the introduction of a new methodology for determining Queensland's regulated retail electricity prices, known as notified prices. In March 2011, cabinet approved the replacement of the current methodology for determining notified prices in Queensland, the Benchmark Retail Cost Index. Cabinet also gave approval for the state's independent economic regulator, the Queensland Competition Authority, to commence developing new regulated retail tariffs based on a cost-reflective pricing structure to take effect from 1 July 2012. This included the implementation of an inclining block tariff for residential customers on tariff 11.

On 11 May 2011, I wrote to the Queensland Competition Authority advising of the government's decision to introduce a new methodology and directing it to replace the existing price setting methodology for 2012-13. The new methodology will mean future electricity prices in Queensland will be determined using a fairer and more flexible pricing framework based on tariff structures that reflect the underlying cost to supply electricity to consumers in Queensland. We have to ensure we maintain a reliable and secure electricity network for all Queenslanders and that would not be possible unless retail electricity prices are based on genuine increases in supply costs.

To allow a new price setting methodology to be implemented, amendments to the Electricity Act and Electricity Regulation are required. The new methodology will address issues with the prescriptive and inflexible nature of the current methodology and provide a more enabling legislative framework which will allow for greater flexibility and responsiveness in calculating notified prices. The amendments will also provide sufficient flexibility to deal with any unidentified policy changes or market upheavals. In particular, this approach will ensure the regulatory framework is flexible enough to allow any future carbon costs or additional costs associated with environmental obligations to be captured and passed through to customers.

Essentially, the new methodology will ensure that prices more accurately reflect the underlying costs of supplying electricity to consumers and, in doing so, ensure the ongoing safety and reliability of supply for all Queenslanders. Consumers will benefit from a fairer system, which will aim to encourage customers to use electricity more efficiently, with the benefits of more efficient electricity use reflected in the notified prices.

The most significant change will be for residential consumers with the introduction of an inclining block tariff structure. The inclining block tariff will involve a series of consumption blocks priced so that the more you use, the more you pay. This means that low-to-average volume users of electricity will pay less than higher volume users.

Consistent with the current Electricity Act, the minister responsible for energy will retain the authority to delegate responsibility for determining notified prices to the Queensland Competition Authority. It is also proposed to include a new general head of power which will give the minister the authority to direct the Queensland Competition Authority to provide information or advice to government on any matter related to the Queensland electricity market.

The notified prices for 2011-12 have been determined by the Queensland Competition Authority in accordance with the BRCI methodology as prescribed in the Electricity Act and the Electricity Regulation. The notified prices for 2011-12 will commence on 1 July 2011. Once these prices take effect, the current provisions in the legislation pertaining to the Benchmark Retail Cost Index methodology can be omitted from the Electricity Act and regulation and replaced with the proposed new provisions which allow for a new methodology to be introduced.

The Queensland Competition Authority will undertake a comprehensive and robust consultation program with stakeholders on the new methodology and tariff structures in accordance with the direction that was issued to it on 11 May 2011. Any consultation undertaken in accordance with this direction will be considered valid under the new legislation for the purposes of the 2012-13 price determination process.

It should be noted that the proposed legislative amendments do not set specific requirements for individual tariff structures. The amendments will only apply to the manner in which the cost of supplying electricity is determined for each tariff. As a result, these amendments will not affect the development of the new voluntary residential time-of-use tariff or the inclining block tariff that have been announced.

This bill will also make changes to eligibility for the Queensland Solar Bonus Scheme. The net-metered Queensland scheme has exceeded all expectations in delivering affordable solar energy and jobs for Queenslanders. There has been a phenomenal growth rate in solar PV uptake in Queensland since the scheme was introduced. From June 2008, we have seen an increase from 1,200 rooftop solar systems with a generating capacity of 3.2 megawatts to today where we have over 78,500 Queenslanders providing 165 megawatts generating capacity to the Queensland electricity grid.

The changes to the scheme will limit the size of eligible individual solar photovoltaic systems to one five-kilowatt system per premises. Most participating solar PV systems have a generating capacity well below five kilowatts and are used by homeowners simply to generate power for household use. The five kilowatt system limit is being introduced due to the growing number of people installing large systems of up to 30 kilowatts for investment purposes.

It is not the intent of the Solar Bonus Scheme to provide investment returns to some individuals at the expense of all Queensland electricity consumers. While these changes will apply retrospectively from 8 June 2011, my announcement on 10 May 2011 provided four weeks advance notice and clearly foreshadowed the Queensland government's intentions to introduce these amendments to the scheme. Importantly, there are no other changes to how the scheme operates, including its feed-in tariff rate of 44c per kilowatt hour. I commend the bill to the House.

Debate, on motion of Mr Dickson, adjourned.


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## ~~FAIRER WATER PRICES FOR SEQ AMENDMENT BILL~~

### ~~Second Reading~~

~~Resumed from 14 June (see p. 1794), on motion of Mr Robertson~~

~~That the bill be now read a second time.~~

~~ **Mr DICKSON** (Buderim—LNP) (12.40 pm), continuing: The government admits through this bill that residential water bills, which include both state bulk water costs and distribution, retail water and wastewater charges, increased across the majority of South East Queensland council areas. The government claims that the state bulk water charge increased by approximately \$60 per annum for a household using 200 kilolitres per year. Water and wastewater increases of over \$200 per annum occurred on the Gold Coast, Logan and Moreton Bay. The government claims that in one particular council area—namely Redcliffe—the water bill increase was over \$300 for a household using 200 kilolitres, or approximately five times the amount required to pass through the increase in the bulk water charges. If, as the government is claiming through this bill, these charges to the consumer have increased as outlined then that is clearly unacceptable.~~

~~The Queensland Treasury currently allows the grid service providers—Seqwater, LinkWater and WaterSecure—to use what is termed as pass through pricing. I am advised that pass through pricing allows these authorities to budget whatever they like on operations, maintenance, asset renewal and delivery of new budgeted assets and that these costs are passed on to the retailer via the grid manager as the bulk water charge. This pass through pricing does not have any efficiency objectives such as CPI. This pass through pricing policy promotes inefficiencies by allowing these authorities to overmaintain their assets.~~

~~What is occurring with South East Queensland water bills is a direct result of Labor's so called water reform. This government has legislated to make this happen. This never occurred in the past. Councils controlled everything to do with water and water consumers were paying a fair price for water. I made a point a couple of weeks ago that this Labor government's intention to cap retail costs of water but not cap bulk water prices would see the cost of water to councils flow across to South East Queensland's rate notices.~~

~~It is inconceivable that councils will absorb the increased cost of bulk water that they buy from this Labor government. Nobody believes that one can keep paying more and more for something and then turn around and sell it for a capped price. It will not happen. It cannot happen. Queensland households will pay the increased cost of bulk water and this Labor government knows it. So do the water consumers of South East Queensland. They know that they might get a water bill separate to their rates~~