



Speech by

**Shane Knuth**

**MEMBER FOR CHARTERS TOWERS**

Hansard Thursday, 30 November 2006

---

## **ELECTRICITY AND OTHER LEGISLATION AMENDMENT BILL; ENERGY OMBUDSMAN BILL**

**Mr KNUTH** (Charters Towers—NPA) (5.25 pm): I am very pleased to rise to speak on these two bills, the Electricity and Other Legislation Amendment Bill 2006 and the Energy Ombudsman Bill 2006. At the outset of this second reading debate, I would like to indicate that the opposition generally supports the passage of these bills, which are required to bring about the introduction of full retail competition in Queensland electricity and gas retail markets. However, I would like to state clearly at the outset of the debate that the opposition has grave concerns about the government's amendments to this bill that were distributed early today. The amendments are even more concerning given that the government has seen fit to guillotine the debate on these bills. I would further point out that the opposition support for these bills in no way signifies that we believe that all is well in the Queensland electricity industry.

Queensland is a large and decentralised state. There are energy consumers in our state who are not currently getting a fair deal under the current market arrangements. I would like to highlight some of these issues in more detail later in my speech. I will be urging the government to reinvest some of the windfall proceeds of the energy industry sell-offs back into energy infrastructure in regional Queensland.

The legislation before the House is necessary to move the energy industry further along the competitive process and towards the establishment of a national electricity grid. This process commenced in 1997, and it is similar to other processes occurring in other states and territories. The end result will be that most small retail energy consumers and household consumers can choose to enter into an energy supply contract with an energy retailer of their choice. Full retail competition is expected to commence in the Queensland energy market on 1 July 2007.

During the last sitting of parliament we saw the passage of the Energy Assets (Restructuring and Disposal) Act. That enabled the restructuring and sale of Sun Retail, formerly Energex, Powerdirect and Allgas retail gas distribution networks. The current bills are about the next stage of the process, which is regulation of a new competitive energy retail market. These bills provide the framework of the consumer protection mechanism that will be required in a new market.

The legislation is designed to protect the interests of energy consumers through measures including the development of an Electricity Industry Code that will regulate the market behaviour of the energy retailers and set minimum terms and conditions for retail contracts; an arbitration and mediation mechanism for disputes between energy suppliers and consumers by establishing an Energy Ombudsman; providing a 10-day cooling-off period for consumers who enter into energy contracts; and the retention of standards for regulating tariffs for customers who choose not to enter into a contract. Customers will not be forced to enter into a negotiated contract with an energy retailer. If they choose to do nothing they will remain on the regulated tariff that will continue to be set by the government. All energy retailers will be required to continue to offer regulated tariffs in addition to any other contract plans they might have on offer. Community service obligations will be imposed on Ergon Energy, which will be the sole energy provider operating in rural and regional areas outside the competitive market in the more densely populated parts of the state.

It is to this last point that I would now like to direct my attention. Unfortunately, the new competitive arrangements will not directly benefit consumers in rural and regional Queensland. The commercial realities of delivering an electricity supply at an affordable price in these remote areas means that it would not be economically viable for more than one energy supplier to operate in those areas. The electricity supplier to those areas, which will be a restructured version of Ergon Energy, will need to operate with the support of the government in the form of community service obligation payments.

It is simply not good enough for the government to say that consumers in areas outside the competitive market will not be worse off under the new arrangements. That is not progress. We should be looking at improving service delivery in all areas of the market. Unfortunately, we have seen no commitment from the government to provide service improvements in rural and remote areas. Instead, we have seen forlorn expressions of hope that things will not get worse.

During the debate on earlier legislation that restructured the electricity industry, I highlighted the case of one of my constituents, Mr Ian Hayman, of Zig Zag Station, Hidden Valley. To refresh the memory of honourable members, at that time I advised the House that Mr Hayman was given a quote of \$225,000 from Ergon Energy to have electricity connected to a residence on his property at a distance of 830 metres away from his own property. This quote included a relatively small contribution from Ergon of \$11,000. After I spoke about this matter, I wrote to both the Deputy Premier and Treasurer and the Minister for Mines and Energy about Mr Hayman's situation. I am pleased to say that that correspondence facilitated some further discussions between Mr Hayman and Ergon. The situation has not yet been resolved, but we are hopeful of obtaining a better and more equitable outcome in relation to the cost of this electricity connection. I would like to thank both ministers for their roles in assisting in this matter.

In terms of the government's community service obligation towards Ergon, we would expect to see significant improvements and greater financial commitment from the government in the future. If the government manages the sale and the privatisation of its energy assets properly, rural and regional Queensland should expect to benefit from a better resourced energy supplier. At the moment, constituents in my electorate can experience delays of between nine to 12 months between applying for electricity connections and the actual connections to the network. To make matters worse, if a consumer contribution towards the connection cost is required, that contribution is often requested to be paid up-front at the time of the application. The inference is that if people do not pay now the price will go up. It seems clear that Ergon Energy has very little capacity to improve its retail supply service to customers from its capital budget.

I have had many other representations from Ergon consumers. In highlighting these cases, I want to make it clear that I am not being critical of the staff employed by Ergon Energy. They have to work as best they can with the level of resources that are available to them. The predicament of electricity consumers such as Mr Hayman and others has caused me to reflect on the statements made in the House yesterday by the Treasurer when she reported on the sale of the two energy entities. The Treasurer announced that Sun Retail had been sold to Origin Energy for \$1.202 billion and that Sungas had been sold to AGL Energy for \$75 million. The Treasurer stated that these sale prices represented an outstanding result for the state. In other words, it was a financial windfall.

My sincere hope is that a fair and equitable proportion of the benefits that are projected to flow to the government from the sale of these energy entities will be directed towards building up the infrastructure capacity of Ergon Energy, which will remain tasked with supplying electricity to most of the rural and regional areas of the state. I remind the government that it is governing for all of the state, not just the south-east corner.

The difference between the retail energy market in the south-east corner and the situation in rural and regional Queensland arises because of the tyranny of distance. Long distances are not conducive to delivering electricity in a low-cost and efficient manner. Electrical power is lost during transmission, particularly over long distances. This is an inescapable consequence of Ohm's law, which I confess I do not claim to understand fully but I accept that it is a proven scientific principle.

This legislation is necessary because governments of all persuasions over a long period have recognised the benefits of a competitive retail electricity market. I suggest that Ohm's law is one of the reasons competitive markets can really operate effectively in only higher density areas, such as the south-east corner and the coastal areas of Queensland. The different nature of the retail electricity market in the bush is one of the reasons the government should be open to considering the feasibility of innovative projects, such as the proposed coal-fired base load power station at Pentland. A power generation facility located closer to its end-user market could lead to reduced cost to energy consumers in the north. I urge the government not to forget the needs of consumers who live in those parts of the state that will probably never benefit from the operation of the competitive market.

I now highlight some of the concerns that I have with the Energy Ombudsman Bill. The purpose of this legislation, as set out in clause 3, is to give small customers and relevant occupiers of land a timely, effective, independent and just way of referring disputes about particular matters involving energy entities

and particular former entities and having disputes investigated and resolved. The bill achieves this by establishing an independent Energy Ombudsman who has certain prescribed functions, which are set out in clause 11 of the bill. These functions include the usual functions that one would expect of an independent office which has responsibilities for the investigation, mediation and resolution of disputes within a particular industry sector.

My concerns relate to the restrictions on the Energy Ombudsman's functions, which are set out in clause 12 of the bill. There are more restrictions on the functions of the Energy Ombudsman than there are actual functions. Consumers may find it confusing that the Energy Ombudsman will not be able to accept complaints about the fixing of tariffs for customer connections or retail services, the charging categories for the tariffs, or the fairness or reasonableness of the terms of a connection or retail contract. My main concern about the limitations of the Energy Ombudsman's role is the restriction set out in clause 12 of the bill, which restricts the Energy Ombudsman from becoming involved in a dispute about a customer's contribution to the cost of capital works.

Effectively, these provisions mean that the Energy Ombudsman would not be able to assist consumers such as Mr Hayman, whose case I outlined earlier. When this matter was raised during the briefing on the bill, the advice that I received was that this type of matter would be the responsibility of the Queensland Competition Authority. It is not clear to me how accessible and consumer friendly the Queensland Competition Authority will be. I understand that probably from April next year we will begin to see very intensive advertising and marketing of the new energy industry arrangements. Will the respective role of the Energy Ombudsman and the Queensland Competition Authority be set out clearly in the forthcoming public information campaign?

I know from the type of representation that I receive regularly from my constituents that disputes about a customer's capital contribution is one of the most frequent disputes likely to be encountered by customers in many parts of regional Queensland. I would appreciate greatly some clarification on this point from the minister during his summing-up of the debate.

As I understand it, essentially the Energy Ombudsman will take over the role of the existing Energy Consumer Protection Office, which has been operating for approximately six years as part of the Department of Energy. I understand that the types of complaints likely to be handled by the Energy Ombudsman would include issues such as the receipt by a customer of an unusually high electricity account, the threat of disconnection or disruption of supply and property access and vegetation issues. This is all very well, but it remains a matter of concern that the Energy Ombudsman will not be able to operate as a one-stop shop for consumers' energy complaints. I can understand and accept to some extent the need for the Queensland Competition Authority to have jurisdiction in some of these areas. However, I seek assurance from the minister that the respective roles of the Energy Ombudsman and the QCA will be set out clearly, be readily accessible and be understandable for energy consumers. I conclude my contribution to the debate by expressing my thanks to the departmental officers who provided a briefing on these bills. I look forward to hearing the minister's response to the points that I have raised.